Establishing a Social Protection Floor in Jordan:

Diagnostic, costing, fiscal space and impact assessment

Regional Office for the Arab States

Public Finance, Actuarial and Statistical Branch, Social Protection Department

International Labour Office

November 2016

Contents

Abbreviations and acronyms

ACI	Area of Critical Importance
ALMP	Active Labour Market Policy
ANC	Access Antenatal Care
CHC	Comprehensive Health Clinics
CBJ	Central Bank of Jordan
CHI	Civil Health Insurance
CIP	Civil Insurance Program
CRC	Convention of the Rights of the Child
DOS	Department of Statistics
ETVET	Employment Technical and Vocational Education and Training
FAO	Food and Agriculture Organization
GBD	General Budget Department
GDP	Gross Domestic Product
GE	Government Expenditure
GFC	Global Financial Crisis
GFJTU	General Federation of Jordanians Trade Union
GST	Goods and Services Tax
GST	Goods and Services Tax
HIES	Household Income and Expenditure Survey
HHC	High Health Council
HQ	Head Quarter
ILC	International Labour Conference
ILO	International Labour Organization
IMF	International Monetary Fund
ISTD	Income and Sales Tax Department
JCI	Jordan Chamber of Industry
JD	Jordanian Dinar
JRP	Jordan Response Plan
JRPSC	Jordan Response Platform for the Syria Crisis
JUH	Jordan University Hospital
MENA	Middle East and North Africa
MOaIA	Ministry of Awqaf and Islamic Affairs
MOE	Ministry of Education
MOF	Ministry of Finance
MOH	Ministry of Health

MOL	Ministry of Labour
MOMA	Ministry of Municipal Affairs
MOPIC	Ministry of Planning and International Cooperation
MOSD	Ministry of Social Development
MSME	Micro, Small and Medium Enterprises
NAF	National Aid Fund
NAIRU	Non-Accelerating Inflation Rate of Unemployment
NHA	National Health Accounts
NGO	Non-governmental Organisation
OADDI	Old Age, Disability and Death Insurance
OECD	Organisation for Economic Co-operation and Development
PHC	Primary Health Clinics
PMT	Proxy Means Testing
RMS	Royal Medical Service
ROAS	Regional Office for Arab States
SQ	Status Quo
SPF	Social Protection Floor
SPF-I	Social Protection Floor Initiative
SSC	Social Security Corporation
TPA	Third Party Administrator
TSA	Through a Single Account
UNDP	United Nations Development Programmes
UNHCR	United Nations High Commissioner for Refugees
UNICEF	Untied Nations Children’s Emergency Fund
UNRWA	United Nations Relief and Works Agency for Palestine Refugees
USD	United Sates Dollar
VAF	Vulnerability Assessment Framework
VAT	Value-Added Tax
VHC	Village Health Clinics
WFP	World Food Programme
WHO	World Health Organization
ZF	Zakat Fund

Acknowledgments

Under the patronage of the Former Prime Minister H.E. Dr. Abdullah Ensour the Social Protection Floor Initiative (SPF-I) was launched in Jordan in 2012. H.E Dr. Nidal Katamine, Former Minister of Labour gave new impetus to the initiative in 2015 and a National Tripartite SPF Advisory Board was constituted in 2016.

The ILO mandated Mr. Arthur van de Meerendonk Senior Social Protection Expert, to act as the main author of the report. He was supported by a junior economist, Mr. Michel den Hann, who provided technical inputs to the chapters related to fiscal space analysis and the costing assessment. Mr. Tareq Abu el Haj Senior Economist and Social Protection expert provided the technical inputs for the chapters related to impact assessment of a national SPF on poverty, gender and women empowerment and child labour, and vulnerability assessment. Moreover, the report benefited from the international expertise of Dr. Zina Nimeh Senior Social Protection expert, who contributed technically to the mapping of social protection and gap assessment. The project was coordinated by the Regional Office for the Arab States (ROAS) of ILO in Beirut, and carried out under the supervision of Ms. Ursula Kulke, Regional Social Security Specialist and with the technical support of Ms. Christine, Rouhana Research Assistant. The project was technically backstopped by the Social Protection Department of ILO in Geneva in particular Ms. Anne Drouin, Mr. Hiroshi Yamabana, and Mr. Andre Picard who have provided technical guidance throughout the project.

The ILO team greatly benefited from the advice and information provided by Dr. Mohamed Tarawneh Deputy Director General for Information and Research Affairs (SSC), Mr. Mohamed Khrais Director of Researches & Actuarial Studies Administration (SSC), Dr. Ahmad Abu Haidar, Head of Policies Department (MoSD), Dr. Fawaz Ratrout Advisor to the Minister (MoSD), Dr. Raghida Al Faouri Director of Policy and Strategies (MoL), Ms. Orouba Al Sabbagh / Head of Social Protection team (MoPIC), Dr. Qasem Al Zoubi, Director General of the Department of Statistics (DoS), Mr. Abed Wadoud Matouk Deputy Director General for Technical Functions (DoS) , Ms. Hanaa Al Khrabsheh Director of Institutional Development Department (NAF), Mr. Basheer Al Zoubi Head of Information Department (ISTD), Dr. Abed Al Hakeem Al Shibli Head of Policies Department (MoF), Dr. Hassan Barakat Head of Research Department (CBJ), Mr. Muntaser Masadeh Head Social Protection Budget Section (GBD General Budget Department), Mr. Feras Al Mallah Head of Research Section (GBD), Dr. Abed Razak Al Shafei Head Health Economics Department (MoH), Mr. Ghaleb Hassan Financial Manager (ZF), and Mr. Sari Al Khateeb Internal Control Manager (ZF). The ILO team also benefited from the guidance and inputs provided its social partners in particular, by Dr. Ahmad Al Shawabkeh Director of Labour Relations at the General Federation of Jordanians Trade Unions (GFJTU), Mr. Ahmad Ghanem Unions activist (GFJTU), Dr. Maher Mahrouq Director General (JCI), and Mr. Anan Zaytoun Head of SME Technical Support Unit (JCI).

The report benefited from the valuable comments and inputs of Mr. Jawad Aslam Senior Social Policy Specialist, UNICEF Amman Office. Various UN agencies were consulted and provided valuable inputs, in particular Ms. Nathalie Bouche, Team Leader Inclusive Growth and Sustainable Development UNDP Regional Hub.

The Director General of the ILO would like to express his appreciation to Ministry of Labour and all ILO constituent in Jordan, for extending their trust in the ILO for conducting this study.

Executive summary

Introduction. Jordan has established a comprehensive set of social protection programmes ranging from cash transfer schemes to subsidies, tax exemptions and social services. This includes public social insurance (financed through SSC) and public and semi-public social assistance programmes (financed through the National Aid Fund and Zakat Fund). Jordan operates a multitude of subsidies that help to shield the poor and vulnerable from high and volatile prices of basic commodities, such as food, housing and fuel. In addition, some substantial tax reductions or exemptions are in place, also with a view to protecting low income households. International agencies provide shelter and support in cash and in kind for the large number of refugees hosted by Jordan.

In line with the ILO's Recommendation No. 202 and the 2012 International Labour Conference's Resolution concerning efforts to make social protection floors a national reality worldwide, and the Jordanian tripartite stakeholders' endorsement of the social Protection Floor (SPF) initiative, this report assesses the fiscal space that is available to the government of Jordan to finance social protection programmes. The Social Protection Floor aligns with the more encompassing Agenda 2030 for Sustainable Development that was adopted in 2015. In addition to this, the work in this report and in particular the work conducted on programmes for children is aligned with the objectives in the Convention of the Rights of the Child (CRC)

The government's strategic document, Jordan 2025, includes a section listing a series of targets in the area of social protection, covering a broad range of contingencies. The ILO definition of social protection addresses the risks and adversities that are to be remedied by social protection stating that social protection comprises 'all measures providing benefits whether in cash or in kind to secure protection. This report's focus lies on non-contributory schemes and programmes, cash transfers, (tax) subsidies and social services, including health care where services are accessed through subsidized contributions.

Poverty situation. Jordan will go through a gradual demographic transition in the coming two decades in which the working age population will expand relative to children. This creates a window for economic growth provided this work force is productive. Education and access to decent jobs are going to be pivotal in this respect. Children from poor or near-poor families, however, do not attend pre-school in the same numbers as children from wealthier families, and also drop out earlier.

Some 14 per cent of households were poor according to the Jordan HIES 2010, and in total 40 per cent of households were vulnerable. Larger households are more at risk than smaller households and households with children or disabled members even more so. Over the life cycle, Jordanian children are most at risk, with another peak for working age adults 36 to 45 years old (typically the age when adults are raising their children and incurring additional education costs). There are serious challenges for youth in entering the labour market and finding jobs matching their educational competencies. Large numbers of Jordanians with a job do not earn enough to make ends meet (these are the working poor). Apart from this, there is insufficient support for Jordanians with disabilities in all age categories. Last but not least, most of the elderly Jordanian residents do not have a pension. This leads them to be dependent on their extended families or be compelled to continue working in their old age.

In 2010, overall, social protection transfer income was only slightly targeted pro-poor, with 38.1 per cent of the poor population receiving social protection transfer income, compared with 35 per cent of the non-poor population (Table ES1).

Table (ES)1: Coverage by poverty status, 2010

Direct and indirect beneficiaries	Poor	Non-poor	Total population
All social protection	38.1	35.0	35.4
SSC Pensions	21.9	30.1	29.0
Social Security (non-old age pensions)	0.0	0.5	0.4
NAF	17.9	5.7	7.4

A slightly higher proportion of the poor population benefit from contributory SSC pensions (21.9 per cent) than from tax-financed NAF benefits (17.9 per cent). The remaining 78.1 per cent of the poor population are excluded from NAF due to insufficient coverage – as NAF coverage corresponds to approximately half of the poor population – and targeting errors - as a significant share of NAF beneficiaries are vulnerable but not poor. In contrast to the low coverage and transfer values of NAF, the high coverage and transfer incomes from SSC pensions generate higher impacts in terms of poverty and inequality reduction. In the absence of SSC pension payments, the prevalence of poverty would rise from 14.4 per cent up to 22.6 per cent, thus increase 8.2 percentage points. On the other hand, it is estimated that NAF benefits reduce national poverty rates from 15.5 per cent to 14.4 per cent, equivalent to a meagre 1.1 percentage points.

Economic and public finance situation. Jordan's economic track record has been good until 2009. Since then, the financial crisis (GFC), the political turmoil in the region in the aftermath of the Arab spring events in 2011 and disruptions in gas supplies have had a negative impact. Moreover, Jordan faces some structural economic challenges. The recent slowdown in the growth of jobs was reflected in a decelerating growth in the number of labour force participants which was as low as 0.8 per cent between 2010-13. While the unemployment rate remains high, the fall in the employed-to-population ratio (32.6 per cent in 2014, similar to its level in 2005) is a major cause for concern. On top of this, at 10.4 per cent, Jordan has one of the lowest female labour force participation rates in the World and even lags behind most MENA countries. There is also a huge skills mismatch. Last but not least, the decline in opportunities for jobs in the public sector and continued inflow of refugees have led to an 'informalization' trend in the labour market.

Government policies have cushioned the economic shocks. However, this has come at a price. This is most visible in the public debt/GDP ratio. This has increased from 67.1 per cent in 2010 to 90 per cent in 2015. Challenges in government finances are now to increase revenues – in particular, tax revenues – and contain expenditure.

Economic and labour market projections. For the medium term (until 2020), one can be optimistic with respect to Jordan's economic outlook but at the same time external risks (in particular the regional turmoil, but also risks emerging from price fluctuations in international markets) remain elevated. The government's strategic document, Jordan 2025, has outlined two scenarios. The target scenario aims to achieve a 7.5 per cent real GDP growth rate in 2025, which should bring unemployment down to 9.2 per cent or less. This scenario presupposes the adoption of most, if not all, reform measures that have been proposed in the document. The second scenario (entitled: the 'baseline scenario') arrives at a 4.8 per cent real GDP growth rate in 2025, with unemployment hovering around 11.7 per cent. This present report remains close to the government's baseline scenario. The assumptions for this baseline scenario have been summarized in the table (Table ES2) below.

Table (ES)2 Economic and labour market projections, baseline scenario (2015-2030)

Main economic indicators[a]	**2015-2020**	**2021-2025**	**2026-2030**	
output (real GDP) growth	4.3	4.6	4.1	
labour productivity growth	0.5	1.2	1.2	
inflation (GDP deflator)	2.6	2.6	3.0	
nominal interest rate (period average)	5.4	6.1	6.1	
Labour market[b]	**2015**	**2020**	**2025**	**2030**[d]
labour force participation rate	37.8	38.9	40.3	..
employed-to-population ratio	32.9	34.3	35.9	..

female employed-to-population ratio	*10.6*	*11.2*	*11.9*	*..*
unemployment rate	13.0	11.9	11.0	..
Public finance[c]	**2015**	**2020**	**2025**	**2030**
total revenue (incl. grants)	27.4	26.4	25.5	24.8
total expenditure	29.1	29.6	28.8	28.5
overall balance, deficit	1.7	3.2	3.4	3.6
public debt (gross)	90.1	71.7	64.3	61.0

[a]: annual average growth rates per period, [b]: percentages of total population in the same age group, unemployment rate is in percentage of total labour force, [c]: in percent of GDP, [d]: labour force projections for this report take 2025 as a horizon.

Mapping Current Social Protection Programmes in Jordan. In order to assess what could constitute a minimum Social Protection Floor (SPF) package covering basic social security guarantees for Jordanians in the areas of: access to essential health care for all, provisions of income security for children, poor individuals in their working ages and families with children, and for elderly and disabled; first, a mapping was conducted of the current social protection programmes.

Health. Jordan's expenditure on health care recorded 7.9 per cent of GDP (2013). Health services in Jordan are financed out of various sources. The largest are the MOF (JD 667.4 million, 2012) and private households (JD 582.9 million, 2012). The development of a health insurance scheme for all Jordanians has been included in the Government's planned health care reforms. However, currently, less than 80 per cent of the population is covered by health insurance. Main insurance carriers are the Civil Health Insurance (CHI), the Royal Medical Service (RMS).

Children. Children are covered as members of poor and/or vulnerable households in various programmes (SSC, NAF, Zakat Fund, Social Services, Health Services). No specific child benefit exists in Jordan. For poor and vulnerable categories of pre-school and basic (primary) school pupils the MOE runs a nutrition (school feeding) programme providing one school meal per diem to 210 thousand pupils in 2014 in the basic school ages (6-12).

Active ages. Like with children, Jordanians in their active age are covered as members of poor and/or vulnerable households in various programmes (SSC, NAF, Zakat Fund, Social Services, Health Services). Social services programmes are administered through the Ministry of Social Development (MoSD). Their programmes can be categorized into: programmes for disabled, social defence, and families and children programmes and are first and foremost in kind programmes, offering for example, counselling or training. Total expenditure recorded JD 17.1 million in 2015, out of which JD 8.6 million for the disabled persons programmes, JD 2.7 million for Social Defence, and JD 5.8 million for families and children. The Ministry of Labour (MOL) operates a range of employment programmes or active labour market programmes (ALMPs). These include employment services, establishing productive centres, subsidized labour programmes.

The National Aid Fund (NAF) operates a series of programmes ranging from cash transfers to in kind services, targeting, among others, households with orphans as members, convicts, disabled, missing persons, single parent (female headed) households and divorced women and their families. Total expenditure recorded JD 85.6 million in 2015, and over 99 thousand households were beneficiaries, also in 2015. However, it turns out that the geographical distribution of beneficiaries is not well aligned with the geographical spread of poor households. Finally, the Zakat Fund operates several programmes, including cash assistance for poor and vulnerable households. In 2014, 316,315 households were beneficiaries and total expenditure recorded JD 29.1 million.

Elderly. Pensions are Formal sector workers and their dependants are covered under SSC. For the elderly Jordanians, SSC is the main provider of social insurance. The main component under SSC is the OADDI (old age, disability and death insurance) branch. Those who are not covered under SSC are reliant on NAF, Zakat, or their working household members for their income provision.

The mapping leads to the conclusion that the social protection landscape in Jordan is fragmented. Coverage is limited and benefit levels are low. There is no overarching strategic framework, nor any regulated form of coordination between the various administering agencies and programmes.

Table (ES)3 Overview on existing programmes for people in various age categories, Jordan 2014/15

	Geographical and population coverage	Financial volume	Geographical and population coverage	Financial volume	Geographical and population coverage	Financial volume
	Children		Working ages		Elderly	
Nutrition (school feeding)	Nationwide 210 thousand children (± 14.6 % of children in prim. schools) 2014	Exp: = JD 4.5 million 0.02% of GDP 0.06% of GE	*(not applicable)*		*(not applicable)*	
Social Services	*(similar to working age)*		Nationwide, 14,839 households or individuals (2015)	Exp. JD 17.0 million, 0.22 % of GDP, 0.06 % of GE	*(similar to working age)*	
ALMPs	*(not applicable)*		Nationwide, 22,433 participants (households or individuals)	Exp. JD 1.24 million (2014) 0.005 % of GDP 0.016 % of GE	*(not applicable)*	
NAF	Nationwide, 111,158 children (2015)	Exp. JD 36.3 million, 0.13 % of GDP, 0.46 % of GE	Nationwide, 99,349 households, 111,211 working age individuals (2015)	Exp. JD 85.6 million, total (households), JD 36.3 million (2015) 0.13 % of GDP, 0.46 % of GE	Nationwide, 34,282 elderly (2015)	Exp. JD 11.2 million, 0.04 % of GDP, 0.14 % of GE
Zakat Fund	*(similar to working age)*		Nationwide, 316,315 households or individuals (2014)	Exp. JD 29.1 million 0.11 % of GDP, 0.37 % of GE	*(similar to working age)*	
SSC	*(not applicable)*		12,110 Work Injury recipients, .. maternity, UI	Exp. JD 29.5 million (2013), 0.12 % of GDP	Nationwide	Exp. JD 616.9 million (2013), 2.59% of GDP

Costing a Scenario for a Social Protection Floor in Jordan. The report contains two cost scenarios. The first, entitled 'Status Quo scenario', assumes no major changes in the existing programmes. In this scenario, the share of GDP accruing to cash transfers and social services for children (ages <18) declines in the projections from 0.15 per cent in 2015 to 0.11 per cent in 2025. Likewise, the GDP share of cash transfers, active labour market programmes and social services allocated to Jordanians in their active ages (18-59) declines from 0.31 per cent in 2015 to 0.25 per cent in 2025. The GDP share of social protection accruing to elderly (60+) diminishes from 0.044 in 2015 to 0.040 per cent in 2025.

The second scenario, the 'Social Protection Floor (SPF) scenario', introduces several new programmes aiming to address the main design and implementation gaps following from the mapping exercise and corresponding to the three SPF guarantees: children, active ages and elderly.[1] The main programme for children would be a Universal Child Grant, covering two contingencies. The first would cover all children in the ages 0 through 5 with a benefit of 22 JDs per Month – excluding children of the wealthiest 20 per cent of households. The second grant specifically addressing children's needs would be an education stipend for children to counter the alarming dropout rates in secondary education. The stipend would also be 22 JDs/Month and would be conditional upon continued school enrolment. In 2021 the programme would reach full coverage and in 2025, 109.3 thousand students would qualify for the stipend. The third is a grant for the disabled. This grant would cover all age groups and to be eligible one has to have a severe disability and not be enrolled in SSC. This programme is envisaged to be implemented in 2017. The benefit would be set at the level of the poverty threshold (67 JDs/Month for an individual). The total number of estimated recipients would be 62 thousand in 2017, accumulating to 76 thousand in 2025. The fourth social protection programme caters for the elderly and consists of a Universal Social Pension for those who are not beneficiaries under one of the SSC social insurance schemes. Like the Disability Grant, the Social Pension benefit would be set at the level of the poverty threshold (67 JDs/Month for an individual). The rollout is foreseen between 2018 and 2021, and it is estimated that the number of beneficiaries rises from 41.8 thousand in 2018 to 187.1 thousand in 2021, and further to over 200 thousand elderly in 2025. Being poor or vulnerable in Jordan is related to living in a household with children, elder or disabled members, as has been discussed earlier. Therefore, no specific programme for the active ages has been envisaged. This group will benefit from the other programmes.

Table (ES)4 highlights the differences with the outcomes of the SQ scenario. With respect to children, the SPF package, after full implementation, would cost 1 per cent of GDP in 2025, as compared to 0.1 per cent of GDP in the SQ scenario. For Jordanians in their working ages the SPF package would cost 0.3 per cent of GDP, against 0.25 per cent in the SQ scenario. For the elderly Jordanians the introduction of the Universal Pension in conjunction with the scheme for the disabled would cost a little over 0.4 per cent of GDP in 2025, compared to an expenditure of 0.04 per cent in 2025 in the SQ scenario.

Table (ES)4 summarizes the results from the costing projections.

Table (ES)4 Expenditure on non-contributory social protection, Jordan, 2015 – 2025: Status Quo and SPF scenario

(in JD million, unless specified otherwise)	2015	2020		2025	
		SQ	SPF	SQ	SPF
Social Protection for Children	41.0	43.5	176.2	45.8	419.1
(in per cent of Government expenditure)	*0.52*	*0.44*	*1.77*	*0.38*	*3.46*
(in per cent of GDP)	*0.15*	*0.13*	*0.53*	*0.11*	*1.00*
Social Protection for Working ages	84.3	93.3	122.7	102.8	136.6
(in per cent of Government expenditure)	*1.07*	*0.94*	*1.23*	*0.85*	*1.13*
(in per cent of GDP)	*0.31*	*0.28*	*0.36*	*0.24*	*0.32*
Social Protection for Elderly	11.9	14.1	127.7	16.6	182.2
(in per cent of Government expenditure)	*0.15*	*0.14*	*1.28*	*0.14*	*1.50*
(in per cent of GDP)	*0.04*	*0.04*	*0.38*	*0.04*	*0.43*
Total					

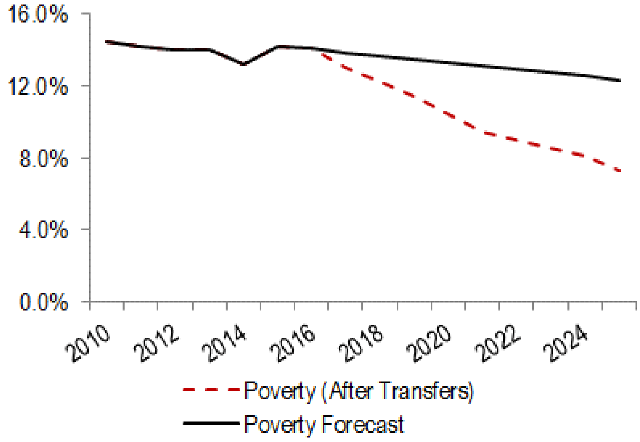
[1] The fourth SPF guarantee, universal health coverage, has not been elaborated in this report pending discussions with SSC on a separate ILO report (Extending Health Care and Insurance in Jordan, draft report – 2015).

The impact of establishing a SPF on the poor and vulnerable Jordanians. The baseline trend (SQ scenario) slopes slightly downward as the headcount (percentage of poor households) would fall from an estimated 14.2 per cent in 2015 to 12.3 per cent in 2025 (that is, without the proposed SPF reforms). The impact of the SPF scenario marks a clear break, as the headcount further falls to 7.3 per cent in 2025. The GINI coefficient, measuring income inequality instead rising from 0.338 in 2015 to 0.351 in 2025, would fall to 0.333, as a consequence of the proposed SPF reform.

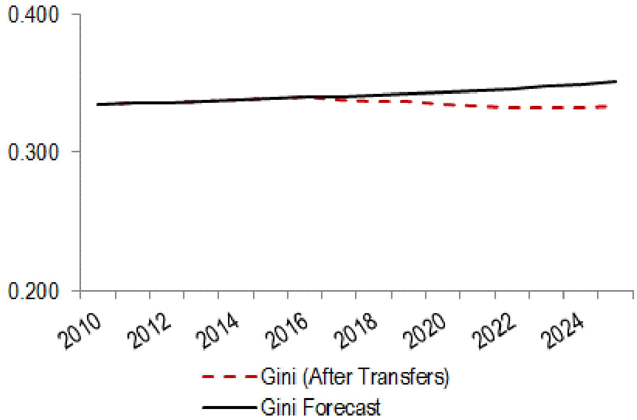
Figure (ES)1 captures the highlights.

Figure (ES)1: Projected poverty in Jordan 2010-2025 – SQ (baseline scenario) and SPF scenarios

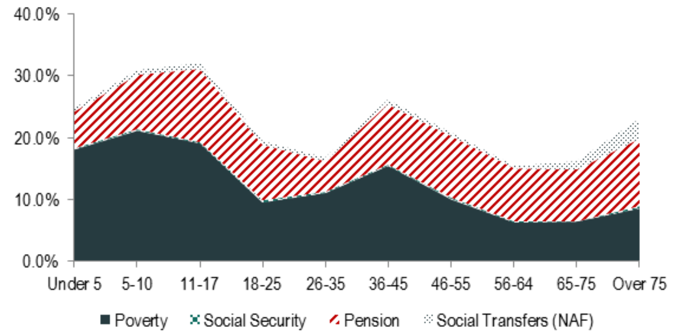
Poverty Headcount: baseline (SQ) and after SPF reform



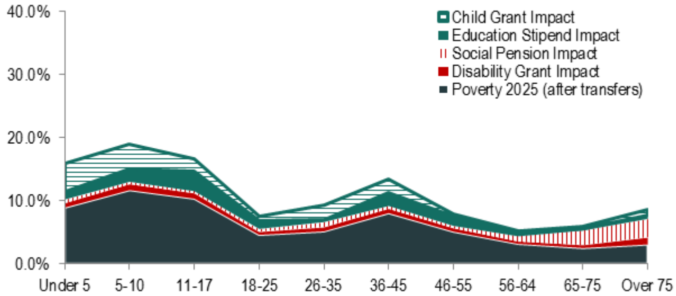
GINI coefficient: baseline (SQ) and after SPF reform



The impact of existing social insurance/protection schemes on life course poverty in 2025



The impact of the new SPF schemes on life course poverty in 2025



The two graphs at the bottom of figure ES.1 show the impact of the current social protection programmes in terms of poverty reduction in 2025 (left graph), vis-à-vis the further reduction due to the proposed four SPF programmes.

Fiscal space. Fiscal space can be defined as 'the financial resources that governments can mobilize to finance a certain series of programmes, without endangering the government's current or future financial position or credibility.' There are two approaches in the literature. One is normative in that it seeks to establish 'debt limits' or boundaries that governments should keep clear from. The other approach is descriptive and perhaps more pragmatic. It identifies the dimensions that governments can explore in their quest for fiscal space. This report follows both approaches.

According to the baseline scenario, (gross) public debt in the decade after 2020 will continue to fall from 72 per cent to 61 per cent of GDP in 2030. Then, in the longer run, the debt/GDP ratio will rise again to 72 per cent in

2065. Comparing this path with the government's target debt/GDP ratio (80 per cent), at first sight there seems to be some fiscal space for increasing public expenditure. The additional fiscal space that can be mobilized compared to the baseline scenario is at its height 1.2 per cent of GDP in 2025 and then tapers off to 1.0 per cent of GDP in 2030. Hence, the baseline path of public debt (Section 3.2) leaves a window for additional public expenditure, at least in the medium-term (2015-2025). After 2025, a downward adjustment of increase in expenditure is required to ensure that in the longer run the government's 80 per cent debt/GDP target will hold. Nevertheless, this window is vulnerable for economic 'bad weather conditions', such as, for example, a more moderate GDP growth rate and/or a higher implicit rate of interest on public debt. This report recommends using this uncertain window as a public finance buffer rather than spending it on additional social protection measures.

However, there are several avenues government could pursue to increase fiscal space for financing social protection. The first lies on the ***revenues*** side of the budget. It appears that there is fiscal space, in particular in direct tax revenues, but also indirect taxes – through either increasing the current tax rates, lowering the threshold (widening the tax base), or improving tax collection, or all three. In particular, widening the tax base should be considered. The fiscal space that can be mobilized on the revenue side can be estimated at 1.33 per cent of GDP in 2020, stabilizing around 1.7 per cent of GDP in 2025-2030.

On the ***expenditure*** side there is also fiscal space, particularly in further redressing public sector salaries. However, this avenue has been taken into account (factored in) in the baseline scenario presented earlier. The same applies for subsidies. Government has been successful in curtailing expenditure on subsidies. IMF in its medium term outlook for Jordan foresees a continuation of reform leading to a further slowdown in expenditure (at least until 2020). The assumption in this report is that subsidies reform will be completed in the medium term. Further reductions in subsidies would harm the poor and vulnerable, and it is imperative that these measures will be compensated through specific social protection programmes. The report concludes that no additional fiscal space seems available from further expenditure cuts.

There is some further fiscal space in the area of ***financing the public deficit***. Should the government succeed in reallocating debt towards titles listed at lower rates of interest, this would depress interest costs and create fiscal space. The report elaborates an example where a 0.5 per cent lower rate of interest (lower than assumed in the baseline scenario, and maintained over the projection period) would lower the GDP share of interest costs with 0.3 percentage points in 2020, more or less stabilizing at this differential afterwards.

There is limited fiscal space in ***external grants***. In fact, there are some downward risks in receipts from grants in the IMF's medium-term projection and it would not be advisable to assume major increases in the future.

Options in terms of mobilizing ***fiscal reserves*** are limited. The report elaborates a tentative scenario where the Central Bank of Jordan would channel part of reserves towards 'social infrastructure' – for example, investing in health and/or education facilities. The final avenue the report explores –more conducive ***macroeconomic policies***– is not a viable route to go for the short to medium term given the still rather precarious state of Jordan's public finances.

The ***conclusion with respect to fiscal space*** is as follows. The baseline path of public debt leaves a window for additional public expenditure, at least in the medium-term (2015-2025). After 2025, a downward adjustment of expenditure growth, relative to the baseline path, is required to ensure that in the future the government's 80 per cent debt/GDP target will hold. This window of fiscal space has been estimated to build up to 1.2 per cent of GDP towards 2025, declining gradually afterwards, but still amounts to almost 1 per cent of GDP in 2030. However, such a window is vulnerable to economic 'bad weather conditions' and is not to be used for additional expenditure.

In order to create fiscal space for social protection programmes, several avenues were explored in this report. Table (ES)5 summarizes the total fiscal space that can be mobilized from the sources discussed above. The table reveals that fiscal space that can be allocated for additional social protection spending could be 1.9 per cent of GDP in 2020, further increasing to 2.25 per cent of GDP in 2030. Whether this fiscal space will be available depends on whether or not the measures that have been suggested in this chapter will be implemented.

Table (ES)5 Fiscal Space accruing from additional measures: 2015-2030, selected years

(in per cent of GDP)	**2015**	**2020**	**2025**	**2030**
Fiscal Space from baseline scenario	**-**	**0.6**	**1.2**	**1.0**
Additional measures:				
Revenue measures	-	1.3	1.7	1.7
Expenditure measures	-	-	-	-
Debt restructuring	-	0.3	0.3	0.3
Reserve measures	-	0.3	0.3	0.3
Fiscal Space (additional measures)[2]	**-**	**1.9**	**2.3**	**2.3**

Overall Conclusions.

Larger households and, in particular, households with children and/or disabled members are more at risk to find themselves poor or vulnerable. There are currently no social protection programmes of sufficient scope and magnitude to specifically address these categories.

Jordan's economic track record has been good, given the circumstances. However, for the future, downward risks remain elevated. In particular the labour market is in a deplorable state with low female labour force participation, declining job opportunities in the formal sector, a huge disconnect between educated skills and demanded skills, and a general trend towards 'informalization'.

The public finance situation leaves little room for manoeuvre. The public debt/GDP ratio has increased from 67.1 per cent in 2010 to 90 per cent in 2015. Challenges in government finances are now to increase revenues – in particular, tax revenues – and contain expenditure

The mapping of social protection programmes in Jordan, alongside the four Social Protection Floor guarantees leads to the following conclusions.

- ***Health*** expenditure in Jordan is up to international standards. However, there are large coverage gaps in health insurance. This, in addition to some other challenges in health care provision, has not been further elaborated in this report (a separate ILO report looks in to this).
- No specific child benefit exists in Jordan. ***Children*** are covered as members of poor and/or vulnerable households in various programmes. The same applies to poor and vulnerable categories of Jordanians in their ***working ages***. There are provisions for disabled persons within MoSD's Social Services, NAF and Zakat but coverage and benefit levels are limited.
- For the ***elderly*** Jordanians, SSC is the main provider of social insurance. However, the majority who are not covered under SSC are reliant on NAF, Zakat, or their working household members for their income provision.
- In total, non-contributory social protection expenditure in Jordan – excluding health, education and SSC expenditure – stands at a meagre 0.4 per cent of GDP.

[2] Note: this represents the additional expenditure (as a share of GDP) that would bring the debt/GDP ratio back at the level of the baseline scenario.

The '***Social Protection Floor (SPF) scenario***', proposed in this report, introduces several new programmes aiming to address the main design and implementation gaps following from the mapping exercise.

- The main programme for children would be a Universal Child Grant, covering two contingencies. The first would cover all children in the ages 0 through 5, excluding children of the wealthiest 20 per cent of households. The second grant addressing specific needs for children would be an education stipend for children to retain them in education up to at least the age of 17.
- The third new programme is a grant for the disabled. This grant would cover all age groups and to be eligible one has to have a severe handicap and not be enrolled in SSC. The benefit would be set at the level of the poverty threshold.
- The fourth social protection programme is a Universal Social Pension for the elderly who are not beneficiaries under one of the SSC social insurance schemes. Like the Disability Grant, the Social Pension benefit would be set at the level of the poverty threshold.

In conjunction, this SPF package, after full implementation, has been estimated to ***cost*** 1.7 per cent of GDP in 2025, as compared to 0.4 per cent of GDP in the Status Quo (SQ) scenario where no new programmes are envisaged.

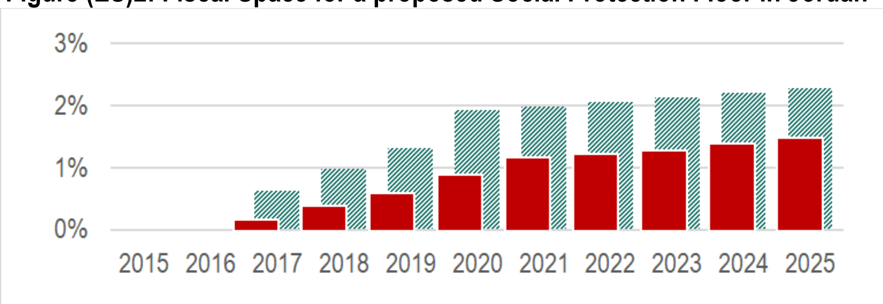
In terms of ***impact***, the SPF scenario would mark a clear break, as the poverty headcount falls to 7.3 per cent in 2025, as a consequence of the proposed SPF reform, compared to a slight fall to 12.3 per cent in the SQ scenario.

Fiscal Space. This report has elaborated an economic growth scenario that remains close to the government's baseline scenario, as outlined in Vision 2025. In this baseline scenario public debt will continue to fall to 61 per cent of GDP in 2030. Then, in the longer run, the debt/GDP ratio will rise again to just above 70 per cent in 2065. The report, in comparing this path with the government's target debt/GDP ratio (80 per cent), observes that this leaves some fiscal space for increasing public expenditure. However, the report also acknowledges from the economic risks mentioned earlier that more fiscal space should be created.

