

ENHANCING NATIONAL EFFORTS AIMING TO COMBAT POVERTY IN JORDAN

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FORWARD:

This policy paper aims to review the national efforts exerted to combat poverty in Jordan. Jordan had suffered and continues to suffer from the growth in numbers of the poor, as well as the expansion of their proportion in the Jordanian society. This is evidenced over time in the continual increase in numbers of the poor in the absolute terms, as well as the relevant steadiness of the poor and poverty indicators as a percentage of the total population. This necessitates performing a comprehensive review of efforts over the course of the last twenty years in order to identify the causes leading to an inability to reduce poverty rates. Successive Jordanian governments have developed and carried out several strategies and schemes to combat poverty over the past two decades. However, despite the large local and foreign resources allocated for this purpose, the issue of poverty and efforts to combat poverty still represent a vital axis of the Jordanian official developmental discourse. Work towards this end has not yielded any tangible progress to reduce numbers and percentage of the poor in the Jordanian society.

The Phenix Center for Economics and Informatics Studies, through preparing this policy paper, intends to contribute to the efforts aiming to combat poverty by presenting an analytical reading of the most prominent official Jordanian policies aimed to reducing poverty over the past two decades. Furthermore, the paper aims to present a different perspective of dealing with the issue of poverty, as well as to propose alternative policies to those developed and carried out by the successive governments.

The team of the Phenix Center for Economics and Informatics Studies is obliged to present thanks and appreciation to all national institutions who made our work possible, in particular the Ma'an Municipality, represented by its head and staff members, as well as Assindiyan Association in Ajloun, represented by its head and members of its administrative committee for allowing the use of their facilities to conduct focus groups sessions. Our thanks also go to all experts, researchers and politicians with whom in-depth interviews were made and who gave many hours to the work.

INTRODUCTION

Jordan had suffered for decades, and continues to suffer from the issue of poverty. However, despite efforts exerted by the successive Jordanian governments to combat poverty, poverty rates remain high. The latest official study on poverty in Jordan in 2010 indicated that a proportion of 14.4% of the Jordanian population falls below the absolute poverty line¹ under which people cannot secure minimums of their basic food and non-food needs such as housing, health and education. This rate of 14.4%, however, is the same rate that was valid in 1992². Apparently, the official efforts have failed for nearly two decades to reduce the poverty rate.

Therefore, this paper aims to explore the real causes of poverty, undertake an analytical reading of governmental policies to combat poverty, and offer alternative policies and options. The project team used the qualitative research method through developing two research tools in collecting data. The first tool constituted a set of questions put forward to a group of experts and activists in the field of poverty and related policies such as officials, researchers, politicians and academics. The second tool consisted of a series of debate topics used to organize discussions in the focus groups sessions held in all three providences of Jordan in the North, Middle and the South. These secessions were attended by activists, local leadership and representatives of civil society organizations. Both tools were developed in-house by the project team in order to analyze the issue of poverty and poverty combating policies from various aspects and angles.

THE CHALLENGE:

Despite the national formal and informal efforts which targeted combating poverty in Jordan during the past two decades, the number of the poor in Jordan continues to rise, and poverty rates remain constantly high. Outcomes of the most recent official survey on poverty in Jordan in 2010 indicated that 14.4% of the Jordanian population falls below the absolute poverty line³. Upon comparing the said outcome with figures and indicators of poverty and the poor of 1992, we find the same proportion in 1992 also stood at 14.4%⁴. Moreover, some of the detailed indicators of poverty rates suggest an increase of poverty rates from 13.3%⁵ in 2008 to 14.4% in 2010 according to poverty figures released by the General Statistics Department at the end of 2012. There was also an increase in the number of poverty pockets⁶ which rose to 32⁷ poverty pockets in 2008 from 20 in 2005⁸. In view of the fact that Jordan had carried out several strategies, programs and policies aiming to reduce the numbers of the poor and their proportion, the most notable one was included in the National Agenda in 2006 which targeted reducing the proportion of poverty in Jordan to 12.0% by 2012, and to 10.0% by 2017⁹. The standing figures above indicate that poverty levels are higher than desired levels of 2012.

