

JORDAN



ECONOMIC MONITOR

En Route
to Recovery

Fall 2021



WORLD BANK GROUP
Middle East and North Africa Region

Jordan Economic Monitor

En route to recovery

Fall 2021



Middle East and North Africa Region

© 2021 International Bank for Reconstruction and Development / The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

This work is a product of the staff of The World Bank with external contributions. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank, its Board of Executive Directors, or the governments they represent.

The World Bank does not guarantee the accuracy, completeness, or currency of the data included in this work and does not assume responsibility for any errors, omissions, or discrepancies in the information, or liability with respect to the use of or failure to use the information, methods, processes, or conclusions set forth. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Nothing herein shall constitute or be construed or considered to be a limitation upon or waiver of the privileges and immunities of The World Bank, all of which are specifically reserved.

Rights and Permissions

The material in this work is subject to copyright. Because The World Bank encourages dissemination of its knowledge, this work may be reproduced, in whole or in part, for noncommercial purposes as long as full attribution to this work is given.

Any queries on rights and licenses, including subsidiary rights, should be addressed to World Bank Publications, The World Bank Group, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2625; e-mail: pubrights@worldbank.org.

Cover photos used with the permission of Raad Adileh/World Bank.

Publication design and layout by The Word Express, Inc.

TABLE OF CONTENTS

Preface	v
Acronyms and Abbreviations	vii
Executive Summary	ix
الملخص التنفيذي	xiii
1. Economic Update	1
Real and Labor Sector	1
Fiscal and Debt Developments	7
Balance of Payments Position	11
Monetary Policy and Inflation	17
2. Outlook and Risks	21
Special Focus 1: How Wealthy is Jordan? Measuring Jordan’s Comprehensive Wealth using Wealth of Nations Approach (1995-2018)	25
Special Focus 2: Public Transportation Challenges in Jordan	31
Annex I	39
Annex I.A: Technical Supplement for Productivity enhancing Firm Exit	39
Annex I.B: Technical Supplement for performing Constant Market Share (CMS) Analysis	40
Annex I.C: Technical Supplement for Normalization of U.S. Monetary Policy and its Potential Impact on Jordanian Economy	41
Annex I.D: Technical Supplement for Wealth of Nation	42
Annex II.	45
Selected Recent World Bank Publications on Jordan	45
Summary of Special Focuses from the Latest Jordan Economic Monitors	46

List of Figures

Figure 1	Selected Countries' Annual GDP Growth in 2020	2
Figure 2	Growth Contribution from the Supply Side	2
Figure 3	Recovery Gap	3
Figure 4	Yearly Changes in Employment by Sectors	3
Figure 5	Growth Contribution to Domestic Revenues	7
Figure 6	Breakdown of Current Expenditures	8
Figure 7	Government and Guaranteed Gross Debt Composition at End June 2021	9
Figure 8	Public Debt Service (Budget and Guaranteed)	9
Figure 9	Jordan's Current Account Developments and their Drivers	11
Figure 10	Financial Flows towards Jordan and CBJ's Foreign Reserves Adequacy	13
Figure 11	Trends in Inflation, Money Supply and Banks' Credit in Jordan	18
Figure 12	Per Capita Wealth: Jordan vs UMIC	26
Figure 13	Renewable Natural Resources	27
Figure 14	Nonrenewable Natural Resources	27
Figure 15	Adjusted Net Savings	28
Figure 16	Calculating ANS in 2017: Jordan	28
Figure 17	Return on Wealth (2018)	28
Figure 18	Factor Growth Rates (Annual)	28
Figure 19	Number of Private Small-Passenger Vehicles vs. Public Cars and Buses in Jordan (2008–2018)	32
Figure 20	Modal Transport Share in Amman in 2010	33
Figure 21	Public Transportation Share in MENA Cities	33
Figure 22	Jordan Population Share per Governorate (2019)	34
Figure 23	Recommendations Pillars and Cross Cutting Solutions	38

List of Tables

Table 1	Jordan – Selected Economic Indicators	23
---------	---------------------------------------	----

List of Boxes

Box 1	COVID-19 Pandemic and Jordanian Economy: From Shock towards Recovery	xii
Box 2	COVID-19 Pandemic Impact on Jordanian Firms: Evidence from the 3rd Follow-Up Enterprise Survey	4
Box 3	Is There a Silver Lining to the COVID-19 Crisis? – Unproductive Firms Exit	5
Box 4	Jordan's Merchandize Export Performance: A Constant Market Share Analysis	14
Box 5	Normalization of the U.S. Monetary Policy and its Potential Impact on the Jordanian Economy	19



PREFACE

The *Jordan Economic Monitor* provides an update on key economic developments and policies over the past six months. It also presents findings from recent World Bank work on Jordan. The *Monitor* places them in a longer-term and global context and assesses the implications of these developments and other changes in policy on the outlook for Jordan. Its coverage ranges from the macro-economy to financial markets to indicators of human welfare and development. It is intended for a wide audience, including policy makers, business leaders, financial market participants, and the community of analysts and professionals engaged in Jordan.

The *Jordan Economic Monitor* is a product of the Middle East and North Africa (MENA) unit in the Macroeconomics, Trade and Investment (MTI) Global Practice in the World Bank Group. The overall effort has been led by Saadia Refaat (Senior Economist, MTI) and Anastasia Janzer (Consultant, MTI). The report has been prepared by a core team composed of Saadia Refaat (Senior Economist, MTI), Anastasia Janzer (Consultant, MTI), Asif Mahmood (Consultant, MTI), and Yifan Zhang (Consultant, MTI). Special Focus I: Public Transportation challenges in Jordan, has been led by Mira Morad (Transport Specialist), María José Sala Pelufo (Transport Consultant), Óscar Edmundo Díaz (Transport Consultant), and Muneeza Mehmood Alam (Senior Transport Economist). Special Focus II: How wealthy is Jordan? Measuring Jordan's comprehensive

wealth using Wealth of Nations Approach (1995-2018), has been led by Saadia Refaat (Senior Economist, MTI) and Yifan Zhang (Consultant, MTI). The Jordan Economic Monitor has been completed under the guidance of Christos Kostopoulos (Lead Economist), Eric Le Borgne (Practice Manager), Holly W. Benner (Resident Representative), and Saroj Jha (Regional Director). Nabeel Darweesh (External Affairs Officer) is the lead on communications, outreach, and publishing.

The findings, interpretations, and conclusions expressed in this Monitor are those of the World Bank staff and do not necessarily reflect the views of the Executive Board of The World Bank or the governments they represent.

For information about the World Bank and its activities in Jordan, including e-copies of this publication, please visit www.worldbank.org/en/country/jordan. To be included on an email distribution list for this Jordan Economic Monitor series and related publications, please contact Nabeel Darweesh (ndarweesh@worldbankgroup.org). For questions and comments on the content of this publication, please contact Saadia Refaat (srefaat@worldbank.org) or Anastasia Janzer (ajanzeraraji@worldbank.org). Questions from the media can be addressed to Nabeel Darweesh (ndarweesh@worldbankgroup.org).

The data cut-off for this *Jordan Economic Monitor* is October 3, 2021.

ACRONYMS AND ABBREVIATIONS

7M	7 (cumulative) Months	GDP	Gross Domestic Product
8M	8 (cumulative) Months	GFC	Global Financial Crisis
ANS	Adjusted Net Savings	GG	General Government
ATM	Average time to maturity	GNFS	Goods and nonfactor services
Aug	August	GNI	Gross National Income
BoP	Balance of Payments	HS	Harmonized System
BRT	Bus rapid transit	HP filter	Hodrick-Prescott HP filter
bps	Basis points	IMF	International Monetary Fund
CAD	Current Account deficit	JEM	Jordan Economic Monitor
CBJ	Central Bank of Jordan	JD	Jordanian Dinar
CG	Central Government	LFP	Labor Force Participation
CCE	Commodity Composition Effect	LMIC	Lower-Middle-Income Countries
CMS	Constant Market Share	MDE	Market Diversification Effect
CPI	Consumer Price Index	MENA	Middle East and North Africa
COVID-19	Coronavirus Disease 2019	MOF	Ministry of Finance
DoS	Department of Statistics	M-o-M	Month-on-month
EFF	Extended Fund Facility	NDA	Net domestic assets
EFTA	European Free Trade Association	NEPCO	National Electricity Power Company
EME	Emerging Market Economy	NFA	Net foreign assets
EMRF	Exports, Imports, Remittances, and FDI stock	No.	Number
ES	Enterprise Survey	OECD	Organization for Economic Co-operation and Development
FDI	Foreign direct investment	PAFTA	Pan-Arab Free Trade Area Agreement
Fed	Federal Reserve (U.S. central bank)	Q-o-Q	Quarter-on-Quarter
FOB	Free on Board	Q1	First Quarter
FOMC	Federal Open Market Committee	Q2	Second-Quarter
FTA	Free Trade Agreement	Q4	Fourth Quarter
GAM	Greater Amman Municipality	SCD	Systematic Country Diagnostic
GCC	Gulf Cooperation Council		

SDR	Special drawing rights	UNHCR	United Nations High Commissioner for Refugees
SMEs	Small and medium-sized enterprises		
SSC	Social Security Corporation	U.S.	United States
SSIF	Social Security Investment Fund	US\$	United States Dollar
SVAR	Structural Vector Autoregressive	UMIC	Upper Middle-Income Countries
TFP	Total Factor Productivity	WAJ	Water Authority of Jordan
UCLG-MEWA	United Cities and Local Governments-Middle East and West Asia Section	WDI	World Development Indicators
UITP	International Association of Public Transport	WBG	World Bank Group
		WON	Wealth of Nation
		WTO	World Trade Organization
		Y-o-Y	Year-on-year

EXECUTIVE SUMMARY

Jordan's economy is showing signs of gradual recovery following a moderate contraction of 1.6 percent in 2020. Unlike other regional economies, this muted contraction during the first year of the pandemic can be largely attributed to Jordanian authorities' timely and coordinated policy response along with a positive terms of trade shock whose impact was seen during the early part of 2020. Notwithstanding the restrictive pandemic measures, the economy managed to grow by 1.8 percent in H1-2021, reflecting a low base effect and gradual removal of earlier restrictions.

Recovery in economic growth during H1-2021 has been led by services and industry, yet many subsectors have not reached pre-pandemic performance. Growth in the services sector was mainly led by finance and insurance as well as subsectors of government services, contributing around 60 and 25 percent to services growth, respectively. The industrial sector, on the other hand, grew on the back of mining and quarrying and manufacturing, reflecting a healthy rebound in exports of chemicals and phosphates. However, prolonged slack in travel and tourism has put a drag on a stronger recovery of services.

Regrettably, the pandemic may have left deep scars on Jordan's unemployment and amplified existing vulnerabilities. The pandemic has increased the unemployment rate to 24.8 percent in Q2-2021, up from 19 percent before the pandemic hit. Youth

unemployment (ages 16–25) stood even higher, with half of the active youth being unemployed. Moreover, the deterioration in the unemployment rate in Jordan appears to be much higher compared to regional peers, perhaps because almost 70 percent of Jordanians work in the services sector. This is supported by recent findings from the follow-up survey of the Enterprise Survey, which for Jordan is highlighting a stronger decline in the workforce in small-sized firms and in the services sector in general.

Fiscal policy has played an active role in supporting incomes during the pandemic, while at the same time Government revenues contributed to a marked improvement in the Central Government fiscal position. The rebound in economic activity and surge in imports have propelled a firm recovery in domestic revenue collection, which registered a growth of 21 percent y-o-y during 7M-2021. This improvement was further supported by concerted policy efforts to achieve the envisaged budget revenue targets for 2021. On the spending side, recurrent spending remained elevated. Importantly, capital spending during 7M-2021 was robust, reaching 1.4 percent of GDP; almost twice the level achieved in the same period last year. As a result, Central Government fiscal deficit¹ (CG, excluding

¹ Based on the classification of the Government Finance Statistics, i.e., including the use of cash and statistical discrepancy.

grants) during 7M-2021 stood at 3.3 percent of GDP compared to 4.4 percent of GDP in the same period last year. Jordan's government and guaranteed gross debt-to-GDP ratio remained elevated at 108.7 percent in end-July 2021 (almost on par with end 2020 level), while the government and guaranteed gross debt (net of Social Security Investment Fund (SSIF) holdings) stood at almost 87 percent of GDP in end-July 2021.

Accommodative monetary policy and an output gap aided recovery and kept inflation low.

The CBJ undertook several measures during the pandemic to support the economy, including a 150-bps cut in the policy rate and liquidity support to the economy; in March 2021, the CBJ further increased the size of its subsidized lending program for SMEs by 40 percent to JD700 million. Yet, owing to an output gap, CPI inflation was recorded at 1.1 percent y-o-y in 8M-2021 compared to 0.5 percent in 8M-2020, while core inflation remained flat at around 0.9 percent in both periods.

The country's current account imbalances continued to widen for another year, particularly through the widening of the trade gap, though strong donor inflows helped Jordan build up its reserves. The widening of Jordan's trade deficit reflects a combined impact of unfavorable terms of trade—specifically due to the rise in global food and oil prices, as well as improvement in domestic demand. In contrast, weaknesses in services' trade continued due to protracted recovery in travel receipts. Overall, the current account deficit (CAD, including grants) in H1-2021 worsened to US\$3.2 billion or 15.3 percent of GDP compared to US\$1.7 billion or 8.3 percent of GDP in H1-2020. Despite this deterioration and limited prospects for foreign investment flows, CBJ's gross foreign reserves stood at US\$17.9 billion at end September 2021; up by around US\$938 million from the end December 2020 position. This improvement has been largely supported by timely donor support (grants as well as lending), increase in disbursements of the IMF-EFF program, and SDR revaluation gain. Overall, standard reserves adequacy measures broadly suggest that the CBJ's foreign reserves remain at a comfortable level despite a widening of the external account deficit.

Going forward, economic growth is projected to recover though medium-term

prospects remain constrained by chronic structural impediments and downside risks apply due to the uncertain global outlook. Accelerating global recovery from the pandemic due to improved vaccine rollouts and continuation of the broadly accommodative domestic policy stance are the major drivers for this year's growth, which is expected to reach 2.2 percent in 2021. Yet, downside risks to the recovery in the global economy come from uncertainties surrounding the Delta variant and the asymmetrical recovery of the global economy and the anticipated tightening of Fed's monetary policy stance. Moreover, Jordan's moderate level of vaccination poses a serious downside risk in case of another COVID wave. With limited fiscal space, along with an already higher level of unemployment and a potential increase in the financial sector's vulnerabilities, policymakers in Jordan need to remain vigilant and watchful of these potential risks and prioritize advancing reforms and support measures that can boost job creation, a sustained recovery and equitable growth.

Two special sections of this report focus separately on measuring Jordan's national wealth and the public transportation challenge for Jordan. A broad-based assessment of national wealth based on produced capital, human capital, natural capital, and net foreign assets (based on World Bank Wealth of Nations methodology) finds that Jordan has been falling behind comparators. The assessment covers 1995–2018 and finds that Jordan's per capita wealth in 2018 stood 5 percent lower than in 1995. Moreover, Jordan's per capita wealth over time has significantly fallen behind Upper Middle-Income Countries (UMIC). For instance, in 2018—a typical UMIC citizen had 4.3 times as much wealth than a typical Jordanian. Although human capital continues to be the largest asset category for Jordan, its share has been stagnating. Between 1995–2018, Jordan's natural resources depreciated by almost one-fourth in per capita terms. Given these challenges, Jordan needs to diversify its wealth portfolio, reverse the declining share of its human capital, and urgently increase its produced capital.

Public transportation in Jordan poses significant development constraints. Looking at various sources, the costs are estimated to be at least

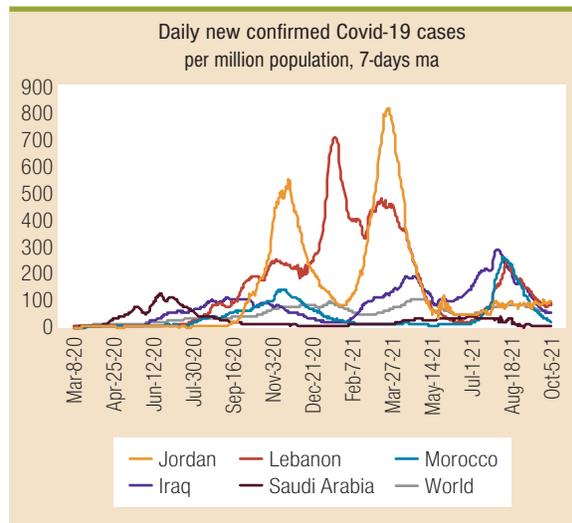


six percent of GDP a year, not counting the adverse impact poor transportation services pose to women's employment. Jordan has historically prioritized investing in transportation infrastructure with limited attention being paid to transportation services (like public transportation). While this has resulted in significant new transportation infrastructure, it has also resulted in inefficient, uncoordinated, and unreliable

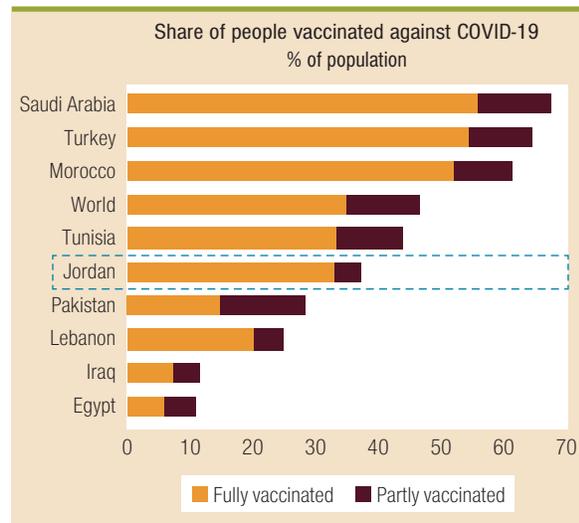
public transit services leading to a low ridership and limited access for most Jordanians, particularly women, youth, and those with reduced mobility. The government launched initiatives to improve the public transportation system, but implementation has been slow. Going forward, policies reforms should focus squarely on a goal of effecting a modal shift from private cars to public transportation.

BOX 1. COVID-19 PANDEMIC AND JORDANIAN ECONOMY: FROM SHOCK TOWARDS RECOVERY

Jordanian Authorities Had Been Able to Successfully Contain Two Significant Waves of COVID-19 through Timely and Effective Measures.



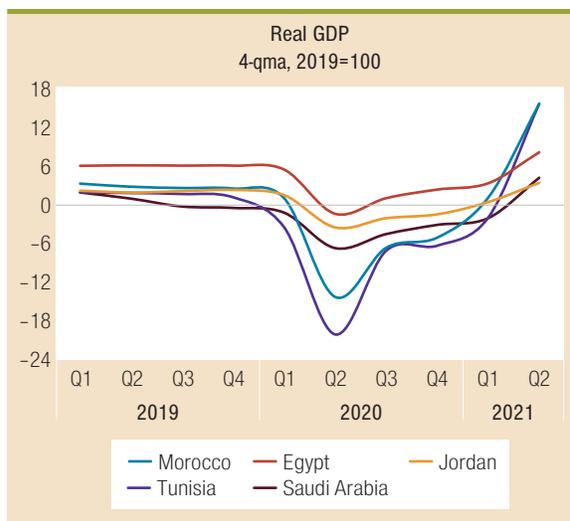
Jordan's Vaccination Level Remains Comparable to the Region, but More is Needed for a Sustained Robust Recovery.



