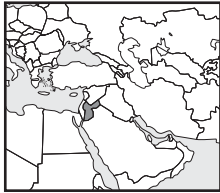


## JORDAN

# A long way to go to reduce poverty by 2015



Although resource poor, Jordan is one of the better off developing countries according to the Human Poverty Index. With the economy negatively affected by conflicts in the Middle East, the Government has had to create programmes to address high unemployment and public deficits. It also faces the challenge of how to empower not only the country's overwhelmingly young population, but also women who continue to have low political and economic participation despite advances in education.

### Women's Organization to Combat Illiteracy

Lubna Bajjali

Jordan is a small, lower to middle income country with almost no natural resources except for potash and phosphate. It ranks among the 10 water-poorest countries in the world<sup>1</sup> and is therefore dependent on external water sources for the majority of its energy requirements. At the same time, Jordan's location close to two conflict areas in the Middle East (Iraq and Palestine) makes it economically and politically unstable. This context has created huge social, economic and political challenges and has required great efforts on the part of the Government, non-governmental organizations (NGOs) and the private sector to address citizen needs.

With nearly 70% of its population under 29 years old and 38% under the age of 15, demographically Jordan is a young country.<sup>2</sup> There is a tremendous need for improved education, health services and job creation with 40,000 additional new job-seekers entering the labour market each year.<sup>3</sup> At the same time, its youthful population is one of Jordan's main assets, providing energy and skills for social and economic development.

### Poor by some measures

Poverty in the country is characterized by financial destitution and not by human poverty, which is measured along three dimensions: living a long and healthy life; being educated and having a decent standard of living. Jordan has a low Human Poverty Index (HPI) value of 7.2% and ranks 7th among 95 developing countries. In 2004 Jordan scored 0.75 on the Human Development Index (HDI) which ranked it 90<sup>th</sup> among 177 countries.<sup>4</sup> The HDI measures average achievements in basic dimensions of human development while the HPI measures deprivations along those dimensions. It is important to

note that the HDI measurement does not include important aspects of life such as the ability to participate in decision-making processes. The HDI is also problematic because it uses data from international sources that may not be comparable due to differing criteria across regions.

The economy enjoyed unprecedented growth during the 1970s and at the beginning of the 1980s. It relied on transfers from expatriates, foreign assistance and loans which allowed for improvements in education and health.

However the fall of oil prices, a decline in remittances and a drop in Arab official assistance, resulted in negative economic growth in the late 1980s. Due to the Gulf War in 1990 Jordan lost its export markets as trade came to a stop with most of the Gulf countries and Iraq. Also the return of thousands of Jordanian expatriate workers working in those countries meant that Jordan lost its major source of foreign currency. This imposed severe limitations on the economy, leading to a jump in unemployment and poverty rates.

In 1991 the Government adopted a series of economic reform policies aimed at decreasing the budget deficit from 17.9% in 1991 to 3.6% in 1998. Nevertheless the budget deficit remained unchanged at 17.2% in 2004, despite having decreased for a time in the late 1990s. The deficit reduction policy affected people with low and middle incomes, increasing poverty and unemployment further.

In 1992 and 1993 the economic situation started to recover due to investments made by Jordanians returning from the Gulf. While Jordan still suffers from a significant debt burden, it has met or surpassed most structural adjustment targets set by the International Monetary Fund, and its currency (the dinar) has been stable since 1989.

According to the 2002/2003 Household and Expenditure Survey published by the Government in September 2004, the poverty rate dropped from 21.3% in 1997 to 14.2% in 2002, while the number of poor decreased from 943,000 to 733,000 during the same period.

### The jobless

Unemployment began to rise in the late 1980s and climbed to 16.9% by 1995. It remained high during the rest of the decade but by 2003 it had dropped to 14.6%. The causes of unemployment vary but are based on the following factors:

- the shunning, on the part of some university graduates, of some manual and service jobs deemed inappropriate or unappealing
- recurring economic slowdowns since the mid-1980s, combined with an increase in the labour supply following the return of Jordanian workers from the Gulf after 1990
- the lack of skilled graduates in some economic sectors
- poor career counselling for students
- shortcomings in job training and continuing education
- the low cost of foreign labour.