This fiscal space can be found in particular in direct tax revenues, and perhaps also indirect taxes. In particular, widening the tax base should be considered. The report has also proposed several other avenues. Total fiscal space that hence can be allocated for additional social protection spending could be 1.9 per cent of GDP in 2020, further increasing to 2.25 per cent of GDP in 2030.

Figure (ES)2 combines the conclusions from the fiscal space and the costing exercises. The blue bars represent the fiscal space (in per cent of GDP) that can be mobilized over time from the proposed measures in the report. The red bars indicate the costs of the SPF package (likewise in per cent of GDP). It is clear that the red bars remain well within the confines of the blue bars. In other words, the figure shows that it is possible for the government of Jordan to finance a set of social protection programmes with a view to establishing a Social Protection Floor for the currently poor and vulnerable individuals and households, provided there is a follow-up on the suggested measures to mobilize fiscal space.

Figure (ES)2: Fiscal Space for a proposed Social Protection Floor in Jordan



Chapter 1. Introduction: Establishing a Social Protection Floor in Jordan

1.1 Introduction, social protection in Jordan

Jordan has established a comprehensive set of social protection programmes ranging from cash transfer schemes to subsidies, tax exemptions and social services. The current landscape of Social Protection in Jordan consists of the following categories of programmes:

- public social insurance administered by the Social Security Corporation (SSC),
- a publicly funded social assistance programme through the National Aid Fund (NAF), and the Zakat Fund
- social services, including active labour market programmes and health services,
- subsidies for basic necessities and utilities, and income tax exemptions for low incomes,
- several assistance programmes for Palestinian refugees and refugees from Iraq and Syria and other nationalities delivered through the UN Relief and Works Agency (Palestinian refugees), UNHCR (Syrian and other refugees), and other UN agencies.

In March 2014, a new Social Insurance Law (Law N° 1 of 2014) entered into force. The new Law brought some important modifications to the social insurance scheme in terms of financing (increase of the contribution rates and future adjustment of the earnings' ceiling) and in the benefits calculation and conditions of payment. In the light of demographic pressure, a strong increase in the total population of Jordan, and, in due time, a fall in the ratio of the number of working-age persons to the number of persons in their retirement ages, the most recent (8^{th}) ILO Actuarial Review suggests some further (parametric) modifications to help put the SSC on stronger financial basis. There are no financial linkages between the general budget and SSC, except for the contributions paid for insured government staff.

The NAF, established in 1986 (Law N° 36 of 1986) , has a core role in Jordan's social protection framework. It administers a number of cash transfers for poor and vulnerable categories of individuals and households, and purchases health insurance for its beneficiaries. The Zakat Fund is administered through the Ministry of Awqaf and Islamic Affairs – however, without well-established selection criteria (JPRS 2013).

Various Ministries administer various social services programmes, including human development and social protection programmes, as well as education and health care and active labour market programmes (ALMPs).

Like most MENA countries, Jordan operates a multitude of subsidies that help to shield the poor and vulnerable from high and volatile prices of basic commodities, such as food, housing and fuel. In addition, some substantial tax reductions or exemptions are in place, also with a view to protecting low-income households.

Last but not least, Jordan has been a safe haven in a turbulent region for decades, and hosts a large number of refugees. For these, international agencies give support to provide shelter and support in cash and in kind.

1.2 Objective of the assignment

The Area of Critical Importance (ACI) "Creating and Extending Social Protection Floors" is one of the eight ACIs approved by the International Labour Conference for the 2014–2015 Programme and Budget, in response to the high priority accorded in national and global policy agendas to the question of the extension of social protection coverage. The broad vision of this ACI is embedded in Recommendation

No. 202 and the 2012 ILC "Resolution concerning efforts to make social protection floors a national reality worldwide" that underlines the urgency of immediate and targeted action to assist member States worldwide, including in the Arab States, in establishing their national SPFs.

The SPF is a comprehensive approach which promotes the involvement of a wide variety of national and international, public and private sector stakeholders. In addition, working under the banner of the Social Protection Floor Initiative facilitates cooperation and partnerships with sister agencies and other development partners which are of key importance for certain social protection areas (WHO, UNICEF, WFP, FAO, World Bank etc.).

The Social Protection Floor Initiative (SPF-I)
The Social Protection Floor concept is vested on the notion that Social Protection is a human right, enshrined as such in Articles 22 and 25 of the Universal Declaration of Human Rights (1948), Article 9 of the International Covenant on Economic, Social and Cultural Rights (1966), and in other major United Nations human rights instruments. The Social Protection Floor Initiative (SPF-I), launched in 2009 as a broad UN crisis initiative, is grounded in a rights-based framework. Its concept is based on shared principles of social justice and reflects the call of the Declaration of Human rights for adequate life standards, access to health, education, food, housing and social security. It focuses both on the supply side (ensuring that good quality health care, clean water, food, social services, etc., are available and accessible) and on the demand side (providing cash and in-kind transfers to those who are in need). The SPF-I was further strengthened with the adoption of the ILO Social Protection Floors Recommendation, 2012 (No. 202), This Recommendation (R202) calls upon Member States to establish a social protection floor and to build a coherent social protection system. R202 defines national social protection floors as nationally-defined sets of basic social security guarantees which secure protection aimed at preventing or alleviating, ill health, poverty and vulnerability and social exclusion. These guarantees should ensure that, over the life cycle, all in need have access to at least essential health care and basic income security. Together these guarantees ensure effective access to essential goods and services defined as necessary at the national level.

The Social Protection Floor aligns with the more encompassing Agenda 2030 for Sustainable Development that was adopted in 2015. The themes in this report are relevant for SDGs 1 up to 5, 8 and 10 – just to mention the most related target areas.[3] Moreover, the work in this report and in particular the work conducted on programmes for children is aligned with the objectives in the Convention of the Rights of the Child (CRC).[4]

Jordan 2025 has outlined an inclusive economic growth strategic perspective and the main social sector challenges the government foresees for the upcoming decade. What is more, Jordan 2025 lists a range of measures including measures targeting the socio-economic and health situation of Jordanian citizens. Jordanian tripartite stakeholders launched the SPF as early as 2012 and have subsequently set up a tripartite SPF Advisory Board.

This report sets out to explore the fiscal space that is available for the government of Jordan to finance social protection programmes. This fiscal space will subsequently be tested against a minimum Social Protection Floor (SPF) package covering basic social security guarantees for Jordanians in the areas of access to essential health care for all, provisions of income security for children, poor individuals in their working ages and families with children, and for the elderly and disabled.

[3] Sustainable Development Goals (SDGs) which are most directly related to the Social Protection Floor initiative are: 1. Ending poverty, 2. Zero hunger, 3. Good health and well-being, 4. Inclusive and equitable quality education and promoting life-long learning, 5. Gender equality and empowerment of women and girls, 8. Sustainable and inclusive economic growth and decent work, and 10. Reduced inequalities. Obviously, there are indirect linkages with other SDGs as well.
[4] Article 4 of the Convention of the Rights of the Child (CRC) provides for the obligation of States to invest the appropriate resources for guaranteeing that all the rights safeguarded by the convention are fulfilled to the maximum extent of the available resources.

1.3 Conceptual framework

This report assesses the fiscal space that is available for the government of Jordan to finance social protection programmes. Subsequently this fiscal space – in so far as it is available – will be assessed against a minimum SPF package covering the basic needs of Jordanians in the areas of health care and provisions for children, individuals in their working ages and families with children, and for Jordanians after retirement.

This statement gives rise to two questions. First, *what is fiscal space*? The closest to a definition the literature provides is that fiscal space concerns 'the financial resources that governments can mobilize to finance a certain series of programmes, without endangering the government's current or future financial position or credibility.' There are two approaches in the literature. One is normative in that it seeks to establish 'debt limits' or boundaries that governments should keep clear from. The other approach is more pragmatic. It identifies the dimensions that governments can explore in their quest for fiscal space. These two approaches will be explained in more detail below.

Second, what is *social protection*? It is important at the outset to define the scope of social protection expenditure. The aforementioned government's strategic document, Jordan 2025, includes a section listing a series of targets in the area of social protection, covering a broad range of contingencies (Jordan 2025). The ILO definition addresses the risks and adversities that are to be remedied by social protection stating that social protection comprises 'all measures providing benefits whether in cash or in kind to secure protection, inter alia from (i) lack of work-related income (or insufficient income) caused by sickness, disability, maternity, employment injury, unemployment, old age or death of a family member, (ii) lack of access or unaffordable access to health care, and (iii) insufficient family support, particularly for children and adult dependants (iv) general poverty and social exclusion' (ILO 2010). While this includes both contributory (social insurance) and non-contributory elements of the social protection system, this report's focus is on non-contributory schemes and programmes including health care where services are accessed through subsidized contributions. SSC is self-sustaining and therefore its funding does not derive from the government budget. Nevertheless, as SSC contributions are part of effective tax rates, the contribution rate is relevant for this report. Perceptions with respect to (high) contribution rates limit the government's scope for raising taxes.

1.4 Method, data and structure of the report

Method. It has been mentioned that there are two approaches related to the assessment of Fiscal Space, one being normative and the other pragmatic. The normative approach can be found in publications from IMF and the World Bank. In line with this approach, Ostry *et al.* (2010) and Ghosh *et al.* (2013), for example have estimated the fiscal space available to a series of advanced industrialized countries. In their approach the historical response of countries to increases in their debt is crucial for the confidence that financial markets will have in governments meeting their future debt servicing obligations and in turn their debt limit. This historical response can be observed from the adjustment of the primary balance as a response to the evolution of the debt/GDP ratio. Particularly when debt/GDP ratios have exceeded a certain threshold (for example 50 per cent), the primary balance should be in surplus to ensure that the debt/GDP ratio does not become unstable, or, according to the authors, after a shock will 'not converge to a finite level' (Ostry *et al.*, 2010, p. 3). Countries with a higher risk of defaulting will to a lesser extent be able to sustain high levels of debt. Financial markets will charge excessive rates of interest each time debt needs to be rolled over. More recently, the World Bank has published a report that proposes to look into three dimensions to assess fiscal space: (i) the debt/GDP ratio as a stock measure of fiscal space, (ii) the fiscal deficit/GDP ratio as a flow measure, and (iii) the 'sustainability gap'. This is defined as the difference between the actual primary balance and the debt-stabilizing primary balance, which depends on the target debt/GDP ratio to be achieved in the long run (World Bank, 2015b).

The pragmatic approach, on the other hand, has been followed in a recent ILO overview report (Ortiz *et al.*, 2015) and looks into the areas or dimensions where fiscal space can be found (without entering into a normative assessment of the magnitude of the fiscal space available for any country at any point in time). These dimensions are the following: (i) decrease or re-prioritization of public expenditures (reallocation within the overall spending portfolio), (ii) increase of public revenues, (iii) deficit financing, (iv) recourse to external development aid (grants). Other dimensions that have been mentioned are (v) tapping into fiscal or foreign exchange reserves, (vi) fighting illicit or reverse (South to North) financial flows, and (vii) the pursuit of more conducive macroeconomic policies. Governments across the globe are in the process of tapping these dimensions. Scaling down subsidies (fuel, food and agricultural inputs), capping public sector salaries and rationalizing social protection spending (for example through intensified targeting) are among the most popular approaches. On the revenue side there is scope in increasing tax rates, widening the tax base (introducing VATs, for example), and improving compliance. However, governments in their effort to curtail spending or step up revenues find themselves in the trade-off between economic and social objectives sooner or later. This is because taxation mechanisms tend to be more effective (yield more revenue) when their tax base is less mobile.

This report will follow both approaches. From the literature and interviews with senior officials, at government agencies and the private sector, information has been collected with respect to a 'sustainable path for public debt' for Jordan. This will provide the benchmark to assess the projected development of public debt that emerges from the simulations carried out in this assignment. These projections in the short to medium term follow the IMF's (World Economic Outlook) estimates, and for the longer term have been based on extrapolations of historic trends for the main revenue and expenditure items in the government budget and relevant macroeconomic indicators (such as, real GDP growth, inflation, rates of interest, etc.). This will result in a 'baseline projection scenario' of fiscal space available for financing social protection in Jordan.

Subsequently, the various dimensions (that is: i to vii, as listed earlier) that are there for governments to tap in to will be assessed. To what extent – if any – can additional fiscal space be mobilized through each of these six or seven dimensions? Eventually, this leads to a bandwidth within which social protection expenditure might be increased relative to the baseline without jeopardizing the government's current or future financial position.

For the costing of the existing social protection provisions, the ILO's approach of constructing an assessment matrix or mapping of social programmes has been applied. This assessment matrix is a construct that maps existing programmes' main design characteristics, legislative basis, expenditure levels and actual coverage with their design and implementation gaps. The subsequent phase of the exercise comprises a costing of scaling the existing set of provisions up to the level of a social protection floor. For this, several scenarios have been constructed and the impact of these scenarios on the situation of the poor and vulnerable has been assessed. The costs of these scenarios have been calculated and benchmarked against indicators like, for example, GDP and government expenditure – this has been done throughout the projection timeframe.

Information and data inputs. The report is based on the following sources of information:

1. Official government records and statistics – such as the annual budget of the Government and various reports and data from the Department of Statistics (DOS), including tabulations extracted from the Census 2015.
2. Data received from agencies administering the various social protection programmes.
3. International data sources, including from the IMF, ILO, UNWRA, UNICEF and World Bank.

4. Micro-data, as far as available and relevant. The last Integrated Household Survey (2014), and the Labour Force Survey (2014) from the Human Resources Information Centre have been used.
5. Relevant academic studies and reports from (inter-) national organizations.
6. Insights from interviews with stakeholders and other experts.

Workplan. The following table (Table 1.1) provides the workplan.

Table 1.1. Process followed to produce the report

Phase	Activities	Outputs
1. Scope of the assignment, information collection	• Desk review • Interviews • Establishing methodology	• Technical Note
2. Modelling	• Establishing a social expenditure and revenue accounting frame • Constructing medium-term projections • Mapping current programmes (Assessment Matrix) • Stakeholder consultations about the scenario and validation of baseline projections • Assessing the impact of this scenario on poor and vulnerable categories • Modelling scenario, fiscal space and costing	• Draft Report
3. Conclusion and recommendations	• Conclusions and recommendations for finding fiscal space for social protection • Drafting of the report	• Final Report + simulation model and spreadsheets

The first phase focuses on collecting information and outlining the method. This culminated in a Technical Note. The second phase concentrates on the modelling of the macroeconomic and fiscal environment, the dimensions for tapping fiscal space, Jordan's social budget, and the construction of the assessment matrix for the costing component, and the actual costing and impact assessment of the current social protection programmes and the proposed scenario for upscaling those. The third phase concerns the writing and presenting of the report and discussing the findings with the stakeholders.

Outline of the report. The Fiscal Space Report will be structured as follows: Chapter 2 discusses demographic trends and comes with a profile of the poor and vulnerable categories of people in Jordan. Chapter 3 discusses the macroeconomic and fiscal environment, and labour market trends. Chapter 4 provides a mapping and costing of Jordan's current social protection framework. Chapter 5 elaborates one scenario for reform with a view to establishing a Social Protection Floor in Jordan. Chapter 6 looks into the impact of both the current social protection programmes and the impact of the reform scenario on the poor and vulnerable Jordanian residents. Chapter 7 assesses these costs against the fiscal space available, lists the conclusions from the exercise and proposes some recommendations for the government to render social protection more effective and mobilize the fiscal space for financing social protection in Jordan. Chapter 8 concludes.

Chapter 2. Demographic trends and profile of poor and vulnerable Jordanians

2.1 Introduction

Who are poor or vulnerable in Jordan? What is the profile of poor households? How does poverty evolve over the life course? What is the impact of existing social insurance and social protection programmes? These are among the questions this chapter sets out to answer. Section 2.2 provides a demographic outlook. Section 2.3 discusses the profile of the poor and vulnerable in Jordan and looks at trends. Subsequently, Section 2.4 takes a life cycle perspective towards poverty. Finally, Section 2.5 discusses the impact of existing programmes in terms of poverty alleviation.

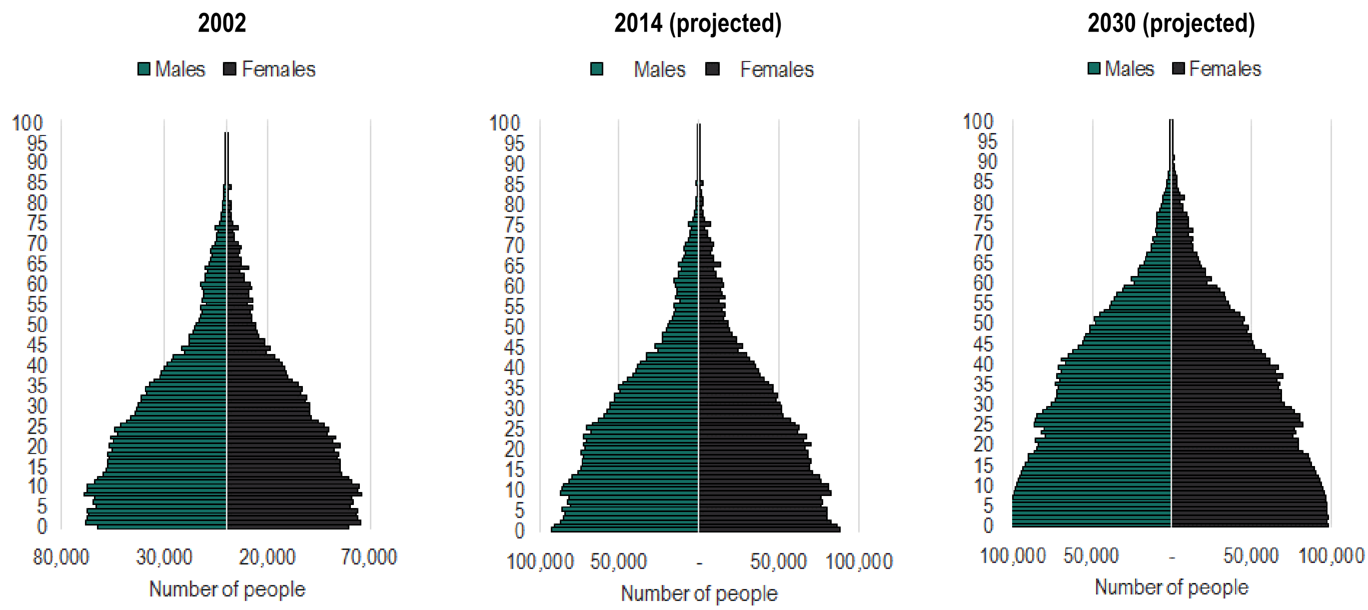
2.2 Population projections

In the ILO's 8th Actuarial Valuation of the SSC population projections, the total population is assumed to increase from 6.6 million in 2014 to 8.5 million in 2025 and 9.3 million in 2030 (ILO, 2015a).

There will be a gradual shift in the age composition of the Jordanian population. The share of children (ages 0 through 17) will diminish from a current 44.6 per cent to 37.0 per cent in 2030. The share of working aged Jordanians (ages 18 through 59), on the other hand, will rise from a current 51.1 per cent to 56.1 per cent in 2030, and also the share of elderly (ages 60 and above) will gradually increase from a current 5.3 per cent to 6.9 per cent in 2030.

Figure 2.1 shows this gradual demographic transition.

Figure 2.1: Population gender/age breakdown and projections, Jordan 2014-2030

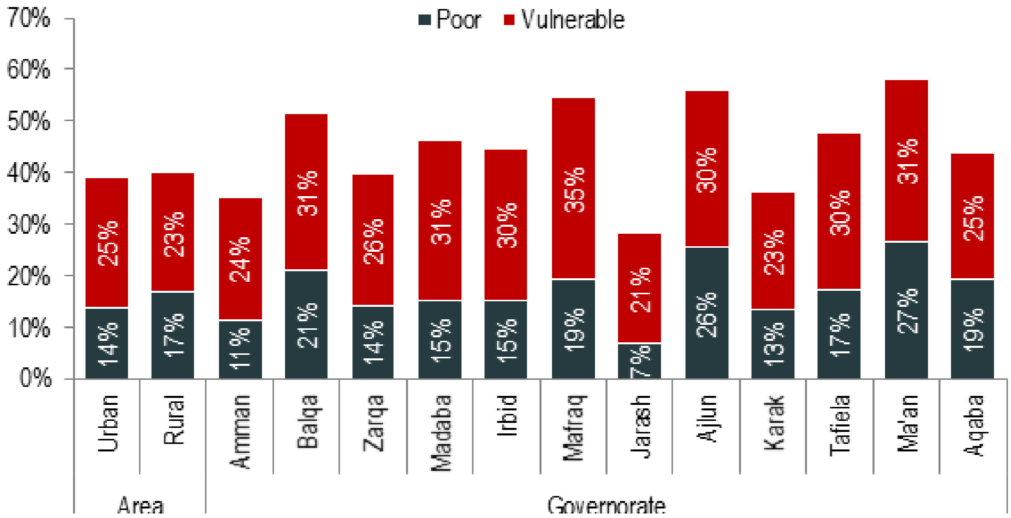


Source: ILO 2015 based on Department of Statistics data

2.3 Poverty composition and recent trends

Between 2001 and 2010 the share of poor households in Jordan has been rather stable, revolving around 14 per cent (14.4 per cent according to the 2010 HEIS). On a sub national level there is some regional variance, ranging from 7 per cent (Jerash) to 27 per cent (Ma'an). Figure 2.2 illustrates this.

Figure 2.2: Share of poor and/or vulnerable households: geographic distribution, Jordan 2010

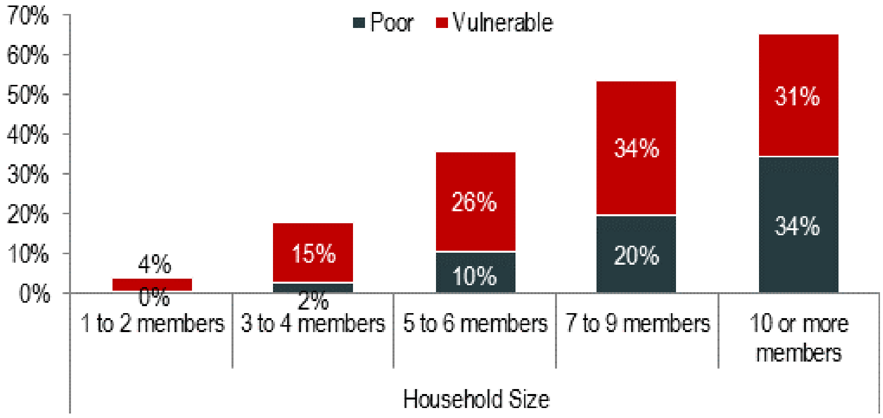


Source: ILO calculations based on HIES2010 data

On the other hand, the last decade has seen some convergence between urban and rural areas. The share of poor households in urban areas has risen (to 13.8 per cent in 2010) whereas there has been a simultaneous fall in rural areas (16.8 per cent in 2010). This raises the question whether this convergence is related to migration of poor households to the urban areas.

In terms of household categories, Figure 2.3 shows that larger households are more at risk of being poor than smaller households. Households with up to 6 members are below average but for the large households (10 members or more) the rate exceeds 20 per cent.

Figure 2.3: Relationship between poverty and/or vulnerability and household size, Jordan 2010

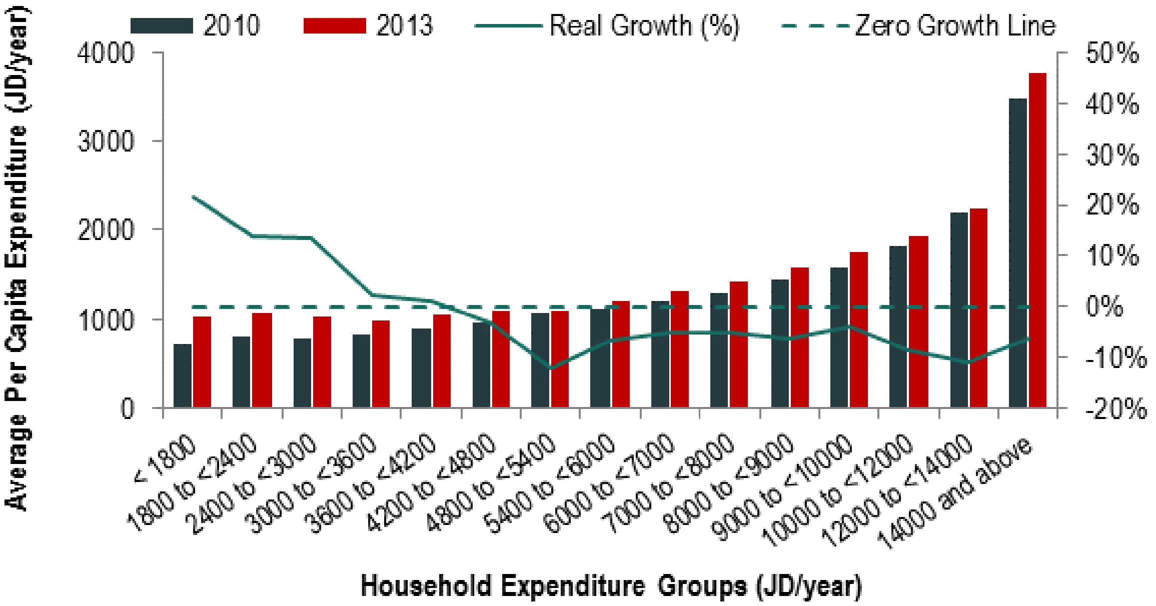


Source: ILO calculations based on HIES2010 data

In addition to this, the prevalence of poverty among the population residing in a household with a disabled household head (28.5 per cent) in 2010 was nearly double the national poverty rate.

To date, the latest (2014) Household Income and Expenditure Survey has not been published but from information that is available from the Department of Statistics, some of the most recent trends have been derived. Figure 2.4 shows per capita household expenditure growth across the income distribution. Households are ranked according to their income at the household level and then growth in per capita income is taken to control for household size. The figure shows that, between 2010 and 2013, real income growth has been concentrated at the lower end of the income distribution, suggesting some redistributive impact.

Figure 2.4: Growth in per capita expenditure by household expenditure group, Jordan 2010 and 2013



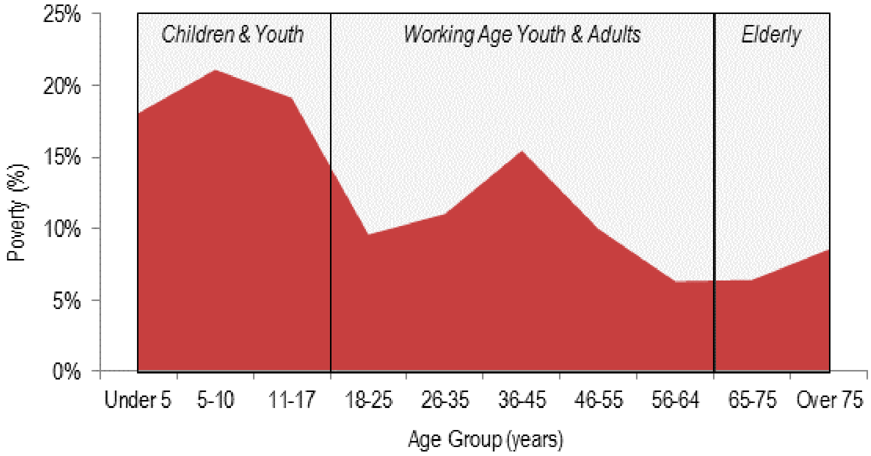
Source: ILO calculations based on HIES2010, and 2013 Department of Statistics (website) data

This may portend the continuation of the trend in falling inequality observed in Jordan during the past decade where inequality, measured by the Gini index, has fallen from 0.396 in 2006 to 0.377 in 2010.

The cumulative distribution function of household expenditure shows a relatively flat distribution as the differences in household expenditure are relatively small for the majority of the population, and only in the top 20 per cent of the population the differences in expenditure become greater. In fact, if the poverty line were increased by only 50 per cent, the poverty rate would increase from 14.4 per cent to 41 per cent. This, combined with a fairly narrow poverty gap (2.8 per cent nationally), points to the likelihood of significant churning around the poverty line, with households continuously cycling in and out of poverty. Research performed by UNDP on geographic poverty pockets in Jordan also confirms the presence of significant movement in and out of poverty over time. Less than half (46 per cent) of the districts/sub-districts on average were consistently 'poor'[5] in 2006 and 2008 while only 10 per cent were consistently 'non-poor' and 44 per cent fluctuate in and out of poverty.

[5] It is important to note that these statistics reflect aggregate poverty rates and the district/sub-district level in accordance with the method applied by the UNDP in the "Poverty Pockets Survey" report and is only presented here for illustration purposes only.

Figure 2.5: Poverty throughout the life course, Jordan 2010



Source: ILO calculations based on HIES2010 data

Figure 2.5 presents the prevalence of poverty for Jordanians over the course of the lifecycle. It is evident that Jordanian children and youth experience poverty to a greater extent than other age groups; though, among the older age groups, poverty prevalence does peak among working age adults 36 to 45 years old (typically the time when adults are raising their children and incurring additional education costs), before falling significantly among the elderly. Large households are often households with a greater dependency ratio and include a greater number of children and elderly. And though these two groups are often considered traditionally vulnerable, the evidence in Jordan suggests that, on average, the elderly have a lower than average prevalence of poverty.

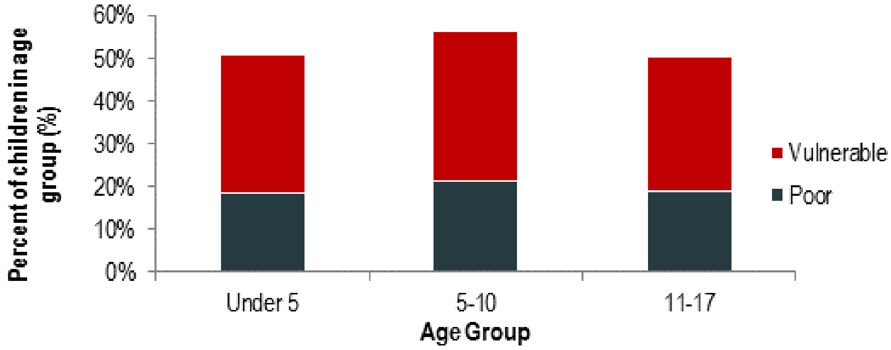
The following section discusses some of the challenges Jordanians face across their life course in an effort to elaborate some directions for social protection measures that might help to overcome these challenges.

2.4 Poverty and vulnerability throughout the life course

2.4.1 Children

Figure 2.6 shows that children are at a higher risk to be either poor or vulnerable. Children in their early childhood are highly vulnerable to shocks in their social, emotional and cognitive development and these shocks affect these children's abilities to become productive citizens in later stages of their lives (World Bank 2006). Between the ages 5 to 10 there is a peak in prevalence – this relates to household size. In this age group children on average live in a larger household.

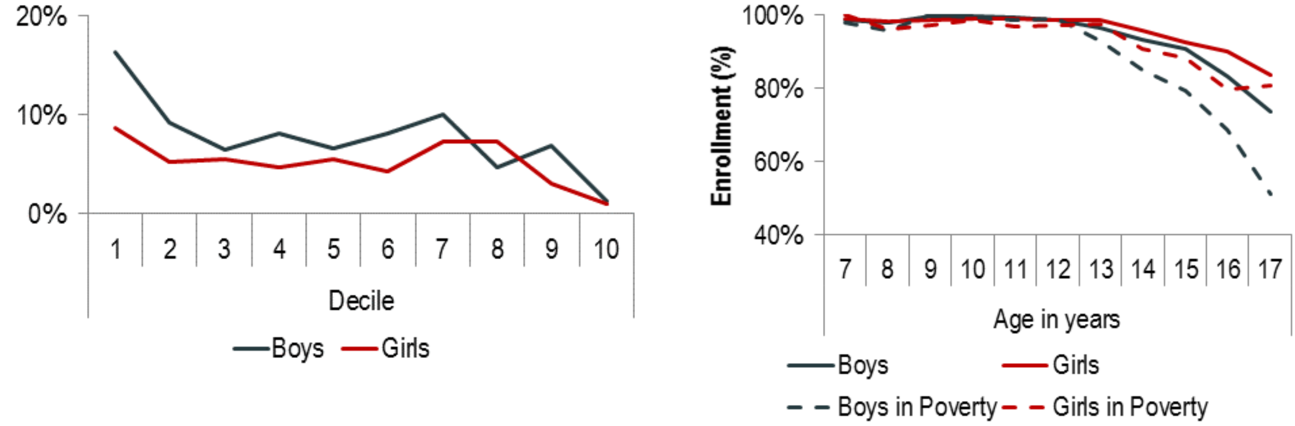
Figure 2.6: Relationship between poverty and/or vulnerability and age of children, Jordan 2010



Source: ILO calculations based on HIES2010 data

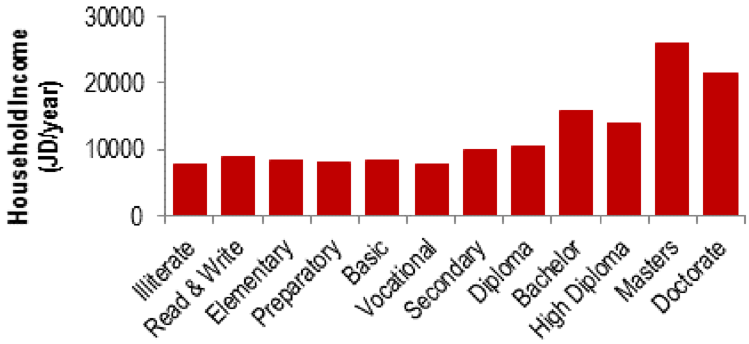
Figure 2.7 illustrates that adolescent dropout from school is more concentrated among poor and vulnerable households than among households at the top end of the income distribution. This is a problem because it tends to reinforce existing poverty patterns. Children from poor families might be called upon to seek work to support their households. This might be an immediate solution for the hardship. However, in the longer run this will sustain them in low-skilled/low-productive jobs and, hence, will preserve poverty across generations. The level of education is a crucial factor in predicting future household income as figure 2.8 shows.

Figure 2.7: Dropout from secondary school related to household income, Jordan 2010



Source: ILO calculations based on HIES2010 data

Figure 2.8: Household income related to educational level of the household head, Jordan 2010



Source: ILO calculations based on HIES2010 data

Summarizing, there are three main challenges in this group.

First, children in their earliest age are vulnerable for deprivations. Gaps incurred in these ages set them back for the remainder of their lives.

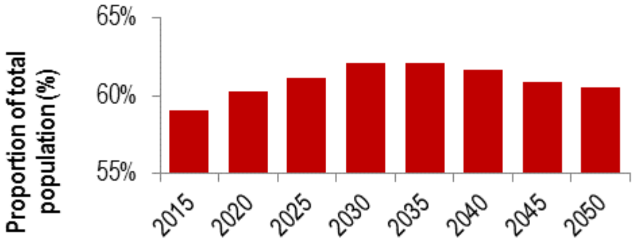
Second, in their basic school age, children are prone to be members of larger households and, therefore, more at risk of being poor or vulnerable.

Third, in their adolescent age, children from poor or near-poor households tend to drop out of school more often than children from households at the higher end of the income distribution. Given the demographic transition in the upcoming decades and the Government's economic growth ambitions, Jordan needs to invest to have a productive work force and cannot afford to see large numbers of children dropping out of education without a proper qualification.