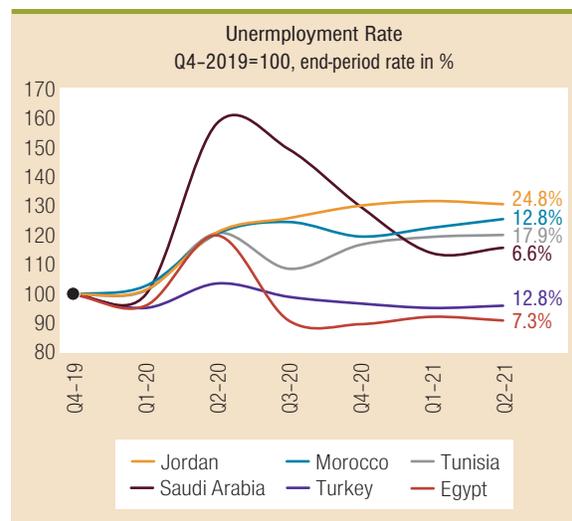
(continued on next page)

BOX 1. COVID-19 PANDEMIC AND JORDANIAN ECONOMY: FROM SHOCK TOWARDS RECOVERY (cont.)

The Economy is Gradually Recovering from a Relatively Muted Pandemic Shock, Albeit at Slower Pace than Regional Economies.



Amid an Already High Unemployment Rate—especially among Youth—the Pandemic Has Exacerbated the Unemployment Challenge.



The Country's Major Economic Activity Indicators Continue to Show Underlying Improvement.

Jordan's Economic Activity Indicators
% y-o-y change

	2019	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21
Real activity							
Manufacturing	-1.3	-4.4	-35.2	-2.9	-12.3	-1.7	56.2
Construction permits	-32.0	-23.1	-50.4	12.3	0.1	62.7	154.4
Exports							
Overall volumes	19.6	13.4	-11.8	8.6	0.3	-2.3	31.1
Manufactured articles	4.1	-17.6	-4.0	144.1	-22.5	29.2	0.8
Chemicals	9.4	-7.3	24.6	174.8	47.2	58.5	14.0
Imports							
Capital goods	1.5	-34.8	-36.2	-9.4	5.4	27.2	11.2
Intermediate goods	-3.1	-7.0	-11.2	0.3	-3.1	27.6	36.8
Consumer goods	-5.4	7.6	-12.5	17.9	2.0	10.3	28.4
Travel receipts	10.2	-10.7	-98.9	-91.6	-84.4	-77.6	2290.6
Private sector credit	4.3	5.5	5.7	6.8	6.3	6.1	5.5

Notwithstanding this Recovery, the Pandemic Has Left Deep Scars on the Private Sector.



Source: CBJ, DoS, IMF, www.ourworldindata.org, World Bank Enterprise Surveys, Haver and World Bank staff calculations.

الملخص التنفيذي

كما ولعبت السياسة المالية دوراً نشطاً في دعم الدخل أثناء الوباء، بينما ساهمت الإيرادات الحكومية في نفس الوقت في تحسن ملحوظ في الوضع المالي للحكومة المركزية. وقد أدى انتعاش النشاط الاقتصادي والواردات إلى انتعاش قوي في تحصيل الإيرادات المحلية، حيث سجل نمواً بنسبة 21 في المائة التي سجلت نمواً بنسبة 21 في المائة على أساس سنوي خلال فترة 7 أشهر من عام 2021 وقد دُعم هذا التحسن بشكل أكبر بجهود السياسات المتضافرة لتحقيق أهداف إيرادات الموازنة المرجوة لعام 2021، أما من ناحية الإنفاق فقد بقي الإنفاق الجاري مرتفعاً، والأهم من ذلك، كان الإنفاق الرأسمالي خلال فترة 7 أشهر من عام 2021 كبيراً، حيث وصل إلى 1.4 في المائة من الناتج المحلي الإجمالي؛ ما يقرب من ضعف المستوى الذي تم تحقيقه في نفس الفترة من العام الماضي، ونتيجة لذلك، بلغ العجز المالي للحكومة المركزية (باستثناء المنح)² خلال الفترة 7 أشهر من عام 2021 3.3 في المائة من إجمالي الناتج المحلي مقارنة بـ 4.4 في المائة من إجمالي الناتج المحلي في نفس الفترة من العام الماضي، وبقيت نسبة إجمالي الدين المضمون إلى إجمالي الناتج المحلي مرتفعة عند 108.7 في المائة بحلول نهاية تموز 2021 (تقريباً نفس المستوى مع مستوى نهاية عام 2020)، في حين أن الحكومة الأردنية وإجمالي الدين المضمون (صافي مقتنيات صندوق استثمار الضمان الاجتماعي) بلغ حوالي 87 في المائة من الناتج المحلي الإجمالي في نهاية تموز 2021.

وساعدت السياسة النقدية التيسيرية وفجوة الإنتاج في المضي قدماً نحو الانتعاش وأبقيا التضخم منخفضاً، حيث اتخذ البنك المركزي الأردني العديد من الإجراءات أثناء الجائحة لدعم الاقتصاد، بما في ذلك خفض معدل السياسة النقدية بمقدار 150 نقطة أساس ودعم السيولة للاقتصاد؛ وفي آذار 2021، زاد البنك المركزي الأردني من حجم برنامج البنك المركزي لدعم الشركات الصغيرة والمتوسطة بنسبة 40 في المائة إلى

ويظهر الاقتصاد الأردني مؤشرات على الانتعاش التدريجي عقب الانكماش المعتدل بنسبة 1.6 في المائة في عام 2020. وعلى عكس الاقتصادات الإقليمية الأخرى، يمكن أن يُعزى هذا الانكماش "الصامت نسبياً" خلال العام الأول للوباء إلى الاستجابة السياسية المتناسقة وفي الوقت المناسب من جهة السلطات الأردنية إلى جانب الصدمة الإيجابية في معدلات التبادل التجاري التي لوحظ تأثيرها خلال الربع الأول من عام 2020، وعلى الرغم من التدابير الوقائية التقييدية، فقد تمكن الاقتصاد من النمو بنسبة 1.8 في المائة في النصف الأول من عام 2021، الأمر الذي يعكس تأثيراً أساسياً (تضخم) منخفضاً وإزالة تدريجية للقيود السابقة.

ساهمت الخدمات والصناعة في تعافي النمو الاقتصادي خلال النصف الأول من عام 2021، إلا أن العديد من القطاعات الفرعية لم تصل إلى أداءها المعهود قبل وقوع الجائحة. حيث كان النمو في قطاع الخدمات معتمداً على التمويل والتأمين فضلاً عن القطاعات الفرعية للخدمات الحكومية، حيث ساهم كلٌ منها بنحو 60 و 25 في المائة من نمو الخدمات، على التوالي، من ناحية أخرى، مما القطاع الصناعي معتمداً على التعدين والمحاجر والصناعة، الأمر الذي يعكس انتعاشاً صحياً في صادرات المواد الكيميائية والفوسفات، ومع ذلك، فقد أدت مدة الركود الطويلة في السفر والسياحة إلى إعاقة انتعاش أقوى للخدمات.

ولكن للأسف، ربما يكون الوباء قد ترك آثاراً وخيمة على مشكلة البطالة في الأردن وزاد من نقاط الضعف القائمة، فقد أدى الوباء إلى زيادة معدل البطالة إلى 24.8 في المائة في الربع الثاني من عام 2021، مقارنة بـ 19 في المائة قبل انتشار الجائحة، فقد بلغت البطالة بين الشباب (الذين تتراوح أعمارهم بين 16 و 25 عاماً) أعلى من ذلك، حيث كان نصف الشباب عاطلين عن العمل، علاوة على ذلك، يبدو أن التدهور في معدل البطالة في الأردن أعلى بكثير مقارنة بشقيقتها من دول المنطقة، ربما لأن ما يقرب من 70 في المائة من الأردنيين يعملون في قطاع الخدمات، وذلك استناداً إلى النتائج الأخيرة من دراسة استقصائية للمتابعة في المؤسسات، والتي تُظهر انخفاضاً أكبر في القوى العاملة في الشركات الصغيرة وفي قطاع الخدمات بالنسبة للأردن بشكل عام.

² بناءً على إحصاءات مالية الحكومة، بما في ذلك استخدام النقد والتباني الإحصائي.

700 مليون دينار أردني، ومع ذلك، وبسبب فجوة الإنتاج، سجل تضخم مؤشر أسعار المستهلك 1.1 في المائة على أساس سنوي في 8 أشهر من عام 2021 مقارنة بـ 0.5 في المائة في 8 أشهر من عام 2020، بينما ظل التضخم الأساسي ثابتاً عند حوالي 0.9 في المائة في كلا الفترتين.

استمرت اختلالات الحساب الجاري للبلاد في الاتساع لمدة عام آخر، لا سيما اتساع الفجوة التجارية، على الرغم من تدفقات المانحين القوية التي ساعدت الأردن في بناء احتياطياته، إذ يعكس اتساع العجز التجاري الأردني التأثير المشترك لكل من الشروط التجارية غير المواتية - وتحديدًا بسبب ارتفاع أسعار الغذاء والنفط العالمية - فضلاً عن تحسن الطلب المحلي، في المقابل، استمرت نقاط الضعف في تجارة الخدمات بسبب الانتعاش البطيء في إيصالات السفر، وبشكل عام، تفاقم عجز الحساب الجاري (بما في ذلك المنح) في النصف الأول من عام 2021 إلى 3.2 مليار دولار أمريكي أو 15.3 في المائة من إجمالي الناتج المحلي مقارنة بـ 1.7 مليار دولار أمريكي أو 8.3 في المائة من إجمالي الناتج المحلي في النصف الأول من عام 2020، وعلى الرغم من هذا التدهور والاحتمالات المحدودة لتدفقات الاستثمار الأجنبي فقد بلغ إجمالي الاحتياطيات الأجنبية للبنك المركزي الأردني 17.9 مليار دولار أمريكي في نهاية أيلول 2021 بحوالي 938 مليون دولار أمريكي من نهاية كانون الأول 2020. وقد دُعم هذا التحسن إلى حد كبير من خلال دعم المانحين في الوقت المناسب (المنح والإقراض)، وزيادة في مدفوعات برنامج "تسهيل الصندوق الممتد"، ومكاسب إعادة تقييم حقوق السحب الخاصة، وبشكل عام، تشير مقاييس مدى كفاية الاحتياطيات بشكل عام إلى أن الاحتياطيات الأجنبية لدى البنك المركزي الأردني لا تزال عند مستوى مريح على الرغم من اتساع العجز في الحساب الخارجي.

من المتوقع مستقبلاً أن يتعافى النمو الاقتصادي على الرغم من استمرار تقييد التوقعات متوسطة المدى بالعوائق الهيكلية المتفاقمة، إذ تتبلور مخاطر الهبوط بسبب التوقعات العالمية غير الجديرة بالثقة. يعتبر تسريع التعافي العالمي من الوباء، بسبب تحسن نشر اللقاحات واستمرار السياسة المحلية التيسيرية على نطاق واسع، من العوامل الرئيسية للنمو هذا العام، والذي من المتوقع أن يصل إلى 2.2 في المائة في عام 2021، مع ذلك، تأتي مخاطر الهبوط الذي قد يصيب الانتعاش في الاقتصاد العالمي الناجم عن الشكوك المحيطة "بمتحور دلتا" والانتعاش غير المتكافئ للاقتصاد العالمي إضافة إلى التشديد المتوقع لموقف السياسة النقدية للبنك المركزي الأمريكي، وعلاوة على ذلك، فإن مستوى التطعيم محدود المدى في الأردن يشكل خطرًا سلبيًا جديدًا في حالة حدوث موجة أخرى من

فيروس كوفيد - 19، فبالإضافة إلى محدودية الحيز المالي وارتفاع مستوى البطالة الفعلي وزيادة المحتملة في نقاط الضعف في القطاع المالي، يحتاج صناع السياسات في الأردن إلى توخي الحيلة والحذر من هذه المخاطر المحتملة وإعطاء الأولوية للإصلاحات المتقدمة وتدابير الدعم التي يمكن أن تعزز خلق فرص العمل والانتعاش المستدام والنمو المنصف.

يركز قسمان خاصان من هذا التقرير بشكل منفصل على قياس الثروة الوطنية الأردنية وتحديات النقل العام في الأردن. وجد تقييم واسع النطاق للثروة الوطنية على أساس رأس المال المنتج ورأس المال البشري ورأس المال الطبيعي وصافي الأصول الأجنبية (بناءً على منهجية ثروة الأمم التابعة للبنك الدولي) أن الأردن لا يرقى لمستويات المقارنة مالياً، إذ يغطي التقييم الفترة الواقعة بين عامي 1995-2018، ووجد أن ثروة الفرد في الأردن في عام 2018 كانت أقل بنسبة 5 في المائة مما كانت عليه في عام 1995، وعلاوة على ذلك، انخفض نصيب الفرد من الثروة في الأردن بمرور الوقت بشكل ملحوظ عن البلدان ذات الدخل المتوسط الأعلى، فعلى سبيل المثال، في عام 2018 - كان لدى المواطن العادي من البلدان ذات الدخل المتوسط الأعلى ثروة تبلغ 4.3 أضعاف ثروة الأردني العادي، وعلى الرغم من أن رأس المال البشري لا يزال يمثل أكبر فئة من فئات الأصول في الأردن، إلا أن حصته في حالة ركود، فقد انخفضت قيمة الموارد الطبيعية في الأردن بين عامي 1995 و 2018 بنحو الربع من حيث نصيب الفرد وبالنظر إلى هذه التحديات، يحتاج الأردن إلى تنويع محافظ ثروته وعكس اتجاه انخفاض نصيبه من رأس المال البشري وزيادة رأس ماله المنتج على وجه السرعة.

تشكل وسائل النقل العام في الأردن قيوداً تنموية كبيرة، فبالنظر إلى المصادر المختلفة، تُقدر التكاليف بما لا يقل عن 6 في المائة من الناتج المحلي الإجمالي سنوياً، دون احتساب التأثير السلبي الذي تسببه خدمات النقل الرديئة على توظيف النساء، وعلى مر السنوات، أولى الأردن الأولوية للاستثمار في البنية التحتية للمواصلات مقارنة بالاهتمام المحدود في خدمات النقل (مثل النقل العام)، ففي حين أن هذا الأمر أدى إلى الوصول لبنية تحتية جديدة ومعتبرة للمواصلات، فقد أدى أيضاً إلى نشوء خدمات نقل عام غير فعالة وغير منسقة وغير موثوقة مما أدى إلى انخفاض عدد الركاب ومحدودية الوصول لمعظم الأردنيين وخاصة النساء والشباب وذوي الحركة المحدودة، كما أطلقت الحكومة مبادرات لتحسين نظام النقل العام، لكن التنفيذ كان بطيئاً، وللمضي بذلك قدماً، يجب أن تركز إصلاحات السياسات بشكل مباشر على الهدف الذي يرمي لإحداث تحول نموذجي من استخدام السيارات الخاصة إلى وسائل النقل العام



ECONOMIC UPDATE

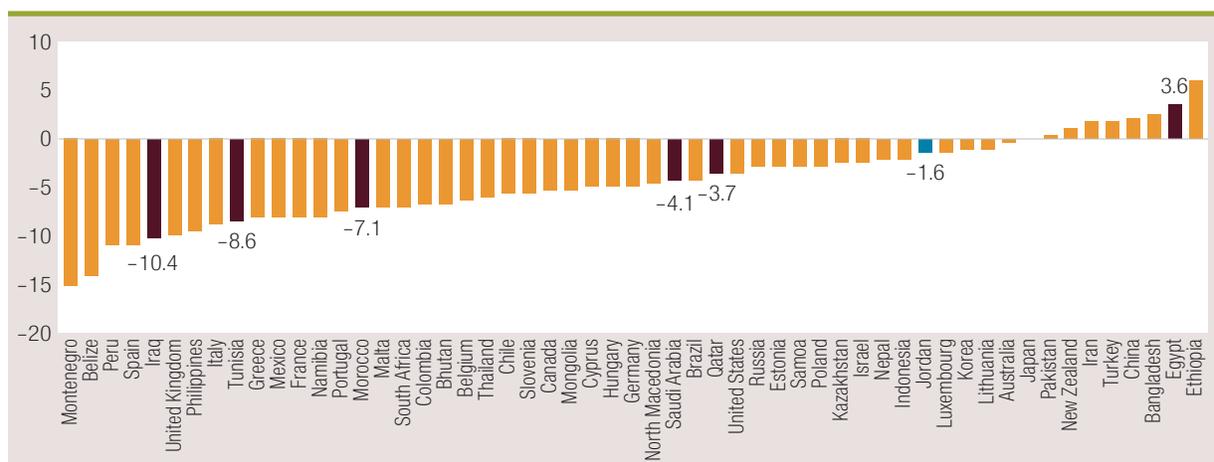
Real and Labor Sector

Following a moderate contraction in 2020, Jordan's economy is showing early signs of recovery. Jordan's output during 2020 shrank by 1.6 percent, marking the first contraction in three decades. The contraction, while historic, has been less severe than anticipated and relatively much smaller than regional and global peers, as a result of authorities' timely and coordinated fiscal and monetary stimuli (Figure 1). In the first half of 2021, the economy faced another setback early on as the country was hit with another intensive COVID-19 wave. Consequently, authorities had to rely on a new round of containment measures to mitigate the health impact, delaying the much-anticipated opening of the economy. However, considering the stringency of the restrictions, the recovery of economic activities during H1-2021 has been solid. One plausible explanation for this is that given experience in the first year of pandemic, it is plausible that all economic agents have started to adapt to COVID-19 shock relatively efficiently. As

a result, Jordan's real GDP grew by 1.8 percent in H1-2021.

Recovery in economic growth during H1-2021 has been led by services and industry, yet many subsectors have not reached pre-pandemic performance. The rebound in H1-2021 was mainly led by the services sector (with 60 percent share in the economy) contributing 0.8 percentage points to real GDP growth, followed by the industrial sector and agriculture sector which contributed 0.6 percent and 0.1 percentage points to real GDP growth, respectively (Figure 2). The services sector grew on the back of finance and insurance as well as subsectors of government services. Growth in the industrial sector was mainly led by mining and quarrying and manufacturing, reflecting a healthy rebound in commodity exports, namely chemicals and phosphates. Despite this good performance, GDP growth is largely exhibiting a low-base effect following its contraction during H1-2020. Moreover, various subsectors remain below their pre-pandemic output. Specifically, restaurants and hotels as well as transportation and communication services are still far below their pre-pandemic

FIGURE 1 • Selected Countries' Annual GDP Growth in 2020
Percent

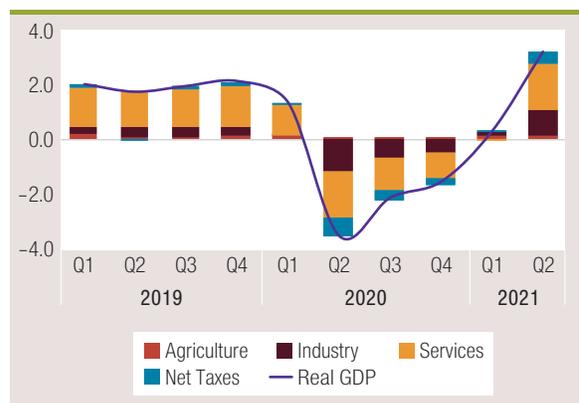


Source: WDI.

levels as a result of a prolonged slack in travel and tourism and partial lockdowns.³ Furthermore, as shown in Figure 3, the recovery gap (deviation of output from its pre-pandemic trend) has widened in Q2-2021 compared to Q1-2021.

Despite signs of early economic recovery, the ability of Jordan's private sector to respond to changing conditions is likely to be tested. In the wake of COVID-19, the CBJ has provided support to business, with a focus on SMEs, through subsidized lending programs.⁴ However, the World Bank's Enterprise Survey Follow-up Survey continues to paint a challenging picture of the private sector, particularly for small firms (see Box 2). For instance, according to the survey, almost 67 percent of Jordanian firms surveyed in June 2021 continued to experience a decline in sales compared to a year ago, while almost 15 percent of firms have permanently closed since the COVID-19 pandemic started. On the more positive side, some additional research shows that the pandemic may have aided the process of *creative destruction* (Schumpeter, 1939) in Jordan whereby more productive firms push less productive firms out of existence (see Box 3). Importantly, firms that operated in the services sector, with relatively small size and no digital presence remained more vulnerable, as they were 20–30 percent more likely to exit the market during the pandemic relative to their comparators.