### Economic growth and free trade

The ability of economic growth to reduce poverty depends on a variety of factors, such as the employment growth rate and the formulation of macroeconomic and specific sector policies. Consequently economic growth is necessary but insufficient on its own to reduce poverty. The economy's growth rate is not sufficient to evaluate the well-being of the population not only because it ignores the level of income, but also because it disregards income distribution. Policies which strengthen the links between economic growth and poverty reduction must therefore be implemented.

In the mid-1990s Jordan joined the World Trade Organization and the Euro-Mediterranean Partnership and signed its related Association Agreement. In addition, it signed numerous trade agreements including the free trade agreement with the United States of America, the common Arab market agreement and the Qualified Industrial Zone (QIZ) agreement. The QIZs are industrial parks in Jordan or Israel which export duty-free goods to the United States. Since the QIZ agreement was signed in November 1997, eleven of these free trade zones have been established in Jordan providing jobs for nearly 45,000 people. Half of these people are Jordanian, and many are young or female.<sup>5</sup>

1 Food and Agriculture Organization of the United Nations. "Review of World Water Resources by Country", 2003, [www.fao.org/documents/show\\_cdr.asp?url\\_file=/DOCREP/005/Y4473E/Y4473E00.htm](http://www.fao.org/documents/show_cdr.asp?url_file=/DOCREP/005/Y4473E/Y4473E00.htm)

2 United Nations Development Programme (UNDP). *Jordan Human Development Report 2004. Building sustainable livelihoods*, 2004.

3 *Ibid.*

4 UNDP. *Human Development Report 2004*.

5 The Washington Institute. "A Decade of Israeli-Jordanian Peace: An Untold Economic Success Story"; [www.washingtoninstitute.org/templateC05.php?CID=2230](http://www.washingtoninstitute.org/templateC05.php?CID=2230)



However the QIZs also have a negative impact due to their heavy dependence on foreign labour which decreases the local added value in these zones, depletes hard currency, defeats the unemployment reduction and poverty alleviation objectives, and reduces competitiveness. Job creation was the central objective of the QIZ initiative and although the number of Jordanians working in these zones has grown steadily from 13,300 in 2001 to 19,214 in 2004, this growth was accompanied by a rapid rise in the number of foreign workers. Additionally QIZ workers are often employed in precarious circumstances at very low wages with few, if any, privileges. In most factories, employees work in poor conditions with inadequate lighting, ventilation and sanitation facilities.<sup>6</sup>

Even if QIZ gross exports are high, their impact on the economy is determined by their effect on wages and the salaries paid to Jordanian workers, and on domestic investment through profits retained and then re-invested in the country. These arguments show that QIZs have offered little of the industrial transformation they are allegedly designed to promote, and therefore caution must be used to evaluate their contribution to the overall performance of the national economy.

### Government poverty-fighting programmes

The Government is now promoting small and medium-sized enterprises in order to raise household income, reduce dependency and create employment opportunities. These projects have a positive impact on poverty reduction, especially for women who consider this opportunity the first step out of poverty. Community Based Planning was developed in 1999 by the Ministry of Social Development in consultation with community based organizations, community leaders and human rights activists to identify local community priorities. In 2001 the Government launched the Economic and Social Programme with the aim of creating good partnerships between the public and private sectors.

In 2002 the Government launched the National Strategy for Addressing Poverty which contains national goals to be achieved in 2015. Other government projects and programmes include the National Aid Fund to address poverty alleviation, the Development and Employment Fund, the Social Security Package and the Governorates Development System. These programmes aim, not only to enhance people's economic situation, but also improve their social development.