2.4.2 Jordanians in their working ages

Figure 2.9 shows that the share of Jordanians in their working ages will peak around 2030 to 2035. Afterwards, the share will gradually diminish but, for some time to come, the share of working age population will be larger than now.

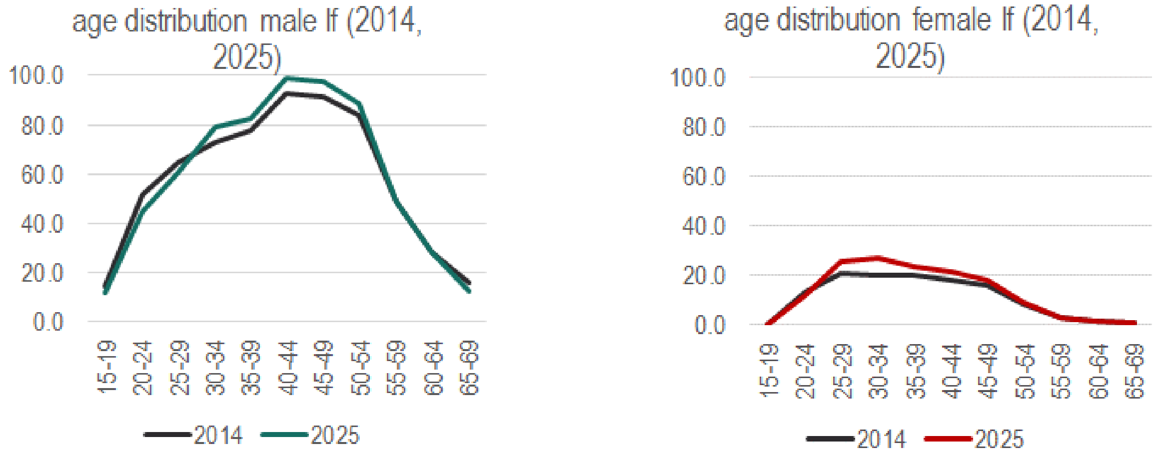
Figure 2.9: Working age population (ages 16-59) as a proportion of the population



Source: UN World Population database

Figure 2.10 shows a huge differential between male and female labour force participation. This is first and foremost a cultural phenomenon. It is rather common in the MENA countries to have a low female labour force participation. However, Jordan is among the countries – even in the region – with the poorest record in this respect (Assaad and Kraft, 2014). The figure also lists projections, and these point towards some improvement over time but this will not come overnight.

Figure 2.10: Labour force participation rates, Jordan 2014 and (projections) 2025

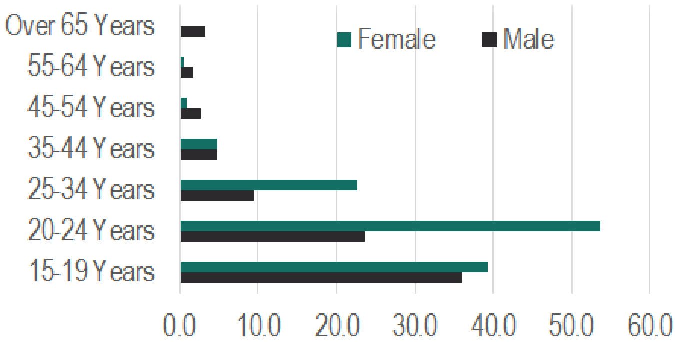


Source: ILO projections based on HRIC2015 data

Figure 2.11 shows the gender and age specific profile of unemployed. Unemployment has a 'female face' and, in particular, a *young* female face. To some extent unemployment statistics for females are hampered because of the low female labour force participation (which constitutes the denominator). However, it is sufficiently clear that women, upon entering the labour market do not easily find employment.

There is also a sizable group of Jordanians with disabilities. This group faces insurmountable barriers for entering the labour market and, hence, is reliant on income from other household members. There are some social protection programmes (NAF and Zakat Fund) catering for persons with disabilities. However, their actual numbers exceed the number of disabled beneficiaries in either of these two programmes.

Figure 2.11: Gender and age specific unemployment rates, Jordan 2014



Source: ILO calculations based on HRIC2015 data

The informal sector has functioned as an important shock absorber, in particular for low skilled, low paid labour in the formal sector in times of adverse economic shocks. Not only cyclically but also structurally, the informal economy has rather increased than diminished its importance. There are no official estimates of the numbers of informally employed but taking the total employment statistics from HRIC and subtracting the number of active insured in SSC provides an estimate. The number of insured under SSC was 1,052 thousand ultimo December 2013, whereas at the same time, the total number of employed according to HRIC statistics was 1,283 thousand (including people aged 65 and older). This would give an estimate of the share of informally employed (231 thousand) in total employment of 18.0 per cent.[6]

The employed constitute 70 per cent of the poor. Hence, it is clear that many of the working age population in Jordan are unable to generate sufficient income through employment alone.

Summarizing what has been said in this sub section, there are four main challenges related to Jordanians in their working ages.

First, female access to the labour market. Little more than 10 per cent of women in their working ages are actually employed. Cultural, as well as institutional factors (regulations) are responsible for this (Assaad *et al*., 2014).

Second, youth unemployment is high and even more so among women. In particular, well-educated youth find it difficult to enter the labour market.

Third, the situation for the disabled is dismal. There are no specific programmes to support this group to earn their own living and hence they are dependent on income support – too often from their own families.

Fourth, there is the situation of the working poor. There is a large share of Jordanian workers who do earn a living but insufficient to sustain themselves and their families.

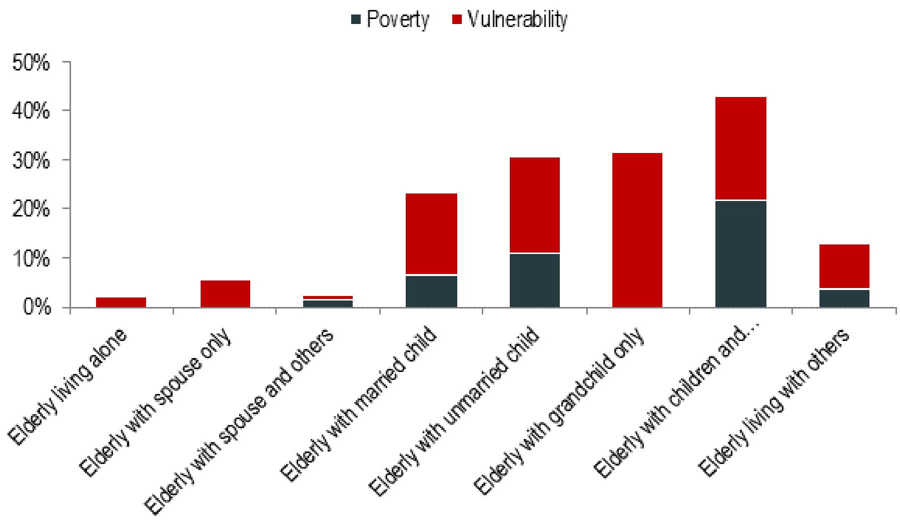
[6] This is about half the share of informal employment of Egypt (derived from ILO calculations).

2.4.3 Elderly Jordanians

The elderly are less able to care for themselves. According to HIES 2010 statistics, 4.4 per cent of Jordanians aged 60 year and above are disabled, this is more than double the national average of 1.8 per cent. This prevalence rises further with age. Elderly with disabilities are twice as likely to be poor (12.6 per cent) than elderly without disabilities (6.3 per cent). In addition, female elderly disabled persons are more likely to live in poverty (15.6 per cent) compared to disabled elderly males (10.2 per cent).

Elderly residential patterns continue to reflect the traditional system of informal care support as 77 per cent of the elderly in Jordan reside with their children and/or grandchildren. In addition, residential living patterns of older people are a reflection of their poverty status, as shown by Figure 2.12. Individuals living in multi-generational household (i.e. elderly living with children and grandchildren) are more likely to be poor than other elderly households.

Figure 2.12: Poverty or vulnerability among elderly related to residential living status



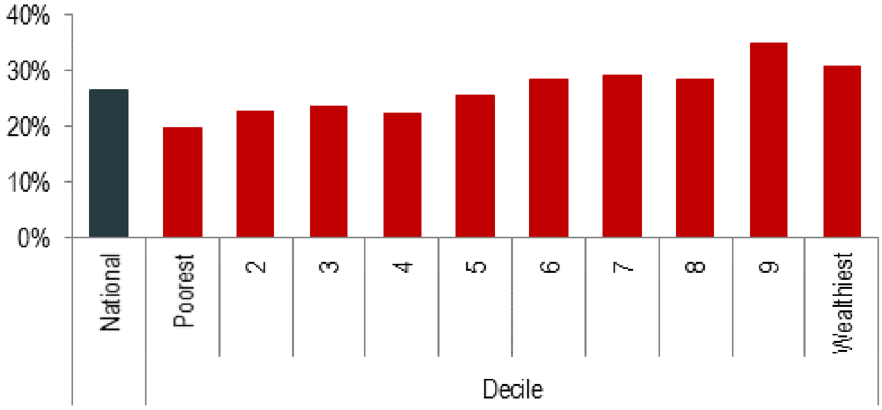
Source: ILO calculations based on HIES2010 data

Figure 2.13 (top graph) indicates that SSC pensions do not represent an important source of income for households across the board. Large numbers of elderly find themselves in a situation where they cannot afford to stop working. Figure 2.10 in the previous sub section revealed that a sizable share of male Jordanians aged 60 or above remain in the labour force.

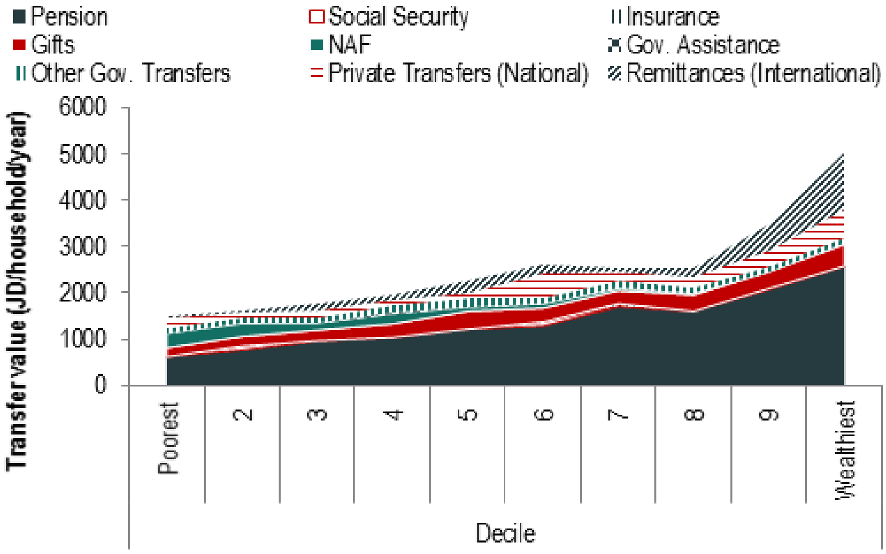
Figure 2.13 (bottom graph) shows that old age pensions represent the greatest proportion of transfer income received by households with least one elderly member. However, the figure makes clear that the wealthier households receive far more than the poor households.

Figure 2.13: SSC pensions and the household income distribution

Top graph: Share of households with elder member(s) receiving a SSC pension – from poorest to wealthiest



Bottom graph: Sources of income for poorest to wealthiest households with elder member(s)



Source: ILO calculations based on HIES2010 data

Conclusion. Most of older Jordanian residents do not have a pension. This leads them to be dependent on their extended families or be compelled to continue working in their old age. Those who are disabled and/or live with their (grand-) children are most prone to be either poor or at least vulnerable.

2.5 Poverty impact of current social protection programmes in Jordan

First, a methodological caveat is needed. The calculations for this section have been based on statistics from the Household and Income Expenditure Survey 2010. Unfortunately, this was the most recent version from which micro data were available to the authors. Therefore, the impact of existing social protection on poverty and vulnerability in Jordan reported in this section cannot be entirely accurate nor up to date. Nevertheless, the most important finding: that there is a sizable gap in social protection coverage for those Jordanian individuals and/or families who are not under SSC coverage, will remain valid.[7]

In 2010, just over one third of the Jordanian population overall – and over half of the rural population – benefited directly or indirectly from transfer income received from one of the three main social protection instruments: pensions, social security entitlements or social cash transfers through NAF (Table 2.1). However, the majority (82 per cent) receive pension income. Social assistance received through NAF, the main national poverty targeted programme, remains low at 7.4 per cent in spite of the national poverty prevalence rate of 14.4 per cent.

Table 2.1: Coverage of social protection programmes: Jordan, urban and rural, 2010

Direct and indirect beneficiaries	National	Urban	Rural
All social protection	35.4	31.6	53.2
SSC Pensions	29.0	25.8	43.8
Social Security (non-old age pensions)	0.4	0.3	0.8
NAF	7.4	6.6	11.5

Source: ILO calculations based on HIES2010 data

In 2010, overall, social protection transfer income was only slightly targeted pro-poor, with 38.1 per cent of the poor population receiving social protection transfer income, compared with 35 per cent of the non-poor population (Table 2.2). Whereas NAF is poverty targeted, the majority of pension and all of the social security recipients are non-poor.

Table 2.2: Coverage by poverty status, 2010

Direct and indirect beneficiaries	Total	Poor	Non-poor
All social protection	35.4	38.1	35.0
SSC Pensions	29.0	21.9	30.1
Social Security (non-old age pensions)	0.4	0.0	0.5
NAF	7.4	17.9	5.7

Source: ILO calculations based on HIES2010 data

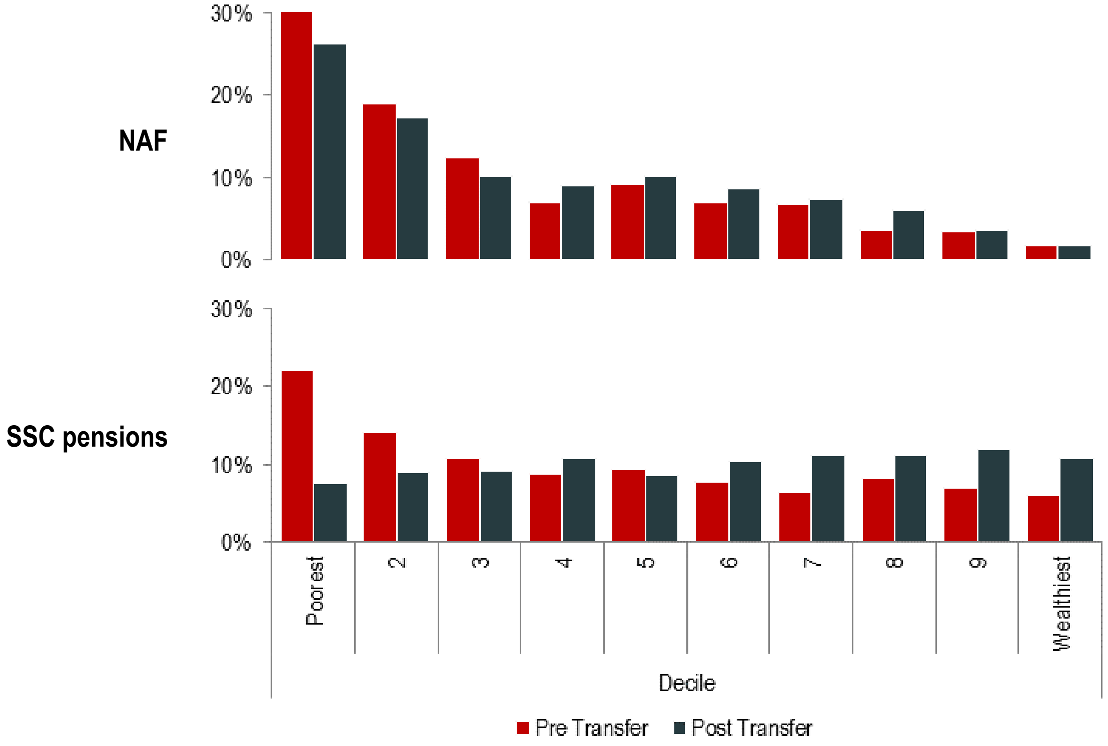
However, despite not being poverty targeted, a slightly higher proportion of the poor population benefit from pensions (21.9 per cent) than from NAF (17.9 per cent). The remaining 78.1 per cent of the poor population excluded from receiving NAF transfer income, otherwise known as exclusion error, are excluded due to deficient design – since the coverage of the programme is approximately half of the poor population – as well as due to targeting errors (see more on targeting errors in the shaded table below).

Figure 2.14 illustrates the distribution of NAF and pension income recipients according to pre and post transfer deciles, underlining the fact that the wider coverage and higher transfer value of pension income is likely to do more to improve the wellbeing of recipients than the narrowly targeted NAF transfer income.

[7] The most important change between 2010 and 2014 lies in the enormous inflow of refugees in the aftermath of the political turmoil in the region. This will – no doubt – have led to a further deterioration in the poverty situation, in particular for those who are not covered under SSC.

For example, 69 per cent of NAF recipients are among the 4 lowest pre-transfers expenditure deciles, falling only to 63 per cent according to post transfer deciles[8]. In contrast, 56 per cent of pension recipients are among the 4 lowest pre-transfers expenditure deciles, falling to 36 per cent once transfer income is accounted for.

Figure 2.14: Pre- and post-transfer net income from SSC pensions vis-à-vis NAF, Jordan 2010



Source: ILO calculations based on HIES2010 data

The rather limited budget allocated to the National Aid Fund (NAF), together with its low coverage and transfer values (this will be elaborated in Chapter 4) implies that NAF is compelled to a 'rationing' of limited resources to a small group of the population, leading to the exclusion of other poor and vulnerable households – many of which would also qualify for a benefit.

[8] Pre transfer decile ranking assumes that the welfare aggregate, real per capita consumption expenditure, would be less by the full amount of the transfer income. Post transfer decile ranking is done using the full value of real per capita consumption expenditure, and is assumed to be higher due to transfer income that it would be in the absence of the transfer.

Proxy Means Testing Social Transfers in Jordan

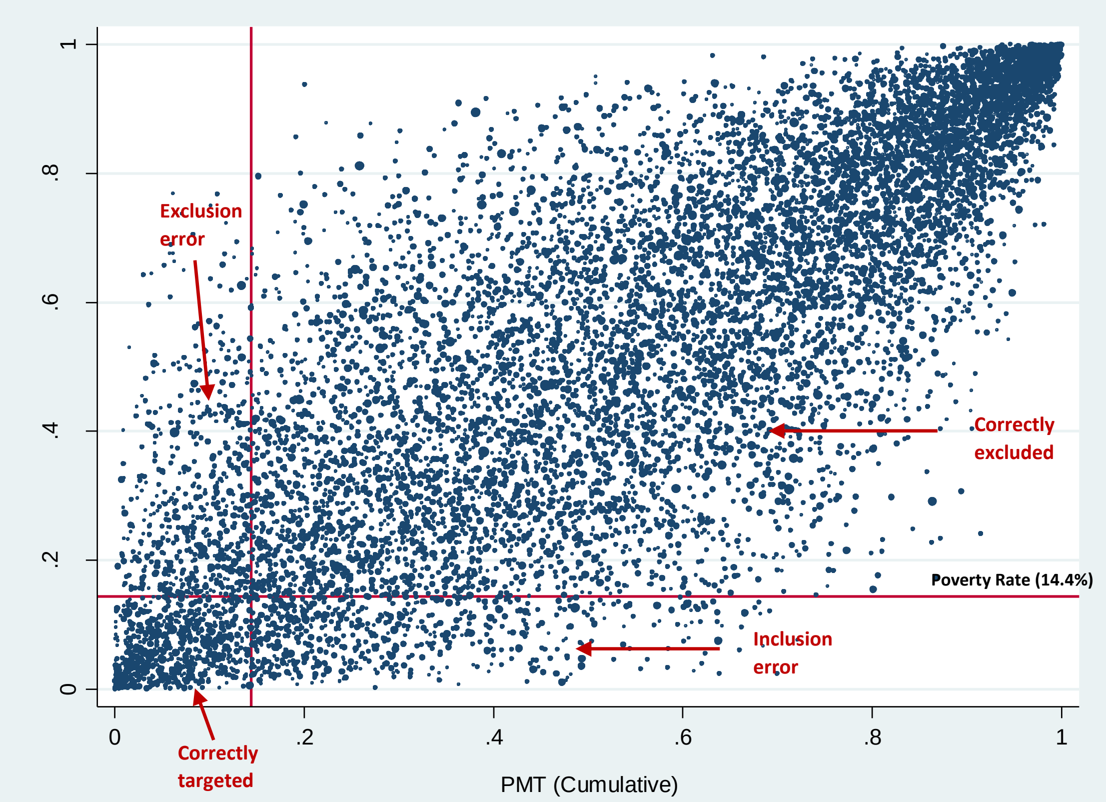
New proposals to apply the Proxy Means Test (PMT) approach to poverty targeting NAF cash transfers to the poor have surfaced alongside the efforts to develop a single registry for social transfers in Jordan. The PMT commonly uses multivariate regression to correlate a list of easily measured proxies, such as household assets and characteristics of household members, with consumption expenditure. This produces estimated parameters that are later applied in calculating "predicted" consumption expenditure – hence welfare – to determine household eligibility to receive poverty targeted cash transfers

However, the PMT suffers from a number of methodological deficits that are reflected as reduced accuracy of targeting. These include deficiencies in sample size, quality of survey data treatment of missing values, design of the welfare aggregate (consumption expenditures) and the choice of equivalence scale (See Kidd and Wylde, 2011). Like all poverty targeting approaches, a major weakness of the PMT lies in the assumption that poverty is static, ignoring that fact that household incomes are constantly fluctuating. For a society where a big proportion of the population is near the poverty line, the constant fluctuation of income, even if small, necessarily means that households are regularly moving in and out of poverty. However, the administrative and financial burden of regularly revising and applying PMT estimates, not to mention the burden on the citizenry, almost always leads to the establishment of "poor lists" – databases or registries of the poor population – at a single point in time. A fact that leads to growing targeting errors over time.

To assess the degree to which the adoption of a PMT approach will affect the targeting accuracy of NAF cash transfers, a PMT for Jordan is estimated and applied to the 2010 HIES data. The results indicate that with the adoption of a PMT for targeting the NAF at the current coverage levels (7.4%) exclusion/inclusion errors would be as high as 52%, meaning that approximately half of those in highest need will be incorrectly left out of the programme. If coverage of the NAF were to be expanded to cover all of the poor (14.4%), exclusion/inclusion errors would fall to 44%, meaning that 4 in 10 of those most in need would be left out of the programme. These errors are illustrated in Figure 29 below.

As previously mentioned, however, this only reflect the errors built into the PMT at the beginning, which implies that these errors are likely to rise with time as household incomes continue to fluctuate leading new households into poverty and lifting others out of poverty.

Figure 2.15: Scatter plot of predicted versus actual per capita consumption (cut off at 14.4%)



In contrast to the low coverage and transfer values of NAF, the high coverage and transfer incomes from pensions generate higher impacts in terms of poverty and inequality reduction[9]. In the absence of pension transfer income, the prevalence of poverty rises from 14.4 per cent up to 22.6 per cent (Table 2.3). Accordingly, pension incomes are estimated to reduce poverty by 56.9 per cent. Inequality, measured by the Gini index, is also reduced by 6.4 per cent due to pension income alone.

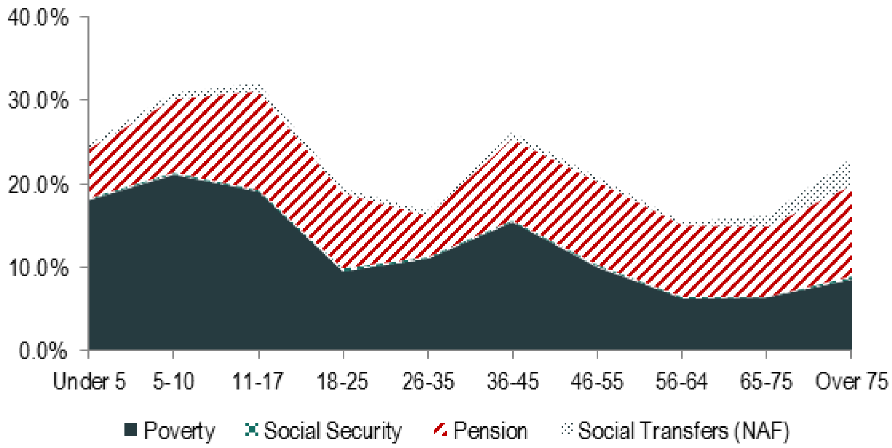
Simulating the absence of NAF transfer income, it is estimated that NAF reduces national poverty rates by 7.6 per cent – from 15.5 per cent to 14.4 per cent – whereas social security transfer income barely reduces poverty by a small fraction of a percentage point despite the high transfer value.

Table 2.3: Impact of social protection programmes on poverty and inequality measures

	Poverty Headcount		Poverty Gap		Inequality	
	P0	**Δ (%)**	**P1**	**Δ (%)**	**Gini**	**Δ (%)**
Current Status	0.144	---	0.028	---	0.328	---
Excluding all social protection	0.240	66.7%	0.073	160.7%	0.357	8.8%
Excluding pension	0.226	56.9%	0.064	128.6%	0.349	6.4%
Excluding social security	0.145	0.7%	0.028	0%	0.329	0.3%
Excluding NAF	0.155	7.6%	0.036	28.6%	0.335	2.1%

Figure 2.16 illustrates that SSC pensions are the major source of income that keeps people out of poverty. NAF benefits rank second (at a large distance) and all other transfer programmes do not appear to make a sizable difference.

Figure 2.16: The impact of existing social insurance/protection schemes on life course poverty



Source: ILO calculations based on HIES2010 data

[9] All simulations in this report assume that the welfare aggregate (real per capita consumption expenditure) would be less by the full amount of the transfer income adjusted according to regional and temporal deflators.

Conclusion. The decomposition of the poverty reduction impacts of each social protection programme by age group shows that pension transfer income, despite being targeted to the elderly, has the greatest impact across all age groups (Figure 2.16). This is not surprising considering that approximately three quarters of the elderly in Jordan live with their children and/or their grandchildren. Evidence from other countries such as Brazil and South Africa[10], shows that pension income received by the elderly is shared with other members of the household and is often spent on the children within the household.

Overall, it is evident that contributory social protection plays a significant role in poverty and inequality reduction in Jordan whereas social assistance plays a minor role in poverty reduction. This is mainly a result of low budget allocations and inadequate coverage.

[10] For further reading see Barrientos and Lloyd-Sherlock (2011).

CH 3 Jordan’s macroeconomic and fiscal environment

3.1 Economic growth

On the surface Jordan’s economic track record has been sound over the past one-and-a-half decade. With annual real GDP growth ranging between 6 to 7 per cent, Jordan has performed well up until 2009. Afterwards, the financial crisis (GFC) and, in particular, the political turmoil in the region in the aftermath of the Arab spring events in 2010 and disruptions in gas supplies from Egypt have had their impact. Some of Jordan’s main export markets dried out and, recently, costs of transport have increased due to the closing of the Iraqi and Syrian borders. The trade balance suffered from these events. The current account deficit was as high as 15.2 per cent in 2012, but has recovered since and stood at 6.8 per cent end of 2014. Table 3.1 reveals the slowdown in the average real GDP growth rate after 2009.

Table 3.1. Economic highlights (2000-2014)

(in per cent)	2000-2004	2005-2009	2010-2014
output (real GDP) growth	5.93	7.42	2.70
real GDP/employed (labour productivity) growth	3.09	3.48	1.62
real GDP/capita growth	3.40	5.05	0.46
employment elasticity of output growth	0.52	0.47	0.60
inflation (GDP deflator)	2.16	5.44	4.24
nominal interest rate (period average)#	4.56	4.58	4.14

#: these are average nominal bank deposit rates (from IMF)

Source: various (Department of Statistics, IMF, ILO calculations)

On a deeper level, Jordan faces some structural economic challenges. These challenges have been highlighted in the Government’s strategic paper, Jordan 2025. One is an incentive structure that is not directed towards the rewarding of effort and merit. The cultural practice of ‘wasta’ (favourism), for example, but also the widespread reliance on subsidies distort the proper functioning of product markets as well as the labour market.

The private sector is not performing to its full potential. Again, Jordan 2025 points out the underlying causes. These structural causes are to be found in regulation and governance (Jordan 2025). For example, SMEs face challenges in accessing credit, contract enforcement is poor and licensing procedures are cumbersome. IMF expects growth to reach its full potential in 2017 (IMF, 2015, p.8).

Inflation has revolved around 5 per cent over the past decade. Inflation exceeded 7 per cent around 2012/13 when international food prices were high and government took measures to liberalize fuel prices. It has come down since and is expected to remain moderate in the medium term (IMF, 2014).

3.2 Labour market

From table 3.1 in the previous section it can be inferred that in the second half of the previous decade (2005-09) real GDP growth did in fact translate into growth in jobs. Even when the employment elasticity of output growth (this is the extent to which GDP growth translates into growth in jobs) was a little below its long-term average in this period. Still, the level has been rather stable, and has fluctuated between 0.47 and 0.60 over the past one-and-a-half decade. Jordan, in this respect, is comparable to some of its neighbouring countries[11]. The slowdown in GDP growth after 2010 is reflected in a slowdown in labour productivity growth and employment growth at the same time. The total number of unemployed has been rather stable around 180 thousand from 2009 onwards. In fact, the slowdown in the growth of jobs (from an annual average 3.8 per cent in 2005-09 to 1.1 per cent in 2010-14) was reflected in a decelerating growth in the number of labour force participants which was as low as 0.8 per cent between 2010-13, whereas at the same time the population in the relevant age group (15-59) kept increasing at a rate of 3.6 per cent in the same period. Hence, while the unemployment rate remains high, the fall in the employed-to-population ratio is a major cause for concern. There seems to be a reluctance among the working-age population to enter the labour market (the so called 'discouraged worker effect').

Jordan has one of the lowest female labour force participation rates in the World and even lags behind most MENA countries (Assaad *et al*., 2014). Little more than 10 per cent of women in their working ages are actually employed. Cultural, as well as institutional factors (regulations) are responsible for this (Assaad *et al*., 2014).

Table 3.2 summarizes available data for the labour force, employed and unemployed.

Table 3.2. Labour force, employed and unemployed (2000-2014)

(in thousands, unless indicated otherwise)	**2000**	**2005**	**2010**	**2014**
labour force	..	..	1,412.1	1,456.0
labour force participation rate (per cent)	..	..	37.4	37.0
employed	908.3	1,023.7	1,235.9	1,282.5
employed-to-population ratio (per cent)	33.1	32.6	32.8	32.6
female employed-to-population ratio (per cent)	*10.0*	*9.0*	*10.9*	*10.4*
unemployed	143.7	177.4	176.2	173.7
unemployment rate (per cent)	..	..	12.5	11.9

Source: Department of Statistics, Human Resources Information (Al Manar Project), ILO calculations

High unemployment and underemployment pose another challenge. In particular, well-educated youth find it difficult to enter the labour market. There is a huge skills mismatch and insufficient emphasis in education programmes on vocational training (IMF 2014, Jordan 2025).

Another cause for concern is the trend towards 'informalization'. Two factors mainly are responsible for this. The first is the inflow of vast numbers of refugees. Jordan has been a haven for refugees from its neighbouring countries over the past decade. These refugees, often skilled and not too demanding in terms of wages, tend to crowd out Jordanian nationals from the labour market – in particular, in agriculture,

[11] The elasticity in Egypt, for example, has been 0.6 throughout the 1990s and also more recently (ILO unpublished).

construction and manufacturing, where foreign workers have occupied more than one-third of the jobs. The second factor has been the decline in opportunities for jobs in the public sector.

3.3 Public finances

Government policies have cushioned the economic shocks. However, this has come with other, perhaps unanticipated costs. This is most visible in the public debt/GDP ratio. This has increased from 64.4 per cent in 2010 to 86 per cent in 2014, further to 90 per cent in 2015 (the figures for 2010 and 2014 can be found in the bottom line of the table below, the public debt to GDP ratio for 2015 is presented in table 4.1).

Table 3.3 summarizes government revenues and expenditures.

Table 3.3. Government Finance highlights: 2000-2014, selected years

(current prices, in million JD)	**2000**	**2005**	**2010**	**2011**	**2012**	**2013**	**2014**
REVENUES							
Total Revenue & Grants	1,802	2,971	4,664	5,414	5,054	5,758	7,096
(per cent of GDP)	*30.0*	*33.3*	*24.9*	*26.4*	*23.0*	*24.1*	*27.9*
Total Revenue							
Tax Revenue			2,986	3,062	3,351	3,652	4,037
(per cent of GDP)			*15.9*	*15.0*	*15.3*	*15.3*	*15.9*
Direct Taxes			703	742	791	795	898
Indirect Taxes			2,283	2,320	2,560	2,858	3,139
Non-tax revenue			1,275	1,137	1,376	1,467	1,910
Grants			402	1,215	327	639	1,237
EXPENDITURES							
Total Expenditure	2,028	3,467	5,708	6,797	6,878	7.077	7,851
(percent of GDP)	*33.8*	*38.8*	*30.4*	*33.2*	*31.3*	*29.7*	*30.9*
Wages and salaries			884	1.014	1.176	1.267	1.320
Good and Services			308	265	236	271	480
Interest expenditure			398	430	583	737	926
Subsidies			300	948	960	340	298
Overall balance, deficit (cash)	226	496	1,045	1,383	1,824	1,318	584
(percent of GDP)	*3.8*	*5.6*	*5.6*	*6.8*	*8.3*	*5.5*	*2.3*
Central Government debt (gross)	6,027	7,525	12,083	13,968	16,934	19,919	21,878
(percent of GDP)	*100.5*	*84.3*	*64.4*	*68.2*	*77.1*	*83.5*	*86.0*

Source: Ministry of Finance, General Government Financial Bulletin, July 2015

The table reveals that government has been successful in the period up to 2009 to regain control on public finances. The GFC, the volatile inflow of external grants and the costs of regulating the electricity market, all contributed to the derailing of the government's budget.

Current challenges in government finances are to step up revenues – in particular, tax revenues (direct taxes) – and contain expenditure.

3.4 Economic and labour market projections

The age profile of Jordan's population (median age lies below 24) provides a window for the coming decades. The labour force is expected to increase at an annual rate of 2.3 per cent in the upcoming decade and the demographic dependency ratio will continue to fall until somewhere between 2045 and 2050, when it will start to rise again (ILO, 2015a). The government's strategic document calls this 'a demographic gift' (Jordan 2025). It buys time for economic restructuring.

For the medium term (until 2020), IMF is optimistic with respect to Jordan's economic outlook but at the same time cautions that external risks (the regional conflict, but also developments on global markets) remain elevated (IMF 2015).

The government's strategic document, Jordan 2025, outlines two scenarios. The target scenario aims to achieve a 7.5 per cent real GDP growth rate in 2025, which should bring unemployment down to 9.2 per cent or less. This scenario presupposes the adoption of most, if not all, reform measures that have been proposed in the document. The second scenario (entitled: the 'baseline scenario') arrives at a 4.8 per cent real GDP growth rate in 2025, with unemployment revolving around 11.7 per cent in this scenario.