FIGURE 2 • Growth Contribution from the Supply Side
Percentage points

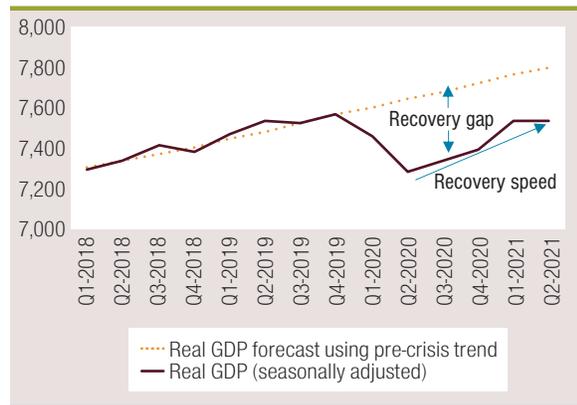


Source: DoS and World Bank staff calculations.

³ As a third wave of infections hit the country, weekend and evening curfews were reinstated in late February. On June 1, the government announced a three-phased plan to gradually reopen the economy: which started in June and reached a full reopening in September 2021.

⁴ CBJ created a JD500 million SMEs lending program at the onset of the crisis in 2020. In March 2021, the CBJ increased the envelope of the SME scheme to JD700 million, raised the borrowing limits under the scheme for especially hard-hit sectors and extended the terms of the loans by one year.

FIGURE 3 • Recovery Gap
JD million; Seasonal adjusted

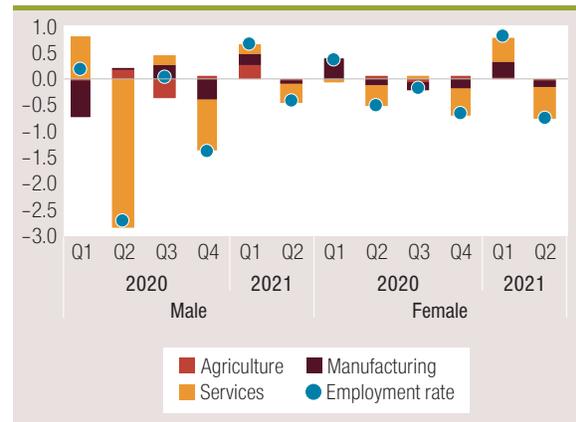


Source: DoS and World Bank staff calculations.

The COVID-19 shock has amplified existing structural challenges to employment generation.

In Q2-2021, Labor force participation (LFP) stood at 33.7 percent. Meanwhile, insufficient job creation kept unemployment at high levels (24.8 percent in Q2-2021), compared to 23.0 percent during the same period last year. Youth unemployment (ages 16–25) stood even higher, with one out of every two youth being unemployed. The increase in unemployment in Jordan appears to be much more substantial than that of regional peers.⁵ This is perhaps because around 67 percent of Jordanians work in the services sector, out of which, more than 60 percent are involved in contact-intensive activities (i.e., restaurant and hotel, transportation, etc.).⁶ Meanwhile, the employment rate in Jordan remained weak at around 25.4 percent (Q2-2021), even 0.9 percent lower than the same period last year. This decline in employment seems to be coming from the decline in male employment, which declined by almost 1.1 percentage points y-o-y to reach 41.2 percent in Q2-2021, which is 3.5 percentage points lower than the pre-crisis level in Q2-2019. This could be attributed to the fact that

FIGURE 4 • Yearly Changes in Employment by Sectors
Percentage point change, y-o-y



Source: MoF and World Bank staff calculations.

the pandemic has disproportionately affected contact-intensive employment sectors where more men are employed (Figure 4). Female employment, on the other hand, only declined marginally (0.8 percentage points y-o-y) given women are more intensively employed in the public sector, where job shedding has remained restrained or non-existent. Employment numbers for females shield one important factor that female workers are reporting a drastic reduction in their working hours. For instance, during Q2-2021, almost one third employed females reported working part-time (less than 40 hours a week). This is nearly three-fold increase compared to the pre-crisis level.

⁵ For example, unemployment in Egypt stood at 7.3 percent in Q2-2021, representing a 2.3 percentage points y-o-y decrease; unemployment rate in Saudi Arabia declined by 2.4 percentage points to 6.6 percent in Q2-2021.

⁶ Data sources: DoS, WB staff estimates based on 2019 labor market statistics.

BOX 2. COVID-19 PANDEMIC IMPACT ON JORDANIAN FIRMS: EVIDENCE FROM THE 3RD FOLLOW-UP ENTERPRISE SURVEY

The World Bank Group has launched follow-up surveys to the standard Enterprise Surveys (ES) in more than 40 countries. The intent of the survey is to assess the impact of the crisis on businesses and see how they are recovering as the global health situation has started to improve following the initial impact of COVID-19 shock. In Jordan, 3 rounds of the follow-up survey have been launched, which build on the sample of firms that participated in the 2019 Enterprise Survey. The baseline ES for Jordan contains a total of 601 interviews conducted from May 2019 through November 2019 and three follow-up surveys were conducted during July-August 2020 (first round), November-January 2021 (second round), and June-July 2021 (third round). A summary of results of the most recent follow-up survey (round 3) is presented below:

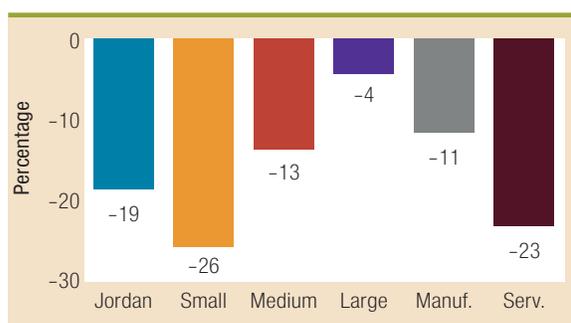
Despite some improvements, business closures remain high, and sales are still negative. Findings of the recent survey reveal that around 15 percent of firms have permanently exited the market since the pandemic was declared (March 11, 2020) and 38 percent have exited compared to the baseline (ES in 2019). Moreover, firms in June 2021 reported a one-third drop in monthly sales vis-à-vis June 2020. However, this decline in monthly sales was lower compared to the last 2 rounds (at 51 and 50 percent respectively). Moreover, the pandemic has had a large effect on full-time employment and has widened the gender gap. Since December 2019, employment levels have, on average, declined by 19 percent (Figure B.1), while the share of female full-time workers during this period, decreased by almost 8 percent.

Small firms and firms operating in the services sector seem to be disproportionately more affected by the crisis. Large variations between firm size exists as small firms experienced, on average, higher business closures (42 percent), larger drop in sales (40 percent), a stronger decline in workforce (26 percent) and a stronger decline in the share of female workforce (14 percent). Among sectors, the services sector registered the largest drop in employment levels (Figure B.1), while the share of females declined by more than 10 percent.

Moreover, firms are still facing payment arrears and a liquidity crunch. The private sector in Jordan continues to experience financial distress 15 months into the crisis. More than half of the firms in June 2021 reported delaying payments to suppliers, landlords, or tax authorities for more than one week. This is significantly higher than the 36 percent of firms that reported delaying payments (by one week) in June 2020.

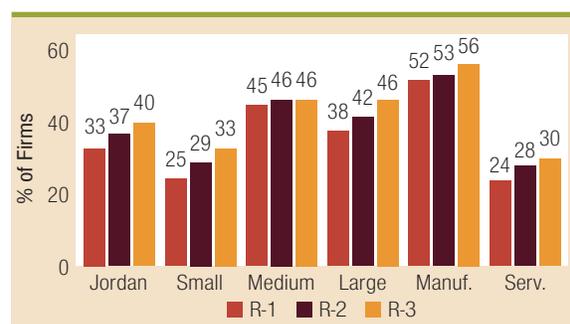
Government support needs to shift focus to small-sized firms and services businesses. To counter the economic effects of the pandemic, the government has put various measures in place to assist businesses, including the reduction of social security contributions, reducing taxes for selected sectors and employment programs. The share of firms that received COVID-19 pandemic-related government support increased to 40 percent during June 2021 from 33 percent in June 2020. Remarkably, the share of firms that received government assistance seems highest in the manufacturing sector as well as among medium and large firms. The survey also shows that firms in the services sector expect that it will take them around 13 months before they are able to return to their normal (pre-pandemic) level of sales, while firms in the manufacturing sector estimates that they could reach the pre-pandemic sales level in around 9 months. Hence, stronger support for small-sized firms and firms in the services sector can help them surviving the crisis.

FIGURE B.1 • Change in Permanent Workforce
Percentage point change since December 2019



Source: Enterprise Surveys, The World Bank, <http://www.enterprisesurveys.org> – Jordan COVID19 Follow up surveys Round 3 (June/July 2021).

FIGURE B.2 • Share of Firms that Received or Expect COVID-19 Pandemic-Related Government Support
Percent



Source: Enterprise Surveys, The World Bank, <http://www.enterprisesurveys.org> – Jordan COVID19 Follow up surveys Round 3 (June/July 2021).

Note: The R-1 series refers to changes June/July 2020 vs June/July 2019, R-2 refers to October/December 2020 vs October/December 2019, R-3 refers to May/June 2021 vs May/June 2020.

Source: The World Bank, Jordan COVID19 Follow up survey round 3: <https://www.enterprisesurveys.org/en/covid-19>.

BOX 3. IS THERE A SILVER LINING TO THE COVID-19 CRISIS? - UNPRODUCTIVE FIRMS EXIT

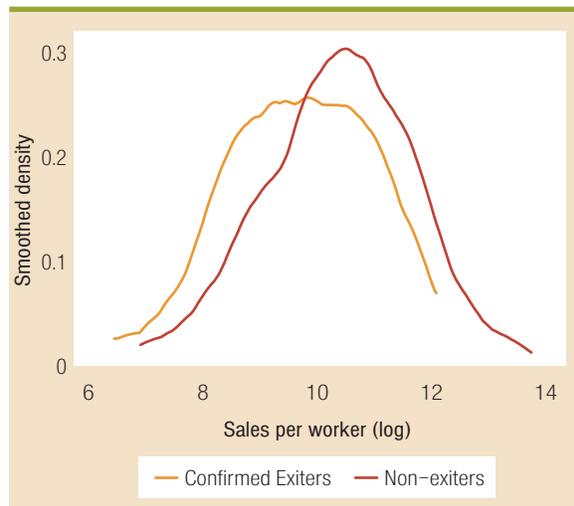
The pandemic-induced recession has sparked a surge in business exit in Jordan as has been the case for rest of the world. Among 601 Jordanian firms surveyed in the World Bank Enterprise Surveys, almost 88 firms confirmed permanent closure since the COVID-19 pandemic, indicating an exit rate of almost 15 percent. There is a long-standing view that exit can be productivity-enhancing due to the so-called ‘cleansing effects’ (Foster, et al. 2014), or Schumpeterian competitive destruction (Schumpeter, 1939)^a. A key question is whether exit during the pandemic was productivity-enhancing as has been mentioned in the literature.^b In other words, did the COVID-19 crisis ‘cleanse’ out the unproductive firms in Jordan, or is the crisis displacing productive firms undermining long-run productivity growth? To answer this question, we use the World Bank ES data and the COVID-19 ES Follow-up Survey data (third round, which was conducted during June-July 2021) for Jordan to assess the effect of firm productivity on the probability of firm exit.

Survivors seem to have higher labor productivity than exiters. Figure B.3 presents the kernel density functions for labor productivity in the sample, showcasing the wide dispersion of productivity distribution between the confirmed-exit firms and survival firms.

The results reveal a strong and negative relationship between productivity and firm exit in Jordan during the time of COVID-19 crisis. This perhaps suggests that the process of cleansing out of unproductive establishments may be at play. This finding points to the probability that during the pandemic, productive firms tended to push less productive firms out, which might have potential long-term economic gains through resources reallocation.

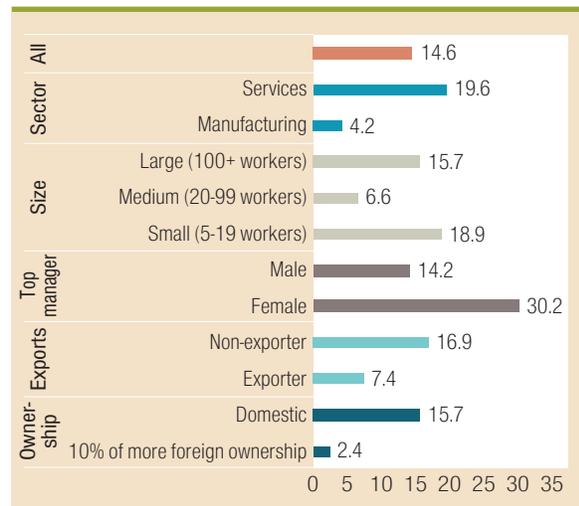
Firms that operated in the services sector, with relatively small size and no digital presence were more vulnerable (Figure B.4). First, we find that firms in the services sector are most sensitive to social distancing and thus have a much higher likelihood of exiting than firms within the manufacturing sector. Second, the study finds that firms having a digital presence are less like to exit the market during the pandemic as they could leverage technology to offset the physical remoteness imposed by the social distancing. Third, firm size is estimated to be negatively correlated with exit probability, with large firms (with 100 employees and more) facing lower risks of exiting the market, whereas no clear evidence has come out for innovation and access to finance play a role.

FIGURE B.3 • Kernel Density Functions for Labor Productivity
Density function, confirmed-exiters vs. non-exiters



Sources: World Bank staff estimates based on the World Bank ES and the COVID-19 ES Follow-up Survey data (third round) for Jordan. <https://www.enterprisesurveys.org/en/covid-19/>

FIGURE B.4 • Relationship between Firm Characteristics and Exit Rate
% of firms confirmed permanently closed since COVID-19 pandemic



Sources: World Bank staff estimates based on the World Bank ES and the COVID-19 ES Follow-up Survey data (third round) for Jordan. <https://www.enterprisesurveys.org/en/covid-19/>

^a Creative destruction describes the way in which downturns drive a reallocation of resources within and between sectors in a search of greater efficiency and new markets.

^b For instance, the early-1990s recession in the U.S. strengthened the exit selection – the relationship between business productivity and exit—and thus increased the aggregate productivity (Foster, 2016).

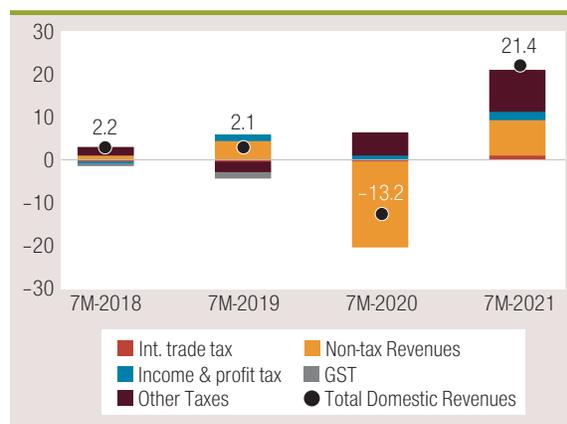
FISCAL AND DEBT DEVELOPMENTS

Jordan's fiscal accounts are showing a healthy rebound during 2021. During 7M-2021, the Central Government fiscal deficit (excluding grants) registered a deficit of 3.3 percent of GDP, considerably lower than 4.4 percent of GDP deficit registered during the same time last year.

Domestic revenue collection remained robust. During 7M-2021, domestic revenues registered a healthy growth of 21 percent y-o-y aided by improved economic activity and improved tax collection efforts. Direct tax collection, led by taxes on income and profits, grew by 9.8 percent. Indirect taxes grew by 19 percent, benefiting from improved demand and double-digit import growth (as import-related taxes grew by around 26 percent during 7M-2021). Moreover, a strong rebound in non-tax revenues (43 percent growth) made a sizable contribution to domestic revenue collection in 7M-2021 (Figure 5). The largest contribution to non-tax growth came from revenues from selling goods & services (which included a 70 percent surge in land registration fees) as well as property income, which appeared to have benefited from high real estate activity.⁷

Meanwhile, existing spending rigidities along with pandemic related spending pressures kept total spending elevated for another year.

FIGURE 5 • Growth Contribution to Domestic Revenues
Percentage points, 7M-2021



Source: MoF and World Bank staff calculations.

During 7M-2021, total spending of the CG reached 16.9 percent of GDP, higher than 16.0 percent of GDP recorded during the same period in 2020. Current expenditures registered a growth of 6.4 percent y-o-y, with all categories contributing evenly to the overall

⁷ According to the Department of Land and Survey, during 8M-2021, the real estate sales (including apartment and land sales) increased by almost 50 percent compared to the same period in 2019.

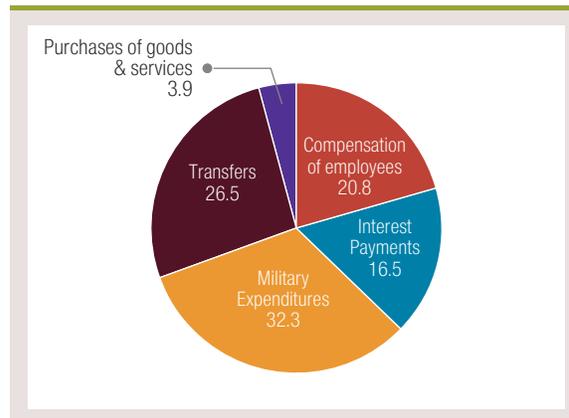
increase. Expenses linked to the government's measures towards mitigating the impact of COVID-19 shock significantly increased spending pressure on purchases of goods and services and social assistance. Moreover, inherent rigidities associated with certain recurrent categories (i.e., wages and pension, defense spending, and interest payments, which constitute almost 70 percent of CG recurrent spending), leave very little room for flexibility (Figure 6).⁸ In addition, capital spending during this period registered an increase, reaching 1.4 percent of GDP, almost twice as high as the level reached in 7M-2020, even surpassing the 7M-2019 level by a small margin. This increase, however, is a welcome break from the past, given the high importance of public investment for growth.

Output recovery, higher inflation, and lower fiscal deficit have helped keep public debt as an almost constant percentage of GDP. At the end of July 2021, Jordan's government and guaranteed gross debt ratio stood at 108.7 percent of forecasted GDP, almost on par with the end 2020 level. At the same time, Social Security Investment Fund (SSIF) holdings of public debt increased slightly, resulting in a slightly lower level of government and guaranteed gross (net of SSIF debt holdings) of almost 87 percent of GDP.

Despite Jordan's elevated debt level, the structure of the debt remains favorable. At end June-2021, domestic debt constituted around almost 60 percent of Jordan's government and guaranteed gross debt with treasury bills and bonds making up for almost 90 percent of domestic debt (Figure 7). Interestingly, more than a third of domestic bonds are being held by the state-owned SSIF. With respect to the external debt, the stock of Jordan's external public debt remains highly concessional with almost half of the external debt coming from multilateral and bilateral lenders. Eurobonds and local bonds in foreign currency have gained importance over past few years, and they constitute almost one-fifth of total government and guaranteed gross debt.

Jordan has continued with its efforts to lengthen the maturity of its debt profile. During the past years, Jordan has considerably lengthened its maturity profile, increasing the weighted average

FIGURE 6 • Breakdown of Current Expenditures
Share of current expenditures, 7M-2021



Source: MoF and World Bank staff calculations.