ANALYSIS OF THE CHALLENGE:

The reasons behind the continuous high poverty rate in Jordan may be attributed to two main factors:

DEVELOPMENTAL POLICIES:

Jordan is considered among 'average countries' according to the human development index issued annually by the United Nations Development Program (UNDP) which ranked Jordan in 2012 at the position 100, (HDI value of 0.700) among 187 countries surveyed by the index. It is noteworthy here that Jordan has retreated from its 2011 position whereby it was ranked 95¹⁰. It is also noteworthy that the GDP per capita in Jordan amounted to US\$ 4852 in 2012 equal to JOD 3435.

Outcomes of the in-depth interviews and focus groups sessions conducted by Phenix Center with many experts showed that the developmental policies applied in Jordan were not compatible with

the pressing needs of the population. Rather, they focused on trends far away from fulfilling needs of the people that allow them access to their basic human rights, particularly the economic and social rights to ensure a decent living standard, as well as enabling them to attain their rights in work, education and health. The said developmental policies were based on the implementation of a theoretically controversial economic model represented in the philosophy of economic liberalization at all elements of the economic life within the framework of economic reform programs. These reform programs were initially implemented in the beginning of the 1990s and continued until 2005 in agreement with the International Monetary Fund (IMF). They were repeated in 2013 within the "Stand-by Arrangement" agreement signed with the IMF to be effective for three years. The agreement focuses on foreign trade liberalization despite expected consequences of flooding Jordanian markets with competitive goods to the Jordanian industrial products. The agreement does not undertake effective measures to support and enable the Jordanian industry to withstand such competition. The result has been the closure of many local industries such as shoes and clothing, as well as construction industries such as tiles and ceramics leading to a loss of tens of thousands of jobs, and weakening the ability of the Jordanian economy to generate sustainable employment opportunities in the productive sectors. The results has also been an increase in a deficit of balance of trade, and consequently the balance of payments, leading to additional external borrowing in order to cover the accumulated deficits.

The above mentioned policies led also pricing liberalization, which in turn led to continuous price increases at higher rates than any wage rate increase. The consequence has been a push of thousands of wage earners to lower living standards as they became unable to meet their basic needs and those of their families. That was accompanied by lack of reconsidering wage policies both in the public and private sectors. Wages have continued to grow at only modest rates, far below inflation rates leading eventually to broadening in the number of low waged workers. According to official figures, wages of the vast majority of workers in Jordan are low. Figures from the Social Security Organization indicate that the average monthly wage in 2011 stood at

JOD 412, this fact was confirmed also by figures released by the General Statistics Department. Upon going through wage segments, however, the matter becomes more apparent as we find 22% of wage earners in Jordan making JOD 200 and less, 46.1% making JOD 300 and less, and 72.1% making JOD 400 and less ¹¹.

Upon comparing these figures with poverty rates in Jordan, there is a low level of above wage rates. Primary figures of the poverty study for 2010 conducted by the General Statistics Department suggested that the absolute poverty line for a standard family of 5.4 persons is close to a monthly amount of JOD 350 ¹². There are new figures to be issued by the General Statistics Department indicate that the absolute poverty line for the standard family reached a monthly amount of JOD 380 in 2010 ¹³. Considering inflation rates during the period after 2010 which reached approximately 11% until the time of drafting this policy paper, the absolute poverty line for the standard family would have reached a monthly amount of JOD 420, having a deleterious effect on poverty in Jordan. Additionally, the continuous high unemployment rates since more than 10 years ranging between 12-14% which did not decline even in periods when Jordan achieved relatively high economic growth rates between 2005-2009 when the economic growth rate reached 7.2% but where unemployment rates remained level. This proves inadequacy of economical and developmental policies in terms of the Jordanian society's priorities and needs.

Furthermore, levels of spending on social services retreated between the years 2000-2010 such as services including education, health and labor. These services declined from 25% of the total state expenditures in 2000 to 23.5% in 2010 contributing to lowering the quality of education, health and labor services provided to the population negatively affecting their access to such basic human rights.