This report remains close to the government's baseline scenario. This report's baseline scenario, apart from a few minor modifications, is also similar to the scenario that has been developed for the ILO's most recent actuarial review of the SSC.

Table 3.4 summarizes the projections for both scenarios.

Table 3.4. Economic projections (2015-2030)

(in per cent)	2015-2020	2021-2025	2026-2030
baseline scenario			
output (real GDP) growth	4.3	4.6	4.1
labour productivity growth	0.5	1.2	1.2
inflation (GDP deflator)	2.6	2.6	3.0
nominal interest rate (period average)	5.4[#]	6.1	6.1

[#]: this is the effective rate of interest on Central Government debt (IMF, 2015)

Source: ILO calculations

Labour productivity has been low in the recent past. The Jordanian labour market faces rigidities that prevent, at least in the short term, a significant increase of the productivity of labour. On the basis of IMF forecasts and the projections for the labour force and employment, it is assumed that the growth of productivity of labour will be negative in 2015, gradually increasing to 1.2 percent in 2020 and will remain at that level for the rest of the projection period.

Table 3.5, below, summarizes the projections for the labour force, employed and unemployed, derived from the ILO's 8th Actuarial Valuation of the SSC Fund and calculations following assumptions as to the specific gender/age profile of the work force, employed and unemployed.

It is assumed that the total labour force participation rate will increase during the projection period. The same applies for the employed to population ratio. The growth is due entirely to increased female labour force participation and employment. On the basis of these assumptions, the unemployment rate of 12.6 per cent observed in 2013 will gradually decrease in the baseline scenario to 11.0 per cent in 2025.

Table 3.5. Labour force, employed and unemployed (projections: 2015-2025)

(in thousands, unless indicated otherwise)	**2015**	**2020**	**2025**
labour force	1,533.5	1,831.0	2,148.5
labour force participation rate	37.8	38.9	40.3
employed, baseline scenario	1,334.6	1,612.7	1,912.9
employed-to-population ratio (baseline)	32.9	34.3	35.9
female employed-to-population ratio	*10.6*	*11.2*	*11.9*
unemployed, baseline scenario	198.9	218.3	235.6
unemployment rate (baseline)	13.0	11.9	11.0

Source: ILO calculations based on the most recent HRIC statistics.

Chapter 4. Mapping and costing Jordan's current social protection programmes

4.1 Introduction

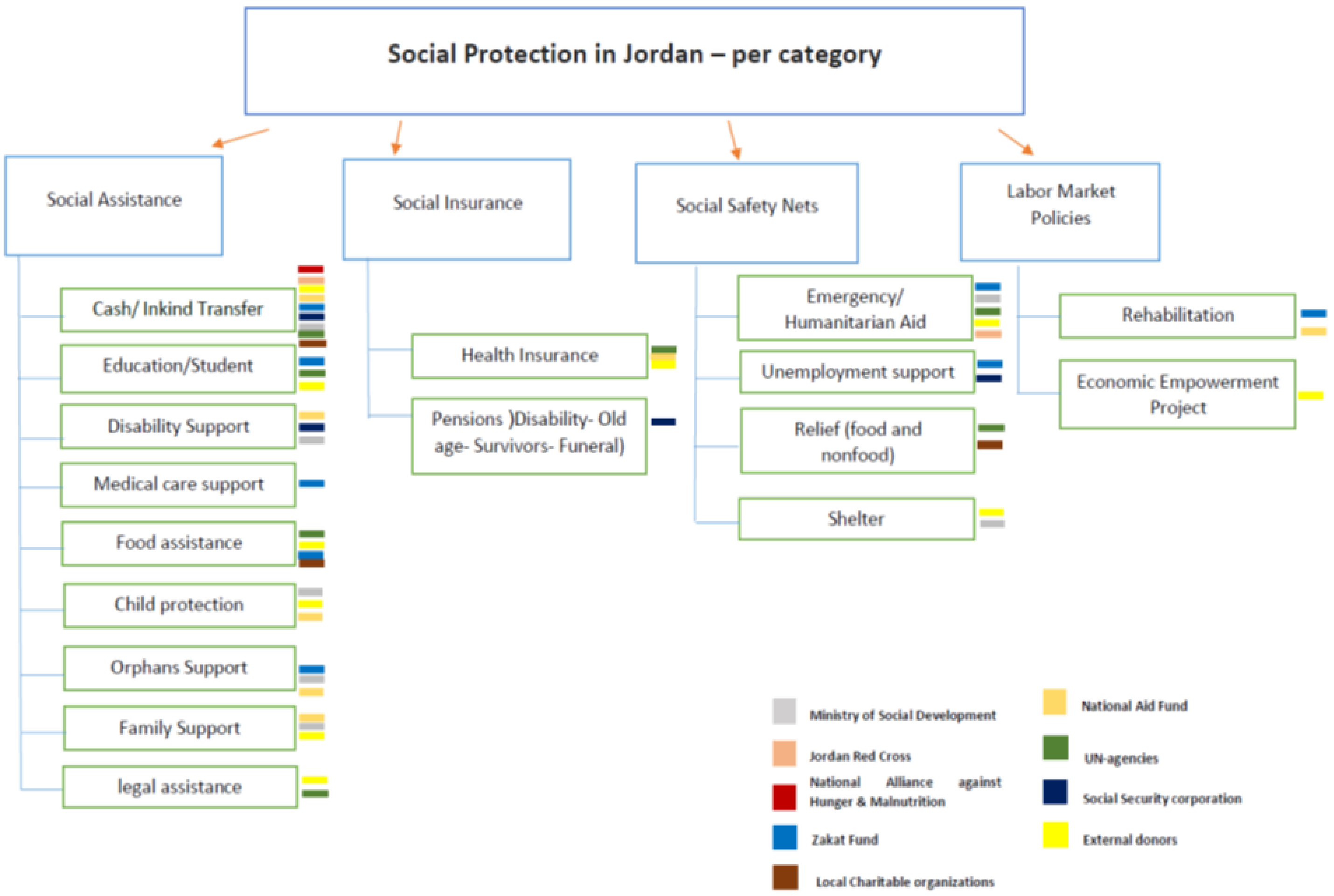
Jordan has a series of programmes aiming to provide social protection to its citizens. However, there is no specific National policy for social protection in Jordan. Specific attention to Social Protection in Jordan became explicit following the National Conference on the Establishment of a Social Protection Floor in Jordan in May 2012, in the form of a collaboration between the ILO and the Social Security Corporation in Jordan, together with UNICEF and WHO.

The broad aim of the conference was to set the ground work to assist the Government of Jordan in the progressive extension of social protection measures through introducing the SPF-Initiative, which aims to assist UN member States in providing a minimum of income security and access to essential health care to all those in need, in particular to the unemployed and to workers in the informal economy. The extension of social protection measures should build on already existing initiatives and programs of the national social security institutions and should promote dialogue between the social partners and other key stakeholders to this end (ILO, 2016).

As it currently stands there are several public entities and organizations which act through its own laws and regulations, and address one or different areas in the social protection sphere. The major organizations which are involve in social protection in Jordan include: the Ministry of Social Development (MoSD) and its National Aid Fund (NAF) administers several programmes (JD 85.6 million, both in 2014 and 2015), the Ministry of Health (MOH), the Ministry of Awqaf and Islamic Affairs, and its Zakat Fund (JD 29.1 million in 2014), the Ministry of Education (MoE), the Ministry of Labour (MoL) and to some extent the Ministry of Municipal Affairs (MoMA). MOHD (JD 886 million, 2015) and MoE (JD 1,036 million, 2015) appear to outweigh all other expenditure on social protection programmes. However, this expenditure only partly comes to the benefit of the poor and vulnerable categories and does not count as social protection expenditure proper. Supporting ministries which are also involved include of Finance (MoF), the Ministry of Planning (MoP).

As can be seen in figure 4.1, there seems to be a clear pluralism when it comes to social protection programs. This structural problem in not a unique phenomenon in Arab countries. Instead of one overarching programme, is often observed several funds, each attending to a specific group or economic sector. This has two major implications. First, there is waste of resources, as there is no economy of scale, and the existence of different schemes opens the possibility of duplicated benefits, and foul play. Second, the lack of communication or compatibility between systems makes the transfer of pension entitlements form one fund to another demanding, or even impossible. The following sections will shed the light on the 4 areas of social protection, namely, health, children and the vulnerable, working age Jordanians, and Jordanians over 60.

Figure 4.1: Major Components of the Social Protection System



4.2 Health

The Jordanian health system is one of the better established systems in the MENA region. Over the past few years Jordan has made strong international commitments to establishing access to healthcare as a human right. Coverage rates have more than doubled in the past decade, partly due to government health reforms which have expanded coverage to include the poor.

The Ministry of Health (MoH) is responsible for all health matters in the country according to the Public Health Law No. 47 of 2008. Its tasks include the provision of primary health care services (preventive health services) and secondary and tertiary health care services. Additionally, the MoH organizes health services provided by the public and private sectors, provides health insurance for Jordanian citizens, and establishes educational and health training institutes to support the health sector with graduates specialized in medical occupations (DHS, 2012).

However, the provision of health services in Jordan is highly fragmented with five major separate health care provider systems, listed in table 4.1 below. Three of these, the Ministry of Health (MoH), the Royal Medical Services (RMS) and the Jordan University Hospital (JUH) provide a large proportion of all care. In addition, the United Nations Relief and Works Agency (UNRWA) the private sector, public firms, and various NGOs provide health care services to smaller populations. Each of these providers will be discussed briefly.

Table 4.1: Health Care Providers

Provider	Funded predominantly from
The Ministry of Health (MOH)	Public Funds
The Royal Medical Services (RMS)	Public Funds
The Jordan University Hospital (JUH)	Public Funds
The UN Relief and Works Agency (UNRWA)	UNRWA Funds
Private Sector, Public Firms & NGOs	Varied

The Ministry of Health. The MoH is the largest provider of health services in Jordan. It was established in 1950 and provides primary, secondary and tertiary services to a significant proportion of the population. The MoH also provides a network of community care services. This network consists of Village Health Clinics (VHC) staffed by nursing and support staff, Primary Health Clinics (PHC) which employ general practitioners and Comprehensive Health Clinics (CHC) where patients have access to medical specialists in addition to the services provided at other health centres.

Royal Medical Services. Established in 1948 with the aim of serving the country's military, the RMS is the second largest public provider of health care in Jordan. The RMS runs 10 hospitals with a total of 2,131 hospital beds (RMS, 2016). Over 50 per cent of RMS beds are in Amman with the others in Irbid, Tafeila, Karak and Aqaba. The RMS also provides primary medical (GP) services for those eligible for its care. Overall Expenditure for the RMS increased by 6.3 per cent on average between 2009 and 2012 from JD 220.5 to 265.1 million. Recurrent costs increased by 11 per cent in the same period.

Jordan University Hospital. The Jordan University Hospital was established in 1973 by the MoH as the Grand Amman Hospital. Two years later it was separated from the MoH as a teaching university hospital under the authority of the University of Jordan and became known as the Jordan University Hospital. Since then it has been autonomous with an independent management structure. It is the most specialized and high-tech medical centre in the public sector and is the primary hospital in Jordan for training of medical students, nursing staff and allied health professionals. It is also a key hospital for postgraduate training of health professionals.

Table 4.2 shows patient admissions and out-patient visits in the hospitals of these various providers.

Table 4.2. Health Services in Jordan: admissions and out-patient visits, 2007-2012

	2007	2009	2011	2012
MOH admissions	314,554	326,730	332,607	339,682
MOH out-patient visits	2,647,261	3,159,200	2,934,034	3,302,676
RMS admissions	..	157,034	..	184,513
RMS out-patient visits	..	4,277,876	..	2,913,209
JUH admissions	..	29,026	..	34,211
JUH out-patient visits	..	3,861	..	415,318

Source: National Health Accounts, various years

United Nations Relief and Works Agency (UNRWA). The UNRWA began operations in 1950 with the aim of providing assistance to thousands of Palestinian refugees uprooted as a result of the 1948 war. UNRWA was meant to be a temporary relief agency but it has become a permanent provider for the Palestinian refugees. UNRWA provides primary health care free of charge; contributes to the cost of secondary medical care for emergency and life-saving treatment and assists in improving the environmental health in refugee camps and provides food aid for poor families. There are 10 official refugee camps in Jordan with a total population of over almost 400,000. In Jordan the UNRWA clinics serve more than 1.1 million people, nearly 56 per cent of the registered Palestine refugees in the country, through their 24 health care facilities (UNRWA, 2016). Around 17 per cent of UNRWA's budget is dedicated to "ensure that 'refugees' health is protected and the disease burden is reduced". The overall program expenditure in Jordan for the year 2012 was US$ 1.2 billion, and the for 2015 the budget estimates were around US$1.5 billion (UNRWA, 2013).

The Private sector. The private health sector in Jordan consists of hospitals, private medical clinics (general practice and specialist) and pharmacies and provides services for all those who are either covered by private medical insurance or are able to pay. There are over 50 private hospitals in Jordan (MOH, 2016) any (28 out of 52) private hospitals are small (<50beds) and some have low occupancy rates (MoH-ASR, 2002). The quality of service provided by private hospitals is said to vary significantly. Private facilities must all be licensed by the Licensing Directorate of the MoH but are otherwise unregulated.

Other health service providers. Public firms such as the Potash Company, Jordan Oil Refinery Oil and Petroleum Company, Phosphate Company, Cement Company, Royal Jordanian Airlines and the Central Bank of Jordan.

Flows of funding. According to the latest figures, Jordan's expenditure on health care was JD 1,890 million, or 7.9 per cent of GDP (table 4.3). This seems high from an international comparative perspective. Most countries in the region spend less. On the other hand, expenditure has declined in the recent past.

In 2009, for example, expenditure was JD 1,658, or 9.8 per cent of GDP. In real terms (using the GDP deflator[12]) health care expenditure has decreased 2.8 per cent per year over the period 2009 – 2013.

Table 4.3: Health Services in Jordan: expenditure, 2009-2013

(in JD million, unless specified otherwise)	**2009**	**2012**	**2013**
Total Health Budget	1,657.6	1,748.4	1,880.9
(in per cent of GDP)	*9.8*	*8.0*	*7.9*
MoH Hospitals	453.1	391.1	..
CIP (Civil Insurance Programme)	232.8	196.2	..
RMS Hospitals (incl. MIP)	220.5	265.1	..
Universities (JUH + KAUH)	93.8	96.1	..
other governmental (ambulance services, etc.)	110.6	59.1	..
private firms	123.3	233.2	..
households	502.4	437.3	..
UNRWA	10.8	12.5	..
(breakdown in functions)			
primary care	146.1	159.3	..
secondary and tertiary care	557.3	530.7	..

Source: National Health Accounts, 2009, 2012 and 2013 (no detailed information was available for 2013).

As for the financing of health services in Jordan, these are financed out of various sources, and the financing agents either procure health services or provide these services themselves. The public funding of health care comes primarily from the Ministries of Finance and Planning, and other governmental entities (such as the Royal Court and the Ministry of Social Development), However households, international donors, and UNRWA also make significant contributions made primarily through premiums paid to health insurance plans and more importantly by out-of-pocket expenditures, and acts both as source of funding and financing agent for its beneficiaries (Palestinian refugees). Table 4.4 below shows the original sources of financing of healthcare funds, and it shows the MOF is the major source of healthcare funds, accounting for almost 40 per cent, this is followed by households, private firms, and other governmental entities. These sources are then channeled to the financing agents, including MOH, RMS, JU and other public universities, households, NGOs, Private Firms, and the Social Security Corporation (SSC), for work related injuries (HHC, 2012).

Table 4.4: Percentage of the total amount allocated by original financing sources, 2012

MOF	MOPIC	Other Government Entities	Households	Private Firms	UNRWA	Rest of the World
38.2%	0.2%	11.0%	33.3%	14.4%	0,7%	2.2%

[12] This is a rather conservative inflator. Medical cost inflation tends to be higher than overall inflation. Therefore, the real (volume) trend most likely will be lower than 2.8 per cent per year.

Memorandum item: Total Amount JD 1,748.4 million

Source: National Health Accounts 2012 (Gov't of Jordan, 2014)

Going back to the MOH, which is the official "duty bearer" for the health provision, according to the latest official figures from MOH (see table 4.5), The Ministry of Health received 6.7% of the total government budget (500 Million JDs). According to the 2011 National Health Expenditure, the total health expenditure made up 7.72 per cent of GDP (1587 Million JDs) a drop down from 9.05 per cent of GDP (1,015 Million JDs), amounting to about 500 million Jordanian dinars, as total health expenditure reached in 2011, according to national health accounts report about 1,587 million dinars, which constitutes (7.72 per cent) of GDP compared with 2007, total expenditure amounted to about 1,015 million dinars, and by (9.05 per cent) of GDP.

Table 4.5: Ministry of Health Indicators for 2013

Population	**6,330,000**
Total MOH spending as a percentage of the general budget	6.7%
Total MOH health expenditure	622 million JDs
Total MOH spending as a % of GDP	2.7%
The per capita share MOH spending	98 JD
Total Ministry of Health spending on drugs	55 million JDs
The per capita share MOH spending on drugs	8.7 JD
The per capita share MOH spending on curative care	68.7 JD
The per capita share MOH spending on primary care	29.3 JD

Source: MOH 2016, based on 2013 data

The flow of funds through the health system is complex. There are many financial intermediaries involved, which results in significant transactions costs, without any corresponding benefits that could arise from competitive purchasing. This occurs in spite of the fact that the lions' share of resources for publicly funded institutions comes directly from government tax-based revenue (GoJ, 2014). Although there are high levels of public funding to public institutions, access to health care is not distributed equally to all citizens. The relative cost of care and the ability to access different institutions depends on membership of various "insurance" programmes. Where financial intermediaries exist (as private insurance and the Civil Insurance Programme), health insurance expenditures are based on a fee-for-service basis with little involvement by the insurance intermediaries in managing the costs or quality of the care they are purchasing. Together with the unplanned expansion of services, transactions costs and the incentives inherent in an uncontrolled fee-for-service insurance system need to be reviewed if the costs of the health system are to be contained. The following section discusses the issue of health insurance and access to health.

Health Insurance and access to health services. According to the DHS 2012 survey, estimates of the percentage of those insured are somewhere between 70 per cent (WHO, 2016) and 85 per cent (DHS, 2012)[13]. It is important to note that while most public health expenditure is financed from tax-based revenue, access to public facilities is not equitably distributed to all citizens (DHS, 2012)

Health insurance funds in Jordan follow the multi-payer model (WHO 2016). It's estimated that out of the whole insured persons, 8.2 per cent are enrolled under *more* than one health insurance scheme. The largest insurer is the Civil Health Insurance program CIP/MOH, covering 42 per cent of the population, followed by the Military Health Insurance Program / RMS, covering 27 per cent, UNRWA covering 9 per cent, private insurance covering 6 per cent, and UHs covering 1 per cent. The remaining 21 per cent of the population are without any form of health insurance (ILO, 2015 b).

The MOH *Civil Insurance Program (CIP)* plays an important role to ensure equity in access to affordable healthcare to all children and persons above 60, as well as focusing on the poor, disabled, and other high risk categories. The majority of the uninsured group has full access to health care though the Royal Court if they have a national number and classified as" unable to pay". In addition, patients with certain chronic diseases[14] are treated by the MoH for free. and this makes them eligible for care in public hospitals for a small co-payment. All universities offer health insurance to their students and employees. Private universities typically offer coverage through their university-owned and -operated clinics.

Less than one in ten (8 per cent) of insured Jordanians are covered by health insurance plans of private (commercial) companies or by self-insured firms. Commercial insurers may function in two ways: as insurers, or as third-party administrators TPA for self-insured firms. Self-insured firms pay directly for health care services on behalf of their employees and their dependents. They also assume full financial risk for their health insurance plans. These firms typically utilize third-party administrators to administer their health plans; thereby, reducing the administrative costs that are associated with managing a health insurance program (HHC, 2011).

All other uninsured Jordanians and non-Jordanians have access to subsidized health care services provided by MOH facilities which are distributed all over the country (WHO, 2016). The evidence from National Health Accounts NHA annual technical reports Shows that the health insurance coverage rate of the population has been increasing gradually between 2000 and 2011 from 60 percent to 70 percent. Jordan is keeping OOP payments under control in order to ensure that the vast majority of population are protected against financial risk and this was proved by evidence based results of *"Fairness in Financial Contribution Study in Jordan, 2010*", which was conducted in collaboration with WHO/EMRO and HQ. The percentage of vulnerable population who faced catastrophic health expenditure and impoverishment was found to be less than 1 per cent.

The development of a health insurance scheme for all Jordanians has been included in the Government's planned health care reforms as detailed in the 2006-2015 National Agenda.

Child and mother health. The MOH provides universal health insurance to all children below the age of six. A new report by the High Health Council (HHC) and UNICEF examining the utilization of health services and health spending by households in Jordan reported that Jordan enjoys very high rates of coverage for full vaccination and there is little variation in the rates by socioeconomic and demographic characteristics. However, there is considerable variation across governorates; for example, coverage is

[13] However: "Under current circumstances it is not possible to estimate the exact health insurance coverage rate for Jordan. Based on various exercises, it is estimated that formal health insurance coverage is between 70 and 93 percent of the total population, including those with duplicate coverage. The recent influx of refugees, however, calls for a downward revision of this estimate.

[14] These include: Cancer - Dialysis - Hormonal Imbalances - Contagious/Infectious Diseases - Accidents/Natural Catastrophes - Mental Health and Psychotherapy - Alcoholism and Drug Addiction - Blood Related Diseases: Haemophilia , AIDS, Anaemia , Aplastic Anaemia , Sickle Cell Anaemia, Thalassaemia.

below 50 per cent in Amman, Jarash, Tafiela, Ajlun, and Madaba but over 80 per cent in Mafraq (UNICEF, 2016). Maternal health services at public facilities are pro-poor. Women from lower wealth quintiles represent a larger share of women who access antenatal care (ANC) services and deliver their babies at public facilities (UNICEF, 2016). When it comes to problem in accessing health care, many different factors can prevent women from getting medical advice or treatment for themselves. In the 2012 Jordan Population Family Health Survey, women were asked about various problems they face in accessing health care. Table 4.7 below show that at least one problem in accessing health care for themselves (JPFHS, 2012).

Table 4.7: Access to Health for women

	Total	Bottom	Second	Middle	Fourth	Top
% of persons with recent acute illness who obtained medicines free of charge	**43**	46	47	41	32	36
Prescription for acute illness was entirely covered by health insurance	**13**	7	17	10	14	22
% of persons with chronic disease whose insurance covers at least one medicine	**72**	79	70	74	75	69

Source: JPFHS 2012

Overall, the proportion of households at more than one hour travel time from a public hospital was 3 per cent and the proportion of households at more than one hour travel time from a public health care center or dispensary was 4 per cent; 95 per cent of the surveyed households were close to a health care facility and 86 per cent was close to a public health care facility. Wealthier households were not more likely to be closer from any type of public health care facility.

Given the lack of a comprehensive universal health care scheme, Jordan has made important moves in order to develop and extend the coverage of the existing provisions. The Social Security Corporation's (SSC) proposals for reforming the health insurance system and delivery mechanisms are concomitant with the ILO's Social Protection Floor goal of universal access to health care for all and avoiding high out-of-pocket payments that drives individuals and households further into poverty.

4.3 Children

Over 17 per cent of children live below the poverty line, in contrast to about 10 per cent of working-age adults and 7 per cent of the elderly. Children make up 57 per cent of the poor. Poverty results from the lack of resources in rural areas and limited economic opportunities in the main cities. The highest rate of poverty is recorded in the governorate of Mafraq, followed by Maan and Tafileh with each governorate including rural and urban areas. However, the majority of the poor people are located in the more populated urban governorates of Amman, Irbid and Zarqa (UNICEF, 2013).

Jordan has ratified international human rights agreements related to children's wellbeing including the Convention on the Rights of the Child (CRC). Nevertheless, with the exception of the school nutrition programme discussed below, child specific social protection programmes do not exist in Jordan. Children are covered as members of poor and/or vulnerable households in various programmes (SSC, NAF, Zakat Fund, Social Services, Health Services). There is little information about children with disabilities or the extent to which vulnerable groups can access mainstream education. Children with disabilities benefit from few programmes or resources and constitute one of the most neglected groups of vulnerable children.

Ministry of Education. Total expenditure on education (the MOE's budget) in Jordan was JD 1,036 million in 2015. This is equivalent to 3.8 per cent of GDP. In addition to the MOE, there are other financing agents, there are schools under the auspices of other government agencies, private schools, and UNRWA operated schools. Expenditure on pre-school education was JD 6.9 million, whereas expenditure on primary schools (up to age 15) amounted to JD 713 million and spending on secondary schools (ages 16 up to 18) JD 98 million, all in 2015. In 2014, there was a total number of 1,847 thousand pupils, out of which 1,265 thousand were attending MOE schools, 451 thousand went to private schools and close to 115 thousand to UNRWA schools. Out of the 1,847 thousand pupils, 931,799 were male and 915,164 female (MOE, 2015 [education digest]).

In addition to this, the MOE operates special education programmes, and programmes for the above age 18 categories, such as vocational education programmes and programmes for eradicating illiteracy and education for elderly.

For poor and vulnerable categories of pre-school and basic (primary) school pupils the MOE further runs a nutrition (school feeding) programme providing one school meal per diem to an estimated 210 thousand pupils in 2014 in the basic school ages (6-12), and a targeted 220 thousand in 2015. Estimated expenditure in 2015 was JD 4.5 million, which has been included in the JD 713 million, listed earlier for primary education (MOE, 2015 [budget]).

Ministry of Social Development. The Ministry of Social Development (MoSD) runs a number of social services programmes. Its legal framework comprises Regulations on Child Care from birth to age 18 years (1972), Juveniles Law and its amendments (1968), Reform of Rehabilitation Centres Law (2004), Juvenile Probation Law (2006). Care for orphans is regulated in the following regulations: Orphans Law and its Amendments (1953), Regulations on legacies and orphans funds and its amendments (1955), Administrative and financial regulations for orphans' custody of 1997, Orphans Fund Development Foundation Law (2004), National Strategy for Orphans (2012).

Ministry of Labour, Health, NAF and SSC. Children of persons insured under the SCC pension scheme are entitled to survivor benefits in the case of the insured person's death. In addition, the children of SSC old-age pensioners are entitled to a family benefit. The MOH provides universal health insurance to all children below the age of six. The NAF provides cash transfers to families on the condition that their children regularly attend health clinics, take part in national vaccination programmes and school enrolment. The MOL, with the assistance of the ILO, aims to eliminate child labour in Jordan. In 2015, 1,906 children were participants in a MOL programme Combatting Child Labour, with JD 0.25 million expenditure, also in 2015. Furthermore, public education is free through primary schooling and up to two years of secondary school. The NES also sets the goal of expanding pre-school education as part of its long term strategy to invest in early childhood.

As for school dropout and child labour, although Jordan has seen a gradual improvement in its child protection legislation in the last three decades, the results demonstrate that economic hardship in Jordan contributes to the persistent problem of child labour and thus school dropout. The MOL, with the assistance of the ILO, aims to eliminate child labour in Jordan. In 2015, 1,906 children were participants in a MOL programme Combatting Child Labour, with JD 0.25 million expenditure, also in 2015.

According to some investigations, girls are less likely to be involved in child labour than boys, this however is not taking into consideration that girls are involved in house work. Child labour seems to be more prevalent in the Middle region and Amman (Nimeh & Bauchmüller, 2014). A Ministry of Labour (MoL) study indicated that 80% of children between the ages of 5-17 who are working, are doing so by free will and are happy to work (UNICEF 2007). There are different estimates on child labour rates, however the estimates are somewhere between 1.2 to 4.5% (Nimeh & Bauchmüller, 2014, p. 212). However according to the Jordanian labour law, the minimum working age is set at 16 years and no one below the age of 18 is allowed to be employed in dangerous, exhausting or health hazardous occupations (MOL, 2006).

The following tables provide an overview of programmes that are important from a social protection perspective for children. (Note: the regular education programmes have not been included in these tables.)

Table 4.8 Overview on existing programmes aiming at ensuring income security for children, 2015

	Governance and administration	Programme objective and main target groups	Geographical and population coverage	Financial volume
Benefits in kind focusing on access to education				
School feeding programmes (various)	Ministry of Education, Constitution 1952, Art. 6, Regulations on Child Care 1972	Facilitate access to universal basic education through provision of one hot meal per day	Nationwide 210 thousand children (± 14.6 % of children in prim. schools) 2014	Exp: = JD 4.5 million 0.02% of GDP 0.06% of GE
Social Insurance				
SSC			formal sector worker' dependents, 125,360 Orphans and other dependents	Exp: = JD 50.6 million 0.21% of GDP
Cash benefits providing income support for poor families, including orphans and vulnerable children				
NAF	semi-autonomous organization, National Aid Fund Law (1986)	Conditional social cash transfer programme for extremely poor households which include OVCs, persons with severe disabilities or older people.	Nationwide, 99,349 households, 111,158 individuals below age 18 (end 2015)	Exp#: JD 36.3 million 0.13% of GDP 0.46% of GE
Zakat Fund	Ministry of Alqaf and Religious Affairs, Zakat Fund Law1988 (and other regulations)		Nationwide, 316,315 households or individuals (2014)	*Exp. ## JD 29.1 million,* *0.11 % of GDP,* *0.37 % of GE*

Note: GE: Government Expenditure
Exp: Total expenditure
#: estimated expenditure for children (<18), ##: total expenditure for all age categories (no breakdown available)

Source: ILO compilation based on information received from various Ministries and other programme agencies.

Table 4.9 Programmes aiming at ensuring income security for children: financing and expenditure in current prices

Programmes aiming at ensuring income security for children: financing and expenditure in current prices	2011	2012	2013	2014	2015
Budget in JD million					
School Feeding	..	..	..	4.5	4.5
NAF#					
Expenditure in JD million					
School Feeding			5.0	..	..
NAF#			36.0	36.3	36.3
Total expenditure for children			**41.0**	**40.8**	**40.8**
per cent government expenditure			*0.58*	*0.52*	*0.52*
per cent GDP			*0.17*	*0.16*	*0.15*
Expenditure/beneficiary in JD					
School Feeding			..	21.4	..
NAF (average benefit per child)			..	..	326.6

#: based on current beneficiaries below age 18. No sufficient resources information on previous years available.
Source: MOF 2015 and information provided by programme administrations

The two tables above reveal that expenditure on children is less than 0.2 per cent of GDP, corresponding to 0.5 per cent of total government spending, and has remained constant from 2013 onwards. This means that its GDP share and its share in overall government expenditure is slipping. For SSC another 0.2 per cent of GDP can be added to expenditure, but it should be noted that this is for a specific group of children (that is, related to salaried workers).

Table 4.10 Gaps in design and/or implementation: Children

Gaps in design and/or implementation: Children

Design gaps	Implementation gaps
- absence of a legal framework	- fragmentation and overlaps in programmes
- disparities in geographic coverage	- weak monitoring and evaluation infrastructure
- limited coverage ages 1 to 5	
- current programmes have limited scope	

The Government implements several programmes to promote social protection for children. However, Jordan lacks a child benefits scheme funded from public resources. At the same time, the fragmentation of the different programmes weakens the social protection efforts to protect children and is not fully efficient in preventing child poverty. According to the 2008 Household Income and Expenditure Survey, around 17 per cent of all children in Jordan were poor. This poverty incidence was higher than for youth and the working age population (10 per cent) and the elderly (7 per cent)[15]. This would point to a need for a child support grant to be included in the Social Security Law, instead of the current practice of fragmented social assistance programmes support.

Apart from the fragmentation of the different child protection programmes, these programmes show limitations as regards their implementation and design, as follows:

[15] UNICEF, MoSD (2011), pp. 6-7

- Absence of legal framework: There is an absence of a legally embedded definition of child rights in Jordan as well as legal instruments protecting children from physical abuse by parents, guardians, school personnel, and siblings. There has also been a long delay in approving the new draft of Juvenile Law, which intends to increase the protection of children in conflict with the law from further social disintegration.
- Monitoring and Evaluation: Weak monitoring of compliance to the ban on corporal punishment and of the general quality of education service providers.
- Access to education: There are burdensome out-of-pocket costs of secondary education for poor families with secondary school students which impinge on potential education benefits. In addition, there is a widespread misperception of the economic value of vocational training.
- Children with disabilities and orphans: The support to children with disabilities and to orphans is very fragmented with low coverage. Thus, they suffer social exclusion due to lack of access to education facilities.
- Child nutrition: There is a possible mismatch between programme beneficiaries and the target group.
- Early childhood development: The early childhood development programmes do have a very low coverage.
- Enforcement: Despite the prohibition of corporal punishment, it continues to be common practice in schools and homes, along with psychological forms of punishment.
- Monitoring and Evaluation: Weak monitoring of compliance to the ban on corporal punishment and of the general quality of education service providers.
- Education outcomes: School graduates have generally low readiness to enter the labour market. In addition, linkages of the educational system to youth employment programs and the evolving Jordanian and regional labor market needs are week and not well developed.

4.4 Working age Jordanians

Lack of disaggregated and district-level data continues to hamper the identification and mapping of disparities and families at risk within the governorates, consequently affecting efforts to address the inequities. Several social protection programmes have been initiated, but concerns remain that they do not reach the most vulnerable groups. Further efforts are needed to improve targeting of interventions, coverage of school-based safety nets, expenditures on untargeted subsidies, such as on liquid petroleum gas and bread, and disparities by gender. Below, vulnerable groups are discussed, and the social programmes that tend to them are presented. The section concludes with an in depth presentation of the respective entities engaged in these social protection programs.

Social Services. Most social services programmes are administered through the Ministry of Social Development (MoSD).

The Ministry of Social Development was established in 1971 with a mandate to provide support to poor people in Jordan. Until very recently, this mandate was delivered though social welfare programs, for instance through the provision of financial resources to poor families. Today, MoSD runs a number of social services programmes. Its legal framework comprises Regulations on Child Care from birth to age 18 years (1972), Juveniles Law and its amendments (1968), Reform of Rehabilitation Centres Law (2004), Juvenile Probation Law (2006). Care for orphans is regulated in the following regulations: Orphans Law and its Amendments (1953), Regulations on legacies and orphans funds and its amendments (1955), Administrative and financial regulations for orphans' custody of 1997, Orphans Fund Development Foundation Law (2004), National Strategy for Orphans (2012).

From the mid-1990s, however, efforts have been made to embrace a multi-faceted strategy which places more emphasis on community development and income generation activities. Presently, the main functions of the MoSD are (i) caring for families, women and children, (ii) protecting society from the criminal behaviour of juveniles, (iii) training women for enhanced roles in society, (iv) establishing community development centres, (v) encouraging members of the community to establish voluntary societies and (vi) coordinating the provision of free health insurance for poor people with the Ministry of Health. The MoSD has four programmes (excluding Societies Register and Administration & Support Services), which account for different proportions of the Ministry's JD 125,8 million budget for 2016, which makes up about 2 per cent of the country's budget (GBD, 2016):

1. Social Defence Combating Poverty (of which 96 per cent is dedicated to the National Aid Fund) accounts for approximately 76.4 per cent of the Ministry's budget;
2. Social Development and Combating Poverty accounts for 4.2 per cent of the Ministry's budget;
3. Family and Childhood accounts for 6 per cent of the Ministry's budget; and
4. Persons with Disabilities Affairs accounts for 7.4 per cent of the Ministry's budget.