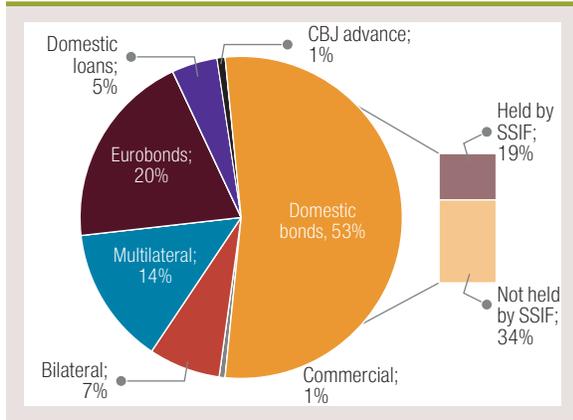
time to maturity (ATM) of domestic debt to 4.5 years at end 2020 from 1.9 years ten years earlier. In line with this strategy, during H1-2021, new issuances of domestic debt remained tilted towards long-term instruments, i.e., treasury bonds constituted almost 70 percent of total net issuances. The ATM of domestic debt during H1-2021 stood at 5.0 years. Similarly, external debt has a relatively long maturity, currently standing at 8.3 years.⁹

Nonetheless, higher maturities and higher debt have impacted the cost of Jordan's debt service. While longer term maturities are reducing refinancing risks, the interest cost has risen with the longer tenor (Figure 8). At end July 2021, repayments of external debt stood at 2.2 percent of GDP, twice as high as in 7M-2020, mainly because of higher external debt repayments during this period. As a result, total debt service (budget & guaranteed) during 7M-2021 increased to 4.8 percent of GDP, compared to 3.5 percent of GDP during the same time last year.

⁸ For instance, interest payments continued to register double-digit growth while wages and salaries rose by 7 percent, as a result of the postponement of the public sector wage increase during 2020. In addition, military expenditures—Jordan's largest spending category—grew by 4.2 percent.

⁹ Based on World Bank staff estimates.

FIGURE 7 • Government and Guaranteed Gross Debt Composition at End June 2021
Share of government and guaranteed gross debt



Source: MoF and World Bank staff calculations.

FIGURE 8 • Public Debt Service (Budget and Guaranteed)
Percent of GDP



Source: MoF and World Bank staff calculations.

Note: Public debt service includes interest payments debt (on budget and guaranteed debt) and repayment of foreign debt (budget and guaranteed debt).



BALANCE OF PAYMENTS POSITION

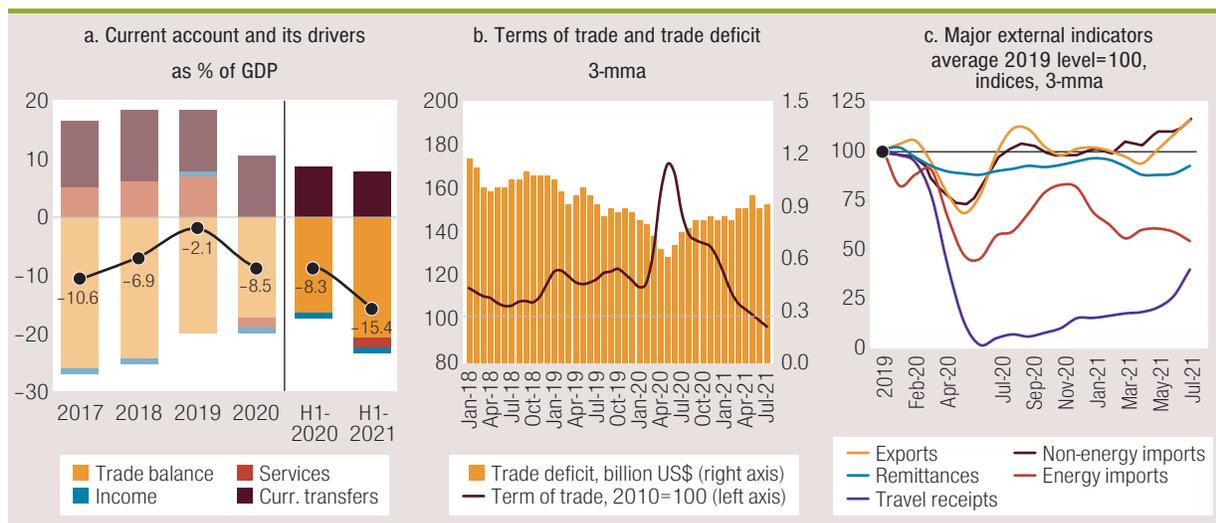
Global economic recovery has broadly remained robust this year, although some signs of moderation have lately emerged.

The recovery has so far resulted in improved global trade activity as Jordan's merchandise trade volumes indicated 18.2 percent y-o-y growth during 7M-2021 against 12.2 percent contraction in 7M-2020. However, recovery in services remained

subdued as targeted restrictions on travel activities continued due to the rise in cases of the Delta variant of COVID-19.¹⁰ The latter has also impacted recent

¹⁰ According to the WTO, although the pace of decline in worldwide trade in services has been decreasing in recent quarters, however, it is still showing 13.9 percent y-o-y contraction in Q1-2021.

FIGURE 9 • Jordan's Current Account Developments and their Drivers



Sources: CBJ, IMF, World Bank staff estimates.

port activities across major cities around the world amid already skyrocketing containers freight costs and robust increase in global commodity prices.¹¹ If these trends persist, it will affect Jordan's current account outlook.

Overall, the recent global developments have so far exacerbated Jordan's already weak external account position. The current account deficit (CAD, including grants) in H1-2021 widened to US\$3.2 billion or 15.3 percent of GDP compared to US\$1.7 billion or 8.3 percent of GDP in H1-2020 (Figure 8.a). This deterioration in CAD was largely driven by substantial 25 percent y-o-y increase in country's merchandise trade deficit and continued weaknesses in services related trade. The surge in the merchandise trade deficit reflects the combined impact of unfavorable terms of trade—particularly due to the rise in global food and oil prices and improving domestic demand (Figure 8.b). In contrast, weaknesses in the services trade were mainly the result of lower travel receipts¹² and escalating global transportation cost.

Growth in merchandise exports remained significant as both price and quantity factors contributed positively. According to the latest data from DoS, total exports from Jordan grew by 14 percent in 7M-2021 against 6.1 percent decline observed in the same period last year. Detailed data up to July indicated that around 60 percent of the total improvement in Jordan's exports during 7M-2021 can be explained by the chemical and phosphate sectors, followed by clothes and textile. Regarding export markets, the U.S., India and neighboring GCC explain around three-fourths of the total increase in Jordanian exports. In particular, the continued expansion of Jordanian exports to the U.S. maintains the positive effects of the bilateral FTA since 2001 (Box 4). Furthermore, while the price effect has contributed positively towards the recent growth in exports, the quantity effect dominated.

Despite a significant increase in merchandise exports, this increase was substantially outpaced by growth in imports. Jordan's total import bill increased by almost 19 percent in 7M-2021 against a 15.9 percent contraction in 7M-2020. Out of this increase in the import bill, almost 90 percent is

attributed to the surge in non-energy related imports, as the contribution from energy imports remained relatively modest. Given a 62 percent increase in the international price of oil during 7M-2021, modest growth in the energy import bill implies decline in imported quantities. However, closer inspection indicates that this trend is sharply reversing in recent months.

Together with the surge in the trade deficit, the higher cost of freight and insurance and delayed recovery in travel receipts and remittances has kept the CAD at an elevated level for another year. Travel receipts reached only 40 percent of the pre-COVID level (Figure 8.c). Nonetheless, monthly figures for travelers as well as receipts, are showing a steady improvement in recent months due to the recent ease in domestic travel restrictions both home and abroad. Workers' remittances, on the other hand, registered a marginal growth of 0.6 percent in 7M-2021 compared to a contraction of 9.8 percent during same period last year. Even with a low base-effect, this slow recovery in remittances broadly indicates restrained ease in travel restrictions for foreign workers in source countries, such as GCC. This is largely because of rising global concerns around virulent Delta COVID-19 infections.

The widening CAD along with insufficient private and official flows increased pressures on foreign reserves during H1-2021. Foreign direct investment (FDI) on net basis declined to 0.9 percent of GDP in H1-2021 as compared to 2.1 percent during the same period last year. A similar trend was observed for portfolio flows. These trends reflect continued uncertainty on part of foreign investors towards emerging markets in general. Official loan flows towards Jordan in H1-2021 also remained half of the amount received over the same period the previous year. Given the decline in private foreign inflows, the commercial banks drew down their assets

¹¹ Recent trend shows that the average global price to ship a 40-foot container has more than quadrupled from a year ago, to around U.S.\$10,000 in Sep 2021.

¹² Travel receipts totaled about 3 percent of Jordan's GDP in 2020; declining from an average of 12 percent during 2016–19.

abroad to the tune of US\$613 million in H1-2021 (Figure 10.a) to manage liquidity. This has helped improve the domestic forex liquidity of the banking system amid the widening trade gap. Reflecting these developments and pressures in the overall balance of payments position, the CBJ's gross foreign reserves showed a moderate decline of US\$433 million to reach US\$16.5 billion as of end June 2021 compared to end December 2020 position.

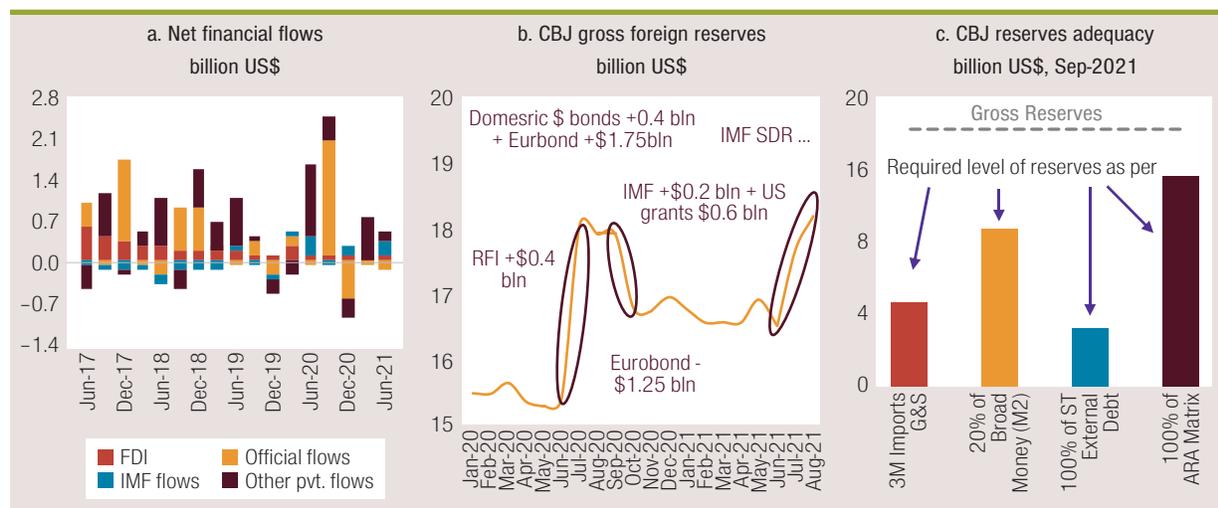
Latest data, however, indicates noticeable increase in the CBJ's foreign reserves which has further strengthened its reserves adequacy.

For instance, as of end September 2021, the CBJ's gross foreign reserves stood at US\$17.9 billion; up by around US\$1.4 billion from end June 2021 position. Specifically, receipts of around US\$600 million under bilateral grants, US\$200 million from the IMF-EFF

tranche, and approximately US\$460 million increase due to IMF new SDR allocations have supported recent increase in the CBJ foreign reserves (Figure 10.b). Overall, the standard reserves adequacy-measures broadly suggest that the CBJ's foreign reserves remain at a comfortable level at end September 2021 despite widening of the external account deficit (Figure 10.c). Moreover, this relatively comfortable reserves position also holds even in comparison to other oil importing regional and peer economies.¹³

¹³ Cross-country data through August 2021 shows that, compared to Jordan's 9.5 months of import cover, the same ratio for Morocco, Tunisia, Egypt, and Pakistan – the other major oil importing MENA countries—stood at 6.1, 4.1, 6.2 and 2.6, respectively.

FIGURE 10 • Financial Flows towards Jordan and CBJ's Foreign Reserves Adequacy



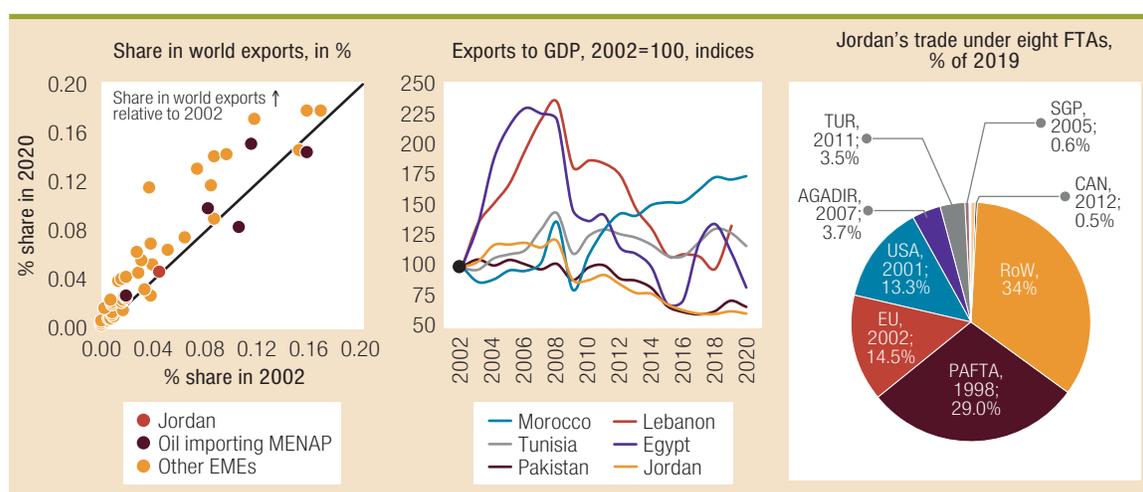
Sources: CBJ, IMF, World Bank staff estimates.

BOX 4. JORDAN'S MERCHANDISE EXPORT PERFORMANCE: A CONSTANT MARKET SHARE ANALYSIS

The key reason that most emerging economies, such as Jordan, consistently face balance of payments problems is their failure to grow their exports over time. This fact was widely supported by economic literature that emerged after the East Asian crisis of 1997–98. In the past two decades, exports from Jordan broadly remained stagnant in proportion to world exports. However, as proportion to GDP, exports are showing a decline of around 10 percentage points since 2002. This suggests an export loss of around US\$5.0 billion, which is quite substantial for an economy like Jordan.

The slowdown in Jordanian exports has been exacerbated in the past decade. The decline in exports as share of GDP became notably more prominent after the Global Financial Crisis (GFC) of 2007–08 because of the concurrent slowdown in global trade activity along with rises in regional conflicts. Moreover, Jordan's long-term real exchange rate appreciation against major trading partners has impeded the competitiveness of the traded goods sector. With the objective to improve exports and overall trade, the country entered into several free trade agreements (FTAs) with major economies and regions, such as the U.S., Canada, and the European Union during the past two decades (Figure B.5).

FIGURE B.5 • Jordan's Relative Export Performance and Trade Agreements in the Past Two Decades



Source: WDI, IMF, WTO, WB staff calculations.

Note: PAFTA = Pan-Arab Free Trade Area Agreement; EFTA = European Free Trade Association; RoW = Rest of the World

This box uses the Constant Market Share (CMS) analysis to identify the underlying factors for the decline in Jordanian exports. The CMS analysis essentially decomposes growth of actual exports during a specified period into four parts (i.e., the world trade effect, the commodity composition effect (CCE), the market diversification effect (MDE), and a residual (*Annex I.B. for technical details regarding CMS analysis*)). The four items measure the individual impact of expanding global trade, individual commodities, export-partners' demand, and other factors on the country's export. We performed our analysis on annual export data from 2002–2020 due to consistent availability of Harmonized System level exports for all dimensions. Furthermore, we divided our analysis into three sub-samples along with two crisis years: 2009 and 2020.

Our findings reveal that the market diversification and world trade effect played a major role in driving Jordanian exports over the past two decades (Figure B.6). In contrast, the commodity effect remained unimportant, particularly after the GFC. These calculations imply that the country's FTAs delivered necessary support for export expansion, specifically the FTA with the U.S. being a Jordan's biggest export market.

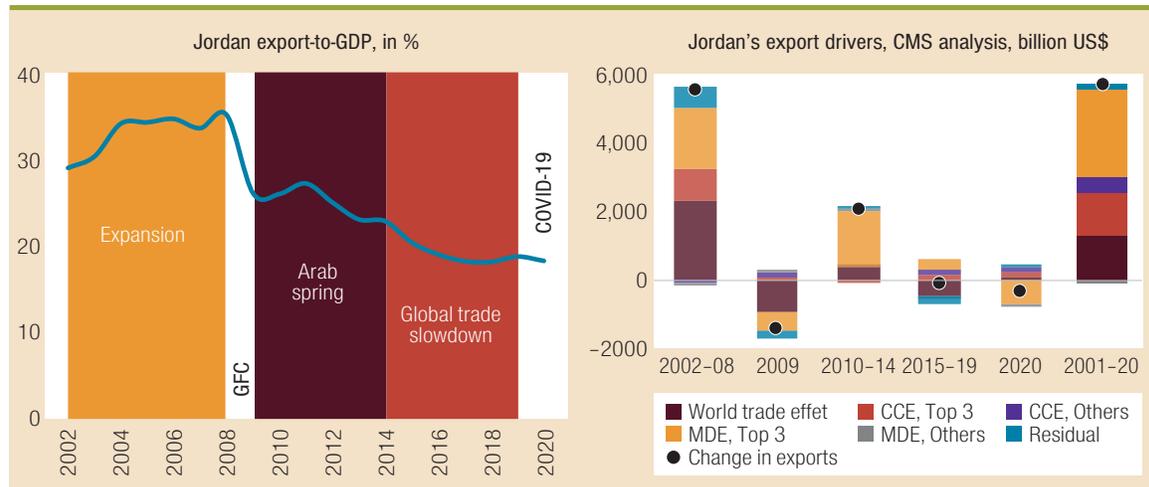
Notwithstanding, limited product diversification has restrained export growth. The analysis also points towards Jordan's limited export basket, which kept growth in the narrow range. These findings are in line with studies from the Jordan strategy forum (2017), which finds that the economic complexity of Jordan's exports has been on a declining trend. Therefore, for the sustainable balance of payments, policy focus should be geared towards increasing the country's' product diversification. From the post COVID perspective and considering an untapped potential, Jordan's already established chemical and textile industries provide fine opportunities for the export sectors to integrate into upstream global value chains of pharmaceuticals and other allied industries.

(continued on next page)

(continued)

BOX 4. JORDAN'S MERCHANDISE EXPORT PERFORMANCE: A CONSTANT MARKET SHARE ANALYSIS

FIGURE B.6 • Jordan Export Drivers and Constant Market Share (CMS) Analysis



Source: WDI, International Trade Centre, WB staff calculations.

MONETARY POLICY AND INFLATION

The global economy has experienced increasing price pressures in recent months due to supply-demand mismatches amid improving vaccine-rollouts.

These pressures and their earlier impact have been noted by recent monetary policy meetings held at both advanced and emerging economies' central banks. Indeed, central banks in some of these markets have begun to tighten monetary policy while several others, including the U.S. Federal Reserve, have signaled a possible tightening of stance in the period ahead.¹⁴ Certainly, these developments have implications for emerging market economies like Jordan (Box 5).