Community-based public works programmes which offer low wage jobs might be one solution to reduce the vulnerability of the poor and near-poor to economic shocks. These mechanisms provide insurance to low-income households, encourage risk-taking, and lead to higher incomes in the long run. Priority needs to be placed on human development policies, particularly those affecting the poor.

<sup>6</sup> International Labour Organization (ILO). "Facts on women at work", [www.ilo.org/public/english/bureau/int/download/women/pdf/factsheet.pdf](http://www.ilo.org/public/english/bureau/int/download/women/pdf/factsheet.pdf)

While overall literacy and health indicators are good, the profile of the poor clearly indicates that educational attainment directly impacts the incidence of poverty. It is important to continue investing in health and education so that the poor are able to benefit from economic growth and increased job opportunities.

To overcome the social deterioration resulting from economic adjustment, social reform should be seen as complementary to economic change. Through the National Plan for Socio-Economic Development, Jordan is trying to address the main economic and social problems, and improve the management of health and education services, and better school curricula. Social reform should be seen as a productive investment. Improving the quality of urban life, creating productive employment opportunities, and investing in high quality health care are productive investments that are prerequisites for attaining a certain standard of living. The price of ignoring such priorities is civil unrest caused by a lack of productive employment opportunities, poor living conditions, and social despair.

### NGO action

There are several NGO programmes and initiatives which adopt a human rights approach in order to raise awareness of civic, political, economic and social rights, including participation in decision-making. Some NGO programmes combat illiteracy in cooperation with the Ministry of Education and some offer vocational training courses. However the major problems of NGO programmes are that:

- they only provide direct short-term relief and emergency aid
- they are not self-financed and the lack of national financing makes them dependent on international donors
- there is no networking between NGOs therefore activities are sometimes duplicated and resources wasted
- there is a lack of coordination with government institutions.

A thriving civil society depends on people's habits, customs, ethics and attitudes towards the rest of the system. These cannot be changed in the short term and can only be indirectly shaped through increased awareness. This process is lengthy and depends on education and the activities of civil society to increase awareness so that people work together for the common good.

### Treaties and discrimination

Women's access to education and health has improved remarkably over the past few decades. However despite women's qualifications their participation in political and public life is still modest compared to their share of the population. Women do not enjoy equal legal rights even though the Constitution grants equal rights to women and men. Jordan is a signatory to many international conventions and treaties such as the Convention on the Elimina-

tion of All Forms of Discrimination against Women as well as the Convention on the Rights of the Child. However discrimination continues to affect women and deprives them of development benefits because these international conventions are not translated into laws geared to protect women's rights.

### Conclusion

Is there a solution? Empowering poor people is the starting point. This includes providing opportunities for women; opening political space for poor people to organize; training young people for the market and enhancing the legal awareness of citizens. Policies must go beyond the purely economic to focus on the needs of the poor and ensure minimum social standards and universal access to basic social services. Jordan must invest in education, especially in the education of girls and women, in order to produce one of the highest payoffs in development. The Government must also deliver high-quality and cost-effective services for the poor including health care, water, sanitation and other basic services. Part of these efforts includes taking action to ensure that malnutrition, especially among women of child-bearing age and young children, is reduced. Equity should be considered in all areas so that all groups in society progress together. Equity also extends to future generations. This means that economic growth must be sustainable so that what is done to the environment today does not compromise the opportunities of future generations.

Economic policies must also be sound, well-balanced and sustainable. This requires strengthening national institutions in order to build the capacity to implement the right economic and social policies. This cannot be achieved while depending 100% on donor funds because as studies indicate, donors have their own strategic, political, economic and humanitarian objectives. Aid may be tied to these objectives which may not match national economic growth and social welfare targets. Additionally, the management efficiency of foreign aid and the harmony of domestic fiscal and monetary policies must also be assessed when allocating foreign and domestic resources to economic reform programme targets. Also, the impact of foreign aid and other instrumental and policy variables such as exports, imports, public expenditure, public revenues, and domestic credit on GDP must be measured. ■