Apart from the disbursement to the National Aid Fund, the MoSD's programmes can be categorized into: programmes for disabled, social defence, and families and children programmes. The first cluster of programmes includes various diagnostic tests, training, rehabilitation and mental programmes – all aiming to facilitate disabled Jordanians to function within their communities and, if possible, in the labour market. For the disabled the legislative basis is the Ratification of the UN Convention on the Rights of Persons with Disabilities Law (2008). The Social Defence programme targets juvenile law offenders and offers education and – if needed - rehabilitation services. The programme also deals with cases of domestic violence. The Families and Children programme operates social care homes, children inpatient care services, elderly residential care units, awareness programmes for women.

Total expenditure recorded JD 17.1 million in 2015, out of which JD 8.6 million for the disabled persons programmes, JD 2.7 million for Social Defence, and JD 5.8 million for families and children. The source of funding is the government budget (MOF). For 2015 it is estimated that a total of close to 15 thousand families and/or individuals have benefited from either of these Social Services programmes.

ALMPs. In 2011, the Government of Jordan drafted its National Employment Strategy 2011-2020 (NES). Its objective was to address Jordan's employment challenges, specifically (a) job-poor growth, (b) high structural unemployment – in particular, high youth unemployment (figure .. below), (c) low labour force participation – in particular of women, (d) lack of policy coherence (MOL, 2015).

The NES has been organized around three main avenues. These were: i) the demand side – in particular, less reliance on public sector jobs, ii) the supply side – to address the mismatches between education and the labour market, and iii) institutional reform – to improve planning and enhance coordination between the various agencies, to step up monitoring and evaluation of policies and implementation (MOL, 2015). The implementation of the NES was envisaged over three different horizons depending on impacts, that is, short term, medium term and long term. During the short term (till end-2014) the economy was expected to 'start absorbing the unemployed' through (a) a predictable policy and management of migrant workers; (b) an expanded access to credit for Micro, Small and Medium Enterprises (MSMEs), (c) an evaluation and scaling up of Active Labour Market Policies with demonstrated added value, and (d) by curtailing public sector employment and aligning public / private wage structure (MOL, 2015). For implementation purposes, a new unit was created: the National Employment Strategy Unit (NESU), now residing in the Ministry of Labour (MOL).

MOL operates a range of employment programmes or active labour market programmes (ALMPs). These include employment services, establishing productive centres, subsidized labour programmes. In addition to this, the MOL runs programmes for combatting the worst forms of child labour. In sum, over 22 thousand people have benefited from these programmes in 2015. Expenditure has been volatile and revolves around JD 1 million – it recorded JD 0.8 million in 2015.

NAF. The National Aid Fund (NAF) receives its funding from the MoSD budget but has an autonomous stature. Its legislative basis is the National Aid Fund Law (1986). NAF operates a series of programmes ranging from cash transfers to in kind services. It supports poor families with financial aid and medical insurance. The NAF also facilitates work opportunities for individuals or families, provides vocational training for beneficiaries and supports families with disabled children.

Specifically, the Fund administers six means tested programmes:

1. Recurrent Cash Assistance
2. Emergency Aid
3. Handicapped Care Aid
4. Physical Rehabilitation
5. Vocational Training Programme
6. Health Insurance Card Fees

Households can be eligible for various reasons. Having orphans as members, convicts, disabled, missing persons, single parent (female headed) households and divorced women and their families, are among the beneficiaries. Additionally, the NAF provides cash transfers to families on the condition that their children regularly attend health clinics, take part in national vaccination programmes and school enrolment. Table 4.11 shows the trend of in number beneficiaries from NAF and amount of benefits paid for each benefits category for the period 2010-2015.

Table 4.11A: National Aid Fund, expenditure breakdown, 2010-2015

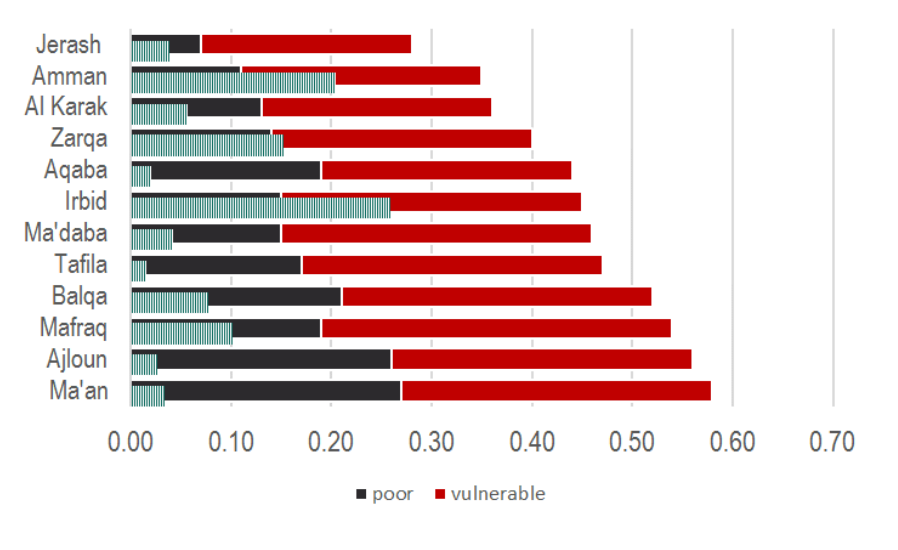
(JDs)	2010	2011	2012	2013	2014	2015
Total receiving households	**78,267,733**	**79,248,134**	**85,161,473**	**84,886,630**	**85,582,093**	**85,639,012**
regular cash transfer	74,408,022	75,608,704	80,884,061	79,115,426	69,704,137	71,020,761
temporary cash transfer	3,231,625	2,932,355	3,380,455	4,732,169	14,929,990	13,567,531
rehabilitation	137,886	182,195	221,887	164,252	166,081	152,270
emergency cash transfer	386,905	385,630	519,490	678,760	579,090	788,630
direct cash transfer	103,295	139,250	155,580	196,023	202,795	109,820

Table 4.11B: National Aid Fund, beneficiaries breakdown, 2010-2015

	2010	2011	2012	2013	2014	2015
Total receiving households	**87,467**	**93,989**	**97,770**	**100,119**	**100,771**	**99,349**
regular cash transfer	73,430	78,444	79,639	71,217	74,929	74,555
temporary cash transfer	6,958	7,526	7,702	16,950	14,498	14,324
rehabilitation	485	552	657	497	528	497
emergency cash transfer	3,155	3,152	3,333	3,469	2,887	3,940
direct cash transfer	3,439	4,315	6,439	7,986	7,929	6,033
Total receiving individuals	**207,219**	**223,599**	**228,833**	**271,293**	**312,918**	**262,180**
regular cash transfer	192,279	206,929	208,824	181,620	230,363	202,850
temporary cash transfer	7,861	8,651	9,580	77,721	71,211	59,330

The NAF is the GoJ's major commitment to social development. Total expenditure recorded JD 85.6 million in 2015. The bulk of this, JD 71 million, was allocated as regular cash transfers to 74,555 households, and another large component, JD 13.6 million, was allocated as temporary cash transfers to 14,324 households. In sum, over 99 thousand households were beneficiaries, corresponding to 272,650 individual Jordanians in 2015.

Figure 4.1: Geographic distribution of poor and vulnerable households (2010), and geographic distribution of NAF benefit allocations (these are the blue shaded bars) 2015



Source: ILO calculations based on HIES2010 data

Figure 4.1 shows the geographic distribution of poor and vulnerable households according to HIES2010. The figure also shows the geographic distribution of NAF benefit expenditure per month in 2015. It is clear that the allocation of NAF resources does not concur well with the geographic poverty pattern. Some of the most impoverished governorates (for example, Aqaba, Ma'daba, Talifa, Ajloun and Ma'an) receive a disproportionale low share of NAF allocations, whereas the opposite applies to other governorates (notably, Amman and Irbid). For example, Ma'an, where 27 per cent of households were recorded poor in 2010, receives 3.2 per cent of NAF benefit expenditure, whereas 20 per cent of NAF benefit expenditure accrues to Amman with 11 per cent poor households, and as much as 25.5 per cent to Irbid with 15 per cent poor households.

Ministry of Awqaf and Islamic Affairs and Zakat Fund. The Ministry of Awqaf and Islamic Affairs has a direct impact into the social provisions through the supervision of the Zakat Fund. The Zakat Fund's legal basis lies in the following Laws: the Zakat Fund Law (1988), Regulations on administrative organization of Zakat Fund (1997), Regulations on administrative organization of Zakat Fund (1997), Regulations on rehabilitating productive families / Zakat Fund (2003).The fund aims to help families and individuals in need through the provision of material assistance and good packages to them and to support productive projects as required by the social situation of beneficiaries. The Fund is to perform its functions through committees, which amounted to (170) Zakat Committee, distributed to all regions of the Kingdom. The Fund's programs include the following:

– Cash assistance and good packages . Orphan. School bag. Banquets.
– Health care.
– Sadaqat al-Fitr and Meat for religious the Adha feast (Adhia)
– Special education.
– Poor student.
– Winter clothing.
– Bread charity
– Building housing the poor.
– Rehabilitation projects
– Agricultural projects and livestock production

– Industrial projects
– small and traditional craftsmanship

The ***Zakat Fund***'s legal basis lies in the following Laws: the Zakat Fund Law (1988), Regulations on administrative organization of Zakat Fund (1997), Regulations on administrative organization of Zakat Fund (1997), Regulations on rehabilitating productive families / Zakat Fund (2003).

The Zakat Fund receives its resources mostly from alms and bequeaths. Zakat is one of the five religious duties under Islam. The funds are collected foremost in communities and channeled to the central level from where the resources are allocated to poor families and individuals. JD 26 million out of a total of JD 31.7 million of revenues were sources from the local Committees' contributions in 2014. In addition to this, the central Zakat Fund also receives funding from the Ministry of Alqaf and Religious Affairs (MoARA). The local Zakat committees have a crucial role in identifying the neediest among claimants and, in this respect, also check whether candidate recipients do not receive benefits from other agencies.

The total number of beneficiaries (households or individuals) was 316,315 in 2014. This means that the Zakat Fund is a major player in Jordan's social protection landscape.

In 2014, total expenditure recorded JD 29.1 million (Table 4.12). The largest component, JD 24.9 million or 85.7 per cent, was allocated to the local Zakat Committees for their disbursements. Other expenditure categories include food subsidies, cash transfers (allocated from the central office), training and rehabilitation programmes, and emergency support measures. Administration costs were outstandingly low, JD 51,155, equivalent to 0.2 per cent of total expenditure (Zakat Fund, 2015).

Major spending categories of the local Zakat Committees include cash assistance to poor families (JD 5.9 million in 2014), orphan sponsorship (JD 13.9 million in 2014), and health provisions – for example, medicines and medical treatments (JD 1.0 million in 2014).

Table 4.12: Zakat Fund, expenditure breakdown, 2014

Total expenditure (in JD)	**29,094,443**
to Zakat committees' for disbursements	24,945,166
food subsidies	1,183,370
cash transfers through bank accounts	2,499,100
training, rehabilitation programmes	123,073
emergency support	78,509
bread subsidies project	95,756
schooling project	99,832
Ramadan fast project	10,182
miscellaneous	8,300
Programme expenditure (total)	**29,043,288**
Administration expenditure HQ	**51,155**

Social Insurance (SSC). Formal sector workers are covered under SSC. The number of active contributors has witnessed an increase of approximately 57,000 per year over the analysis period (2011-2013), increasing from 880,995 at the end of 2010 to 1,051,798 at the end of 2013 (ILO, 8th Actuarial Review of the SSC, 2015a).

Tables 4.13 and 4.14 provide information on the numbers of beneficiaries and expenditure related to provisions for working aged Jordanians.

Table 4.13: SSC Work Injury, Maternity and Unemployment Insurance: beneficiaries and benefits, 31/12/2013

	Work Injury beneficiaries			Maternity beneficiaries	UI beneficiaries
	Disability	Widows	*Orphans#*		
Number	3,146	8,964	*24,755*		
Average wage or benefit (Month)	*159*	*116*	*32*		

#: Orphans and other dependents, these have been categorized under children

Source: ILO 8th Actuarial Review of the SSC, 2015

Table 4.14: SSC, Work Injury, Maternity and Unemployment Insurance, expenditure, 2013

	Work Injury	Maternity	UI
JD million	15.3	5.8	8.4##
per cent of GDP	*0.06*	*0.02*	*0.04*

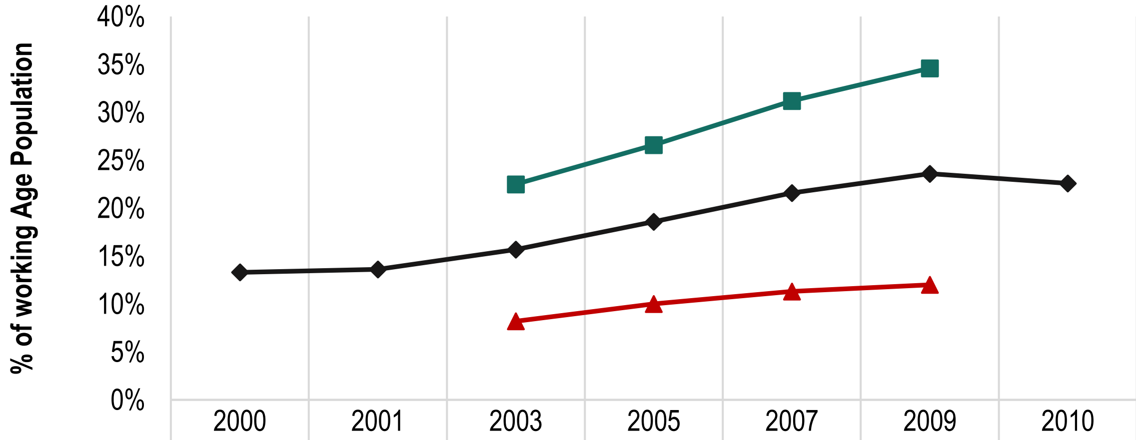
#: Orphans and other dependents, these have been categorized under children

##: this includes JD 1.3 million administrative expenses for the UI scheme

Source: compilation based on ILO 8th Actuarial Review of the SSC, 2015

Current contributors to the pension schemes. To understand the context in Jordan we should first consider the size of the working age population (15-64), which in 2014 reached 3,624,223 (1,866,929 for men, and 1,757,294 for women). However how much is this group protected in old age seems to be an issue that needs to be seriously considered in Jordan. If we look at the number of current contributors to a social security institution providing benefits in old age as a proportion of the working-age population, the numbers are low, and the difference between men and women is significant. See figure 4.2 and 4.3, which show in the number of working-age contributors to an old age pensions scheme (15-64), and the sum of number of contributors for all schemes covering function: old age; basic schemes only; excluding provident funds (ILO, 2016).

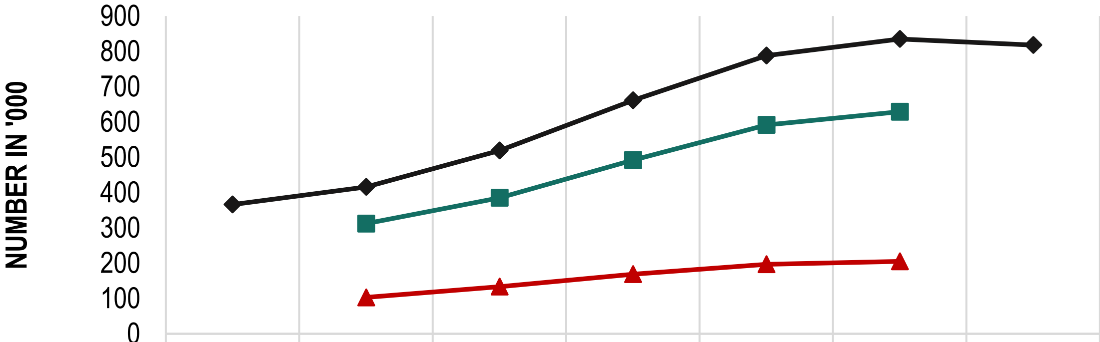
Figure 4.2: percentage of working age population contributors to pension schemes



	2000	2001	2003	2005	2007	2009	2010
Total	13%	14%	16%	19%	22%	24%	23%
Men			23%	27%	31%	35%	
Women			8%	10%	11%	12%	

Source: ILO 2016 based on source: U.N. World Population Projections revision 2010.

Figure 4.3: Number of working age contributors to an old age pension scheme



	2000	2002	2004	2006	2008	2009	2010
Total	366	416	519	661	788	835	818
Men		312	385	492	591	629	
Women		103	133	169	197	205	

Source: ILO 2016 based on source: U.N. World Population Projections revision 2010.

Subsidies. In addition to the programmes listed earlier in this section there are food subsidies. However, non-poor Jordanians tend to benefit from these subsidies as well. Fuel subsidies have been terminated end of 2014.

Table 4.15 Overview on existing programmes aiming at ensuring income security for people in working age, 2015

	Governance and administration	Programme objective and main target groups	Geographical and population coverage	Financial volume
Benefits in kind focusing on access to employment and income generating activities				
ALMPs	Ministry of Labour	Addressing main labour market challenges (low female labour force participation, high youth unemployment, mismatch education – labour market, addressing sector bottle necks, informal sector).	Nationwide, 22,433 participants (households or individuals)	Exp. JD 1.24 million (2014) 0.005 % of GDP 0.016 % of GE
Cash benefits providing income support for poor families, including household members who are chronically ill or with severe disabilities.				
NAF	semi-autonomous organization, National Aid Fund Law (1986)	Conditional social cash transfer programme for extremely poor households which include OVCs, persons with severe disabilities or older people.	Nationwide, 99,349 households, 111,211 working age individuals (2015)	Exp. JD 85.6 million, 0.32 % of GDP, 1.09 % of GE JD 36.3 million (2015)*
Zakat Fund	Ministry of Alqaf and Religious Affairs, Zakat Fund Law1988 (and other regulations)	Conditional social cash transfer programme for extremely poor households which include OVCs, persons with severe disabilities or older people.	Nationwide, 316,315 households or individuals (2014)	Exp. JD 29.1 million , 0.11 % of GDP, 0.37 % of GE
Social Services	Ministry of Social Development		Nationwide, 14,839 households or individuals (2015)	Exp. JD 17.0 million, 0.22 % of GDP, 0.06 % of GE
SSC	Ministry of Labour (semi-autonomous organization)	Salaried staff in the public sector and formal sector enterprises.	12,110 Work Injury recipients, .. maternity, UI	Exp. JD 29.5 million (2013), 0.12 % of GDP
Subsidies				
Food subsidies	Ministry of Finance	Alleviate poverty and increase food security.	Nationwide,	Exp. JD 202.0 million (2015), 0.75 % of GDP, 2.56 % of GE
Fuel subsidies	Ministry of Finance	Alleviate poverty, shield consumers against price fluctuations. Abolished in 2015!	Nationwide, 0 receiving households	Exp. JD 0.0 million (2015), 0.0 % of GDP, 0.0 % of GE (was JD 210.0 million in 2014)

Note: *) expenditure including benefits for working ages, but excl. children and elderly.
Source: compilation based on the sources mentioned in previous section.

Table 4.16 Programmes aiming at ensuring income security for people in working age: financing and expenditure in current prices

	2011	2012	2013	2014	2015
Budget in JD million					
ALMPs	..	..	..	..	..
NAF (households)*	..	..	..	..	..
Zakat	..	24.501	21.474	31.747	
Social Services (MoSD)	..	..	..	18.089	17.843
Expenditure in JD million					
ALMPs	0.577	1.468	1.445	1.240	..
NAF (households)*	79.248	85.161	84.887	85.582	85.639
NAF (individuals, working age only)*			36.007	36.302	36.326
Zakat				29.094	
Social Services (MoSD)				16.954	17.072
Total expenditure for working age	**..**	**..**	**37.453**	**85.590**	**54.233**
(per cent government revenue)			*0.53*	*1.06*	*0.69*
(per cent GDP)			*0.16*	*0.33*	*0.20*
Spending/beneficiary in JD					
ALMPs	43.8	87.3	57.9	42.1	37.2
NAF (households)	843.2	871.0	847.9	849.3	862.0
NAF (individuals, working age only)*					326.6
Zakat				92.0	
Social Services (MoSD)					1,150.5

Note: *) broad estimate of share of expenditures allocated to persons in working age
Source: MoF 2015 and information provided by programme administrations.

The tables indicate that ALMPs are small in terms of expenditure – at 0.005 per cent of GDP these programmes in their current form are almost neglegible. In terms of expenditure NAF is the largest programme. On the other hand, more households receive benefits from Zakat. Expenditure per capita is highest in the MoSD's social services.

Table 4.17 Gaps in design and/or implementation: Working age

Gaps in design and/or implementation: Working age

Design gaps	**Implementation gaps**
Benefit levels (in particular Zakat and ALMP) are low	Means testing methods not harmonized, this might lead to errors of inclusion/exclusion
Discrepancies between covered districts and poverty map (NAF)	Central beneficiaries registry needs rollout
Benefits often not predictable due to ad hoc nature of social protection programmes	Coordination between ALMPs and education is poor. Mismatches between education and labour market needs
Coverage of SI programmes is low (limited to formal sector workers)	

The programmes discussed in this section show limitations as regards their implementation and design, as follows:

Enforcement	-	Lack of human resources and capacities to monitor payment of SSC contributions.
	-	Social evasion by employers under the SSL, e.g. by providing inaccurate numbers of employees and untimely payments.
Eligibility	-	Means testing for social assistance programs is neither compulsory nor harmonized among the different institutions, which may lead to inclusion and exclusion errors.
Predictability	-	No guarantee of benefits under ad hoc, limited-budget social assistance programs.
	-	Even the lowest household income reduces cash assistance eligibility significantly, thereby exacerbating the poor's dissociation from the labour market.
Coverage	-	Overall low coverage of insurance and social protection schemes.
	-	Work injury insurance: self-employed and casual laborers are at present excluded.
	-	A law on coverage for household workers has yet to be implemented.
	-	Not enough measures to address the risk of involuntary unemployment of 15-24 year olds, especially young people with low human capital development.
Coordination	-	There is not yet a central beneficiary identification system.
	-	With the legal foundation created in 2008, the ETVET Council was only established in 2012 in order to coordinate education, higher education, labor, economic and trade policies, as well as to involve representatives of the private sector and labor for more effective Active Labor Market Programmes (ALMP).

4.5 Jordanians aged 60 and above

Since 1995 The Jordanian government began efforts to uniform the pension system in the country, through phasing out older programs, thus at the moment, the public pay as you go (PAYG) systems could be classified into the old and new.

The Old:

- The Civil Service Pension Scheme: This system is regulated by the Ministry of Finance. It covers government employees recruited prior to 1995. Since then, new employees are redirected to the Social Security Corporation.
- The Royal Military Services pension scheme: This system covers Military personnel and their families. Since 2002, the military personnel are redirected to the Social Security Corporation

The New: SSC scheme (covering Public, Military and Private sector personnel and their families).

Civil Service Pension Scheme. Employees in the civil service are currently divided into classified and unclassified employees. Classified employees are those, whose pension is going to be paid from the fund administered by the Ministry of Finance. Those are employees who started work before 1995. Unclassified employees are those taking pensions from a Social Security Fund. In the manning tables 2013, there were 70,204 (52%), unclassified jobs and 64,731 (48%) classified jobs.

Military Pension Scheme. This system is regulated by the Ministry of Finance and cover members of the armed forces. Participants in this system receive benefits upon a service period of more than 16 years or upon reaching the age of 60. Those recruited into the army after 2002 are covered by the Social Security Corporation.

Social Security Scheme (SSC). The Jordanian social security system currently provides old-age, disability and survivors insurance, sickness insurance, maternity leave and unemployment insurance. As in most countries, old-age, disability and survivor's insurance is the main and oldest sub-group of programs. Nevertheless, by international standards, these are relatively young programs: the first law was passed in 1978 (ISSA, 2010). Maternity leave, unemployment insurance and health insurance for pensioners were initiated recently, as part of the social security reform law passed in 2010. The Social Security Corporation (SSC) administers the main pension scheme. Until 1995, the SSC covered only private sector workers; civil servants and the military had independent schemes. In 1995 and 2003, reform laws were passed that closed the civil servants and military schemes to new entrants. From then on, new civil servants and military are covered by the SSC scheme, along with private sector workers. Jordan also has occupational plans and voluntary private pensions. Legal coverage is wide, particularly so since 2010, when the self-employed and workers in agriculture were included in SSC. The number of active contributors has witnessed an increase of approximately 57,000 per year over the analysis period (2011-2013), increasing from 880,995 at the end of 2010 to 1,051,798 at the end of 2013 (ILO, 2015a).

In March 2014, a new Social Insurance Law (Law No 1 of 2014) entered into force. The new Law brought about some important modifications to the social insurance scheme in terms of financing (increase of the contribution rates and future adjustment of the earnings' ceiling) and in the benefits calculation and conditions of payment. With a view to demographic pressure: a strong increase in the total population of Jordan, and, in due time, a fall in the ratio of the number of working-age persons to the number of persons in their retirement ages, the most recent (8th) ILO Actuarial Review suggests some further (parametric) modifications to help putting the SSC on stronger financial basis.

The main component within SSC is the Old-age, disability and death insurance (OADDI) branch which represented 83 per cent of total contributions and 97 per cent of total benefits in 2013 (ILO, 2015a). In addition, there are three insurance schemes covering Jordanian formal sector workers while still in their active working age.

Tables 4.18 and 4.19 provide information on the numbers of beneficiaries and expenditure related to provisions for elderly Jordanians.

Table 4.18: SSC, OADDI: beneficiaries and average benefits, 31/12/2013

	Contributors	OADDI (old age pensions) beneficiaries			
		Pensions	Invalidity	Widows	Orphans
Number	1,051,798	98,792	10,085	29,770	100,605
average wage or benefit (Month)	*461*	*417*	*262*	*116*	*34*

Source: ILO 8th Actuarial Review of the SSC, 2015

Table 4.19: SSC, OADDI revenue and expenditure, 2013

	revenues	OADDI (old age pensions) expenditure				
		Total	*Old Age Pensions*	*Early Retirement Pensions*	*Other (incl. lump sums)*	*Administr. Costs#*
JD million	790.1	616.9	*186.4*	*304.3*	*96.9*	*29.3*
per cent of GDP	*3.31*	*2.59*				

#: Included are administrative expenses for the other OADDI branches (Work Injury and Maternity)

Source: compiled from ILO 8th Actuarial Review of the SSC, 2015

For Jordanians aged 60 and above and without a formal sector social insurance track record there is NAF and Zakat Fund. The following tables list the information available.

Table 4.20 Overview on existing programmes aiming at ensuring income security for older people, 2015

Overview on existing programmes aiming at ensuring income security for elderly Jordanians, 2015

	Governance and administration	**Programme objective and main target groups**	**Geographical and population coverage**	**Financial volume**
NAF	semi-autonomous organization, National Aid Fund Law (1986)	Conditional social cash transfer programme for extremely poor households which includes older people.	Nationwide, 99,349 households, 34,282 individuals age 60 and above (end 2015)	Exp. JD 11.2 million* 0.04 % of GDP 0.15% of GE (2015)
Zakat Fund	Ministry of Alqaf and Religious Affairs, Zakat Fund Law1988 (and other regulations)		Nationwide, 316,315 households or individuals (2014)	*Exp. JD 29.1 million**, 0.11 % of GDP, 0.37 % of GE*
SSC Social Insurance Pensions	Ministry of Labour (semi-autonomous organization)	Salaried staff in the public sector and formal sector enterprises.	Nationwide	Exp. JD 616.9 million, 2.59% of GDP (2013)

Note: *) total expenditure including benefits for older persons, excluding persons below age 60; accurate data on numbers of elderly in NAF are not available. **) total expenditure for all age categories (no breakdown available)
Source: compilation based on the sources mentioned in previous section.

Table 4.21 Income security in old age: expenditure in current prices

Programmes aiming at ensuring income security for people in old age: financing and expenditure in current prices

	2011	**2012**	**2013**	**2014**	**2015**
Expenditure in JD million					
NAF (individuals, old age only)*			11.100	11.191	11.198
SSC			616.900	..	..
Total expenditure for old age			**628.528**	**..**	**..**
(per cent government revenue)				..	..
(per cent GDP)			*2.64*	..	..
Tot. expenditure for old age (excl. SSC)			**11.100**	**11.191**	**11.198**
(per cent government revenue)			*0.16*	*0.15*	*0.15*
(per cent GDP)			*0.05*	*0.04*	*0.04*
Spending/beneficiary in JD					
NAF (individuals, old age only)*					326.6
SSC					

Note: *) broad estimate of share of expenditures allocated to persons aged 60 and above
Source: MoF 2015 and information provided by programme administrations.

The table above indicates that the non-social insurance component for the elderly Jordanians is modest in terms of its share in GDP or government expenditure.

Table 4.22 Gaps in design and/or implementation: Old age

Gaps in design and/or implementation: Old age	
Design gaps	**Implementation gaps**
Coverage outside SSC pensions is limited	Fragmented administration for implementation of pension system for civil servants
Benefit levels (NAF) are low	Limited capacity for inspection and enforcement of social security obligations
Discrepancies between covered districts and poverty map (NAF)	

The programmes discussed in this section show limitations as regards their implementation and design, as follows:

Fragmentation	-	Even though the harmonization of public and private sector social security pension schemes over the past years under the SS legislation is laudable, the persisting co-existence of many pension schemes may contribute to inefficiencies and no guarantee of portability of benefits across schemes.
Benefits	-	For the uninsured, such as elderly women, the only way to access old age pension is as an insured pensioner's dependent. The pension increases for dependents is between 5-50 JD monthly. Her financial situation may improve as a widow. Eventually, however, she would still have to compete for her share with other widows. Old age lump sum compensations provided under the SS legislation do not provide adequate protection in the long term.
Coverage	-	There is a lack of a non-contributory allowance for elderly who do not receive any other pension.
	-	In 2012, existing SSC public sector, private sector, and mixed pension schemes covered 71% of men and 8.3% of women in statutory old age.
Affordability	-	Registration of informal workers as voluntary insured is not practical, as many informal workers and poor just do not have the required financial resources. Income is even an excluding criteria for NAF beneficiaries.
Compliance	-	In case of non-coverage, the employee would have to notify the SSC. Due to the involved employees' risk to lose the job, they may prefer not to notify the SSC. The sometimes untimely sanctioning of employees' non-coverage leads to evasion of SSC contributions.
Financing	-	The revenues of the SSC depend highly on contributions, while the generation of revenues through the Social Security Investment Fund (total value of assets in 2012: 5.601 billion Dinar) seems underexplored.
Awareness	-	The number of single insured Jordanian women of 45 years and above requesting lump sum compensation is high and occurs sometimes

against their will, leading to their deprivation from future SSC benefits such as old age pension.

4.6 Refugees from neighbouring countries

Jordan continues to be considerably affected by the security situation in the neighboring Syrian Arab Republic (Syria) and the influx of Syrians into the country, this is in addition to the enduring crises in places such as Iraq and Gaza. Syrians fleeing the ongoing violence in their country still constitute the majority of Jordan's refugee population, although large-scale arrivals witnessed in the first half of 2013 have since dropped significantly, due in part to the difficulty of getting to Jordan through disputed territories along the southern Syria border. Approximately 20 per cent of Syrian refugees reside in refugee camps, while the remaining live in non-camp settings. According to UNHCR official planning figures of December 2015, around 1 million refugees and asylum-seekers were assisted by the UNHCR, (see table 4.23 below). The largest numbers of Syrian refugees are located in the northern governorates of the country. Amman, Irbid and Mafraq governorates alone are hosting more than 76 per cent the total Syrian refugee population in Jordan. As part of each governorate's population Syrian refugees constitute 52 per cent the total population of Mafraq, 12 per cent of Irbid's and 7 per cent of Amman's population (Stave & Hillesund, 2015).

Table 4.23 Refugee Breakdown

Type of population	**Origin**	Total in country	of whom assisted by UNHCR
Refugees			
	Iraq	57,140	21,920
	Syrian Arab Rep.	937,830	937,830
	Various	2,480	2,480
Asylum-seekers			
	Iraq	700	700
	Various	2,480	2,480
Total		1,000,630	965,400

Source: UNHCR 2016

Jordan is a resource constrained country. In order to cope with the high numbers of people fleeing their countries to escape war, the Government of Jordan has authorized the United National High Commissioner for Refugees (UNHCR) to operate in Jordan and to perform its mandate to protect them from a forced return to war zones, provide for their basic physical needs, and ensure respect for other basic human rights.

Since 2014, when the UN broad Regional Refugee and Resilience Plan (3RP) for the Syria crisis was first launched, the humanitarian and development situation has further deteriorated. The total number of refugees in the region has accumulated to almost 4.3 million (end 2015). Based on the most recent trends in displacement and population growth, and with access to safety in some countries becoming increasingly managed, it is expected that some 4.7 million Syrian refugees will be registered in the region by the end of 2016 (3RP2016-17).

The number of Syrian refugees in Jordan is estimated to be 633,644 end November 2015, and a total 1.4 million Syrians is currently residing in Jordan. Living conditions for the families in exile are deteriorating. Savings have been depleted and valuables have been sold to cover rent, food and other basic needs, and refugees resort to various negative coping mechanisms, including child labour, child marriages and human trafficking. Host communities also suffer from deteriorating housing, health, and labour market circumstances, and increases in violence resulting from social tensions.

The 3RP is a nationally-led, regionally coherent strategy, with UNHCR guiding the refugee response and UNDP guiding the resilience response. For Jordan, it is envisaged that the implementation of the Plan will be guided by the Jordan Response Platform for the Syria Crisis (JRPSC), under the leadership of the Government of Jordan. The Jordan Response Plan 2015 has been a one-year programme to consolidate all major national and international efforts to address the Syria crisis within the framework of a coordinated broad-spectrum response. Programmatically, it embeds the refugee response into national development plans, helping to implement sustainable delivery systems that meet the needs of both refugees and vulnerable host communities.

The 3RP outlines a number of sector strategies, including on (child) protection, food security, education and health. This meets some urgent needs. For example, it has been estimated that no more than 14 per cent of refugee households in Jordan are food secure, and vulnerable families – in particular, female headed households and households with children, elder and/or incapacitated members – are most affected (3R Plan 2016-17). These households resort to various negative coping strategies – for example, drawing down on their savings and reducing spending on non-food items, including education and health – in order to make ends meet. The UN's World Food Programme (WFP) operates a cash-based transfer programme which allows beneficiaries to spend their entitlements in the form of a rechargeable electronic card, which is more discrete and less stigmatizing. Notwithstanding, there is no specific sector strategy on social protection.

The aim of 3RP is to align the refugee component with the resilience component. Transposed to social protection, this would mean that the National Social Protection framework is to be strengthened to facilitate the absorption of refugees and provide them with the services that can enhance their productive capacities to the extent possible. This aligns well with the initiative to launch the Social Protection Floor for Jordan. Jordanian tripartite stakeholders have launched the SPF already in 2012 and have subsequently set up a tripartite SPF Advisory Board. The ILO has promoted the SPF with national stakeholders, has prepared SPF awareness raising materials and has initiated a range of studies to assess the costs for setting up a national SPF in Jordan and the impact in terms of covering social protection needs, and to analyse fiscal space with a view to financing a Social Protection Floor in Jordan.