So far, CBJ's monetary policy stance has remained accommodative over the last 18 months. In addition to the 150-bps cut in the policy rate, the CBJ's COVID shock-related liquidity support to the economy is estimated at around 8 percent of GDP (during 2020); one of the largest amongst regional central banks. The latest figures for economic activity indicators reveal that the policy stimulus provided by the CBJ reduced the negative impact of the COVID-19 shock on economic growth during 2020 when relatively stricter but intermittent lockdowns were in place. In March 2021, the CBJ

further increased the size of its subsidized lending program for SMEs by JD200 million to bring total support for the sector at JD700 million.¹⁵

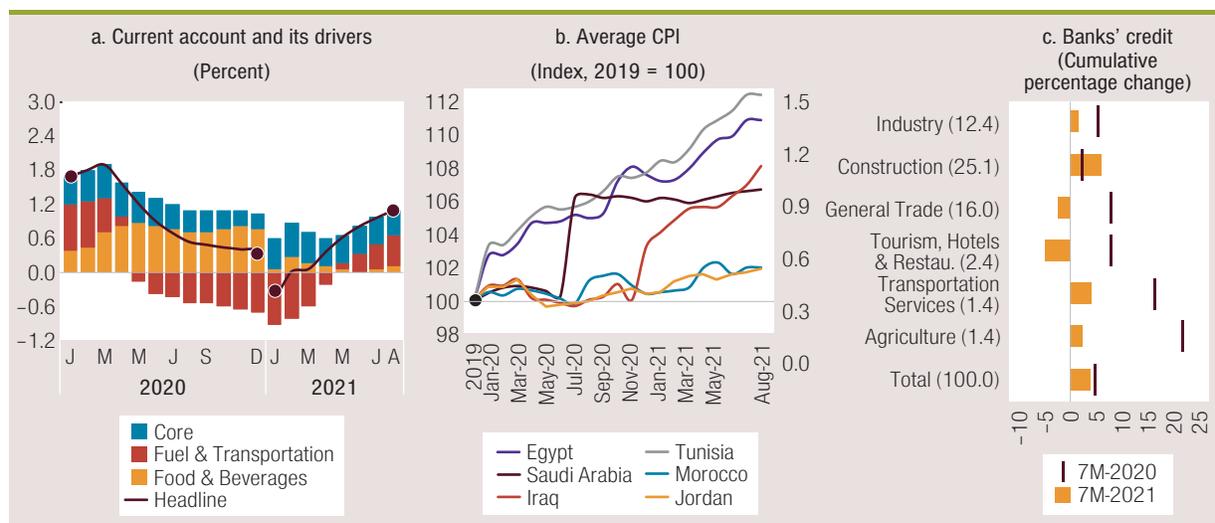
While the underlying economic recovery is steadily building, a large output gap is keeping inflation in Jordan on the lower side. Cumulatively, headline CPI inflation was recorded at 1.1 percent y-o-y in 8M-2021 compared to 0.5 percent in 8M-2020 (Figure 11.a). Over the two periods, core inflation remained flat at around 0.9 percent. Although the recent escalation in global commodity prices, including that of oil and food, is gradually feeding into monthly readings for headline CPI inflation, the impact so far remains contained for Jordan (Figure 11.b).

The CBJ's accommodative monetary policy stance along with targeted measures to help the

¹⁴ In the first 10 months of 2021, there were 59 unique instances where central banks have raised their policy rate. In the same period last year, there were 170 unique events where central banks cut their main policy rate (<http://Cbrates.com>).

¹⁵ According to the CBJ annual report for 2020, lending rates for SMEs were 2 percent for a period of 42 months, including a grace period of 12 months. About 4,919 projects, valued at JD447.2 million, benefited from the program during 2020.

FIGURE 11 • Trends in Inflation, Money Supply and Banks' Credit in Jordan



Sources: CBJ, World Bank staff estimates.

economy has kept the banking system relatively liquid during the crunch time. For example, during 7M-2021, broad money supply (M2) expanded by 3.6 percent y-o-y compared to 2.5 percent a year ago. Disaggregated data reveals that all increases in money supply this year have originated from the banking system's net domestic assets (NDA), as net foreign assets (NFA) marginally contracted by 0.3 percent during this time. The trend in NFA is explained by underlying increase in the current account deficit. In case of NDA, credit to both public and private sector supported its expansion during 7M-2021.

In particular, the increase in credit to private sector was crucial as this helped businesses to stay afloat during the downturn. Specifically, credit to the private sector grew by 3.5 percent during 7M-2021. Importantly, subsidized credit to SMEs grew by 17.2 percent y-o-y in Q1-2021, making up almost 11 percent of total credit. The overall trend, however, indicates deceleration in private credit growth in 7M-2021 as compared to last year. Sector-wise data

shows that, credit to the construction sector has been a major contributor to this trend (Figure 11.c). This phenomenon is explained by a growth in domestic demand and a substantial increase in construction material prices during this year. For example, consumer prices related to home maintenance services during 7M-2021 increased by 6.5 percent y-o-y, which is the highest increase in almost 9 years.

From the financial stability perspective, the pandemic-related impact on the banking system's overall soundness remained muted. The banks' non-performing loans (NPLs) increased from 5.0 percent of total loans in 2019 to 5.5 percent in 2020.¹⁶ Meanwhile, banks' total profit (after tax) decreased by 44 percent in 2020, which is the highest decline ever recorded since data has been available.

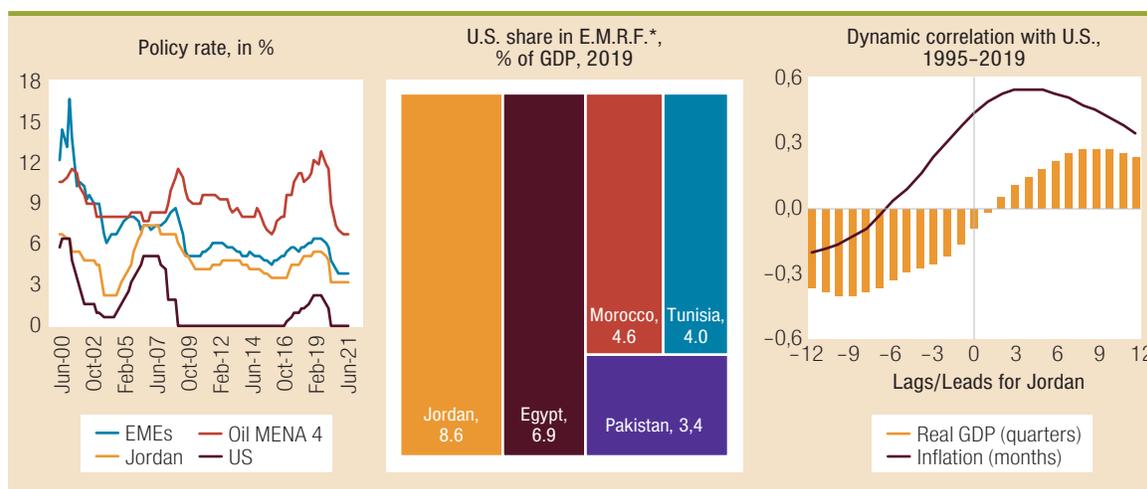
¹⁶ During the global financial crisis of 2008–09, Jordanian banks NPLs/loans ratio surged to 6.7 percent in 2009 compared to 4.2 percent in 2008, while their profit after tax declined by 17 percent.

BOX 5. NORMALIZATION OF THE U.S. MONETARY POLICY AND ITS POTENTIAL IMPACT ON THE JORDANIAN ECONOMY

Accelerating recovery in the US along with increasing inflationary pressures raise expectations towards a higher policy rate. The U.S. economic outlook has substantially strengthened following a decline in the country's output of 3.5 percent in 2020—the highest contraction since the Great Depression. Recent readings indicate that most of the major high-frequency economic indicators for the U.S. economy are trending close or above the pre-COVID level. Inflation has also been on the rise as the y-o-y headline figure is hovering at a 13-year high of 5 to 6 percent. These developments have been considered by the Federal Reserves' monetary policy making body, the Federal Open Market Committee or FOMC, in their latest meeting in July 2021. During the meeting, 7 out of 18 FOMC members have indicated that they expect relatively higher policy rate in 2022 and 13 members expect higher policy rate in 2023.

This expected normalization in the U.S. monetary policy has bearing on the global economy along with emerging economies, including Jordan. Indeed, the country's U.S. dollar pegged exchange rate regime makes its domestic monetary stance to be largely driven by external developments. However, the influence is not just limited to interest rate settings, but the spillovers of this policy choice make other country's economic indicators susceptible to changes in the U.S. monetary policy stance (Figure B.7).

FIGURE B.7 • Significance of the U.S. Economy for Jordan and Major Oil Importing MENA Countries



Source: WDI, CBJ, OECD, IMF, World Bank staff calculations.

Note: EMEs = Emerging Market Economies; MENA_Oil_4 = Pakistan, Tunisia, Morocco, Egypt, weighted by GDP;

* E.M.R.F. = Exports, Imports, Remittances and FDI stock

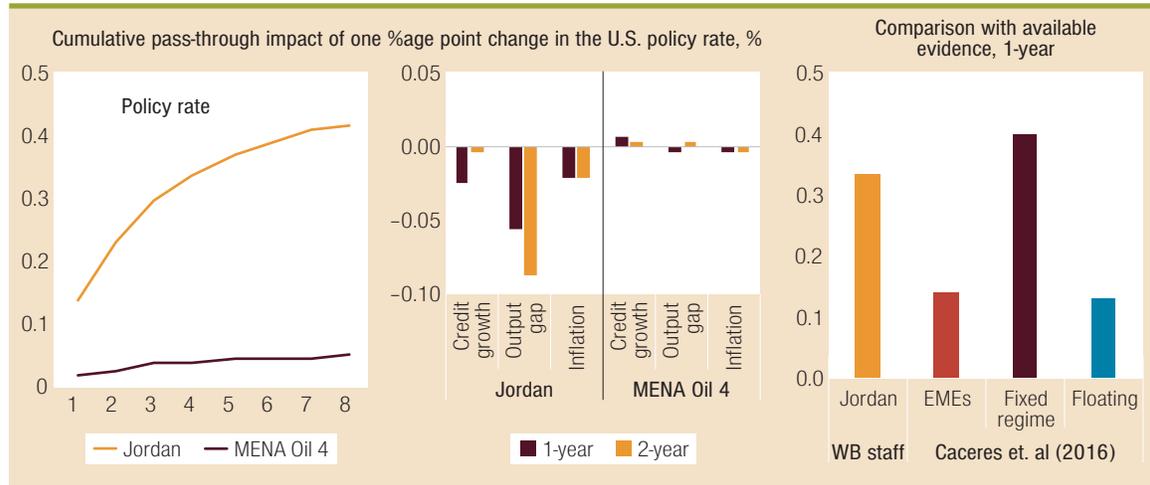
Using a structural vector autoregressive (SVAR) set-up, we attempt to empirically examine the marginal impact of changes in the U.S. monetary policy on major economic indicators for Jordan. We also compare the results for Jordanian economy with four major MENA oil importing countries; Morocco, Egypt, Tunisia and Pakistan, using similar SVAR method. The data sample is from Q1-2002 through Q4-2019. We intentionally excluded 2020 from our analysis due to it being a COVID-19 shock year (*Annex I.C for technical details regarding SVAR analysis*).

There is a clear pass-through impact of the US policy rate for CBJ's policy setting. The results from empirical analysis show that a 1 percentage point (or 100 bps) increase in the Federal Reserve policy rate increases the policy rate in Jordan by around 34 bps over a one-year period and around 44 bps over two years. This impact is quite high when compared to other oil importing MENA countries. A similar pattern of results is reported for other key indicators. For instance, the estimated decline in Jordan's output gap is quite high, causing inflation to decrease over 2-years (Figure B.8). In contrast, due to limited U.S. policy pass-through effect, little movement is observed in key indicators of major MENA oil importing countries. Our estimated pass-through impact of U.S. policy rate for CBJ's policy setting is also in line with evidence found for other emerging economies following fixed exchange rate regime. These results are important for future policy implications on Jordanian economy.

(continued on next page)

BOX 5. NORMALIZATION OF THE U.S. MONETARY POLICY AND ITS POTENTIAL IMPACT ON THE JORDANIAN ECONOMY *(continued)*

FIGURE B.8 • Estimated Impact of Change in the U.S. Monetary Policy Stance on Key Economic Indicators



Source: CBJ, IMF, Haver, World Bank staff calculations.

OUTLOOK AND RISKS

Jordan's economy is expected to perform well in 2021 on the back of continued but calibrated monetary and fiscal support.

The real GDP is projected to grow at 2.2 percent in 2021 against a contraction of 1.6 percent last year. This recovery has been further cemented by accelerating global economic activity, better vaccine rollout, ramped up cash transfers, and nearly full re-opening of the domestic economy.¹⁷ The recovery, nonetheless, is likely to remain uneven across different economic sectors as slow revival in tourism and travel to Jordan remains a major constraint for a strong economic upswing of the services sector. Moreover, Jordan's private sector has been hit hard by the pandemic and may have limited capacity to galvanize quickly. Meanwhile, a stronger government impulse to growth remains limited due to the lack of fiscal space and anticipated tightening of the money supply. These factors together with the pre-pandemic inefficiencies of the economy are likely to keep medium-term growth modest at best.

Over the medium term, only modest growth is projected. Once the global economic recovery takes hold and the domestic tourism sector fully recovers, economic growth is projected to average around 2.4 percent over the medium-term (2022–25),

modestly above Jordan's growth during the past five years prior to the pandemic (2015–19), which averaged at around 2.1 percent. Therefore, to enable a resilient recovery that can help boost inclusive and sustained growth and job creation, it is critical for Jordan to balance high quality fiscal adjustment with reforms to attract private investment and improve productivity to support a sustainable increase in exports and investments.

Inflationary pressures are expected to remain range-bound despite recent increase in the international commodity prices. Headline CPI average inflation is projected to reach 2.0 percent in 2021 compared to 0.3 percent in 2020. Amid a significant output gap, this push in prices would largely come from the supply-side, driven by higher global commodity prices, particularly international prices for oil and food. Beyond 2021, as the underlying economic recovery consolidates and transitory factors dissipate, headline CPI inflation is expected to gradually increase to its long-term trend at around 2.3 percent.

¹⁷ On September 1, Jordan ended its COVID-induced curfew that was imposed since April 2020, allowing all sectors to work around-the-clock with operational capacity of 100 percent and to return to in-person education.

On the external front, the surge in the trade deficit amid depressed services is projected to keep the CAD at an elevated level for another year.

Despite a strong recovery in exports, pent-up domestic demand along with higher global commodity prices are projected to expand the import bill at much higher pace during 2021 than in the previous year. Moreover, the protracted recovery in tourism would keep the services balance negative for yet another year. Meanwhile, workers' remittances are expected to remain broadly stagnant. As a result, the CAD (including grants) is projected to widen to around 11 percent of GDP in 2021 compared to a deficit of 8.5 percent in 2020. Going forward, an improvement in vaccine rollouts, better prospects for global travel, and a modest increase in remittances are likely to help narrow Jordan's CAD over the medium-term. Specifically, travel receipts are projected to reach pre-COVID level by 2023, which would help reduce the CAD to 5.5 percent of GDP by 2023.

Despite spending pressures, 2021 is likely to return to the path of fiscal consolidation.

During 2021, CG fiscal deficit (including grants) is projected to narrow to 5.6 percent of GDP, almost 1.7 percentage points lower compared to 2020. Despite elevated spending pressures during 2021, fiscal consolidation effort remains anchored on authorities' tax policy and administration efforts.¹⁸ Thus, domestic revenues are projected to show a robust rebound, supported by the economic upswing, and double-digit growth of imports. Capital spending during this year is projected to reach 3.1 percent of GDP, higher than 2020 when it bottomed out at around 2.7 percent. Over the medium term, the CG fiscal deficit (including grants) is projected to gradually improve, reaching 4.7 percent by 2023. However, this consolidation effort is largely contingent on the timely implementation of additional fiscal measures as agreed under the IMF-EFF program, as well as continued robust efforts to strengthen tax administration and to fight tax evasion to broaden the tax base.

Despite consolidation efforts, Jordan's public debt is projected to remain at an elevated level in the near-term. The baseline scenario of the World Bank's outlook shows that Jordan's government and guaranteed gross debt is projected to rise to around 112.8 percent of GDP in 2021 before peaking

in 2023 at around 115.2 percent of GDP and thereafter gradually declining. In terms of the government and guaranteed gross debt net of SSIF debt holdings, the World Bank outlook shows that the debt-to-GDP ratio peaks at 90.5 percent of GDP in 2022 and declines thereafter. The outlook suggests that Jordan's debt is sustainable should the economy reach a growth rate of about 2.3 percent of GDP, based on a strong fiscal consolidation program, a strong reforms program, and continued recovery in the global economy and relative stability in the region.

Downside risks to Jordan's economic outlook are substantial.

These risks channel through both external and domestic uncertainties. For instance, given the relatively low level of vaccination, another COVID wave poses a serious downside risk to the country's economic outlook through its impact on already weak tourism and reinstatement of some social distancing measures. Yet, Jordan has fully reopened its economy as of September, while tourist arrivals are gradually picking up. Thus, the government would need to maintain a careful balance between economic and health consideration. Moreover, the anticipated tightening of Fed's monetary policy stance is likely to have implications for emerging market economies (including Jordan) and their currencies through both trade and financial linkages. This would also have implications for the banking system's financial stability, particularly in the context of COVID-19 support measures. Similarly, a prolonged increase in global prices of major import items would also create risks for external sector sustainability through acceleration of the country's already high financing needs. This could also slow the economy or fuel domestic inflation expectations. In addition, large public sector's contingent liabilities continue to pose another major challenge. Thus, given already high unemployment rates, policymakers in Jordan need to remain vigilant and watchful of these potential risks and their spillover effects and prioritize advancing reforms and support measures that can boost job creation, a sustained recovery and equitable growth.

¹⁸ For instance, the implementation of the digital track-and-trace system to monitor tobacco production and reduce cigarette smuggling to be implemented by July 2021.

TABLE 1 • Jordan - Selected Economic Indicators

	2018	2019	2020	2021	2022	2023
	Act.	Act.	Prel.	Proj.	Proj.	Proj.
Real sector						
Real GDP growth	1.9	2.0	-1.6	2.2	2.3	2.3
Real GDP per Capita growth ^a	0.1	0.6	-2.5	1.5	2.0	2.2
Nominal GDP (JD Billion)	30.482	31.597	31.025	32.205	33.590	35.135
CPI Inflation (p.a.)	4.5	0.8	0.3	2.0	2.0	2.3
Government finance (percent of GDP, unless otherwise specified)						
Total revenues and grants	25.7	24.3	22.7	25.1	24.7	23.9
Domestic Revenue	22.8	21.8	20.1	22.5	22.4	22.5
Foreign Grants	2.9	2.5	2.5	2.6	2.3	1.5
Total expenditure (incl. use of cash) ^b	29.3	29.2	30.0	30.7	31.0	30.8
Current ^c	25.0	25.0	27.2	27.6	27.7	27.3
Capital Expenditure	3.1	3.1	2.7	3.1	3.3	3.5
Overall balance (deficit (-), incl. grants) ^d	-3.3	-4.9	-7.3	-5.6	-5.2	-4.7
Primary Balance (deficit (-), incl. grants) ^d	0.0	-1.3	-3.1	-1.5	-1.2	-0.8
Advances to WAJ ^e	1.4	1.6	1.2	1.3	1.1	0.7
Budget Financing needs	4.7	6.5	8.5	6.9	6.4	5.5
Total Debt (percent of GDP, unless otherwise specified)						
Government and guaranteed gross debt ^f	92.9	97.4	109.0	112.8	114.6	115.2
Government and guaranteed gross debt, net of SSIF holdings ^{g/h}	75.1	78.0	88.0	90.1	90.5	89.8
External sector (percent of GDP, unless otherwise specified)						
Current Account	-6.9	-2.1	-8.5	-10.9	-7.7	-5.5
Memorandum Items:						
Export FOB (% growth)	3.2	7.3	-4.5	8.1	5.2	5.3
Import FOB (% growth)	-0.8	-5.5	-10.1	17.7	6.3	3.0
Travel Receipts (% growth)	13.2	10.2	-75.7	46.0	82.0	55.0
Remittances (% growth)	-1.1	0.9	-9.1	0.5	1.0	2.5
Gross usable Foreign Currency Reserves (US\$ million)	12,512	13,511	15,127	13,958	12,733	11,727
in months of next year's imports of GNFS	6.8	8.9	8.3	7.0	6.1	5.2

Source: Data from the Jordanian authorities and World Bank staff estimates.

^a Based on World Bank population projections.