In the same context, the implemented developmental policies in Jordan focused on withdrawal of the state from playing a major role in managing the national economy, thus lowering its role in enabling citizens to exercise their economic and social rights as stipulated in the International Covenant on Economic, Social and Cultural Rights ratified by Jordan in 1976, published in the Jordanian

official gazette in 2006 and has since become Jordanian law.

Failure on the part of successive Jordanian governments to provide basic human rights to most citizens, particularly, the right to work forced many in the Jordanian labor market to accept any work that provides a secure livelihood for themselves and their families. They have engaged in low quality work and jobs where workers in such jobs do not enjoy decent work conditions in terms of wages, social protection, working hours and other work conditions. Accordingly, numbers of the 'working poor' have increased. Moreover, numbers of workers in the informal sector have increased to 44%¹⁴.

The factors related to these basic economic policies have contributed to exacerbating the problem of poverty. The weakness of the policies is also accompanied by a decline in indicators of democracy in Jordan, whereas the influence of the executive authority widened on the account of other authorities, causing the regulatory role of the House of Representatives to be diminished. Jordan also witnesses the disempowerment of civil society organizations and political parties which has led to more corruption and waste of the state's resources, and fewer chances of utilizing government proceeds for the benefit of the citizens. Ultimately, inappropriate application of good governance principles and standards plays a vital role in widening and deepening the poverty problem, accompanied by an absence of transparency, integrity and accountability.

POLICIES PROTECTING THE POOR:

Many strategies and schemes to combat poverty emerged over the past two decades such as the National Strategy to Combat Poverty (Toward a Better Jordan) in 2002, the Social Productivity Program in 2003, the Economic and Social Transformation Program, the Economic and Social Scheme 2004-2006, and lastly the National Strategic Scheme to Reduce Poverty 2013-2017, where implementation has commenced.

The above mentioned strategies and schemes comprised a set of policies related to protecting the poor themselves; these policies focused on a number of measures represented in assigning a central role to the "National Aid Fund" in providing aid and assistance to social groups and individuals

who are classified as poor according to parameters adopted by the fund. The fund provides aid to approximately 90 thousand cases where it spent an amount of approximately JOD 80 million as of 2011¹⁵. This fund undertakes protecting and looking after eligible individuals and families through providing them with regular or emergency financial aid, securing job opportunities, supporting production capacity of individuals and families through vocational or physical rehabilitation, and providing recommendations to the Ministry of Health for providing health insurance cards to the handicapped of those benefiting from services of the fund in accordance to terms and conditions stipulated in the applicable civil health insurance system. It also assists in securing beneficiaries' chances of vocational training with concerned institutions of the fund's services; in addition to carrying out scientific research and field studies related to the fund and its activities¹⁶.

The National Aid Fund operates in accordance with a number of programs, namely: The Recurrent Cash Assistance Program, the Handicapped Care Aid Program, the Emergency Aid Program, the Health Insurance Card Fee Program, the Supplemental Income Support Program, and the Physical Rehabilitation Program intended for improving and maximizing the physical abilities of beneficiaries. Beside this institution, whose role is vital in protecting the poor, there are other institutions and parties such as the United Nations' Relief and Works Agency for Palestinian Refugees in Jordan (UNRWA), the Zakat Fund, and hundreds of other charities.

There are, however, many criticisms against the mechanism of the National Aid Fund, the main criticism being that beneficiaries are not all poor, and how the fund does not support individuals and families who are too poor, which indicates the ineffectiveness of the fund and many other institutions mentioned above. Many poor do not receive assistance due to failure of staff members of the National Aid Fund, Zakat Fund, or charities that reach out to them because of weak administration, lack of experience, lack of training of workers in poverty combating programs in mechanisms to reach and assess the poor cases; in addition to absence of a coordination body to harmonize efforts of these institutions to reduce duplication of services. A World

Bank report confirmed lately the truth of ineffectiveness of mechanisms of the “National Aid Fund” pointing out that nearly 85% of beneficiaries from the said fund were not poor.

Other strong criticisms are being directed against small and micro project aid programs targeting the poor to help them out of the cycle of poverty. The prerequisites for obtaining such loans from donator institutions and funds are often very difficult to access by targeted poor populations, Most of these loans go to populations who should not be eligible.