The 3RP includes various response to relief immediate needs, including cash assistance for deprived refugee families, using profiling techniques to identify the families and address the most urgent needs. In Jordan, to cope with reduced levels of assistance and the increased cost of living, the majority of refugees (86 percent) have been forced into dangerous debt levels. An additional 25 per cent of refugee households are more than USD 700 in debt compared to 2014 (3RP 2016-17, citing WFP's Comprehensive Food Security Monitoring Exercise). The objective for Jordan is to implement a social protection response which includes 55,000 Syrian refugees with protection concerns receiving urgent or emergency cash assistance and through continued investment in CRIs for all new arrivals (3RP 2016-17).

For 2016, the 3RP estimates a total USD 2,657 million funding requirement for Jordan, out of which USD 838 million would be required for the refugee component and USD 774 million to cover the resilience component. For 2017 (USD 2,721 million) and 2018 (USD 2,613 million), similar funding requirements have been foreseen (3RP 2016-17).

Within this envelope, for social protection, the following amounts have been budgeted: USD 420 million in 2016, USD 374 million in 2017 and USD 232 million in 2018. Note: this is not including the costs for health care.

Within this context, the Vulnerability Assessment Framework was put together by a steering committee of humanitarian organizations and donors to support Jordanian humanitarian assistance organizations in providing services as effectively as possible and prioritize refugees who are most in need of help. The framework was based on the output of a statistical model developed in collaboration with the world bank which used information gathered initially from more than 9,000 Syrian refugee households outside of camps in Jordan to predict the economic vulnerability of a household. The model uses a beneficiary profile to predict the expenditure level of households (VAF, 2015). According to the results of the VAF 86 per cent of Syrian refugee individuals are living below the Jordanian poverty line of 68 JD (approximately USD 95) per capita per month, and are rated as highly or severely vulnerable. 86 per cent of individuals correspond with 68 per cent of family units or 'cases'. Severely vulnerable refugee families have more family members, more children and a higher 'dependency ratio'. Northern and Eastern Jordan have the highest proportion of high and severely vulnerable refugees. Over 80 per cent of Syrian refugees are using crisis or emergency coping strategies. 81 per cent of Syrian refugees are under 35; compared to 73 per cent of pre-crisis Syrian population. In the VAF welfare model, a family with a 'low' vulnerability has no or fewer children. 59 per cent of a severe vulnerable case will be children.

As was mentioned in the previous sections, that albeit fragmented, Jordan has a number of social protection programs in place, however based on their criteria they are not available to vulnerable refugees who therefore need to rely on external programmes implemented by international NGOs. The refugee influx of Syrians into Jordan led to an increase in the demand on services in all sectors, such as educational, health, subsidies, energy, and water services. In addition to the indirect cost in the social and security fronts. Although refugee inflows can present opportunities for important transformations, funding shortfalls have contributed to increased pressure on national services and infrastructure, thereby affecting Jordan's resilience. Overcrowded health centers and schools, overstretched water, sanitation and municipal services, as well as pressures on the environment and the labour and housing markets is creating a burdensome and unsustainable socio-economic quandary for the government, who is already struggling to meet the needs of its own population. Slower-than-forecasted macroeconomic performance and pressure on public spending continues to limit Jordan's ability to invest in development, ultimately eroding the country's capacity to maintain its developmental gains and deal with future challenges. Led by the Ministry of Planning and International Cooperation, the Jordan Response Platform for the Syria Crisis (JRPSC) constitutes the strategic partnership mechanism for the development of a comprehensive refugee, resilience-strengthening and development response to the impact of the Syria crisis on Jordan SITE website

While the government has been supported by the United Nations (UN) and assisted by the international community, it has nevertheless fallen short of the overall needs defined in the JRP2015 and its predecessor plans, with negative consequences for the welfare of refugees and vulnerable Jordanians as well as for the health and sustainability of national service delivery structures (MOPIC, 2016).

As of October 2015, donors have committed a total of US$ 1.07 billion to the JRP2015, representing only 36 per cent of total requirements. In addition, some commitments and disbursement from previous years are currently being spent on activities undertaken in 2015. Also, there can be a substantial lag in translating donor commitments into firm allocations of funds for specific projects. Financial tracking from Jordan Response Information System for the Syria Crisis (JORISS) which is the online project approval and monitoring and reporting system for the JRP 2015 , shows that, as of 1 November 2015, only 259 projects, for a total value of US$ 500 million (equivalent to 16.7 per cent of the total requirements of the JRP2015) have been allocated to specific project activities (JORISS, 2015).

A recent paper by Roeth, Nimeh & Hagen-Zanker, showed that social protection/ humanitarian landscape in Jordan shows a polarised picture, with on the one hand a strong social protection system that is only accessible to Jordanians, and on the other hand a wide range of often small-scale interventions delivered by humanitarian actors and NGOS, which are mostly targeted at refugees (Roeth, Nimeh & Hagen-Zanker, 2016). A costing of upscaling proposed SPF provisions for refugees is in progress.

4.7 Costing the current Social Protection system in Jordan

Table 4.24 provides an overview of costs and coverage of the current social protection programmes in Jordan. Not all information was available for one single year, so total expenditure has been compiled using the data from the latest year available and the implicit assumption in adding all the components is that there have been no major year-on-year deviations in expenditure on these programmes between 2013 and 2015.

Table 4.24 Overview: costs and coverage of current Social Protection in Jordan

	Expenditure			Beneficiaries
	JD million	(FY)	GDP share	share in relevant age group
Health Care (incl. private expenditure)	1,880.9	('13)	7.9	
Education (incl. private expenditure)	850.4	('15)	3.1	7.9/72.1/34.4##
Children (excl. education)	41.5	('15)	0.14	14.6/3.8###
Working ages (incl. SSC)	161.6	('13/14)	0.64	3.2 (NAF)
Elderly (incl. SSC)	621.5	('13)	2.78	9.4 (NAF)
Grand Total	3,530.0		13.9#	
Total, excluding Health, Education and Social Insurance (SSC)	137.4	('14)	0.42	

#: The amount in millions JDs has been taken over 2014 GDP, this is not entirely correct (as the amount is the sum of expenditures from various years) but it suffices for the purposes of a rough estimation.

##: pre-school enrolment rate (7.9), basic school enrolment rate (72.1), secondary school enrolment rate (34.4), respectively.

###: share of children aged 6-11 receiving nutrition aid (14.6), share of children below age 18 in a household that receives NAF (3.2), respectively

Source: ILO calculations

The table, at first glance, suggests that a sizable proportion of GDP is allocated to social policies. However, if expenditure on health, education and social insurance (SSC): all not aimed exclusively towards the poor and vulnerable categories of individuals and households, is factored out, then the share of GDP accruing to actual social protection programmes (0.42 per cent) is almost negligible.

The same conclusion – that is: low coverage of social protection – can be drawn upon looking at the shares of beneficiaries in the various social protection programmes, relative to their age categories.

Figure 4.4 and table 4.25 present the main outcomes from a scenario exercise that projects the costs of the current social protection provisions into the future.

Assumptions. This 'status quo' (SQ) scenario has been elaborated according to the following assumptions.

- The scenario builds on the demographic, macroeconomic and public finance projections that have been outlined in Chapter 3.

The method applied to arrive at expenditure projections for the various programmes is as follows:

- The first step has been to calculate real annual figures for budget and expenditure; this has been done by recalculating the nominal figures for the period 2010-2015 into real figures, using the 2015 price as a base. When information was available for a shorter period (for example, 2013-2015), this has been used.
- Subsequently, the number of beneficiaries has been projected using either of the following 3 'driver techniques': (1) fixing the share in the relevant age group (in particular when this is sizable), (2) extrapolating the trend increase 2010 to 2015, or (3) fix the latest figure, this method was applied when only for 1 or 2 years information was available and trends or averages could not be calculated.
- The third step was to calculate expenditure per beneficiary using either of the following 2 driver techniques: (1) the trend increase in per capita expenditure from 2010 to 2015 (or a shorter time span if historic data were limited), or (2) fix the latest per capita spending figure, again when only for 1 or 2 years information was available. In a few cases no expenditure information was available, for these programmes we used information from the budget estimates, assuming this gave a reliable measure for expenditure.
- The final step, after figures for the number of beneficiaries and the expenditure per beneficiary were constructed, was to calculate total expenditure, in constant (2015) prices, by multiplying the two.

Figure 4.4: Expenditure on social protection, Jordan, 2015 – 2025 – Status Quo scenario

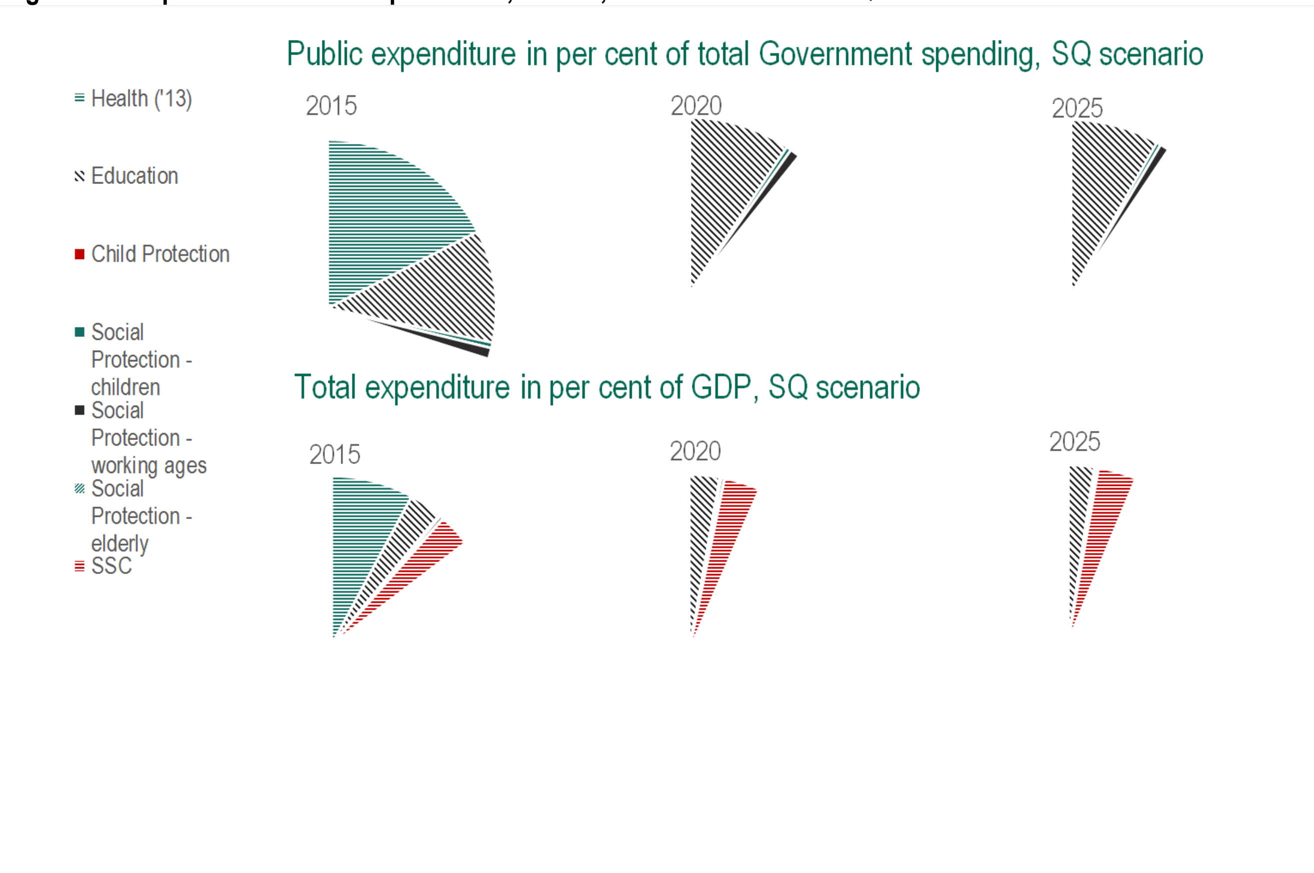


Table 4.25 Expenditure on social protection, Jordan, 2015 – 2025: Status Quo scenario

(in JD million, unless specified otherwise)	**2015**	**2020**	**2025**
Total Health Budget (2013)	1,880.9	..	..
(in per cent of GDP)	*7.9*	..	..
Education	850.4	931.6	992.9
(in per cent of Government expenditure)	*10.8*	*9.4*	*8.2*
(in per cent of GDP)	*3.1*	*2.8*	*2.4*
Social Protection for Children	41.0	43.5	45.8
(in per cent of Government expenditure)	*0.52*	*0.44*	*0.38*
(in per cent of GDP)	*0.15*	*0.13*	*0.11*
Social Protection for Working ages	84.3	93.3	102.8
(in per cent of Government expenditure)	*1.07*	*0.94*	*0.85*
(in per cent of GDP)	*0.31*	*0.28*	*0.24*
Social Protection for Elderly	11.9	14.1	16.6
(in per cent of Government expenditure)	*0.15*	*0.14*	*0.14*
(in per cent of GDP)	*0.04*	*0.04*	*0.04*
Social Insurance (SSC)	843.5	1,106.4	1,472.9
(in per cent of GDP)	*3.11*	*3.30*	*3.50*

Source: ILO calculations and projections.

Two further caveats are in place before discussing the outcomes of the status quo projections.

First, health expenditure has not been incorporated in the scenario due to severe data restrictions. There was no information on current age and/or gender specific utilization profiles of health services available. Therefore, it was not possible to construct a specific health expenditure scenario, as utilization profiles are a crucial input in such an exercise.

Second, SSC expenditures are captured relative to GDP but not relative to government expenditure. The latter would not be meaningful as SSC is financed from contributions and not from tax revenues.

Outcomes. Current social protection expenditure is low in terms of government expenditure and negligible in terms of its GDP share. Health, education and SSC are the major items that are visible in the figure.

Neither now, nor in the upcoming decade, a significant share of Jordan's GDP appears to be allocated to Social protection programmes. The share of GDP accruing to cash transfers and social services for children (ages <18) declines in the status quo projections from 0.15 per cent in 2015 to 0.11 per cent in 2025. Likewise, the GDP share of cash transfers, active labour market programmes and social services allocated to Jordanians in their active ages (18-59) declines from 0.31 per cent in 2015 to 0.25 per cent in 2025. The GDP share of social protection accruing to elderly (60+) diminishes from 0.044 in 2015 to 0.040 per cent in 2025.

Chapter 5 Designing and Costing a Social Protection Floor for Jordan

5.1 Introduction

Chapter 4 discussed the current social protection programmes. This chapter looks at social protection reform that could help to overcome some of the design and implementation gaps associated with the current programmes.

In particular, four new programmes will be introduced with a view to addressing the most urgent needs, that were discussed in chapter 2. The focus in this chapter will be on the costs of these new programmes. Chapter 6 will look into the impact of these programmes on poverty in Jordan: to what extent would these new programmes help to alleviate poverty in Jordan over the next 10 years? Whether these additional programmes are affordable for the Government of Jordan remains to be seen. This will be discussed in the final chapter.

This chapter is organized as follows. First, the four programmes will be introduced: coverage, level of benefit and conditions (if applicable), and a time table for their rollout will be proposed. Then the outcomes of a costing exercise for the new programmes will be presented using a similar approach as in Chapter 4 for the existing social protection programmes.

5.2 Bringing social protection in Jordan up to the level of a Social Protection Floor

This section introduces four additional programmes that would help to redress the design and/or implementation deficiencies of the existing social protection programmes in Jordan.

It has been assumed that the rollout of a grant for the disabled could be implemented in full in 2017. This grant would cover all age groups and to be eligible one has to have a severe handicap and not be enrolled in SSC. For example, the 9.9 thousand beneficiaries with disabilities in the SSC/OADDI scheme would not be included in this new programme. The benefit would be set at the level of the poverty threshold (67 JDs/Month for an individual). This is the most urgent of all provisions as a large number of Jordanians with severe disabilities remain uncovered to date. The total number of estimated recipients would be 62 thousand in 2017, ascending to 76 thousand in 2025.

The main programme for children would be a Universal Child Grant. This would cover all children in the ages 0 through 5 with a benefit of 22 JDs per Month – this is one-third of the poverty threshold for an adult individual – excluding children of the wealthiest 20 per cent of households. This programme would aim to address the concentration of poverty in childhood ages and, likewise, around the ages where adults are raising young children (visible from Figure 2.5 in Chapter 2).

The second programme addressing specific needs for children would be an education stipend for children to counter the alarming dropout rates in secondary education. The stipend would also be 22 JDs/Month and would be conditional upon continued school enrolment. It has been estimated that 25.7 thousand pupils will be eligible in the first year when the programme would be implemented. In the fourth year (2021) the programme would reach full coverage and eventually, in 2025, 109.3 thousand students would qualify for the stipend.

Last but not least, the flagship social protection programme for the elderly would be a Universal Social Pension for those who are not beneficiaries under one of the SSC social insurance schemes. Like the

Disability Grant, the Social Pension benefit would be set at the level of the poverty threshold (67 JDs/Month for an individual). The rollout is foreseen between 2018 and 2021, and it is estimated that the number of beneficiaries rises from 41.8 thousand in 2018 to 187.1 thousand in 2021, and eventually exceed the number of 200 thousand elderly in 2025.

Table 5.1 provides the main characteristics of programme design, that is: coverage, level of benefit and conditions (if applicable), and proposes a time table for their rollout.

Table 5.1 Main design characteristics of the proposed SPF programmes and a timeline for implementation

The following 4 schemes have been included in the simulations. These are:

1. Social Pension: Pension-tested, unconditional monthly cash transfer of JD67[16] for all individuals above 60 years old, excluding those within the wealthiest 20 percent.

2. Disability Grant: Pension and Social insurance-tested, unconditional monthly cash transfer of JD67 for all individuals of all ages classified with severe disability.

3. Child Grant: Affluence-tested[17], unconditional monthly cash transfer of JD22 for all children under 6 years old, excluding those within the wealthiest 20 percent.

4. Education Grant: Affluence-tested, conditional monthly cash transfer of JD22 targeted to individuals aged 15 to 17 years old conditional on school attendance.

The rollout proceeds over the course of 9 years starting from 2017 up to 2025. The details are specified below.

Rollout timeline

Year	Coverage			
	Disability	**Social Pension**	**Education Stipend**	**Child Grant**
2017	100%	0%	0%	0%
2018	100%	25%	25%	0%
2019	100%	50%	50%	0%
2020	100%	75%	75%	15%
2021	100%	100%	100%	30%
2022	100%	100%	100%	45%
2023	100%	100%	100%	60%
2024	100%	100%	100%	80%
2025	100%	100%	100%	100%

[16] All transfer values are expressed in 2010 prices
[17] A Proxy Means Test was fitted for the purpose of simulating the impact of affluence tested transfers.

5.3 Costing a Social Protection Floor for Jordan

This section discusses the results of a costing of the set of programmes, including both the existing social protection programmes in Jordan, as well as the proposed new programmes.

Assumptions. This 'Social Protection Floor' (SPF) scenario has been elaborated according to the following assumptions.

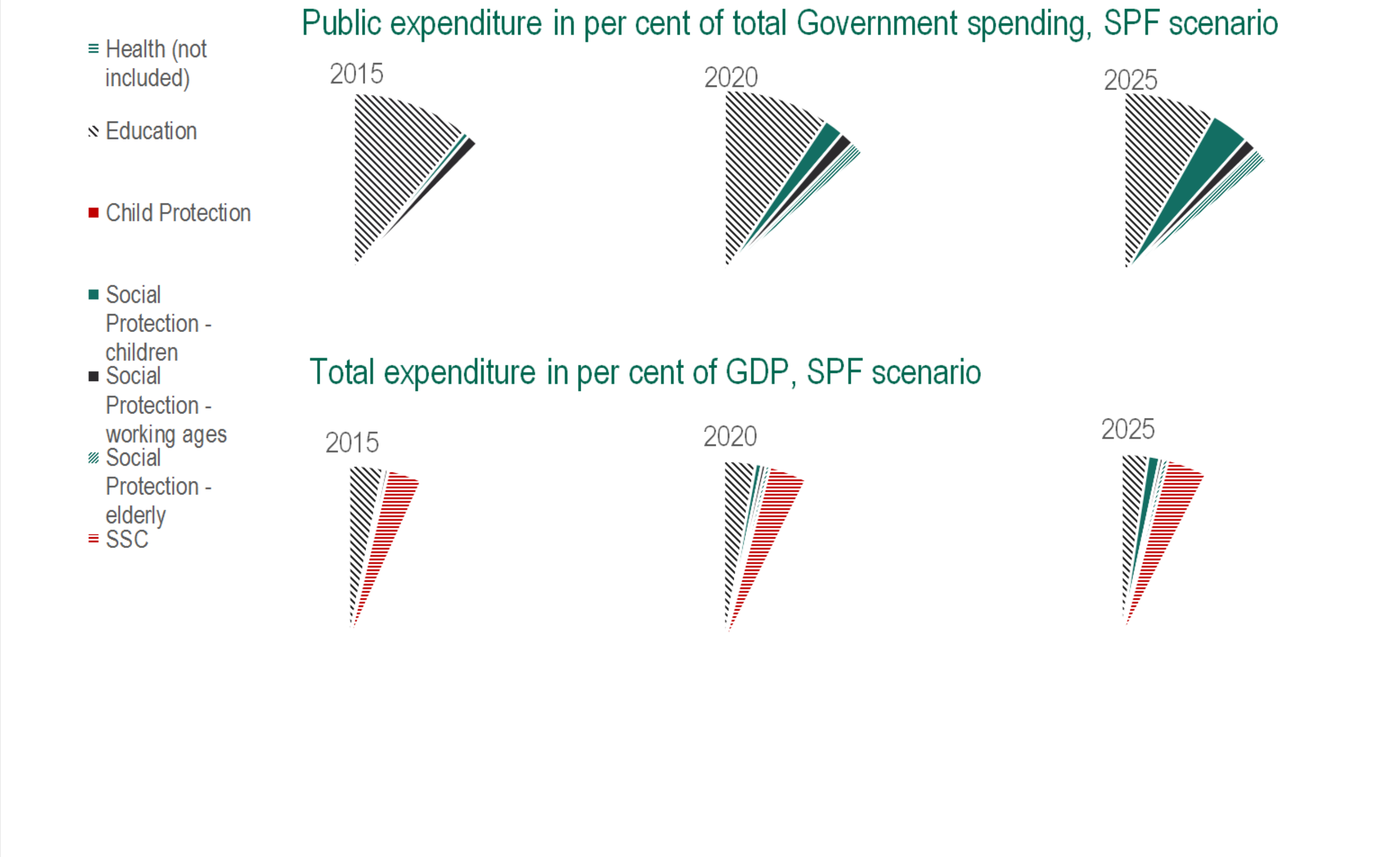
- Similar to the SQ scenario, this SPF scenario builds on the demographic, macroeconomic and public finance projections that have been outlined in Chapter 3.

The method applied to arrive at expenditure projections for the various programmes is as follows:

- The number of beneficiaries has been estimated projected looking at demographic statistics and statistics on beneficiaries from SSC. Shares of beneficiaries relative to their respective age groups were established and these shares were maintained constant throughout the projection time frame.
- The expenditure per capita has been set at the level set out earlier (for example, 22 JDs/Month for the Child Grant and 67 JDs/Month for the Old Age Pension), and kept constant at that level throughout the projection period.
- When the numbers of beneficiaries and the expenditure per beneficiary have been established, total expenditure has been calculated (again, in 2015 prices) as the outcome of a multiplication of the two.

Figure 5.1 and Table 5.12 provide the results of the costing exercise, including these four additional programmes in the set of current social protection programmes. The results include the outcomes of the costing of the existing programmes, as presented in the last section of Chapter 4 (Status Quo scenario), but now, the costs of the four additional programmes have been added.

Figure 5.1: Expenditure on social protection, Jordan, 2015 – 2025 – Social Protection Floor scenario



The results are best seen in conjunction with the outcomes of the SQ scenario presented at the end of Chapter 4. Expenditure on education and SSC have remained untouched in this scenario and therefore are the same here and in Chapter 4. However, in Figure 5.1, social protection expenditure as a share of total government expenditure now becomes well visible and, albeit less pronounced, also when presented relative to GDP. In 2020, some of the proposed new programmes are still not rolled out in full and this explains the further progression between 2020 and 2025.

Table 5.2 highlights the differences with the outcomes of the SQ scenario (Table 4.25 in Chapter 4). With respect to children, the SPF package, after full implementation, would cost 1 per cent of GDP in 2025, as compared to 0.1 per cent of GDP in the SQ scenario. For Jordanians in their working ages the SPF package would cost 0.3 per cent of GDP, as against 0.25 per cent in the SQ scenario. For the elderly Jordanians the introduction of the Universal Pension in conjunction with the scheme for the disabled would cost a little over 0.4 per cent of GDP in 2025, compared to an expenditure of 0.04 per cent in 2025 in the SQ scenario. Hence for the working age category, the SPF reform would generate a 50 per cent increase in expenditure relative to the scenario without any policy changes, whereas for children and the elderly the SPF reform would entail a tenfold increase of social protection expenditure.

Table 5.2: Expenditure on social protection, Jordan, 2015 – 2025: Social Protection Floor scenario

(in JD million, unless specified otherwise)	**2015**	**2020**	**2025**
Education	850.4	931.6	992.9
(in per cent of Government expenditure)	*10.8*	*9.4*	*8.2*
(in per cent of GDP)	*3.1*	*2.8*	*2.4*
Social Protection for Children	41.0	176.2	419.1
(in per cent of Government expenditure)	*0.52*	*1.77*	*3.46*
(in per cent of GDP)	*0.15*	*0.53*	*1.00*
Social Protection for Working ages	84.3	122.7	136.6
(in per cent of Government expenditure)	*1.07*	*1.23*	*1.13*
(in per cent of GDP)	*0.31*	*0.36*	*0.32*
Social Protection for Elderly	11.9	127.7	182.2
(in per cent of Government expenditure)	*0.15*	*1.28*	*1.50*
(in per cent of GDP)	*0.04*	*0.38*	*0.43*
Social Insurance (SSC)	843.5	1,106.4	1,472.9
(in per cent of GDP)	*3.11*	*3.30*	*3.50*

Source: ILO calculations and projections.

It will be interesting to see what the impact of this reform scenario would be and whether this reform is affordable for the Government of Jordan. This will be discussed in the next two chapters of this report.

Chapter 6. The impact of social protection on Jordan's poor and vulnerable population

6.1 Introduction

This chapter sets out to present and discuss the results of a microsimulation exercise using HIES2010 household income and expenditure data. What follows is, first, a methodological outline, and then, a presentation and discussion of the outcomes of the exercise.

6.2 The impact of SPF reform on poor and vulnerable Jordanian households

The model that has been constructed (Table 6.1) estimates that the national prevalence of poverty will fall down to 12.3 per cent by the year 2025. This is solely due to expected economic growth and growth in employment. While the model forecasts a consistent trend of reduction in poverty, it is expected that poverty would increase slightly during 2015. This is mainly driven by the negative growth in core inflation along with the relative reduction in real GDP growth. However, inequality is forecasted to gradually increase, driven mainly by the varying GDP and employment growth rates by sector and despite the pro-poor growth incidence observed between 2010 and 2013 (Figure 2.4 in Chapter 2), which is incorporated into the forecasts.

The reduction in poverty can be decomposed by income growth and inequality[18]. As highlighted in figure 6.2 further below, a reduction in poverty due to both income (expenditure) growth is expected to continue despite the momentary increase in poverty expected in 2015. In contrast, rising inequality is forecasted to counteract the impact of income growth, thereby muting poverty reduction by an estimated 0.33 percentage points in 2025.

Table 6.1 Outline of the methodology

A Poverty Forecasting model[19] is applied to Jordan to forecast the impacts of the proposed social transfer schemes following a rollout schedule starting in 2017 up to the year 2025. The model applies macroeconomic data such as GDP growth by sector and inflation to household consumption data from the HIES micro data set to estimate future consumption levels. Essentially, projected individual consumption is based on current year consumption plus growth in sectoral GDP, adjusted for population and employment growth. Increases in waged income are assumed to follow core inflation. Total final consumption is deflated by headline inflation to return to base year prices – allowing the use of the base year poverty line for estimation of poverty indices. Specifically, next year's forecasted per capita consumption expenditure for the *i* th individual ($PCE_{i,t+1}$) is estimated as:

$$PCE_{i,t+1} = \frac{\sum_{hs=1}^{k} \frac{PCE_{i,t} \times \left(1 + GiC_{t+1}^{s} + CI_{t+1} + (GiC_{t+1}^{s} \times CI_{t+1})\right)}{1 + HI_{t+1}}}{hs} \qquad \text{(Eq. 1)}$$

Where:

[18] Decomposition performed using the Shapley method

[19] This model is an adaptation of the World Bank poverty forecasting model applied in Indonesia. It has been applied successfully in Uganda as well.

$$GiC^{s}_{t+1} = \text{sectoral growth in PCE} = \left(GiI^{s}_{t+1} - \left(\frac{ES^{s}_{t+1}}{ES^{s}_{t}} \times (1 + PG_{t+1}) - 1 \right) \right) \times rGI^{n} \quad \text{(Eq. 2)}$$

$$GiI^{s}_{t+1} = \text{sectoral growth in income} = g^{s}_{t+1} \times pass_{t+1} \quad \text{(Eq. 3)}$$

$$ES^{s}_{t+1} = \text{sectoral share of employment} = \frac{ES^{s}_{t} \times (1 + e^{s}_{t+1})}{\sum_{\forall s} ES^{s}_{t} \times (1 + e^{s}_{t+1})} \quad \text{(Eq. 4)}$$

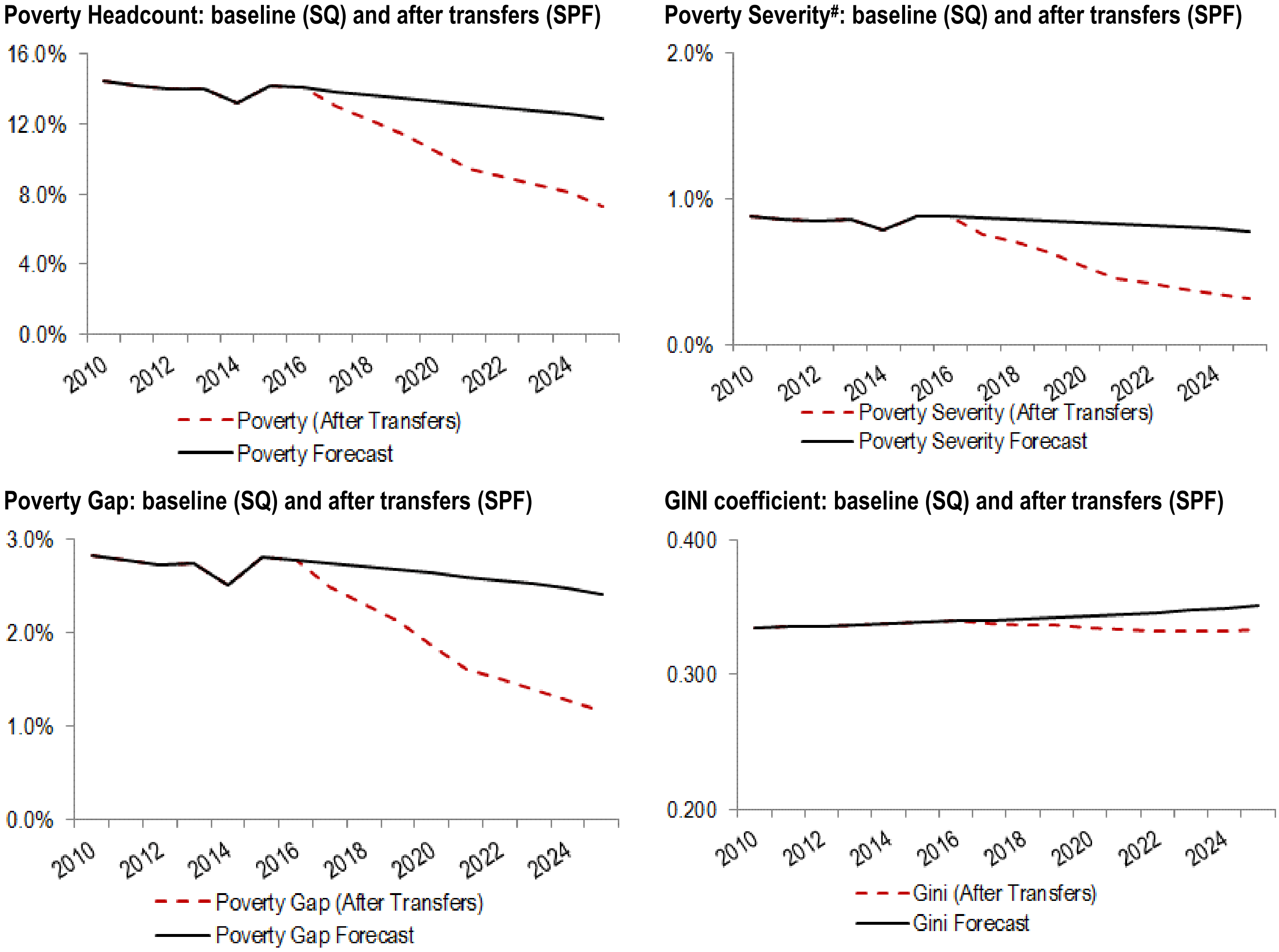
$$rGI^{n} = n\text{th percentile relative growth incidence } (2009 - 2012) = \frac{\overline{gc}^{n}_{09-12}}{\overline{gc}_{09-12}} \quad \text{(Eq. 5)}$$

and *t* is the year, *PCE* is per capita consumption expenditure, *s* is sector of employment, hs is the household size, GiC^{s}_{t+1} is sectoral growth in per capita consumption, GiI^{s}_{t+1} is sectoral growth in income, $g^{s}_{t+1}$is sectoral growth in GDP, CI_{t+1} is core inflation, HI_{t+1} is headline inflation, ES^{s}_{t+1} is sectoral share of employment, PG_{t+1} is population growth, $pass_{t+1}$ is pass-through from GDP growth to income and e^{s}_{t+1} is growth in sectoral employment. Sectoral growth in per capita consumption (GiC^{s}_{t+1}) is adjusted by relative growth incidence for the nth expenditure group between 2010 and 2013 to allow for growth in inequality. In line with the underlying assumption of equal distribution of consumption within the household, final PCE is the product of dividing the aggregate household consumption by the household size.

While inequality does fall throughout the forecasted period, it increasingly contributes to poverty starting from 2017/18, specifically, by mitigating the impact of economic growth on poverty reduction. To understand this, it is instructive to reiterate that the model forecasts income and consumption growth differently according to sector of employment (agriculture, industry and services). Decomposing inequality by these groups for the baseline and end line years clarifies that the forecasting model – based upon the assumptions of the NDP – projects that the relative contribution of within sector inequality to overall inequality would slightly rise from 60.7 per cent to 61.5 per cent between 2010 and 2025, whereas the contribution of between sector inequality falls from 14.7 per cent at the baseline to 10.3 per cent in 2025 – driven by the varying growth rates and employment share rates projected for each sector.

Figure 6.1 presents the results of the projections for a series of poverty and income inequality indicators.