^b Includes use of cash based on IMF Country Report, Aug 2021 of 1.2% of GDP in 2018, 1.0% in 2019 and 0.1% in 2020.

^c Includes net lending and transfers to NEPCO and WAJ.

^d Includes additional fiscal measures to target deficit reduction based on IMF Country Report, Aug 2021 of 1.1% of GDP in 2022 and 2.2% in 2023.

^e Based on information from the IMF Country Report No. 21/188.

^f Government's direct and guaranteed debt (including NEPCO and WAJ debt) and securitization of domestic arrears in 2019 and 2020.

^g Net of debt holding of the SSIF. Projected SSIF holdings of public debt as estimated in IMF Country Report, Aug 2021.

SPECIAL FOCUS 1: HOW WEALTHY IS JORDAN? MEASURING JORDAN'S COMPREHENSIVE WEALTH (1995-2018)

The lackluster growth of Jordan's economy in the most recent decade has been compounded with slow wealth accumulation. During 2010–18, Jordan's per capita wealth has been on a declining trend. As a result, the wealth gap with upper middle-income countries significantly widened by year 2018; a typical UMIC citizen had 4.3 times as much wealth as a typical Jordanian. Moreover, Jordanian citizen wealth in 2018 was five percent lower than in 1995. Given limited natural resources in Jordan, convergence toward upper middle-income countries would require Jordan to focus its policies on building human capital and increasing the efficiency of asset utilization. Moreover, Jordan also needs to unblock bottlenecks in its produced capital growth by improving its business climate and regularity environment.

Why should we care about wealth?

Understanding the difference between 'income' and 'wealth' is critical. While GDP provides an important measure of economic performance, it is a flow

measure that captures income and production in one year but does not account for any changes in the underlying wealth asset base. Hence, used alone, GDP is likely to provide misleading signals about the state of the economy, the efficiency of asset utilization, and the sustainability of development. GDP also does not reflect depreciation and depletion of assets; it does not indicate whether accumulation of wealth has kept pace with population growth, or whether a mix of different assets can support a country's development goals. In line with the methodology developed by the World Bank in the Wealth of Nations (2021) study, this section comprehensively assesses Jordan's various asset classes (natural, produced, intangible and its various sub-components). (*Annex I.D: Technical supplement for Wealth of Nation*).

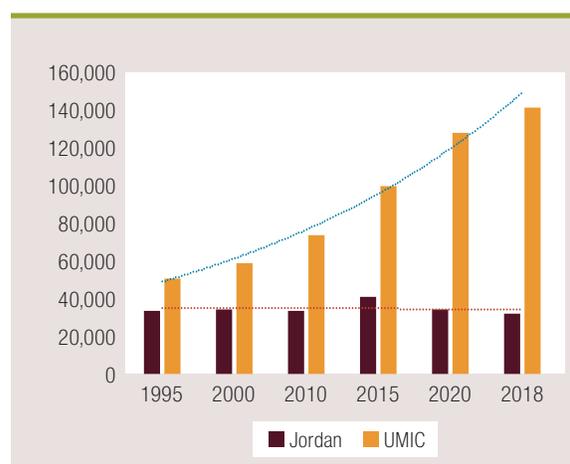
From an individual's perspective, a typical Jordanian in 2018 was five percent less wealthy compared to 1995. Jordan's per capita wealth was around US\$34,130 in 1995, it increased by 26 percent to reach US\$42,991 in 2009 (Figure 12). However,

this good progress was lost in the decade of 2010s as by 2018, Jordan's per capita wealth had dropped to US\$32,228. This loss can be attributed to Jordan's increase in population.¹⁹ Jordan experienced one of the highest growths in population in the world, as well as a slowdown in total wealth accumulation. Jordan's total wealth between 1995–2009 grew at an average rate of 4.8 percent per year, supported by the accumulation of produced capital (including machinery, structures, equipment, and urban land) and human capital. However, strong growth exhibited during this period was interrupted by a series of external shocks (i.e., the global financial crisis (2009), the first Arab Spring (2011) and the Syrian refugee crisis (2012)). These shocks appear to have had long-term effects on the Jordanian economy (SCD 2016), as a result, growth in wealth accumulation during the post-crisis period has fallen behind – as total wealth during 2010–2018 grew by less than 1 percent per year only.

Moreover, the per capita wealth gap between Jordan and upper-middle income countries (UMIC) has widened significantly during 2010–18. For instance, in 1995, a typical UMIC citizen was 50 percent wealthier than that a typical Jordanian. However, by 2018, a typical UMIC citizen had 4.3 times as much wealth as a typical Jordanian. Along with this emerging wealth gap, another striking feature is its composition. For instance, in 1995, Jordan's produced capital²⁰ per capita was on par with UMIC, however, by 2018, it had declined to half of the UMIC level. Meanwhile, Jordan's per capita human capital wealth which stood at 63 percent of a UMIC per capita in 1995, had dropped to less than one-fifth of a UMIC by 2018. The gap had been widening consistently in recent years and is still growing at an accelerated rate.

Interestingly, human capital, at 54 percent, comprises of the largest share of wealth in Jordan, which is slightly lower than UMIC's average share of around 66 percent. With relatively limited natural resources and little produced capital, over 60 percent of Jordan's total wealth in the early 2000s was made up of human capital. But this has been declining over time. For instance, during 2010–18, the share of human capital in Jordan's wealth had plateaued at around 54 percent. In assessing human capital of

FIGURE 12 • Per Capita Wealth: Jordan vs UMIC constant 2018 US\$, million



Source: World Bank staff estimates using WON (2021).

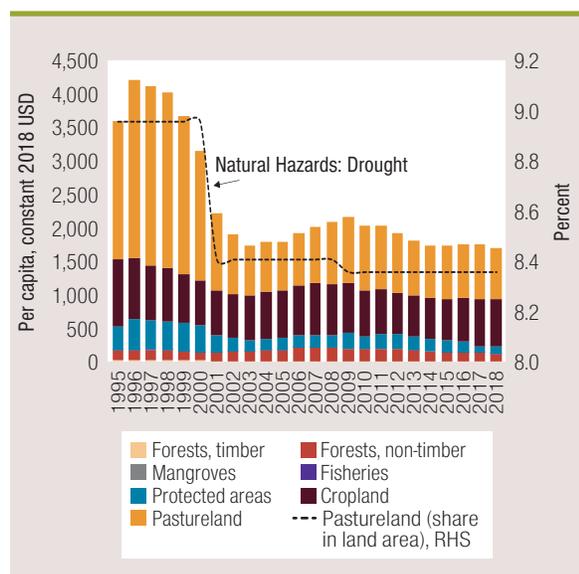
over 100 countries over two decades, from 1995 to 2014, we find that climbing the development ladder requires accelerated investment in and accumulation of human capital. Therefore, to achieve convergence with UMIC, Jordan needs to reverse the downward trend of human capital share. At its current rate, Jordan's human capital share is likely to stagnate at its current level unless key structural reforms are put in place.

Another key factor driving down Jordan's wealth over time appears to be the depreciation of natural capital. For instance, between 1995–2018, Jordan's natural resources depreciated by 24 percent in per capita terms, compared to a 44 percent increase for UMIC per capita average for the same period. In assessing the natural capital of Jordan

¹⁹ During the decade of the 2010s, Jordan experienced one of the highest rates of population growth on account of the massive wave of migrants and refugees. In 2021, Jordan hosts an estimated 1.36 million Syrian refugees (with 665,884 registered, UNHCR Jordan, March 31, 2021), representing 15 percent of the total population (Hashemite Kingdom of Jordan, Ministry of Planning and International cooperation, *Jordan Response Plan for the Syrian Crisis 2020–2022*, 22 June 2020).

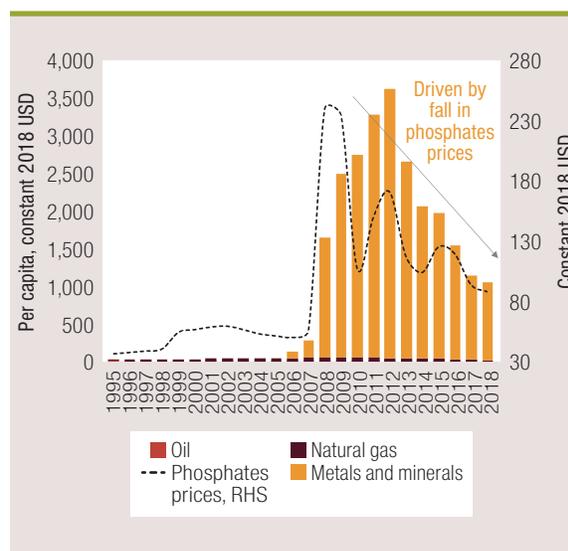
²⁰ Produced capital includes machinery, structures, equipment, and urban land, using WON (2021)'s methodology.

FIGURE 13 • Renewable Natural Resources
constant 2018 US\$, millions



Source: World Bank staff estimates using WON (2021).

FIGURE 14 • Nonrenewable Natural Resources
constant 2018 US\$, millions



Source: World Bank staff estimates using WON (2021).

over the same period (1995–2018), we found that the dynamics of renewable natural resources and that of non-renewables displayed significantly different trends. For instance, the value of renewable natural resources²¹ shrank significantly in the early 2000s due to the loss of arable land (caused by the severe droughts in 2000–2001) (Figure 13). While the trend of non-renewable resources, primarily phosphates, increased exponentially from 2006 to 2012, driven by prices as well as new production and discoveries. However, significant downward adjustments in the price of phosphate during 2012 to 2018, lead to a significant drop in Jordan’s main non-renewable item²² (Figure 14). Although Jordan benefits from abundant phosphate reserves, which are among the country’s main economic exports. But if the depletion of minerals (i.e., phosphate), is not offset by positive savings from new incomes, Jordan’s wealth will continue to draw down over time.²³

Adjusted net savings (ANS) is an alternative measure of sustainable wealth conversion and for Jordan, albeit positive, has fallen over 2005–2017. It is necessary to monitor the country’s adjusted net savings, which accounts for the depletion of natural resources (Hamilton 1994 and 1995).

ANS provides national-level decision-makers with a clear, relatively simple indicator of how sustainable their country’s investment policies are. A higher ANS often correlates with higher GDP growth (WON 2021). Figure 15 shows that Jordan’s ANS as percent of GNI averaged around 16.3 percent during 1990–2004 but dropped by half during the period of 2005–2017. This decline can be largely accounted for by the decline in gross national savings. A snapshot of components of ANS in 2017 shows that a large portion of savings was used to compensate consumption of fixed capital, followed by pollution damages, while disinvestments in natural capital remained marginal (Figure 16).

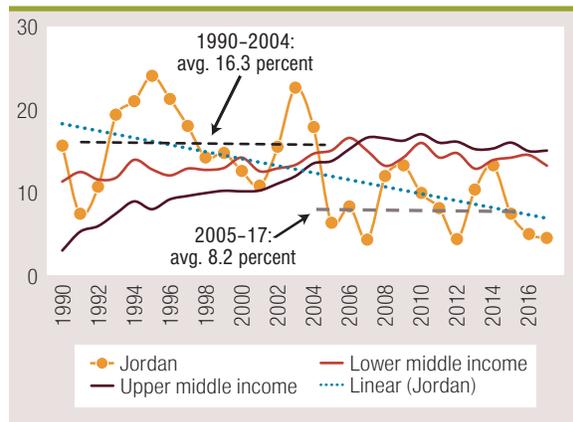
Even though Jordan’s wealth build-up has markedly slowed down in recent years,

²¹ Renewable natural resources are defined as pastureland, cropland, protected areas and forests, using WON (2021)’s methodology.

²² Jordan’s non-renewable natural resources declined from US\$29,317 in 2012 to US\$10,478 in 2018, representing a decrease of almost 64 percent in just six years (or declining by 71 percent in per capita term).

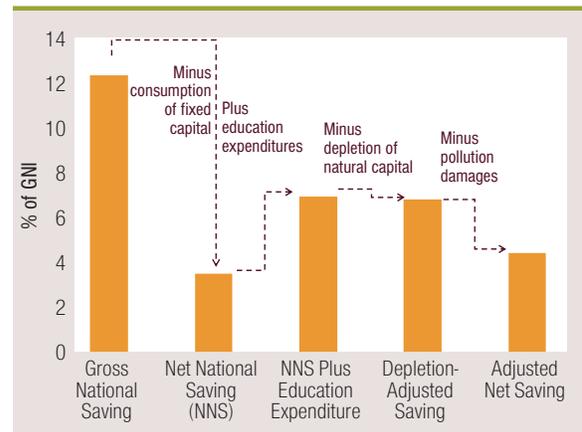
²³ Using WON (2021)’s methodology.

FIGURE 15 • Adjusted Net Savings as percent of GNI



Source: World Bank staff estimates using Lange, Woden, and Carey (2018), WDI.

FIGURE 16 • Calculating ANS in 2017: Jordan as percent of GNI



Source: World Bank staff estimates using Lange, Woden, and Carey (2018), WDI.

FIGURE 17 • Return on Wealth (2018) percent

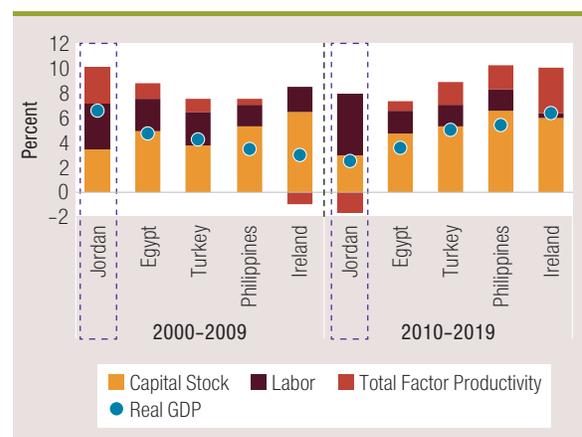


Source: World Bank staff estimates using WON (2021).

the efficiency of asset utilization has improved.

Jordan's return on wealth (i.e., the ratio of GDP to wealth) stood at around 13.4 percent in 2018, which is well above the average of LMIC and UMIC (Figure 17). Nevertheless, this return is marginally lower than the return on wealth experienced by Jordan's peers, namely, Turkey, Ireland and Egypt, whose return on wealth stood at 22, 17, and 14 percent, respectively. This difference in the efficiency of asset utilization appears to be related to total factor productivity, which advanced at different rates for different countries. In fact, Jordan's peers mentioned above, all enjoyed positive rates of TFP

FIGURE 18 • Factor Growth Rates (annual) percent



Source: World Bank staff estimates using WON (2021).

and strong growth in productivity during 2010–19, whereas Jordan's productivity dragged down the growth momentum during this period (Figure 18).²⁴ Given these challenges and to mitigate its asset risks, Jordan needs to diversify its wealth portfolio. Specifically, given the significance of human

²⁴ Based on the growth accounting exercise for Jordan, during 2010–20, Jordan's TFP contracted by 1.0 percent, causing a fundamental shift in Jordan's growth dynamics from the earlier decade. Detailed analyses see *Box 3. A Growth Accounting Exercise for Jordan, JEM Spring, 2021.*

capital in Jordan's overall wealth, and to reverse the declining trend, a sustained policy focus on both increasing its share and increasing returns on the stock of human capital wealth is warranted. Moreover, Jordan needs to unblock bottlenecks in its produced capital growth which has been stagnant during 2009–2018, compared to 5.6 percent growth for a typical UMICs citizen. This requires immediate attention to improving business climate with a focus on improving domestic competition and improving regulatory environment as well as predictability.

Reference:

- Hausmann, R., T. O'Brien, M. A. Santos, A. Grisanti, S. Kasoolu, N. Taniparti, & R. Villasmi R. 2019. Jordan: The elements of a growth strategy. CID Working Paper Series.
- The Changing Wealth of Nations 2021: Managing Assets for the Future (upcoming).
- World Bank Group. 2016. Hashemite Kingdom of Jordan Promoting Poverty Reduction and Shared Prosperity: Systematic Country Diagnostic. World Bank.

SPECIAL FOCUS 2: PUBLIC TRANSPORTATION CHALLENGES IN JORDAN²⁵

There are significant development constraints to public transportation in Jordan. Looking at various sources, the costs are estimated to be at least six percent of GDP a year, not counting the adverse impact poor transportation services pose to women's employment. Jordan has historically prioritized investing in transportation infrastructure with limited attention being paid to services such as public transportation. While this has resulted in significant new transportation infrastructure, it has also resulted in inefficient, uncoordinated, and unreliable public transit services leading to a low ridership and limited access for most Jordanians, particularly women, youth, and those with reduced mobility. The government launched initiatives to improve the public transportation system, but implementation has been slow. Going forward, policy reforms should focus squarely on the goal of effecting a modal shift from private cars to public transportation.

Context

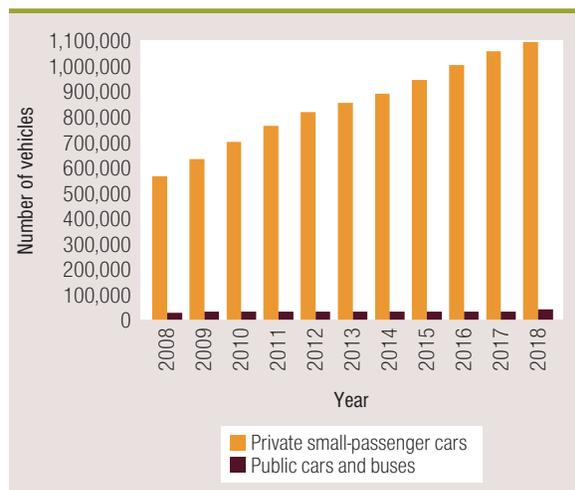
Transportation connectivity and inclusive and sustainable growth are inextricably bound with

each other.²⁶ In today's global economy, people, goods, and information are becoming increasingly mobile. In this sense the availability of accessible, affordable, quick, safe and secure mobility has a direct bearing on the level of economic development. With a growing population and the significant influx of refugees, horizontal growth of Jordanian cities over the past decade has been significant and mobility demand in the Jordan has been on the rise. The pace of growth in the private vehicle fleet in Jordan has far outstripped the growth in the public vehicle fleet. The number of private cars operating in the Kingdom between 2008 and 2018 increased from over half a million to just over a million vehicles – a growth of about 94 percent in a decade. In contrast, public vehicles including cars and buses, have only grown

²⁵ This Special Section is based on the World Bank's "Jordan Public Transport Diagnostic and Recommendations report", (*forthcoming*).

²⁶ Reference: Berg, Claudia N. and Deichmann, Uwe and Liu, Yishen and Selod, Harris. 2015. Transport Policies and Development. World Bank Policy Research Working Paper No. 7366, Available at SSRN: <https://ssrn.com/abstract=2630818>.

FIGURE 19 • Number of Private Small-Passenger Vehicles vs. Public Cars and Buses in Jordan (2008-2018)
Number of vehicles



Note: The term public refers to public use and not exclusive government ownership of vehicles. It includes privately owned cars used as taxis or ride sharing services and private and government owned busses.

Source: Annual Reports of the Jordan Ministry of Transport 2011, 2014, and 2018.

by 45 percent, from 29,130 to 42,167 within the same period (Figure 19).

Inefficiencies in the transportation system pose a significant cost to the Jordanian economy.

Overall, transportation-related inefficiencies are estimated from various sources to be at least six percent of Jordan’s annual GDP. According to the Greater Amman Municipality (GAM), traffic congestion losses in Amman in terms of delays and wasted fuel amount to JD1.5 billion annually, which accounts for approximately five percent of the 2018 GDP. Looking at other sources, other transportation costs including losses due to traffic fatalities and injuries, amount to approximately one percent of Jordan’s GDP in recent years (JD296 million in 2020); noise pollution, with costs ranging between JD54 and JD160 million in 2014; and pollutant emissions, with Jordan’s cost of environmental degradation estimated to be in the range of JD143 to JD332 million (in 2009).²⁷

The transportation sector also contributes significantly to Jordan’s energy bill. Jordan’s energy imports amounted to US\$3.74 billion in 2019, while its imports of refined petroleum products came to \$1.4 billion in the same year; the country’s current account balance equaled US\$-0.9482 billion in

2019.²⁸ Efficiency gains in transportation would serve to reduce the import bill.