ALTERNATIVES AND OPTIONS:

In the light of above analysis of poverty challenges in Jordan and associative policies, we offer hereunder a number of alternative policies and options, which if adopted would contribute significantly to combating poverty:

ALTERNATIVE DEVELOPMENTAL POLICIES:

1. Reconsider the economic and developmental policies implemented by previous Jordanian governments who adopted a free market approach in various elements of economic life. This allows for new developmental policies to be based on a human rights approach enabling citizens to enjoy economic and social rights, particularly the rights in work, decent living standard, fair work conditions, health and education, and other basic human rights. This may be implemented through the following means:
 - a. Development of a methodology for preparing the state’s budget by setting clear quantitative indicators for the various budget items, particularly those related to social services represented in health, education and labor.
 - b. Directing new investments toward economic sectors that generate decent job opportunities and ensure decent living standard for workers in real production fields such as transformative industries and agriculture. This may be achieved through attracting local and foreign investors to such projects by granting tax exemptions in various stages of these projects.
 - c. Direct new investments in governorates where poverty is more sever in order to generate job opportunities and extend benefits over all Kingdom’s governorates avoiding concentration thereof in the

Capital Amman. This may be achieved through attracting local and foreign investors to these type of investments by granting tax exemptions in various stages of such projects.

- d. Providing technical and legal support to productive Jordanian sectors that face unfair competition from imported products in order to protect these industries and avoid a loss of jobs. This is to be achieved through coordination with those concerned in these sectors to see how necessary support may be provided to them.
2. Reconsidering applicable wage policies in Jordan both in the public and private sector in the direction of gradual wage increase in order to reduce the increasing proportion of the ‘working poor’. This may be achieved through collective bargaining between various production parties to ensure conciliation between the government, trade unions, professional associations, employers’ associations, and concerned civil society organizations in order to reach collective labor agreements in each economic sector.
 3. Encouraging new investments to develop and implement new, medium size projects in economic sectors that can ensure sustainable growth rates. The cost of generating a job opportunity in medium size project is less than that in big and large projects. This may be achieved through attracting new local and foreign investors to this kind of investment by granting them tax exemptions in various stages of such projects.
 4. Promoting the democratic reform path in all its dimensions would improve administration in all state institutions at various levels, and would improve effectiveness of control, responsibility, and accountability. In doing so would promote the rule of law reducing waste within the state’s resources. Rather, the waste could be redirected in favor of the society, contributing to the elimination of the sources of corruption. This may be achieved through creating a state of balance among all executive, judicial, and legislative authorities.

SECOND: ALTERNATIVE POLICIES TO PROTECT THE POOR:

As regards providing protection services to poor segments, and in the light of outcomes of analyzing the status of poverty and policies to combat it, we present a number of alternative policies and options as follows:

1. Building up a single database for poverty and the poor to document their numbers, reasons behind their poverty, level of poverty, and their needs. This effort would streamline and reduce events of duplicative assistance. The database would establish an executive coordination body to accommodate all parities who are active in provide protection to the poor.
2. Development of research methods used to reach out to real poor who are eligible for support and assistance, through applying flexible parameters to evaluate living conditions, and through continuous development of methods such as by analyzing feedbacks from active staff members in the field in light of cases they face and reviewing best practices of successful experiences in this field.
3. Considering the amounts of the absolute poverty line and annual inflation rates when determining the amount of assistance and support provided to eligible individuals and families, taking into account also other sources of assistance according to above proposed database.
4. Expansion of social security coverage to include all wage earners including workers in the informal sector, in the effort of reducing later demand on assistance and support. This may be achieved through the government contributing part of the monthly contributions on behalf of workers in these sectors.
5. Allocating necessary funds for the National Aid Fund to be able to cover all those eligible through allocating a contingency margin for the fund in the state's budget.
6. Reducing and simplifying requirements and guarantees for small and micro loans to enable the poor to establish their small and micro projects.. This may be achieved through the government undertaking the guarantees on behalf of borrowers of this category.
7. Follow up of small and micro projects to ensure its continuity and success. This may be achieved through assigning a special administrative unit from the National Aid fund to cooperate with other donor parties to undertake training of beneficiaries through free administrative and financial consultancy services on how to run their projects.

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