Figure 6.1: Projected poverty in Jordan 2010-2025 – SQ scenario and SPF scenario



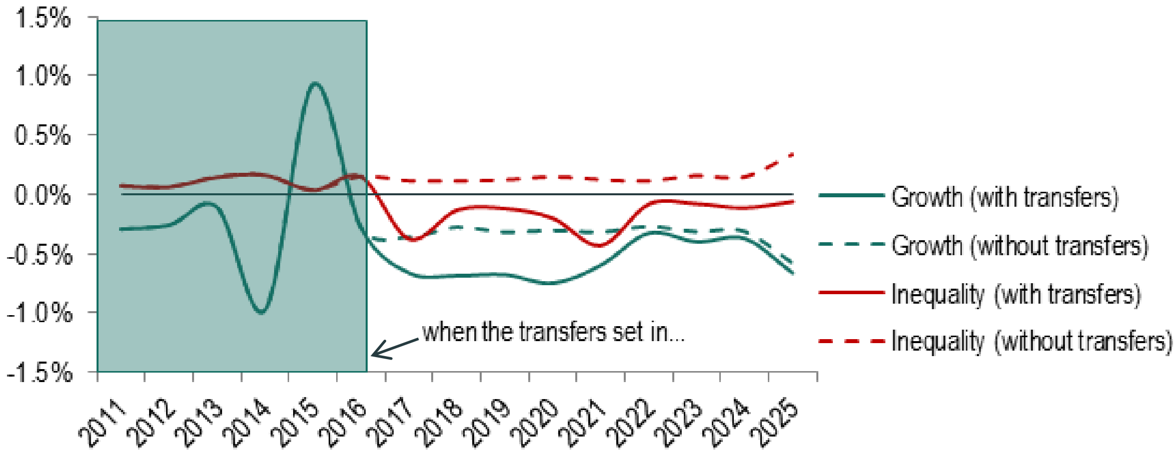
Source: ILO calculations based on HIES2010 data

#: Poverty Severity is measured as Poverty Headcount times Poverty Gap

The baseline trend slopes slightly downward. The effect of the cash transfers that were proposed in Chapter 6 is a clear break in the trend. The headcount (percentage of poor households) would fall from an estimated 14.2 per cent in 2015 to 12.3 per cent in 2025 in the baseline scenario (that is, without the proposed cash transfer stimulus). The impact of the cash transfers is a further drop in the headcount to 7.3 per cent in 2025. In addition, there is a steep drop in the poverty gap – measured as […]. Instead falling from 2.8 per cent in 2015 to 2.4 per cent in 2025, there is a steep drop to 1.2 per cent due to the cash transfers. The GINI coefficient, measuring income inequality instead rising from 0.338 in 2015 to 0.351 in 2025, it falls to 0.333, as a consequence of the proposed cash transfers.

The introduction of the SPF package reverses the trend of rising inequality such that the redistributive impact of the additional programmes contributes towards poverty reduction starting from 2017 onwards. Figure 6.2 illustrates this in a different way. The figure reveals depicts the decomposition of the impact on growth and inequality on poverty reduction. As such, the green (growth) lines show how much (in percentage points) poverty is reduced due to growth in income (proxy expenditure) and the same for the red lines, which show contribution of inequality to poverty. So, pre 2015, income growth led to reduced poverty year on year, but reduction in income in real terms in 2015 meant that income growth actually contributed to poverty increase (hence the line pops above zero in 2015). Post 2016, the dashed line shows what income growth contribution to poverty reduction would be in absence of the new transfers while the solid lines shows the same with transfers. Clearly, the new transfers, particularly between 2016 and 2022, make income growth more effective in reducing poverty (mainly since this is the period where it is rolled out. The main impact of the transfers, however, is seen in shifting the contribution of inequality to poverty reduction from positive (dashed red line) to negative (solid red line). Thus, without transfers, rising inequality would have muted the effects of income growth on poverty reduction, while with transfers, the slight reduction in inequality due to transfers is estimated to also contribute to poverty reduction.

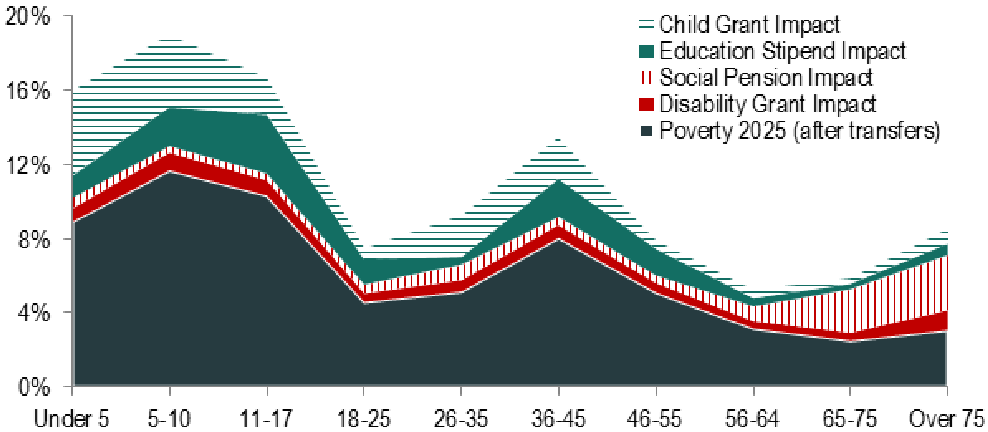
Figure 6.2: The impact of suggested SPF programmes on poverty and inequality reduction



Source: ILO calculations based on HIES2010 data

Last but not least, Figure 6.3 presents the impact of the SPF reform scenario on poverty measured over the life course. To grasp the significance of this, it is instructive to compare this figure with the figure at the end of Chapter 2 (Figure 2.16). The black shaded area shows (average) poverty incidence across the life cycle. The red and green shaded areas indicate the reduction of poverty due to the various programmes that were discussed in Chapter 5. In Figure 2.16 in Chapter 2 the entire area was still black, indicating that the proposed SPF reform package has a sizable impact on poverty reduction across the life cycle.

Figure 6.3: The impact of suggested SPF programmes on poverty over the life course



Source: ILO calculations based on HIES2010 data

Chapter 7. Fiscal Space for Social Protection Financing in Jordan

7.1 The Model

The model this report uses for assessing fiscal space is a simple debt dynamics model, specified as follows.

$$(1) \qquad debt_t = debt_{t-1} - fiscal\ balance_t$$

$$(2) \qquad ({}^{debt}/_{GDP})_t - \left({}^{debt}/_{GDP}\right)_{t-1} = \left({}^{primary\ balance}/_{GDP}\right)_t + (implicit\ rate\ of\ interest - GDP\ growth\ rate) \cdot ({}^{debt}/_{GDP})_{t-1}$$

The first equation (1) is just an accounting identity, indicating how the stock of debt accumulates over time. The second equation (2) provides a decomposition of the various factors impacting on the growth of debt. These formulas constitute a simplified version of, for example, the formula used in IMF 2013.[20]

The method applied in this report proceeds in three steps. The first step in the approach is to project revenues and expenditures into the future (Section 7.2). Combining the outcomes with the projections of economic growth and the implicit rate of interest on government debt, will provide us with a baseline path for central government debt.

This baseline path of central government debt can then be tested against some 'normative benchmark'. This is the second step (Section 7.3). Two benchmarks are relevant for this report. The first is the long-term level of debt the government aims at. This is said to be 80 per cent of GDP.[21] The second is whether the baseline path is sustainable. Will it converge to a certain level, or will it diverge? When the level of public debt will converge to a level below what government has set as a target, the conclusion might be that there is fiscal space. However, at this point, several tests still need to be, and will be, conducted before this conclusion can be drawn with confidence. How sensitive is the baseline path for certain macroeconomic shocks, such as, for example, a lower structural rate of economic growth, a higher (implicit) rate of interest on public debt, etc.?

Once it has been ascertained that the baseline path of public debt is robust (or not), the third step is to explore the various dimensions to increase fiscal space. What is the scope for government to increase revenues? What are the options to curtail or redirect public spending? What are the prospects with respect to grants from international agencies or foreign governments? To what extent can government tap in to

[20] IMF (2013, p. 39) proposes the following formula: $D_t = \frac{e_t}{e_{t-1}} \cdot \left(1 + i_t^f\right) \cdot D_{t-1}^f + \left(1 + i_t^d\right) \cdot D_{t-1}^d - (T_t + G_t - S_t) + O_t + RES_t$, with D_t is the stock of debt, e_t is the (nominal) exchange rate, i_t is the effective (nominal) interest rate, either foreign or domestic, and $(T_t + G_t - S_t)$ is the primary balance, $O_t$other factors such as privatization receipts or contingent liabilities, and the remainder, RES_t, is a residual ensuring that the identity holds. Here, a distinction is made between foreign owned and domestic debt and other factors that have an impact on the level of debt. However, since the JD is pegged to the USD and around two-thirds of external public debt is listed in USD, and because not all information required to include a residual factor O_t in a meaningful manner is available (for example, no information is available on future privatization receipts or future contingent liabilities), this report works with a simplified formula.

[21] Recorded from the interview with senior officials from the Central Bank of Jordan, August 2015. Within the overall envelope of 80 per cent, there is the additional restriction that neither domestic nor external debt should exceed 60 per cent of GDP.

financial reserves? These are among the issues that will be discussed in the final part of this chapter (Section 7.4).

The final section in this chapter (Section 7.5) will draw conclusions.

7.2 Baseline path of public debt

Table 7.1 and Figure 7.1 show the baseline path of revenues, expenditure, the public deficit and debt for the projection horizon (until 2030) and the further path over a longer time period (until 2065).

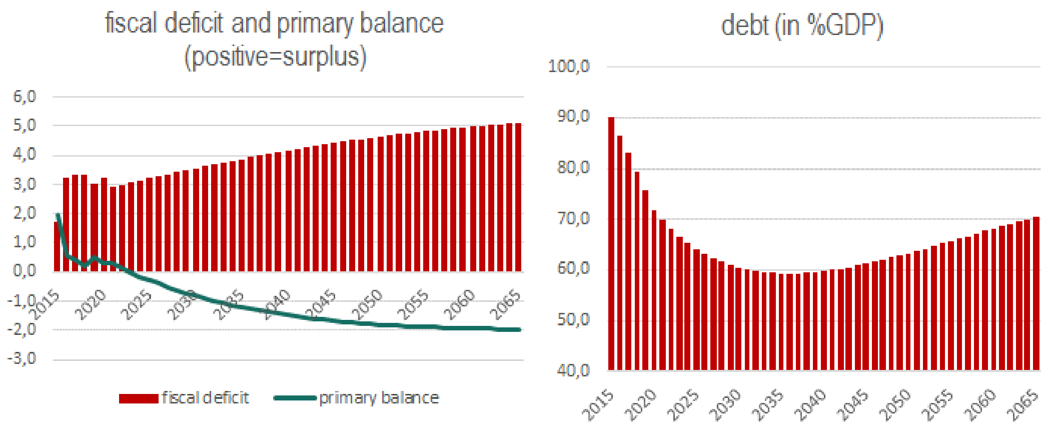
Table 7.1. Government Finance highlights: 2015-2030, selected years

(current prices, in million JD)	2015	2016	2017	2020	2025	2030
REVENUES						
Total Revenue & Grants	7,408	7,826	8,378	10,078	13,872	19,116
(per cent of GDP)	*27.4*	*27.0*	*27.0*	*26.4*	*25.5*	*24.8*
Total Revenue						
Tax Revenue	4,370	4,912	5,264	6,469	9,122	12,798
(per cent of GDP)	*16.2*	*16.9*	*16.9*	*16.9*	*16.8*	*16.6*
Non-tax revenue	1,910	1,891	2,027	2,540	3,620	5,125
Grants	1,128	1,023	1,087	1,069	1,129	1,193
EXPENDITURES						
Total Expenditure	7,876	8,758	9,412	11,318	15,697	21,924
(percent of GDP)	*29.1*	*30.2*	*30.3*	*29.6*	*28.8*	*28.5*
Wages and salaries	1,393	1,438	1,474	1,811	2,463	3,327
Good and Services	337	365	391	511	728	1,031
Interest expenditure	1,003	1,087	1,167	1,345	1,601	2,130
Subsidies	1,861	2,360	2,528	2,917	4,158	5,885
Overall balance, deficit (cash)	468	932	1,034	1,240	1,825	2,808
(percent of GDP)	*1.7*	*3.2*	*3.3*	*3.2*	*3.4*	*3.6*
Central Government debt (gross)	24,377	25,095	25,840	27,364	35,014	46,959
(percent of GDP)	*90.1*	*86.6*	*83.2*	*71.7*	*64.3*	*61.0*

Source: Ministry of Finance, General Government Financial Bulletin, July 2015, IMF (2015), and ILO calculations

The figure makes clear that in the longer run public finances will go off track. The fiscal deficit will embark on a gradual path uphill from 2021 onwards. Then, after 2025, the primary balance will move into deficit and with some time lag this will start to impact on the debt/GDP ratio which will dip just below the 60 per cent mark in the first half of the 30s before starting its ascent.

Figure 7.1. Baseline path of public debt (2015-2065)



Source: IMF (2015) for 2015-2020, from 2021 onwards ILO projection

The following assumptions underlie these projections.

Revenues. Growth in *direct tax revenues* on average has been a little above nominal GDP growth in the period 2010-2015. This is not so much due to higher economic growth. In fact, nominal GDP growth slowed down from 10.9 and 9.1 per cent in 2010 and 2011, to 6.6 and 6.3 per cent in 2014 and 2015, respectively. The 2014 tax reform however (see below), seems to have exerted an instant impact on direct tax receipts, which accelerated from a standstill in 2013, to 12.4 and even 14.6 per cent growth in 2014 and 2015 (this is according to the budget estimates). IMF (2015) projects for the short to medium term (2016-2020) an average growth almost similar to the nominal GDP growth during this period. In line with this, the ILO's assumption for the remainder of the projection period (2020-2030) is that the growth in direct tax receipts follows nominal GDP growth.

Table 7.2. Main tax categories after the 2014 Tax Reform Act

tax categories	rates and brackets	exemptions	other remarks
Income tax	rates: 7, 14 and 20%, brackets: 10,000 JD (per capita, for a household this can be double)	4,000 JD is exempt from income tax	It is estimated that only 120,000 households (out of 1 million) exceed the threshold and are paying tax.
Corporate tax	differential rates per sector, for example: industries: 14%, trade 20%, telecom: 25%, and banks: 30%	gross profits after deductibles	
General Sales tax	overall rate: 16 per cent	food (0 per cent) alcohol etc. (24 to 28 per cent)	

Indirect tax receipts accelerated at annual rates exceeding 11 per cent during 2011-2014, but growth is expected to go down to 6.7 per cent in 2015 (budget 2015). IMF (2015) projects a growth for the medium term (up to 2020) close to nominal GDP growth. The ILO's assumption for the remainder of the projection horizon, likewise, is that indirect taxes will increase in line with nominal GDP.

The GDP share of *non-tax revenues* has been fairly stable between 2010 (6.7 per cent) and 2015 (7.1 per cent), with 2014 as an exception when it rose to 7.8 per cent. IMF (2015) projects the GDP share to go to 6.7 per cent again in 2020 and this share is retained throughout the remainder of the projection period.

Grants have been volatile in the recent past. For example, 5.9 per cent of GDP in 2011 to 1.5 per cent in 2012 and then to 4.9 and 4.2 per cent again in 2014 and 2015. IMF (2015) projects a gradual decline of the GDP share of external grants to 2.8 per cent in 2020. The 1.1 per cent annual nominal growth in the IMF projections is extrapolated for the period 2021-2030, leading to a gradual further decline in the GDP share to 1.5 per cent in 2030.

Expenditure. Public sector salaries increased 14.5 per cent in 2011 and 16.7 per cent in 2012. Afterwards, growth in the government's salaries expenditure has been more modest at 5.4 per cent on average in 2013 to 2015. IMF (2015) projects a 5.9 per cent annual growth until 2020. The assumption for the remainder of the projection period is an annual growth that lies 1 percentage point below nominal GDP growth.

Purchases of goods and services. Expenditure has been a little volatile in the recent past. IMF (2015) projects a flat 1.3 per cent GDP share and this has been maintained as an assumption in this report throughout the projection period.

Subsidies. In 2011, the combined deficit of the budget and autonomous agencies recorded 18.7 per cent of GDP, out of which petroleum subsidies represented 2.8 percentage points and compensation for NEPCO's deficit another 4.9 percentage points (World Bank 2012). The GDP share of petroleum subsidies were as low as 0.3 per cent in 2009 but in an effort to shield consumers from high market prices subsidies exploded in 2010 and 2011. Likewise, the guaranteed NEPCO deficit increased from a small surplus (0.2 per cent of GDP) in 2009 to a 4.9 per cent of GDP deficit in 2011 and further up to 5.3 per cent in 2012, due to disruptions in gas supplies from Egypt forcing NEPCO to purchase more expensive fuel to meet the nation's consumption demand. Since, government has been successful in curtailing expenditure on subsidies, from 960 million JD in 2012 to around 300 million JD in 2014 and 2015. Fuel subsidies have been terminated end of 2012. The NEPCO account is planned to balance again in 2017. IMF (2015) foresees a continuation of reform leading to a further slowdown in expenditure from 6.5 per cent on average between 2010-15 to 5.4 per cent annual growth in the medium term (until 2020). The assumption in this report is that subsidies reform will be completed in the medium term and that, afterwards, the growth in expenditure on subsidies will be in line with nominal GDP growth.

Interest costs follow from the level of debt (t-1) and the implicit rate of interest which has seen an increasing trend from 3.3 per cent in 2011 to 5.3 per cent in 2015 with respect to domestic debt, and fluctuated around 2.2 per cent with respect to external debt over the same period. In the IMF (2015) medium-term projections, for domestic debt a further gradual increase is expected to 5.9 per cent, and 3.5 per cent for external debt. This report assumes that the implicit rate of interest on domestic debt will be 6.1 per cent after 2020 – this is consistent with the long-term rate of interest assumption in the ILO's 8th Actuarial Review of the SSC report (ILO, 2015). The assumption for the implicit rate of interest on external debt after 2020 is 2.9 per cent, this is equal to the average for the period 2016-2020. It has further been assumed that the share of external debt in total public debt will remain constant on its medium-term level (39.3 per cent).

It has been assumed that the level of public debt (central government debt) follows straightforward from the level of debt in t-1 and the public deficit in t, so without any impact from other factors or a residual factor.

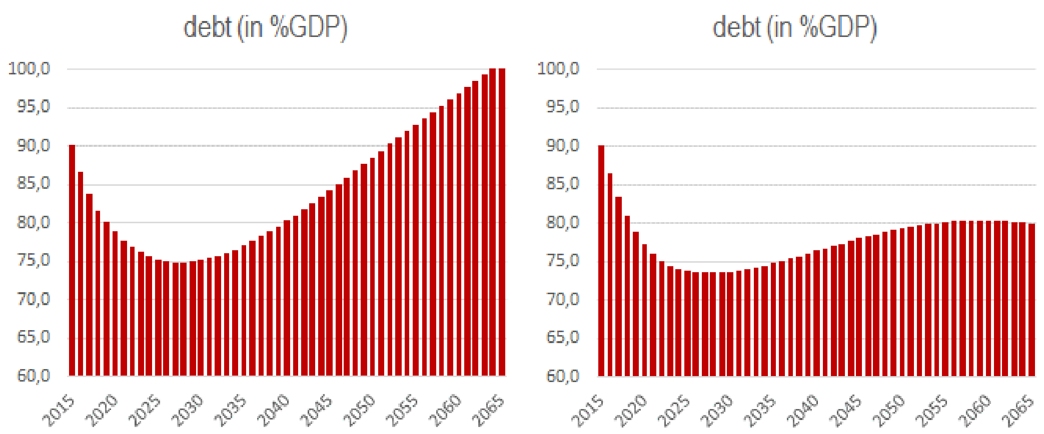
The World Bank's (2012) Public Expenditure Review includes projections for public debt for 2012 and 2013, both including and excluding the measures that have been proposed in the document (Appendix 1). The interesting thing to note is that the actual path of public debt (realisations) for 2012 and 2013 has been close to the projections, *including* the proposed measures. Without measures, debt/GDP ratios would have been 3 to 4 percentage points higher than the actual turnouts. It is difficult to relate these outcomes to the success of government fiscal measures on a one-to-one basis, but it seems fair to conclude that government has been on the right track in the recent past and this bodes well for the prospects of further achieving its fiscal agenda in the medium to longer-term future.

7.3 Fiscal Space in Jordan: normative approach

The conclusion from the previous section is that, according to the baseline scenario, (gross) public debt in the decade after 2020 will continue to fall from 72 per cent to 61 per cent of GDP in 2030. Then, in the long run, the debt/GDP ratio will rise again to 72 per cent in 2065. Comparing this path with the government's target debt/GDP ratio (80 per cent), one might conclude that there seems to be some fiscal space for increasing public expenditure.

The baseline scenario has assumed the following periodical growth rates for public non-interest expenditure: 7.7 per cent from 2016 to 2020, 7.2 per cent from 2021 to 2025, and 7.0 per cent from 2026 onwards. Figure 7.2, left graph, shows the debt path when government in the medium-term temporarily would accelerate public expenditure with 1 percentage point (hence, 8.7 per cent annual increase of expenditure from 2016 to 2020) and would return to the baseline growth rates from 2021 onwards. The same figure, right graph, shows a different scenario. Now the following periodical growth rates for public non-interest expenditure have been assumed: 8.3 per cent from 2016 to 2020, 7.7 per cent from 2021 to 2025, and 6.8 per cent from 2026 onwards.

Figure 7.2. Public debt (2015-2065) under two alternative expenditure scenarios



Source: ILO calculations

The second scenario assumes that public expenditure growth lies 0.5 percentage point above the baseline in the upcoming decade (2015-2025) and then in order to stabilize public debt would slow down a little (0.2 percentage points) relative to the baseline scenario. This second scenario eventually leads to a convergence of gross public debt to the government's target, at least over the coming five decades.

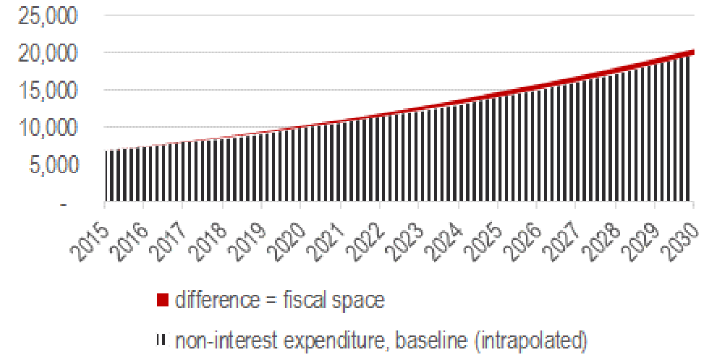
Table 7.3 and Figure 7.3 (top graph) show the additional fiscal space in terms of millions JDs in public expenditure this would mobilize compared to the baseline scenario. Note that after 2025 this fiscal space narrows down relative to GDP (even when it still increases in absolute terms). This is visible in Figure 7.3 (bottom graph), which shows fiscal space in per cent of GDP.

Table 7.3. Government (non-interest) expenditure, Fiscal Space: 2015-2030, selected years

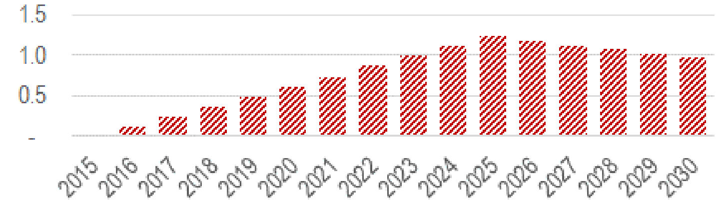
(current prices, in million JD)	2015	2020	2025	2030
Non-interest expenditure, baseline	6,873	9,973	14,096	19,794
Non-interest expenditure, alternative	6,873	10,207	14,767	20,543
Difference = Fiscal Space		234	671	749
(percent of GDP)		*0.6*	*1.2*	*1.0*

Source: ILO calculations

Figure 7.3. Fiscal Space in a scenario that aims at the long-term Government's target debt/GDP ratio



public non-interest spending, baseline scenario (grey shaded area) and alternative scenario (grey plus red area). The difference (the red area) represents fiscal space in million JDs



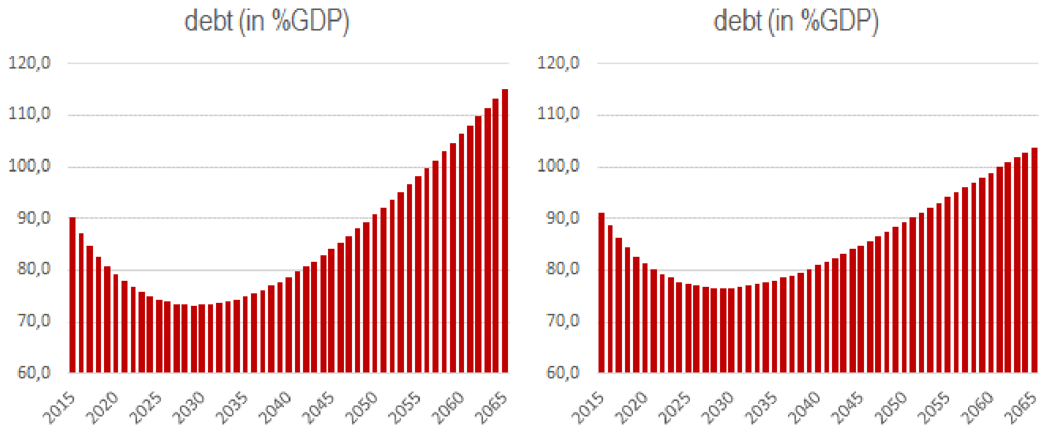
the red shaded bars represent fiscal space in per cent of GDP

Source: ILO calculations

Figure 7.4 shows the outcomes of two 'stress tests'. The left graph shows the impact of a lower nominal GDP growth rate (1 percentage point below the baseline). The result is that public debt/GDP ratio will reach its lowest level, now 73.2 per cent (against 59.3), earlier in time (2030 against 2035 in the baseline scenario). The right graph shows the consequences of a 1.25 percentage points (125 basis points) higher interest rate, which is on the conservative side given the deterioration of the primary balance from a 2 per cent surplus in 2015 to a 0.9 per cent deficit in 2030.[22] This would lead to a debt/GDP ratio that falls to 76.0 per cent, and then starts to increase from 2030 onwards. The debt/GDP ratio in this scenario exceeds the 80 per cent ceiling well in advance of the end of the long-term projection horizon.

[22] IMF (2013) even assumes a 250 bps higher interest for each 1 per cent deterioration of the fiscal balance.

Figure 7.4. Public debt (2015-2065), stress tests: lower economic growth (left), higher interest rate (right)



Source: ILO calculations

The following intermediate conclusions emerge from this:

- The baseline path of public debt (Section 7.2) leaves a window for additional public expenditure, at least in the medium-term (2015-2025). After 2025, a downward adjustment of expenditure growth is required to ensure that in the further future the government's 80 per cent debt/GDP target will hold.
- This window of fiscal space has been estimated to build up to 1.2 per cent of GDP towards 2025, declining gradually afterwards, but still amount to almost 1 per cent of GDP in 2030.
- However, such a window is vulnerable for economic 'bad weather conditions': a more moderate GDP growth rate and/or a higher implicit rate of interest on public debt. Hence, it is safer to steer clear from this path.
- In order to create fiscal space for social protection programmes, government could consider one or more of the alternatives discussed in Section 7.4.

7.4 Dimensions to mobilize additional Fiscal Space

The previous section revealed fiscal space that would be available given the government's target debt/GDP ratio. It turns out that under the baseline scenario, public expenditure growth remains below the critical level that government could afford while still achieving its target debt to GDP/ratio in the long run.

There are several avenues government could pursue to further increase fiscal space for financing social protection, not least – as argued at the end of the previous section – to keep public finances safe out of the danger zone.

7.4.1 Revenues

Introduction. This is the first avenue that could lead to enlarged fiscal space. There are four dimensions to be considered. The first is increasing tax rates, the second is widening the tax base, the third is enhancing compliance, and the fourth is to step up other (non-tax) revenues. With respect to increases in tax rates governments have to be mindful that this will not always lead to larger tax revenues. This goes back to the well-known Laffer Curve. Depending on substitution elasticities of economic behaviour, the result of an increased tax rate could be a reduced tax base. In general there are six broad categories that governments can use to increase their revenues (Ortiz et al., 2015), these are: (i) tariffs, (ii) consumption and/or sales taxes, (iii) income taxes, (iv) corporate taxes, (v) taxes levied on (income from) natural resources, and (vi) other taxes.

In general, the GDP share of revenues dropped 9.4 percentage points between 2007 and 2011, most as a result of implementing fiscal stimuli as a response to the global crisis (World Bank, 2012). The 2010 tax reform lowered the top income tax rate from 30 to 14 per cent. Move important, government exempted no less than 328 items from GST from 2008 onwards, in addition to 110 items that had been exempted earlier. Eliminating those exemptions would generate an estimated annual 0.66 per cent of GDP in terms of revenues (World Bank, 2012). At the same time, towards the end of 2011, tax arrears accruing from loose tax administration stood at an estimated 8.3 per cent of GDP (World Bank, 2012).

Tax rates. In 2014, another tax reform was implemented, introducing a 20 per cent marginal tax rate for (annual) incomes exceeding JD 30,000, with a JD 4,000 exemption for a household. Jordanian workers (private sector) insured with the SSC in addition are levied a 6.5 per cent contribution on their earnings up to a ceiling of JD 3,000 per month. This means that effective tax rates for salaried workers are significant, even below the threshold for the income tax. For those with earnings exceeding the threshold and taxed at a 7, 14 or 20 per cent marginal tax rate, effective tax rates tend to be between 8 and 14 per cent. For example, someone earning JD 24,000 (annual) and a member of SSC would be charged JD 2,260 taxes plus SSC contributions, this corresponds to a 9.4 per cent effective tax rate on his/her income. This example has included the JD 4,000 exemption (it's the first earner in the household). For a second earner in a household, the average tax rate would be a little higher: 11.8 per cent. For a first earner with annual earnings at JD 36,000 the effective tax rate is 12.0 per cent. For a first earner with annual earnings at JD 48,000 – note that this is approximately ten times the national average wage – the effective tax rate still is not more than 13.3 per cent.[23] This means that there should be some scope for increasing tax rates in Jordan. Comparing average effective rates (income tax plus SSC, including employers' contributions) Jordan low rate (in 2014, with 26.5) per cent stands out against Egypt (54), Tunisia (47.1), Morocco (46.8) and Lebanon (31.9) (Mansour, 2015).

For the corporate tax rate and the GST rate, it seems that the Jordanian rates are in line with international and regional practice and hence, there would not be a large scope to increase these rates. Jordan's standard corporate income tax rate now stands at 20 per cent (see also table 3.2 above for more detail) which is in line with the regional (non-resource countries) average (Mansour 2015). The standard GST rate in Jordan is 16 per cent. This is higher than Egypt and Lebanon (both 10 per cent) and a little below Tunisia (18 per cent) and Morocco (20 per cent) (Mansour, 2015).

Tax base. With respect to income taxes, the first JD 10,000 individual earnings are taxed at zero rate and there is the JD 4,000 exemption, which means that for a two earner couple the first JD 28,000 earnings are not taxed. This is considered to be a rather high threshold, also from a regional perspective (IMF 2014, Mansour 2015[24]). Section 3.2 already mentioned that not more than 12 per cent of Jordanian households (120,000 households) are actually paying income tax. Likewise in GST, the threshold in Jordan (that is, the level of turnover where the GST kicks in) is much higher than other MENA countries (Mansour, 2015).

Rates times base is revenues. The following table (Table 7.4) shows tax revenues in Jordan and in Egypt. The table reveals that Jordan relies to a large extent on indirect taxes – in particular the GST. There would be scope to step up revenues from direct taxes. This is true even when the total revenues from taxes in

[23] First, there is the JD 4,000 exemption, the next JD 10,000 are taxed at a 7% rate, the next JD 10,000 are taxed at a 14% rate and the remaining 24,000 are taxed at the 20% top rate. In addition, the entire JD 36,000 ceiling for the SSC applies, so this person is levied 6.5% SSC contributions up to this earnings level (NB: this is only the worker's share). Adding up, JD 6,400 is due for taxes and social security contributions, which corresponds to a 13.3% average effective tax rate.

[24] Comparing tax brackets in the region Mansour (2015) finds a high percentage of per capita GDP that is either exempted or taxed at a zero rate in Jordan: 3.5 times per capita GDP is exempted, as against 0.5 per capita GDP in Lebanon, 0.3 in Egypt and 0.2 in Tunisia.

Jordan (16.2) are close to the level in Egypt. The government of Egypt is aiming to further increase the GDP share of tax revenues in the near future.[25]

Table 7.4. Tax revenues: Jordan in comparison to Egypt

(percentages of GDP)	Jordan		Egypt	
	2012	**2015**	**FY11/12**	**FY14/15**
Taxes on income, profits, capital gains	3.1	3.3	5.8	7.5
Taxes on property	0.5	0.5	0.8	1.2
Taxes on goods and services	10.4	11.1	5.4	6.1
Taxes on international trade and transactions	1.3	1.3	0.9	0.9
Other taxes	-	-	0.2	0.5
Total tax revenue	**15.3**	**16.2**	**13.2**	**16.1**

Source: ILO calculations on data from the Ministries of Finance from Jordan and Egypt

Moreover, excise taxes in Jordan are low in comparison to the other MENA countries. For example, in 2011/12 the GDP share of excise taxes in Jordan was 0.42 per cent, against 1.67 per cent in Egypt, 2.30 per cent in Tunisia, 2.77 per cent in Morocco and 2.96 per cent in Lebanon (Mansour, 2015).

Collection. One problem of Jordan's tax system, where design affects implementation, is that there are inconsistencies in how various types of income are treated. Dividends and capital gains, for example, are exempted from tax, while interest is taxed at a 5 percent final withholding. This leads to a distortion across saving instruments and also provides opportunities for tax planning by the higher income groups (Mansour 2015). The Maghreb countries in general raise higher revenues than the other non-resource MENA countries, including Jordan, and this has been ascribed to the former countries' more advanced administration (Mansour, 2015). This suggests that there is some scope for improvement. However, it is difficult to estimate how much.

Other revenues. Table 7.5 shows that non-tax revenues in Jordan are in line with international benchmarks – notably Egypt. The same is true for revenues from external grants. Both countries, in particular in 2014, have received sizable grants from the GCC region. This tends to be a volatile source of income. In Egypt, for example, inflows from the GCC countries in 2013/14 were ten times the amount of grants received in 2010/11.[26]

Table 7.5. Non-tax revenues: Jordan in comparison to Egypt

(percentages of GDP)	Jordan		Egypt	
	2014	**2015**	**FY13/14**	**FY14/15**
Other revenues	7.8	7.1	4.8	7.1
Grants	4.9	4.2	5.0	1.0

Source: ILO calculations on data from the Ministries of Finance from Jordan and Egypt

From a PFM perspective it is important further to note that government has sent a Law to parliament regulating revenue collection of the government agencies through a single account (TSA).

Conclusion. There is fiscal space, in particular in direct tax revenues, but also indirect taxes – either through increasing the current tax rates, lowering the threshold and eliminating exemptions (widening the tax base), or improving tax collection, or all three. In particular, widening the tax base should be

[25] Information received from interviews with the Egyptian Ministry of Finance. The aim for the government of Egypt is to bring the GDP share of taxes to at least 20%.