Consequences of Jordan’s poor public transportation system will be worsened in the future if no action is taken.

Inaction will lead to increased congestion and saturation of the system, and result in losses for Jordan. If no action is taken, the annual Greenhouse Gas (GHG) emissions from the transportation sector could increase to over 11,000 Gg per year over the next 10 years until 2030. This would cost the economy a staggering US\$552 million–US\$1.1 billion per year, measured in shadow price of carbon. Enhancing the public transport system in Jordan is also estimated to yield significant human capital gains, particularly for women and children. The active labor force participation of women is limited, partly compounded by the lack of transportation options. Such low participation results in productivity losses of around US\$65 million per year by 2030 if no action is taken to improve the transportation system.

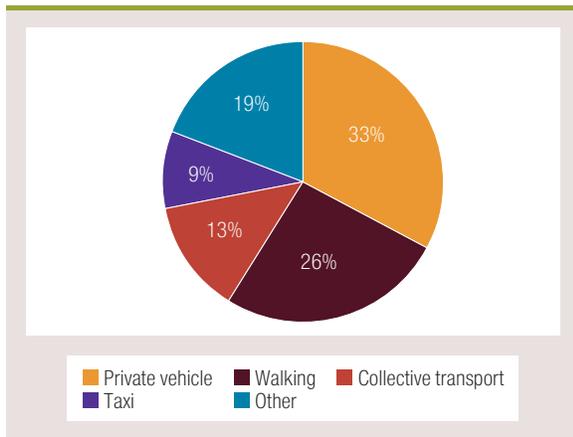
Meeting the growing mobility needs of Jordanians in a sustainable and inclusive manner requires concerted effort to improve the public transportation system, thereby inducing a shift from private vehicles to shared and public transit.

Public transportation ridership in Jordanian cities is known to be low. Two studies conducted more than a decade ago showed telling findings. The Amman Transport and Mobility Master Plan (2010) showed that only 13 percent of all trips were made using public transportation and 9 percent by yellow taxis, while private cars accounted for one third of all trips. Moreover, walking remained low at around 26 percent of trips. The remaining trips were made using other

²⁷ TheWorldBank(August 18, 2009). Hashemite Kingdom of Jordan Country Environmental Analysis. Retrieved from: <https://documents1.worldbank.org/curated/en/315631468284337239/pdf/478290ESW0JO0P11C0disclosed09131101.pdf>.

²⁸ Import composition from the Observatory of Economic Complexity (2019 data; <https://oec.world/en/profile/country/jor>) and the current account is from the IMF Report Jordan—Second Review Under the Extended Arrangement Under the Extended Fund Facility, Request for Augmentation of Access, and Modification of Performance Criteria June 17, 2021 (EBS/21/56).

FIGURE 20 • Modal Transport Share in Amman in 2010
Percent



Source: Amman Transport and Mobility Master Plan, 2010.

modes of transportation including private school buses (Figure 20). Along the same line, the Zarqa Energy Efficient Urban Transport Plan (2011) showed that public transportation and non-motorized transport modes in Zarqa only accounted for 16 and 25 percent of the trips respectively, while private cars accounted for 37 percent of the trips. The modal split at a national level is expected to be similar to that of Amman and Zarqa a decade ago, since significant policy changes have only been very recent. However, more recent data would be required to have a clear view on the modal share as of today.

In contrast, other cities in the Middle East and North Africa region present higher proportions of trips made by public transportation (Figure 21). For example, 55 percent of trips in Istanbul in 2017 were made by public transportation, while this percentage for Tehran, Rabat, and Alexandria represented 35 percent (2017), 21 percent (2015), and around 20 percent (2015) respectively.²⁹

The lack of a well-organized and efficient public transportation system has put significant pressure on transportation infrastructure and policy action is required to revert this trend. Public perception is that the lack of safe, accessible, reliable, affordable, and green public transportation and the significant reliance on private vehicles, together with the centralization of businesses, government services, and

FIGURE 21 • Public Transportation Share in MENA Cities (various years, percent)



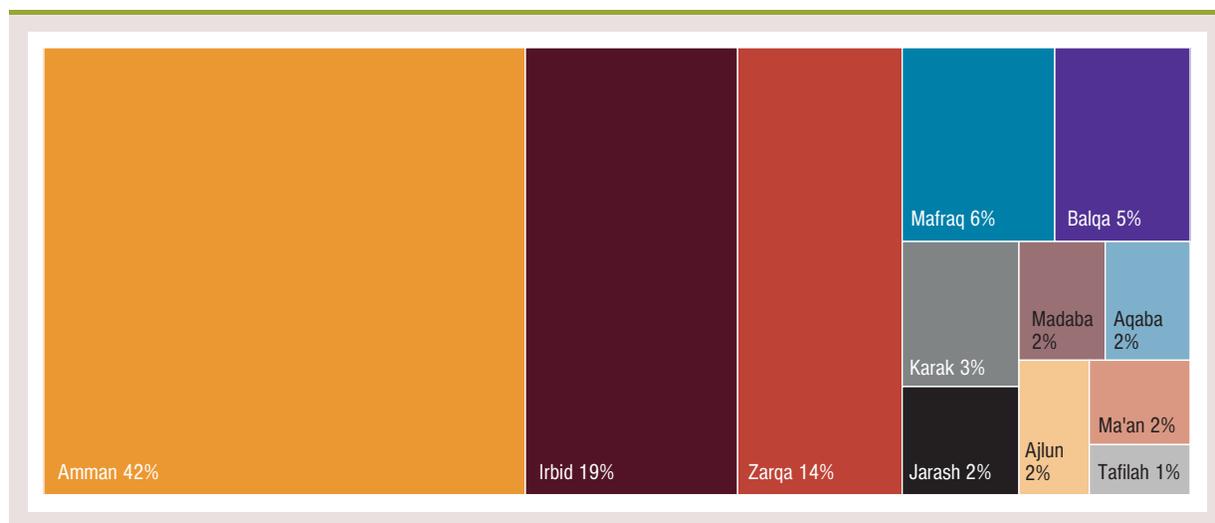
Source: Moroccan Ministry of Interior, UITP and UCLG-MEWA (December 2020), Urban Mobility Report 2020.

other activity, have put high pressure on transportation infrastructure. A study on the existing bus services in Amman is ongoing, including surveys. This would help pinpoint the challenges around the public perception.

The Government of Jordan has been taking steps towards enhancing the public transportation system and is currently engaged in several projects and initiatives to meet this objective. While Jordan has historically prioritized investing in transportation infrastructure with limited attention being paid to the quality of transportation services, this has been changing in the past few years. The 2017 public transportation law set the framework for the much-needed reforms with the mandatory grouping of small operators, thereby opening the door to better route coordination and service contracts with key performance indicators on quality, safety, green mobility, and service reliability. Although the reform process supported by the 2017 law is not yet advanced, discussions with

²⁹ Data for Rabat was provided by the Moroccan Ministry of Interior. Data for Istanbul, Tehran, and Alexandria was extracted from UITP and UCLG-MEWA (December 2020), Urban Mobility Report 2020. Retrieved from: http://uclg-mewa.org/uploads/file/921e80d14cd24d8a8db14e7c757376d6/UITP_UCLG-MEWA_Urban_Mobility_%20Report_2020.pdf.

FIGURE 22 • Jordan Population Share per Governorate (2019)



Source: DoS.

operators have been conducted in a few cities, service level agreements have been drafted, and public transportation strategies are being developed. However, in order to have a well-prepared reform, and ensure its success, well-tailored consolidation plans for each city are necessary, based on livelihood assessments of operators, including their daily activity and income. In addition, the Ministry of Transport and LTRC are preparing pilot public transportation projects in Irbid and Zarqa with the support of the European Bank for Reconstruction, while a third pilot for Jarash is being planned directly by the government. In addition, the currently ongoing Amman and Amman-Zarqa BRT is the first initiative that aims at improving the public transportation service along high-density areas and routes focusing on the Amman Governorate (GAM). The GAM includes 42 percent of the population of Jordan (Figure 22) while Zarqa includes 14 percent of the population; many employees commute daily from Zarqa to Amman.

While the government is moving in the right direction to enhance the quality of public transportation services, additional efforts are needed to reverse the long-term trend away from public transportation. These efforts need to focus on optimizing bus systems in Jordan and extending the BRT network in Amman and other cities in the future as cities continue to grow.

Digitization of government services could also be a contributor to reducing vehicular trips and reduce pressure on transportation infrastructure. In fact, GAM has recently expanded the use of e-services and the impact of this on reducing congestion should be able to be assessed within a year.

Ensuring that the transportation options cater to the different needs of males and females is paramount for ensuring sustained and inclusive growth in Jordan. Women's labor force participation rate in Jordan is under 15 percent.³⁰ A recent study conducted in Jordan found that 47 percent of women have turned down jobs due to the lack of viable public transportation options.³¹ In GAM 33.6 percent of women reported being dissatisfied with the current public transportation system with 18.1 percent reporting extreme dissatisfaction. In addition, 62.6 percent of women have been subjected to some form of harassment while accessing public transportation. As a result, only one third of public transportation users are women and less than 50 percent of women use public transportation. Improving public transportation in Jordan can serve as an equalizer between men and women in terms of access to economic opportunities. The Government

³⁰ International Labor Organization, ILOSTAT database.

³¹ Gender in Public Transportation. A Perspective of Women Users of Public Transportation; SADAQA, (2018).

of Jordan also adopted in 2019 the Code of Conduct (CoC) for public transportation. This CoC is the first ever of its nature in the sector, and aims at regulating the conduct of passengers, drivers, and operators in public transportation to benefit all users, particularly women and girls, thus improving access to economic opportunities and increasing women's participation in the labor market. Following the adoption of the CoC in 2019, and to improve safety in the world of work for women, the CoC is now being implemented through the Mashreq Gender Facility grant with World Bank support to the Ministry of Transport, in close collaboration with the Jordanian National Commission for Women.

Summary of key sector challenges

Improving the public transportation system and reducing Jordan's dependency on private cars is a key step in "eco-economic" decoupling.

Transportation, together with the energy sector, is the main contributor to GHG emissions and one of the largest energy consumers in Jordan. In 2016, GHG emissions in Jordan amounted to 31,063.32 Gg of CO₂ equivalent, with 28 percent of these coming from fuel combustion in the transportation sector. GHG emissions related to transportation increased from 4,706 Gg of CO₂ equivalent in 2006 to 8,787 Gg of CO₂ equivalent in 2016 and cost the Jordanian economy between US\$320.9 million and US\$641.8 million in 2016. In 2021, GHG emission levels due to transportation stand at 10,600 Gg of CO₂ equivalent. Decarbonizing the transportation sector through a modal shift from private to public transportation would provide significant benefits in terms of reducing GHG emissions and Jordan's energy bill.

A further step in de-carbonization could be taken by introducing cleaner vehicles; this would be critical to further mitigating climate change impact of the transportation sector. Among the different transportation decarbonization technologies, electrification stands out amongst the most promising emerging disruptive technologies, but it is incipient in Jordan and remains an untapped opportunity for the country. The next section recommends detailed cost benefit analysis in this area.

Several deficiencies in the public transit system have resulted in low modal share for public transportation. The current public transportation system in Jordan is lacking in four main areas: availability, affordability, social and cultural accessibility, and physical accessibility. As a result, the system struggles to meet current mobility demands.

- **Availability.** The public transportation services have poor coverage and low frequencies. Services are often concentrated on high demand corridors, which can be more profitable to operators, resulting in overserved areas and leaving lower demand areas underserved.
- **Affordability.** The lack of the public transportation system's integration of both services and fares leads to long commuting times and high transportation costs, affecting the system's affordability. The average daily round trip is 2.5 hours and the average expenditure on transportation per household is over JD2,000 per annum. Moreover, Jordanian households spend 17 percent of their average income on transportation, while for youth, it is as high as 23 percent.
- **Social and Cultural Accessibility.** Public transportation services are low-quality and tend to be unreliable, with no timetables and little information for users, and is perceived as unsafe, especially by women.
- **Physical Accessibility.** The accessibility to services and opportunities provided by public transportation in Jordan is not universal. People with disabilities, as well as other mobility-impaired people such as the elderly, pregnant women, or parents carrying children, face severe mobility challenges due to, among other, the lack of accessibility-related features such as pavement ramps or dedicated signage. Those who struggle with physical accessibility also may be especially vulnerable to the affordability challenge addressed above.

The above situation is compounded by the system's fragmentation at both operational and institutional levels. At an operational level, 85 percent of the public transportation fleet is owned

and operated by private individuals. Similarly, the institutional setup is also exceedingly complex. It involves two technical ministries, a regulator, and two local authorities, resulting in conflicts of roles and responsibilities among the involved parties.

Policy Recommendations

Public transportation enhancement is a key enabler of economic growth by, among other, generating employment and reducing energy consumption and pollutant emissions. When designed well, it can shape land use and development patterns to generate jobs and enable economic growth. It can also play a key role in reducing global emissions, noise, and air pollution by enabling the modal shift from private to public modes of transportation. Several initiatives, mainly at a small scale or related to specific investments, have been initiated by the government to enhance public transportation. However, Jordan still has a long way ahead to achieve an attractive, safe, accessible, reliable, affordable, and green public transportation system with enhanced service delivery that provides men and women with access to services and job opportunities and contributes to the decarbonization agenda.

Addressing the deficiencies of the public transportation system in Jordan requires action. Action is needed to both: (a) improve the efficiency of the existing public transit system; and (b) introduce a public transit system that has a higher capacity to move people. Therefore, policy recommendation areas regarding the public transportation system in Jordan can be grouped into two key pillars and two cross-cutting solutions:

Pillar 1 – Public Transportation Reforms: The government will need to make critical decisions when it comes to reforming the public transportation sector, which are most helpful when done in a transparent and consultative manner. The main recommendation is that Jordan takes action in the bus consolidation area by developing and implementing a realistic strategy to incorporate individual operators as formal companies, starting in Amman and extending

to other intermediate cities, such as Jarash, Irbid, Zarqa, As Salt, and Madaba. The current individual operators should be brought and integrated to the new transportation systems using fare and payment integration. The livelihood assessment of current bus operators and measures to mitigate adverse impacts on the individuals should be included. Public transportation services would also need to be improved through updating of the fare structure. The Ministry of Transport and the governorates' transportation authorities should update the transportation model to develop an operational design based on actual demand as well as incorporate Intelligent Transport Systems, quality information for users, and implementing key performance indicators to improve quality of services. It is likely that a reformed public transportation system in Jordan would need financial support from the governments preferably through investments in capital expenditure.

To achieve the necessary modal shift from private cars to public transportation, in addition to improving public transportation other measures should be established to reduce car use, such as a parking management and potentially congestion charging that can use help governorates capture resources that can be invested in the improvement of public transportation. However, this can only be introduced once an affordable, safe, and reliable public transportation system is in place.

A road safety strategy should also be developed and implemented to protect the most vulnerable actors of the roads: pedestrians. The strategy should include investments in sidewalks to enhance them and make them continuous. With better sidewalks, and safer crossings, more citizens will have safe access to public transportation.

Pillar 2 – BRT as a Trigger of Better Public Transportation: The Amman BRT project can be a great opportunity to reevaluate the public transportation system in Jordan, including its institutional arrangements since a BRT would require a new agency for its management, operation, planning, financial stability, and communication with users. The Amman BRT has potential to become a showcase for the country and the region. A competitive bidding

process for its operations and maintenance is recommended to attract new players in the sector, including investments from the private sector.

A successful BRT business model, well integrated with the current single operators, is required. Competition between the BRT and other bus, minibus (Coaster), and service taxi (shared taxis) operators needs to be managed. It is encouraged that some of the other operators become feeders to the BRT with physical, operational, technological, and fare integration. For the system to work, enforcement of consequences for informal transportation services, as well as illegal parking, would also be necessary.

The currently ongoing experimental operation of the BRT has shown its potential for success and helps the Greater Amman Municipality in identifying necessary adjustments. Close attention needs to be given to the sections going in mixed traffic. One solution is to provide for priority for buses, which will prevent buses from being stuck in traffic once the BRT is fully operational. In addition, attention needs to be given to maintenance: the new BRT infrastructure is going to require periodical maintenance to make sure that the benefits of the exclusive corridor are not lost by imperfections in the road that slow buses down. Road safety is of paramount importance and will need to be well monitored.

With the expected increase in demand for the Amman BRT in the coming years, closed stations should be built. Also, prepayment of the ticket before boarding the bus should be allowed to avoid slowing down the buses and discouraging users from taking the BRT. The construction and maintenance of stations is also a great opportunity to attract private investment.

Another priority should be the involvement the private sector in ensuring the success of other investments linked to public transportation such as Transit Oriented Development or terminals.

In the context of the first BRT initiative in Jordan, among other government efforts to enhance

public transportation in the country, the government is in a good position to leverage this momentum by pairing physical interventions with the development of related policies to ensure the improvement of public transportation efficiency and the development of high-capacity services.

Cross cutting solution 1 – Access for All in Public Transportation:

It is recommended that inclusiveness and gender considerations are mainstreamed at the policy and institutional levels. Design and operational standards also need to be developed and implemented as part of the broader public transportation system reform. Policies linked to planning, regulating, and operating public transportation that considers everyone needs to be developed.

Cross cutting solution 2 – Public Transportation Decarbonization and Climate Change Adaptation:

It is important assess the “what, how, what cost/benefit” of a lower carbon transportation sector in Jordan, including shifting from private vehicles to public transportation, introducing cleaner vehicles, and promoting non-motorized mobility. Analysis and policies need to be developed to assess economy-wide costs, benefits, opportunities, regulatory issues, and barriers to the introduction and scale-up of the use of e-buses in public transportation and non-motorized means of transportation. A Non-Motorized Mobility Plan also needs to be developed at a national level and implemented at local levels. Adapting public transportation assets against climate change and disaster risks also need to be an area of focus. Amman has the potential to become a city in which citizens can move safely by bicycle, but the infrastructure for that needs to be built. The bicycle trips can be made from origin to destination but also to feed the BRT system, which would require an infrastructure to leave bikes at stations.

FIGURE 23 • Recommendations Pillars and Cross Cutting Solutions

PILLARS	<p>Public Transport Reform</p> <ul style="list-style-type: none"> • Prioritization of public transport • Review and update of strategies, regulations, models, and institutional arrangements • Consolidation of bus operators • Bus scrapping program • Improvement of public transport services 	<p>BRT as a Trigger of Better Public Transport</p> <ul style="list-style-type: none"> • Success of BRT project • Reevaluation of the public transport system in Jordan • Success of investments • Engagement of the private sector
	<p>Access for All in Public Transport</p> <ul style="list-style-type: none"> • Inclusion of people in a situation of vulnerability, including people with reduced mobility, people with disabilities, and women, in public transport planning, regulation, and operation 	
CROSS CUTTING SOLUTIONS	<p>Public Transport Decarbonization and Climate Change Adaptation</p> <ul style="list-style-type: none"> • Decarbonization of the economy, including transport • Shift from private vehicles to public transport • Introduction of cleaner vehicles • Promotion of non-motorized mobility • Adaptation of public transport assets to climate and disaster risks 	

ANNEX I

Annex I.A: Technical Supplement for Productivity enhancing Firm Exit

The data set used in Box 3 combines the World Bank Enterprise Surveys (ES) and the COVID-19-ES Follow-up Survey (COV-ES). The baseline ES for Jordan contains a total of 601 firms conducted from May 2019 through November 2019. Almost half of surveyed Jordanian firms were operating in the manufacturing sector, while around 38 percent in other services and 14 percent in retail. The follow-up COV-ES re-contacted all establishments sampled in the baseline ES in May 2020, November 2020, and June 2021, respectively. This allowed us to identify the firm operating status and build explanatory and control variables.