[26] It is obvious that this is related to the changes in the political climate (the change of regime in Egypt). However, the fact that this remains to be a volatile source of revenues becomes visible from the latest FY when external grants in Egypt dropped to 1.0 per cent of GDP.

considered.[27] The fiscal space that can be mobilized on the revenue side can be estimated at 1.33 per cent of GDP in 2020, stabilizing close to 1.75 per cent of GDP from 2025 onwards.

7.4.2 Expenditure

Introduction. This is the second main avenue for governments looking for resources to spend on alternative programmes. Is it possible to find such resources within the expenditure portfolio? There are two possibilities here, governments can either reprioritize existing programmes, or governments can make resources available when these existing programmes can be implemented in a more cost effective manner. In other words, existing programmes can be terminated, scaled down or implemented against lower costs.

Ortiz et al. (2015) point to the complications that tend to arise in this approach, which are well known from the public choice literature. Existing programmes represent vested interests, not just at the level of beneficiaries, but with staff in implementing agencies and/or politicians as well. All these actors have a stake in these programmes and can (and will), organize resistance against initiatives to terminate or scale down these programmes. Nevertheless, re-prioritizing and/or rationalizing public expenditure is an avenue that needs to be explored when government aims for fiscal space. Instruments that have proven to be useful are Public Expenditure Reviews and thematic budgets, replacing high-cost, low-impact components, eliminating inefficiencies in the implementation of programmes and, of course, fighting corruption at the level of the administration of these programmes (Ortiz et al., 2015).

Government expenditure in a large number of countries has increased since the global financial crisis, while staying constant in some, and contracting in others. In their 2013 paper, Ortiz and Cummins examined 'IMF Article IV consultation' reports from 181 countries and found evidence that this fiscal contraction has occurred most severely in developing countries. According to the authors, adjustment strategies that are under consideration or have been implemented include: (i) elimination or reduction of subsidies (fuel, agriculture and food products – 100 countries), (ii) capping the public sector wage bill (98 countries), (iii) rationalizing and/or intensified targeting of social protection programmes (80 countries), (iv) pension reform (86 countries), (v) health care reform (37 countries), and (vi) labour market reform (32 countries). The authors also found that the most developed countries tend to be the ones that are the least successful in implementing these austerity policies (Ortiz and Cummins, 2013).

Government has made enormous progress in regaining control on the expenditure side of the budget. For 2016, budget ceilings have been approved and sent to the Ministries in line with the medium-term fiscal consolidation path and a plan has been drafted to solve the last remaining issues with arrears of public companies (IMF 2015b).

The following will look into the main expenditure items in the government budget from an economic classification perspective. Chapter 4 will revisit the issue from a programmatic angle and discuss Jordan's Social Budget in more detail and whether, within these programmes, there are options to allocate resources in a more efficient manner.

Table 7.6 compares the main non-interest spending items in the government budget categorized from an economic perspective, these are: the public sector wage bill, public procurement and subsidies.[28]

[27] The fiscal space accruing from tax reform has been simulated using income distribution data available from SSC. Note that a more accurate result can be obtained with income data from the Tax Office.
[28] Note that national defense expenditure and capital expenditure have been left out of consideration here. In particular the former is considered to be rather high in Jordan, in comparison with other countries in the MENA region (World Bank, 2012).

Table 7.6. Recurrent non-interest expenditure, economic classification: Jordan in comparison to Egypt

(percentages of GDP)	Jordan		Egypt	
	2010	**2015**	**FY11/12**	**FY14/15**
Public sector wages and salaries	4.7	5.1	7.8	9.2
Purchases of goods and services	1.1	1.2	1.7	1.5
Subsidies	10.7	6.9	9.5	10.3
Total non-interest expenditure	**28.6**	**25.4**	**27.3**	**26.1**

Source: ILO calculations on data from the Ministries of Finance from Jordan and Egypt

Public sector salaries. Both in terms of size and growth during the past half-decade, Jordan shows a favourable track record compared to its large neighbour. Nevertheless, between 2010 and 2015 expenditure on salaries has increased almost 2 percentage points faster than nominal GDP (9.5 against 7.6 per cent), suggesting that there is some scope to mitigate the costs of public sector salaries. In fact, government measures to contain the costs of public sector salaries have met with limited success, due to the occurrence of some loopholes (World Bank, 2012). The World Bank (2012) points to the practice where public sector salaries are used as an instrument for income redistribution. The extensive use of allowances topping-up public sector salaries has led to a further rise of the public sector wage bill relative to GDP (World Bank, 2012).[29]

Purchases of goods and services. Table 7.6 reveals that Jordan's expenditure on public procurement is rather low in a regional perspective and stable in time. This gives no reason to assume that fiscal space can be found here.

Subsidies. The government of Jordan has eliminated fuel subsidies. The comparison with Egypt, again, shows that Jordan has moved in advance in curtailing its subsidies. However, there are still large expenditures for food subsidies in the budget and IMF (2015) has suggested that there is scope for reducing some of those (wheat). In 2013 the GDP share of food subsidies stood at 1.1 per cent and in 2014 this was 0.9 per cent. In the IMF's medium-term projections the share of food subsidies is stable at 0.7 per cent of GDP. World Bank (2012) has estimated that over 80 per cent of total food subsidies are directed towards non-poor households and has suggested that these would be more effective if converted into targeted subsidies for poor households or (conditional) cash transfers.

Conclusion. There is fiscal space on the expenditure side of the budget, in particular in further redressing public sector salaries. The restoration of the GDP share of public sector salaries to the level of 2010, however, has already been taken into account in the IMF's medium-term projections and in the longer-term scenario presented earlier (Section 3.2). The same applies for subsidies, including the terminating of NEPCO's losses. IMF (2015) projects the GDP share to increase from 8.1 per cent in 2016 to 2018 and fall back to 7.6 per cent afterwards. Further reductions in subsidies would harm the poor and vulnerable, unless these would be compensated. For now, no additional fiscal space seems available in this item.

7.4.3 Deficit financing

Introduction. There are two avenues under this heading. The first is a range of options for governments with respect to the financing of their fiscal deficits, and, eventually, in their debt stocks. These options can

[29] World Bank (2012) reports: "… allowances are scattered among 10 categories", and some of these constitute up to one-third of the wage bill. For example in 2011, allowances increased 17.4%, against 7.3% for base salaries.

differ substantially in terms of their costs. Concessional loans from international agencies often come with attractive conditions and interest rates. Interest rates from commercial banks charging high rates of interest are at the other end of the spectrum. The rates of return on government securities (bonds) tend to be somewhere in the middle. For large parts of the world the market for government bonds has not been developed to an extent in which these securities would become attractive for foreign investors. Often, the main investor is the public sector pension fund and it is not exceptional that governments borrow from these public sector pension funds at concessional (reduced) interest rates. The second option is the restructuring of the existing debt. The range of options starts from re-negotiating, relief, conversion down to default (Ortiz et al., 2015).

Financing the deficit. IMF expects debt service to remain manageable in the near future even when financing needs are large – for example, around 22 per cent of GDP in 2015. This is due to the short maturation time of existing domestic debt – this was 2.0 years in 2014. With respect to external debt, financing requirements remain moderate – average time to maturation of external debt stood at 5.4 years in 2014.[30] The issuance of non-guaranteed Eurobonds in the second half of 2015 should help fuelling the government's need for credit. More in general, IMF (2015b) foresees no problems with market access.

The average time to maturation of assets has been identified as an issue and new debt titles will have a longer time to mature. In the IMF (2015b) projections public gross financing needs revolve around 12 per cent of GDP in the medium-term.

Restructuring debt. Interest rates on bonds have declined over the past decade but the expectations are that effective interest rates on government debt will increase in the medium-term. For example, the effective interest rate between 2004 and 2013 recorded an average of 4.2 per cent. This effective interest rate is projected to rise from 5.2 per cent in 2014 to 5.7 per cent in 2020 (IMF, 2015b). Should government succeed in reallocating debt towards titles listed at lower rates of interest, this would depress interest costs and create fiscal space.

Table 7.7 reveals that around two-thirds of public debt is domestic held and listed in JD. This helps to mitigate foreign exchange rate risks.

Table 7.7. Structure of debt

(current prices, in million JD)	**2010**	**2011**	**2012**	**2013**	**2014**
Domestic: Treasury bonds and bills	6,410	7,825	9,642	10,868	12,471
Domestic: Loans	1,002	869	780	688	603
External	4,611	4,487	4,932	7,235	8,030
(in percent of tot. debt outstanding)	*38.2*	*32.1*	*29.1*	*36.3*	*36.7*
principal repayment	324	376	414	374	60

Source: Ministry of Finance, General Government Financial Bulletin, July 2015

Conclusion. There is fiscal space in the area of financing the public deficit. For example, a 50 bps (0.5 per cent) lower rate of interest (lower than assumed in the baseline scenario, and maintained over the projection period) would lower the GDP share of interest costs with 0.33 percentage points in 2020, gradually decreasing to a 0.27 percentage points differential towards 2030. In terms of the path of public debt, the debt/GDP ratio would hit 56 per cent around 2040 before starting a gradual ascent.

30 Ministry of Finance, General Government Financial Bulletin, July 2015: table 9, p. 25.

7.4.4 External Grants

Introduction. This dimension of increasing fiscal space can take either of three forms: increased North-South aid, increased South-South aid, and curtail South-North financial flows (Ortiz et al., 2015). The first option provides limited resources. There are significant problems with international aid, including coordination problems, concentration (the so called 'donor darlings' as against the 'donor orphans'), high transaction costs, illicit use and spillages from corruption. Overall, 15 countries receive more than half of all international aid inflows (Ortiz et al., 2015). Jordan is not one of these. South-South transfers are gaining importance. In some instances these transfers take the shape of transactions – for example, aid in exchange for concessions for extracting natural resources or construction projects in combination with long-term contracts for exploitation of these investments. The Arab region has a longstanding tradition of these transfers from oil-exporting countries to neighboring, less-endowed, countries in the region.

Seeking additional grants has been labelled as an option for government to mitigate risks arising from the regional conflict and refugee crisis and to ease Jordan's dependence on World market oil prices (IMF, 2015b). On the other hand, 'donor fatigue' has been identified as a risk, with the advice for government to signal towards international donors the government's continued commitment to the structural reform agenda (Jordan 2025), and how, over time, Jordan's reliance on donor support could diminish (IMF, 2015b). The IMF's medium-term projections foresee a gradual decline in the GDP share of external grants from its current (2015) level of 4.1 per cent to 2.8 per cent in 2020 (IMF, 2015b). This is in line with the historical picture. Higher inflows of grants have been an exception rather than a rule, with 2011 (5.9 per cent) and 2014 (4.9 per cent) as outliers. If the period 2010-2014 reveals one thing it is that external grant inflows have been volatile, and therefore no reliable source of revenues to plan on.

Conclusion. There is limited fiscal space in external grants. There are some downward risks in the grants in the IMF's medium-term projection.

7.4.5 Reverse financial flows

Introduction. The third option mentioned in sub section 7.4.4 is the fighting of illicit financial flows – either legal or illegal financial flows. This form of 'South-North aid reversal' has assumed enormous proportions. For example, it has been estimated that developing countries channel seven dollars to the wealthiest countries for each 1 dollar received in terms of development aid.[31]

For the moment, the information to explore this avenue for fiscal space is not available.

7.4.6 Fiscal and/or Foreign Exchange Reserves

Introduction. Tapping into fiscal and/or foreign exchange reserves provides another avenue for creating fiscal space. These reserves include surpluses of special (concessional) funds and profits from state-owned enterprises. The sale of natural resources or privatization of public companies are also among the options. Another avenue are foreign exchange reserves stored in central banks. These reserves could be the result of self-insurance strategies of countries against future economic or financial shocks – these reserves can be used to stabilize the exchange rate, for example. Ortiz et al. (2015) argue that developing countries often invest these reserves in secure but low-profit assets and the authors see some scope for fiscal space associated with alternative investment strategies.

[31] See for example, Ortiz et al. (2015) and Karr (2010)

Fiscal reserves. Jordan has little fiscal reserves in terms of sovereign wealth funds (SWF), nor does it have the natural resources to set up a new, commodity-based SWF (Blundell-Wignall et al. 2008). Jordan does have considerable Public Pension Reserve Fund (PPRF) assets, administered by the SSC, which are relatively high for Jordan's income level. However, since the assets of the SSC are already being used for social security purposes, namely pensions, this avenue provides little opportunity for creating additional fiscal space for social protection.

Privatization. In the mid-eighties, Jordan took its first steps towards the sale of state-owned shares and assets. The pace of this privatization process greatly accelerated during the late 90s. From 1998-2008, Jordan privatized 14 companies in, among others, telecommunications, electricity, mining and aviation. Notable examples include Royal Jordanian and Jordan Telecom (Mako 2012). This has resulted in approximately JD 1.7 billion of receipts, the vast majority of which has been used to restructure debt (MoF 2015). For the near future, options for further privatization seem limited. Currently, the government still has minority shares in several heavy industry companies. These assets are largely strategic and are generally profitable (OECD 2013). Furthermore, even though part of the privatization process can be considered a (moderate) success, this cannot be said of other parts. Jordan has faced some serious struggles, affecting public opinion towards privatization.[32] As a result, further privatizations is a controversial topic, and therefore does not seem to be a credible avenue for generating fiscal space in the near future.

Foreign exchange reserves. Jordan's reserves of foreign exchange are at unprecedented levels. In 2014, reserves increased by 17.3 per cent, reaching a record level of US$ 14 billion (CB 2014).[33] This is over 130 percent of the IMF reserve adequacy metric. If all other capital flows were to suddenly stop, the Central Bank would be able to cover more than 7 months of Jordan's imports of goods and services.[34] At the same time, deposit dollarization has fallen to 15 per cent. This indicates a growing confidence in the Jordanian Dinar (CB 2014). According to IMF forecasts, the reserves will remain well over 125 per cent of the reserve metric in the medium term.

The vast majority of Jordan's foreign reserves are held in cash, deposits, bonds and treasury bills (CB 2015). As argued above, while these are very safe and highly liquid investments, their return is usually low. Jordan could potentially benefit from an alternative investment strategy by using the surplus reserves to foster local development. The Central Bank of India, for example, in a similar manner invests part of its foreign reserves in infrastructure. Government guarantees these loans, eliminating the risk for the central bank. The Bank receives a higher rate of return than from investing in, for example, short-term US government bonds (Ortiz *et al*., 2015). Jordan could consider a similar approach, for example to facilitate private sector borrowing for education or health facilities. Table 7.8 provides tentative savings from investing part of foreign exchange reserves in social infrastructure.[35]

Table 7.8. Fiscal space deriving from investment against a concessional interest rate

(per cent of GDP)	2016	2017	2020	2025	2030
	0.0	0.27	0.27	0.27	0.27

Source: own calculations

[32] Recorded from the interview with senior officials at the Ministry of Finance, August 2015.
[33] The level as of July 2015 is close to US$ 15 billion (CB 2015)
[34] Traditionally, a three-month reserve level is considered safe.
[35] The assumptions are as follows: CBJ operates a surplus of foreign exchange reserves. In 2015 this has been estimated at US$ 4.5 bn and until 2020 this is at least US$ 3 bn. Investing US$ 2 bn. (JD 1.4 bn.) in social infrastructure at a 2% rate of interest instead 7.5% rate of interest generates an annual stream of JD 77 million savings.

Some caution is warranted, however. Only three years ago, a temporary loss in confidence (a result of the aftermath of the GFC) caused foreign reserves to plunge to a low of US$ 5.3 billion. This was only 64 per cent of the IMF reserve adequacy metric. At the same time, deposit dollarization reached a high of 25 per cent. The government and central bank have succeeded in restoring confidence and reserve levels in a very short time period. Yet, even though medium term prospects are favourable, the IMF points out some significant threats for reserve levels and exchange rate stability in the near future. A further strengthening of the dollar as well as a new drop in investors' confidence (for example caused by negative regional spill overs) potentially threaten Jordan's competitiveness and currency (IMF, 2015). Hence, it seems prudent to pursue a somewhat conservative investment policy regarding excess reserve levels, rather than exploiting the potential fiscal space that can be generated by this avenue in full.

Conclusion. Options in terms of fiscal reserves are limited. Similar to the example of India, the Central Bank of Jordan could consider investing in 'social infrastructure' – for example, health and education facilities.

7.4.7 Macroeconomic policies

Introduction. Last but not least, more conducive macroeconomic policies has been listed as a dimension to increase fiscal space. This is a contested issue. To date, neither among economists, governments, nor international agencies a consensus exists on the short and medium-term consequences of pursuing more expansionist macroeconomic policies. On the one hand, there is a strand of economists arguing that these policies, such as operating (larger) fiscal deficits or lowering central bank interest rates, will stimulate demand, investments and lead to increased economic activities, more jobs and a larger tax base. Increased government spending will have a multiplier effect. On the other hand, there are those who fear that such policies will fuel inflation above the NAIRU point, and, more in general, will affect the confidence of financial markets – and the general public, because people will realize that there is a price tag attached to such policies in the form of higher taxes in the future. Increased public spending will be (more than) offset due to a contraction in private expenditure (the so called 'Ricardian equivalence' mechanism). In the side line of this academic debate, some governments will find opportunities to pursue this path whereas others will find themselves constrained. Countries with high fiscal deficits, increasing debt/GDP ratios will not find fiscal space here. Table 7.9 elaborates on the relationship between (expansionary) macroeconomic policies and fiscal space.

Table 7.9 Multiplier effects and fiscal space

An economy's demand for goods depends on income or GDP. If GDP goes up, demand for goods will rise. But the converse holds as well: if people consume more, GDP goes up. This interrelatedness between demand and GDP leads to a so-called 'multiplier effect'. A rise in demand leads to an increase in income, which leads to a further increase in demand for goods, which again raises income, etc. How large this multiplier effect is depends on how much of the rise in income we use for spending at home and how much of it we save, use for tax or spend abroad. A similar, but negative multiplier effect is taken to hold for a tax increase. Increased taxes lead to lower income, which again leads to a lower demand, which leads to yet lower income. Traditional Keynesian theory suggests that the positive multiplier effect of increased demand (for example caused by additional public spending) is greater than the negative multiplier effect of increased taxes. However, this claim about a favourable 'fiscal multiplier effect' is controversial. When looking at empirical data, there seems to be some evidence that a significant fiscal multiplier effect is possible in the short and medium term. This is especially the case during recessions, due to a higher level of economic slack and a greater share of liquidity-constrained households (World Bank 2015b). The idea is that government spending can (temporarily) keep the economy going when private spending and investment fail. Multiplier effects tend to be (much) smaller in the long run. In general, empirical data suggests that there are two important factors that determine the fiscal multiplier: a country's exchange rate regime and its fiscal space. Fiscal policy under flexible exchange rates is taken to be less effective than under fixed exchange rates. In an economy with flexible exchange rates, the increase in GDP resulting from additional government spending causes interest rates to go up, as a higher income leads to a higher money demand. When a country

has higher interest rates, it becomes more attractive for external investors to invest in this country. This leads to a greater demand for the domestic currency, and hence an appreciation of the country's exchange rate. This exchange rate appreciation harms exports, causing GDP to go down again. As a result, the initial positive effect of increased public spending abates or can even cancel out completely. Under a fixed exchange rate regime, however, this exchange rate appreciation cannot happen. Instead, the central bank is forced to increase the money supply to keep interest rates and exchange rates fixed (Gärtner 2009).

Secondly, fiscal space plays a crucial role in determining how large the short/medium term fiscal multiplier effect will be. If there is little fiscal space, an increase in government spending will initially increase GDP, but will also increase lenders' perceptions of sovereign credit risk. This leads to higher borrowing costs across the whole economy, thereby crowding out private investment. This (partly) offsets the initial increase in GDP. Furthermore, when fiscal space is narrow, households will expect a tax increase when public spending goes up. This induces them to cut consumption and to start saving. Again, this reduces the (initial) positive impact of expansionary fiscal policy (World Bank 2015b).

Expansionary macroeconomic policy. Most of the time since the Global Financial Crisis, Jordan has conducted an expansionary macroeconomic policy. To date the government continues to run a (considerable) fiscal deficit, which is complemented by an increase of the money supply by the central bank to prevent the Dinar from appreciating. As explained in table 3.9, these actions of the central bank are an important requirement for improving the efficiency of the government's deficit spending. The current fiscal deficit is partly the result of the government's efforts to cushion the impact of the GFC on the Jordanian economy. However, a consequence of this policy is that debt/GDP ratio has soared in recent years. Section 3.3 of this report has shown that, due to both Jordan's high fiscal deficit and high debt/GDP ratio, fiscal space is currently limited and will presumably stay so for the next 10 to 15 years. This affects the second important requirement for efficient deficit spending as outlined in table 3.9: fiscal space. The limited fiscal space negatively affects the efficiency of Jordan's current (and future) expansionary macroeconomic policy. On the one hand, this is because consumers expect a tax increase and will therefore cut their spending. On the other hand, the precarious debt levels will induce investors to charge a higher risk premium, which increases borrowing costs across the economy and decreases (private) investment. Both of these trends (higher taxes and borrowing costs) are already affecting the economy to some extent.

Conclusion. In sum, the options for a more conducive macroeconomic policy are limited for Jordan. The current level of deficit spending has come to a point where fiscal space has evaporated, and this is affecting other parts of the economy. As a result, it is unlikely that a further increase in public spending would benefit the Jordanian economy in terms of increased economic activities, more jobs and a larger tax base. Therefore, no additional fiscal space is expected in this item.

7.5 Conclusions

The baseline path of public debt (Section 7.2) leaves a window for additional public expenditure, at least in the medium-term (2015-2025). After 2025, a downward adjustment of expenditure growth, relative to the baseline path, is required to ensure that in the further future the government's 80 per cent debt/GDP target will hold. This window of fiscal space has been estimated to build up to 1.2 per cent of GDP towards 2025, declining gradually afterwards, but still amount to almost 1 per cent of GDP in 2030 (Section 7.3). However, such a window is vulnerable for economic 'bad weather conditions'.

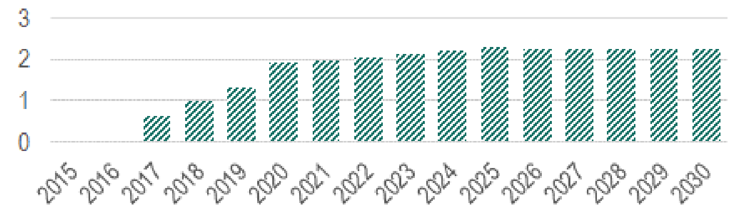
In order to create fiscal space for social protection programmes, several avenues were explored (Section 7.4). Table 7.10 and Figure 7.5 give the total fiscal space that can be mobilized from the sources discussed above. The table reveals that fiscal space that can be allocated for additional social protection spending could be 1.9 per cent of GDP in 2020, further increasing to 2.25 per cent of GDP in 2030. Whether this fiscal space will be available depends on whether the measures that have been suggested in this chapter will be implemented.

Table 7.10. Fiscal Space accruing from additional measures: 2015-2030, selected years

(in per cent of GDP)	**2015**	**2020**	**2025**	**2030**
Revenue measures	-	1.3	1.7	1.7
Expenditure measures	-	-	-	-
Debt restructuring	-	0.3	0.3	0.3
Reserve measures	-	0.3	0.3	0.3
Fiscal Space (combined measures)[36]	-	1.9	2.3	2.3

Source: ILO calculations

Figure 7.5. Fiscal Space from additional measures: 2015-2030



The bluegreen shaded bars represent fiscal space in per cent of GDP

Source: ILO calculations

[36] Note: this represents the additional expenditure (as a share of GDP) that would bring the debt/GDP ratio back at the level of the baseline scenario. The 0.2 points accrual from the reserves measure is assumed to phase-out after 2020.

Chapter 8. Conclusions: Towards a Social Protection Floor in Jordan

Larger households and, in particular, households with children and/or disabled members are more at risk to find themselves poor or vulnerable. There are currently no social protection programmes of sufficient scope and magnitude to specifically address these categories.

Jordan's economic track record has been good, given the circumstances. However, for the future, downward risks remain elevated. In particular the labour market is in a deplorable state with low female labour force participation, declining job opportunities in the formal sector, a huge disconnect between educated skills and demanded skills, and a general trend towards 'informalization'.

The public finance situation leaves little room for manoeuvre. The public debt/GDP ratio has increased from 67.1 per cent in 2010 to 90 per cent in 2015. Challenges in government finances are now to increase revenues – in particular, tax revenues – and contain expenditure

The mapping of social protection programmes in Jordan, alongside the four Social Protection Floor guarantees leads to the following conclusions.

- ***Health*** expenditure in Jordan is up to international standards. However, there are large coverage gaps in health insurance. This, in addition to some other challenges in health care provision, has not been further elaborated in this report (a separate ILO report looks in to this).
- No specific child benefit exists in Jordan. ***Children*** are covered as members of poor and/or vulnerable households in various programmes. The same applies to poor and vulnerable categories of Jordanians in their ***working ages***. There are provisions for disabled persons within MoSD's Social Services, NAF and Zakat but coverage and benefit levels are limited.
- For the ***elderly*** Jordanians, SSC is the main provider of social insurance. However, the majority who are not covered under SSC are reliant on NAF, Zakat, or their working household members for their income provision.
- In total, non-contributory social protection expenditure in Jordan – excluding health, education and SSC expenditure – stands at a meagre 0.4 per cent of GDP.

The '***Social Protection Floor (SPF) scenario***', proposed in this report, introduces several new programmes aiming to address the main design and implementation gaps following from the mapping exercise.

- The main programme for children would be a Universal Child Grant, covering two contingencies. The first would cover all children in the ages 0 through 5, excluding children of the wealthiest 20 per cent of households. The second grant addressing specific needs for children would be an education stipend for children to retain them in education up to at least the age of 17.
- The third new programme is a grant for the disabled. This grant would cover all age groups and to be eligible one has to have a severe handicap and not be enrolled in SSC. The benefit would be set at the level of the poverty threshold.
- The fourth social protection programme is a Universal Social Pension for the elderly who are not beneficiaries under one of the SSC social insurance schemes. Like the Disability Grant, the Social Pension benefit would be set at the level of the poverty threshold.

In conjunction, this SPF package, after full implementation, has been estimated to ***cost*** 1.7 per cent of GDP in 2025, as compared to 0.4 per cent of GDP in the Status Quo (SQ) scenario where no new programmes are envisaged.

In terms of ***impact***, the SPF scenario would mark a clear break, as the poverty headcount falls to 7.3 per cent in 2025, as a consequence of the proposed SPF reform, compared to a slight fall to 12.3 per cent in the SQ scenario.

Fiscal Space. This report has elaborated an economic growth scenario that remains close to the government's baseline scenario, as outlined in Vision 2025. In this baseline scenario public debt will continue to fall to 61 per cent of GDP in 2030. Then, in the longer run, the debt/GDP ratio will rise again to just above 70 per cent in 2065. The report, in comparing this path with the government's target debt/GDP ratio (80 per cent), observes that this leaves some fiscal space for increasing public expenditure. However, the report also acknowledges from the economic risks mentioned earlier that more fiscal space should be created.

This fiscal space can be found in particular in direct tax revenues, and perhaps also indirect taxes. In particular, widening the tax base should be considered. The report has also proposed several other avenues. Total fiscal space that hence can be allocated for additional social protection spending could be 1.9 per cent of GDP in 2020, further increasing to 2.25 per cent of GDP in 2030. The analysis presented in this report shows that it is possible for the government of Jordan to finance a set of social protection programmes with a view to establishing a Social Protection Floor for the currently poor and vulnerable individuals and households, provided there is a follow-up on the suggested measures to mobilize fiscal space.

References

Allen *et al.* eds. (2013), Allen, R., R. Hemming and B.H. Potter eds., The International Handbook of Public Financial Management, Palgrave Macmillan

Assaad *et al.* (2012), Assaad, R., R. Hendy and C. Yassine. Gender and the Jordanian Labor Market. Economic Research Forum. Working paper series, no. 701.

Assaad, R. (2014), “Making sense of the Arab labor market: The enduring legacy of dualism”, IZA Journal of Labor & Development, Vol. 3/6, Springer, New York.

Assaad, et al, (2014), Gender and the Jordanian Labor Market. The Jordanian Labour Market in the New Millennium (pp. 105–143). Oxford, UK: Oxford University Press

Barcucci, V. and N. Mryyan (2014), Labour market transitions of young women and men in Jordan. International Labour Office, Youth Employment Programme, Employment Policy Department. Working4Youth publication series, no. 14.

Barrientos and Lloyd-Sherlock (2011), Pensions, Poverty and wellbeing- The impact of pensions in South Africa and Brazil comparative Study. HelpAge International.

Blundell-Wignall et al. (2008), Blundell-Wignall, A., Y. Hu and J. Yermo. Sovereign Wealth and Pension Fund Issues. OECD Working Papers on Insurance and Private Pensions, No. 14.

Central Bank of Jordan (2013), Annual report.

Central Bank of Jordan (2014), Annual report.

Central Bank of Jordan (2015), Monthly Statistical Bulletin, August 2015.

Corm *et al.* (2007), Corm, G., S. Hanson-Cooper and R. Singh, Jordan: Public Financial Management Reform – Performance Report.

Dartanto, T. and N. Nurkholis, (2013) “The determinants of poverty dynamics in Indonesia: evidence from panel data.” Bulletin of Indonesian Economic Studies, Volume 49, Issue 1, 2013.

Department for International Development (DfID), (2010) “The neglected crisis of undernutrition: DfID’s Strategy.” Department for International Development (DfID): London, UK.

General Budget Department (2016), General Budget Department Annual Report of 2016.

Gärtner, M (2009), Macroeconomics. 3rd edition, Pearson Education.

Ghosh *et al.* (2013), Ghosh, A.R., J.I. Kim, E.G. Mendoza, J.D. Ostry and M.S. Qureshi, Fiscal Fatigue, Fiscal Space and Debt Sustainability in Advanced Economies, The Economic Journal, Volume 123, Issue 566, pp. F4-F30, February 2013

ILO (2015a), 8th Actuarial Review of the Social Security Corporation, Mimeo

ILO (2015b), Extending health care and social Insurance in Jordan

IMF (2012), Article IV Consultation.

IMF (2013), Staff Guidance Note for Public Debt Sustainability Analysis in Market-Access Countries, May 2013.

IMF (2014), Article IV Consultation. IMF Country Report, No. 14/152.

IMF (2015), Jordan: 7th and Final Review under the Stand-By Arrangement and Proposal for Post-Program Monitoring-Staff Report. IMF Country Report No. 15/225

IMF (2015b), Jordan 6th Review under the stand-by arrangement, and request for waivers of applicability of performance criteria. IMF Country Report No.15/115.

Jordan Department of Statistics (DOS) 2013, Employment And Unemployment Survey/Round 4, 2013.

Jordan Demographic and Health Surveys (DHS) 2012. Department of Statistics and ICF International. 2013.

Jordan General Budget Department, (GB) 2016, Annual Report of 2016.

Jordan Ministry of Education MoE (2015). Statistical Report for the Academic Year 2015-2016.

Jordan Ministry of Finance (2014), Public Debt Bulletin. December 2014.

Jordan Ministry of Finance (2015), General Government Finance Bulletin. July 2015

Jordan Ministry of Labour (2006), Labour Law and Decision of the Labour Minister on Work Hazardous, Exhausting or Harmful to Young person Health of 2006.

Jordan Ministry of Labour MoL(2015), Jordan's National Employment Strategy 2011-2020.

Jordan Ministry of Health MoH, 2016. Statistical report of 2017 of MoH.

Jordan Ministry of Planning and International Cooperation (MOPIC) 2016, JORDAN RESPONSE PLAN for the Syria Crisis 2016-2018.

JORIZZ (2015) Jordan Response Information System for the Syria Crisis, March 2015.

Kidd, S. and E. Wylde, (2011) "Targeting the Poorest: An assessment of the proxy means test methodology." AusAID publication, AusAID: Canberra, Australia.

Kidd, S., T. Abuelhaj, B. Khondker, C. Watson and S. Ramkissoon, (2015) "Social Assistance in Viet Nam: a review and proposals for reform." United Nations Development Programme (UNDP): Ha Noi, Vietnam.

Mako, W.P. (2012), Privatization: Lessons from Jordan. World Bank. MENA Knowledge and Learning, Quick Notes Series.

Manley, J., S. Gitter and V. Slavchevska, (2012) "How Effective are Cash Transfer Programmes at Improving Nutritional Status? A Rapid Evidence Assessment of Programmes' Effects on Anthropometric Outcomes." EPPI-Centre, Social Science Research Unit, Institute of Education, University of London: UK, London.

Mansour, M. (2015), Tax Policy in MENA Countries: Looking Back and Forward. IMF Working Paper.

Nimeh, Z., and R. Bauchmüller, 2014, 'School Enrolment and Child Labour. Agency and Participation in Childhood and Youth: International Applications of the Capability Approach in Schools and Beyond.

OECD (2013), State-Owned Enterprises in the Middle East and North Africa. Engines of Development and Competitiveness?

Ortiz, I. and M. Cummins (2013), The Age of Austerity: A Review of Public Expenditures and Adjustment Measures in 181 Countries, Initiative for Policy Dialogue and the South Centre Working Paper, March

Ortiz *et al.* (2015), Ortiz, I., M. Cummins and K. Karunanethy, Fiscal Space for Social Protection: Options to Expand Social Investments in 187 Countries. ESS Working Paper No. 48, International Labour Office

Ostry et al. (2010), Atish R. Ghosh, Jun I. Kim, Mahvash S. Qureshi, Fiscal Space, IMF Staff Position Note, September 2010.

Ostry *et al.* (2011), Ostry, J.D., A.R. Ghosh, J.L. Kim and M.S. Qureshi (2010), Fiscal Space, IMF Staff Position Note, SPN/10/11

Roeth, Nimeh and Hagen-Zanker (2016), A mapping of social protection and humanitarian assistance programmes in Jordan What support are refugees eligible for?

Sahurie *et al*. 2011 (2011), Jordan: Repeat Public Financial Management Assessment following the PEFA Methodology.

Shaban *et al.* (2001), Shaban, R., D. Abu-Ghaida and A. Al-Naimat. Poverty alleviation in Jordan. Lesson for the future. The World Bank Middle East and North Africa region.

Soares, S., Ribas, R. and Osório, R., (2010) "Evaluating the Impact of Brazil's Bolsa Familia: Cash Transfer Programs in Comparative Perspective", Latin American Research Review, Vol. 45(2).

Stave and Hillesund (2015), Impact of Syrian refugees on the Jordanian labour market Findings from the governorates of Amman, Irbid and Mafraq.

UNDP (2010), "The Informal Sector in the Jordanian Economy"

UNDP (2012), "Thinking Differently About the Poor: Findings from Poverty Pockets Survey in Jordan," United Nations Development Programme and Department of Statistics, Jordan, 2012

UNDP (2013), Jordan Poverty Reduction Strategy.

UNRWA (2016). Annual operation report 2016 for the reporting period, 1 January-31 December 2016.

World Bank (2012), Hashemite Kingdom of Jordan: Options for Immediate Fiscal Adjustment and Longer Term Consolidation, Report No. 71979-JO, November 2012

World Bank (2015a), Jordan Economic Monitor. Persisting Forward Despite Challenges.

World Bank (2015b), Global Economic Prospects. Having Fiscal Space and Using It.

Zakat Fund (2015), Annual report of the Zakat Fund.