The logit model is used to model the probability of firm exit as a function of firm productivity and other firm-specific characteristics. The baseline Logit-regression estimates the following equation,

$$\text{Prob}(\text{Exit}_{i,j} = 1 \mid \text{Productivity}_{i,j}, \text{FirmControl}_{i,j}, S_j)$$

Where the subscript i denotes each firm; j the sector of activity. The dependent variable $Exit$ is the proxy

for firm permanent exit from the market. takes 1 if the firm was operating in the ES baseline (at year 2019) but declared permanent close in the third round of COV-ES, and 0 otherwise. *Productivity* is the main explanatory variable of interest and is proxied by the log of annual sales per labor in year 2019. $\text{FirmControl}_{i,k}$ includes firm-specific characteristics such as size, access to finance, exporter status, foreign ownership, gender of the top manager, innovation, firm having its own website. S denotes sector specific variables (in this case, it takes manufacturing and services).

The marginal effects for a set of logit regressions are displayed in Table 1, starting with a parsimonious specification, and adding the various controls sequentially.

References:

Foster, L., C. Grim, & J. Haltiwanger. 2016. Reallocation in the great recession: cleansing or not? *Journal of Labor Economics*, 34(S1), S293-S331.

TABLE 1 • Logit Regression Marginal Effects

VARIABLES	(1)	(2)	(3)	(4)	(5)
Sales per worker (log)	-0.044*** (0.014)	-0.054*** (0.015)	-0.041*** (0.014)	-0.042*** (0.016)	-0.028** (0.153)
Services		0.086** (0.038)	0.102*** (0.039)	0.104** (0.042)	0.107*** (0.041)
Medium size (20–99 workers)			-0.004 (0.043)	0.012 (0.045)	0.001 (0.043)
Large size (>=100 workers)			-0.133*** (0.035)	-0.119*** (0.041)	-0.122*** (0.042)
Top manager is female (Y:1, N:0)			0.337*** (0.125)	0.326*** (0.127)	0.337** (0.125)
Export directly >10% of sales			0.023 (0.064)	-0.004 (0.063)	0.028 (0.072)
Foreign ownership >10% (Y:1, N:0)			0.315** (0.135)	0.308** (0.138)	0.338** (0.137)
Has bank loan or line of credit (Y:1, N:0)				-0.027 (0.045)	-0.024 (0.045)
Product innovation (Y:1, N:0)				-0.026 (0.051)	-0.006 (0.050)
Have own website/digital presence (Y:1, N:0)					-0.116*** (0.050)
Number of Observations	340	340	330	305	305

Standard errors in parentheses.
 *** p<0.01, ** p<0.05, * p<0.1

Muzi, S., F. Jolevski, K. Ueda, & D. Viganola. 2021. Productivity and Firm Exit during the COVID-19 Crisis.

Annex I.B: Technical Supplement for performing Constant Market Share (CMS) Analysis

The Constant Market Share (CMS) analysis is a way to analyze the international trade pattern of a country during the given time period. It is an accounting method for decomposing country’s growth of actual exports during a specified period into four parts; (1) the world trade effect; (2) the commodity composition effect; (3) the market diversification effect; and (4) a residual.

The CMS analysis was first suggested by Tyszynski (1951) and was refined by Leamer and Stern (1970), Richardson (1971), Fagerberg and Sollie (1987), and Kapur (1991). Empirically, in line with studies by Leamer and Stern (1970), Fagerberg and Sollie (1987) and ECB (2005), the equation to perform CMS analysis is as follows:

$$X^1 - X^0 = r \sum_i X_i^0 + \sum (r_i - r) X_i^0 + \sum_i \sum_j (r_{ij} - r_i) X_{ij}^0 + \sum_i \sum_j (X_{ij}^1 - X_{ij}^0 - r_{ij} X_{ij}^0) \quad \dots (1)$$

where;

X_{ij}^t = the value of country export of commodity i to market j at time t; r = the rate of growth of world exports; r_i = the rate of growth of world exports of commodity i;

r_{ij} = the rate of growth of world exports of commodity i in market j .

The first term in equation (1) is explained as 'the world trade effect,' which measures the impact of expanding global trade on selected country's exports. In an era of globalization, a small open economy should have a large positive global trade effect. The second term in the equation is generally termed as 'the commodity composition effect,' which measures the contribution to country exports from individual commodities. A positive value indicates that country's merchandise exports are concentrated in products with higher-than-average growth rates and vice versa. The third term in equation is explained as 'the market distribution effect,' which reflects the contribution from export-partners' demand. A negative value indicates that the country's exports destined to countries where demand is slower than the global average growth and vice versa. The last term in the equation is generally interpreted as 'the residual,' which basically reflects the impact of other factors, including changes in relative prices, competitiveness effect, government policies, and non-price factors.

Like any other methodology, the CMS analysis also carries some merits and demerits. While the obvious advantage is to identify the underlying factor responsible for export growth, the main disadvantage of the CMS analysis is that it rests on the assumption that a country's export share in the world market remains constant overtime.

References:

European Central Bank. 2005. "Competitiveness and the Export Performance of the Euro Area Trade." Occasional Paper, 30. European Central Bank.

Fagerberg, J., and G. Sollie. 1987. "The Method of Constant Market Share Analysis Reconsidered." *Applied Economics*, 19: 1571-83.

Kapur, S. N. 1991. "The Structure and Competitiveness on India's Exports." *Indian Economic Review*, 2: 221-37.

Leamer, E. E., and R. M. Stern. 1970. "Quantitative International Economics." Boston: Allyn and Bacon Inc. 171-183.

Richardson, J. D. 1971. "Constant Market Share Analysis of Export Growth." *Journal of International Economics*, 1: 227-239.

Tyszynski, H. 1951. "World Trade in Manufactured Commodities, 1899-1950." The Manchester School of Economics and Social Studies, 19: 272-304.

Annex I.C: Technical Supplement for Normalization of U.S. Monetary Policy and its Potential Impact on Jordanian Economy

The structural vector autoregressive (SVAR) models have been the workhorse of empirical macroeconomic analysis over the last decade. They have become such because SVARs incorporate additional identifying assumptions based on economic theory on model responses in contrast to the standard, reduced-form VAR representations. Delving down from a structural form to a reduced form requires certain assumptions about the matrix which establishes the relation between the reduced form residuals and the structural disturbances (innovations).

Motivated by their rigorous use in policy analysis, we also employed SVAR models to estimate the pass-through effect of changes in the U.S. monetary policy stance on the Jordanian monetary policy and other key economic indicators. A similarly modeled SVAR structure is used to obtain results for major MENA oil importing countries. Specifically, taking a lead from Caceres et. al (2016) and Chen et. al (2014), our SVAR model equations are as follows:

$$FFR_t = E_{t-1}[FFR_t] + \varepsilon_t^{FFR}$$

$$JPR_t = E_{t-1}[JPR_t] + \delta_{11}\varepsilon_t^{FFR} + \varepsilon_t^{JPR}$$

$$PSC_t = E_{t-1}[PSC_t] + \delta_{21}\varepsilon_t^{FFR} + \delta_{22}\varepsilon_t^{JPR} + \varepsilon_t^{PSC}$$

$$OGAP_t = E_{t-1}[OGAP_t] + \delta_{31}\varepsilon_t^{FFR} + \delta_{32}\varepsilon_t^{JPR} + \delta_{33}\varepsilon_t^{PSC} + \varepsilon_t^{OGAP}$$

$$CPI_t = E_{t-1}[CPI_t] + \delta_{41}\varepsilon_t^{FFR} + \delta_{42}\varepsilon_t^{JPR} + \delta_{43}\varepsilon_t^{PSC} + \delta_{44}\varepsilon_t^{OGAP} + \varepsilon_t^{CPI}$$

where ε_t^{FFR} , ε_t^{JPR} , ε_t^{PSC} , ε_t^{OGAP} , and ε_t^{CPI} , are the U.S. federal funds rates, Jordan rediscount rate, private sector credit growth, output gap and headline inflation shocks, respectively. $E_{t-1}[\cdot]$ is the expectation of a variable based on information set at the end of period $t-1$ and δ is the impulse response coefficients. Choice of the lag is based on the Akaike information criterion (AIC). Equation (1) presents the structural form of the VAR model as follows.

$$Y_t = AY_{t-1} + B\varepsilon_t \quad (1)$$

Where $Y = [\text{U.S. federal funds rates, Jordan rediscount rate, private sector credit growth, output gap, headline inflation}]$,

$$\varepsilon = (\varepsilon_t^{FFR}, \varepsilon_t^{JPR}, \varepsilon_t^{PSC}, \varepsilon_t^{OGAP}, \varepsilon_t^{CPI})$$

$$\text{and } B = \begin{bmatrix} 1 & 0 & 0 & 0 & 0 \\ \delta_{11}\varepsilon_t^{FFR} & 1 & 0 & 0 & 0 \\ \delta_{21}\varepsilon_t^{FFR} & \delta_{22}\varepsilon_t^{FFR} & 1 & 0 & 0 \\ \delta_{31}\varepsilon_t^{FFR} & \delta_{32}\varepsilon_t^{JPR} & \delta_{33}\varepsilon_t^{PSC} & 1 & 0 \\ \delta_{41}\varepsilon_t^{FFR} & \delta_{42}\varepsilon_t^{JPR} & \delta_{43}\varepsilon_t^{PSC} & \delta_{44}\varepsilon_t^{OGAP} & 1 \end{bmatrix}$$

As mentioned, a similar SVAR set-up has also been estimated for four major MENA oil importing countries, including Pakistan, Tunisia, Morocco and Egypt while using their GDP as weights.

References:

- Carceres, C., Y. Carrière-Swallow, I. Demir, and B. Gruss. 2016. "U.S. Monetary Policy Normalization and Global Interest Rate." IMF Working Paper, 16/195. International Monetary Fund.
- Chen, J., T. Mancini-Griffoli, and R. Sahay. 2014. "Spillovers from United States Monetary Policy on Emerging Markets: Different This Time?" IMF Working Paper, 14/240. International Monetary Fund.

Annex I.D: Technical Supplement for Wealth of Nation

This appendix summarizes the data and methods behind the Wealth of Nations 2021 edition. The

methodology builds on the foundation laid in previous works by the World Bank, including Expanding the Measure of Wealth (World Bank 1997), Where Is the Wealth of Nations? (World Bank 2006), and The Changing Wealth of Nations (World Bank 2011 and Lange et al. 2018).

The following sections provide a brief overview of the methodology and data sources for estimating each wealth component. Detailed documentation of the data and methodology, and the technical studies and background papers that underlie the updated methodology, are available on the wealth accounting page of the World Bank website.³²

Total Wealth

A nation's wealth consists of a diverse portfolio of assets, which together form the productive base of the national economy. These assets include:

- Renewable natural capital—including forests (timber and ecosystem services), mangroves, fisheries, agricultural land (cropland and pastureland), and protected areas.
- Non-renewable natural capital—including fossil fuel energy (oil, natural gas, and coal) and 10 metals and minerals.
- Produced capital—including machinery, structures, equipment, and urban land.
- Human capital—including the knowledge, skills, and experience embodied in the workforce.
- Net foreign assets—including portfolio equity, debt securities, foreign direct investment, and other financial capital held in other countries.

Total wealth is calculated by summing up each component of wealth:

$$\begin{aligned} \text{Total wealth} &= \text{Renewable natural capital} \\ &+ \text{Nonrenewable natural capital} \\ &+ \text{Produced capital} + \text{Human capital} \\ &+ \text{Net foreign assets} \end{aligned}$$

³² <https://datacatalog.worldbank.org/dataset/wealth-accounting>.

Adjusted Net Savings³³

Adjusted net saving (ANS) is measured as gross national savings minus depreciation of produced capital, depletion of resources, the cost of air pollution damage to human health, as well as a credit for education expenditures.

ANS is calculated as:

$$ANS = GNS - CFC + EDU - NRD - GHG - POL$$

Where ANS = Adjusted net savings

GNS = Gross National Savings, calculated as the difference between Gross National Income (GNI) and public and private consumption.

CFC = Consumption of fixed capital, the replacement value of capital used up in the process of production, also a standard item in the system of national accounts.

EDU = Current public expenditure on education. As a lower-bound first approximation, the calculation thus included current operating expenditures in education (see World Bank, 1996).

NRD = Natural resource depletion, calculated as the sum of net forest depletion, the depletion of fossil energy resources, and metals and minerals depletion.

GHG = Damages due to carbon dioxide emissions from fossil fuel use and the manufacture of cement, estimated to be US\$30 per ton of CO₂ times the number of tons of CO₂ emitted.

POL = Damages due to exposure of a country's population to air pollution. Damages are calculated as forgone labor output due to premature death from pollution exposure.

In economic theory, investment net of depreciation and depletion equals the change in wealth. As a result of both practical data limitations faced in measuring adjusted net saving (ANS), as well as accounting definitions for savings and investment in the System of National Accounts (SNA), this is not the case for this volume's wealth accounts. A significant gap between ANS and the change in wealth may sometimes occur.

References:

- Gerber, J. et al. 2020. "Changing Wealth of Nations: Calculating Agricultural Value." World Bank Report.
- Lange, Glenn-Marie; Wodon, Quentin; Carey, Kevin. 2018. *The Changing Wealth of Nations 2018: Building a Sustainable Future*. Washington, DC: World Bank.
- World Bank. 1997. *Expanding the Measure of Wealth*. Washington, DC: World Bank.
- _____. 2006. *Where Is the Wealth of Nations? Measuring Capital for the 21st Century*. Washington, DC: World Bank.
- _____. 2011. *The Changing Wealth of Nations: Measuring Sustainable Development in the New Millennium*. Washington, DC: World Bank.

³³ Detailed information and data can be found at: <https://datacatalog.worldbank.org/dataset/adjusted-net-savings>.

ANNEX II

Selected Recent World Bank Publications on Jordan

(for an exhaustive e-list, please go to: <http://www.worldbank.org/en/country/jordan/research>)

Title	Publication Date	Document Type
Jordan Economic Monitor – Spring 2021: Uncertain and Long Trail Ahead	June 23, 2021	Report
The Business Case for Investing in Women's Employment in Jordan Case Study: Umniah – Safe and Respectful Workplaces	June 17, 2021	Report
Education Expenditure, Enrolment Dynamics and the Impact of COVID-19 on Learning in Jordan	April 28, 2021	Working Paper
The Amman Climate Plan: A Vision for 2050 Amman	March 31, 2021	Report
Jordan Economic Monitor – Fall 2020: Navigating through Continued Turbulence	March 1, 2021	Report
Fiscal Policy, Poverty and Inequality in Jordan: The Role of Taxes and Public Spending – Policy Summary	March 1, 2021	Working Paper
Hashemite Kingdom of Jordan – Social Security Corporation (SSC): Toward Coverage Expansion and a More Adequate, Equitable and Sustainable Pension System	March 1, 2021	Report
The Lives and Livelihoods of Syrian Refugees in the Middle East: Evidence from the 2015–16 Surveys of Syrian Refugees and Host Communities in Jordan, Lebanon, and Kurdistan, Iraq	July 21, 2020	Policy Research Working Paper
Coping with the Influx: Service Delivery to Syrian Refugees and Hosts in Jordan, Lebanon, and Kurdistan, Iraq	July 21, 2020	Policy Research Working Paper
The Fallout of War: The Regional Consequences of the Conflict in Syria	June 17, 2020	Report
Jedad: Promoting Market Opportunities for Refugee and Host Community Businesses in Jordan	June 9, 2020	Report

(continued on next page)

(continued)

Title	Publication Date	Document Type
Jordan Economic Monitor – Spring 2020: Weathering the Storm	June 1, 2020	Report
Estimating Poverty for Refugee Populations: Can Cross-Survey Imputation Methods Substitute for Data Scarcity?	December 3, 2019	Policy Research Working Paper
Measuring Social Norms About Female Labor Force Participation in Jordan	June 26, 2019	Policy Research Working Paper
How Does Poverty Differ Among Refugees? Taking a Gender Lens to the Data on Syrian Refugees in Jordan	October 17, 2018	Policy Research Working Paper

Summary of Special Focuses from the Latest Jordan Economic Monitors

Spring 2021 JEM: “A year into the pandemic: Jordan’s private sector snapshot”

Surveys conducted by the WBG show that, a year into the pandemic, the lockdowns and demand shocks have had a strong impact on the private sector, including high closure rates, particularly in the services sector. Liquidity remains a major issue for firms. To respond to the challenges, Jordanian firms have introduced new products and are using digital technologies more intensively. However, the pace of transformation has lagged other countries. The programs put forward by the government to support the recovery have reached a significant share of companies interviewed, but some gaps remain.

Spring 2021 JEM: “COVID-19 and inequality in the MENA region and in Jordan”

The COVID-19 pandemic has thrown entire economies into disarray and upended livelihoods. Despite being initially heralded as the “great equalizer,” new evidence has shown that the consequences of COVID-19 have been borne unequally, disproportionately affecting the poor and vulnerable. This Special Focus looks at the inequality-enhancing effects of COVID-19 in the MENA region, with a special zoom in on Jordan.

Fall 2020 JEM: “Moving Toward an Equitable and Sustainable Pension and Social Insurance in Jordan”

Addressing pension and social insurance issues means addressing financial, fiscal, social, and economic challenges. More than half of the population in Jordan is not yet effectively covered by contributory social security programs. Although designed to be financially self-sustainable, the contributory pension program is actually unsustainable. The program also creates inequities, and adverse incentives. Despite some past reform efforts, the program has still considerable parametric inconsistencies (benefit promises are not in line with contribution rates and retirement ages). Such inconsistencies are bridged, at the moment, by favorable demographics, but in less than a decade, revenues from contributions will not be enough for pension spending. There are some potential solutions and proposals that Jordan could adopt in order to improve pension outcomes, and its financing mechanisms.

Fall 2020 JEM: “The Incidence of Taxes and Public Spending in Jordan”

The degree to which different households contribute to and benefit from fiscal policies varies across income distribution. Taken together, the overall allocation of taxes (personal income tax and sales taxes) and public spending (cash transfers, water and electricity subsidies, and health and education in-kind benefits) in Jordan is modestly progressive. The fiscal system

helps to reduce inequality, though much of the effect comes from in-kind benefits and the pattern of taxes and cash spending could be made to benefit the poor and middle class further. In comparing Jordan with other countries, it is evident that more could be achieved. Further, Jordan's need for fiscal consolidation can be compatible with the goal of reducing poverty and inequality. The recent expansion of social assistance programs is making Jordan's fiscal policies more equalizing and additional reforms to sales taxes and electricity subsidies present opportunities to make the fiscal system more progressive without increasing spending.

Spring 2020 JEM: "Women and Work in Jordan"

Women's participation in Jordan's labor market is the fourth lowest in the world with less than 15 percent of women working or looking for work. Jordanian women who do want to work face an unemployment rate reaching almost 25 percent in 2019, nearly twice that of men—meaning that low rates of female participation mask an even lower rate of employment. Expanding women's access to economic opportunities remains critical. Equal access to economic opportunities as

men enjoy is a precondition for ensuring that everyone reaches their full life potential. Moreover, significant and sustained increases in female labor participation would potentially have substantial impacts on economic growth. However, female workers in Jordan face multiple barriers in the labor market. Although Jordan has taken important recent legal reforms to remove barriers to women's employment, restrictions and legal differentiation between women and men remain and further legal reforms and regulations are needed to address the gender gap.

Spring 2020 JEM: "Jobs Diagnostics"

Job creation for youth and women is weak. Jordan's difficult job challenges are made even harder by growth rates that are persistently low, a large and growing labor force that is increasingly informal, and a weak private sector that did not create enough jobs to encourage youths and women to participate in the labor force. Moreover, labor segmentation appears to be on the rise. The World Bank Jobs Diagnostic (2018) indicates where the challenges for Jordanian policymakers lie in their quest to improve the economy's jobs performance. Many of these challenges require policy intervention to improve the jobs picture.



WORLD BANK GROUP

1818 H Street, NW
Washington, DC 20433