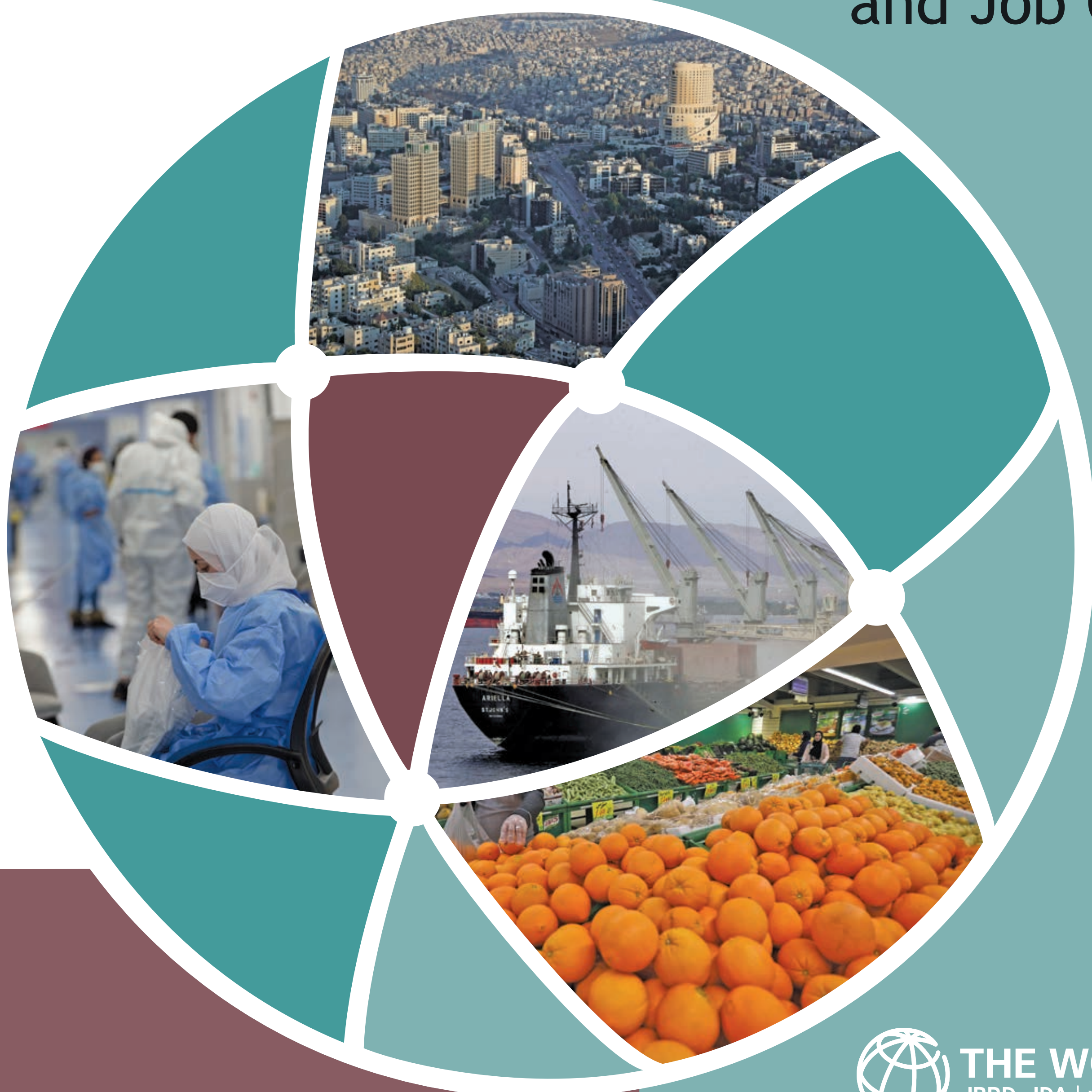
JORDAN ECONOMIC MONITOR

Global Turbulence Dampens Recovery and Job Creation

Spring 2022



THE WORLD BANK
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Middle East & North Africa

Jordan Economic Monitor

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Spring 2022

Middle East and North Africa Region

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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 analytic 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 Refaqat (Senior Economist, MTI) and Anastasia Janzer (Consultant, MTI). The report has been prepared by a core team composed of Saadia Refaqat (Senior Economist, MTI), Anastasia Janzer (Consultant, MTI), Asif Mahmood (Consultant, MTI), and Jumi Kim (Consultant, MTI). The Special Focus: Creating more and better jobs in Jordan, has been led by Cristobal Ridao-Cano (Lead Economist), and Carole Chartouni (Economist). The report also benefitted from comments from Jonna Maria Lundvall (Senior Social Scientist), Carole Chartouni (Economist), John Gabriel Goddard (Lead Economist), Paul Moreno-Lopez (Senior Economist), and Naoko C. Kojo (Senior Economist). The Jordan Economic Monitor has been completed under the guidance of 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 Refaqat (srefaqat@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 April 15, 2022.

ACRONYMS AND ABBREVIATIONS

3-mma	3-month moving average
12-mma	12-month moving average
BoP	Balance of Payments
BPO	Business process outsourcing
Bps	Basis points
CAD	Current Account deficit
CBJ	Central Bank of Jordan
CEO	Chief Executive Officer
CG	Central Government
CPI	Consumer Price Index
CPSD	Country Private Sector Diagnostic
COVID-19	Coronavirus Disease 2019
DoS	Department of Statistics
EFF	Extended Fund Facility
EME	Emerging Market Economy
ES	Enterprise Survey
FDI	Foreign direct investment
FLFP	Female labor force participation
FOB	Free on Board
FX	Foreign Exchange
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GNFS	Goods and nonfactor services
HTU	Al Hussein Technical University
IMF	International Monetary Fund
ITO	Information technology outsourcing
JEM	Jordan Economic Monitor
JD	Jordanian Dinar
LMIS	Labor Market Information System
MENA	Middle East and North Africa
MENAP	Middle East, North Africa, Afghanistan, and Pakistan
MOE	Ministry of Education
MOF	Ministry of Finance
MOL	Ministry of Labor
NDA	Net domestic assets
NEP	National Employment Program
NEPCO	National Electricity Power Company
NFA	Net foreign assets
NIR	Net international assets
No.	Number
OECD	Organization for Economic Co-operation and Development
PMR	Product Market Regulations
PCR	Polymerase Chain Reaction
PPP	Public-Private Partnerships
Q1	First Quarter
Q3	Third Quarter
Q4	Fourth Quarter
ToT	Terms of Trade
TVSD	Technical Vocational Skills Development Council
VTCs	Vocational Training Centers
SDR	Special drawing rights
SMEs	Small and medium-sized enterprises
SSC	Social Security Corporation
SOE	State owned enterprise

SSIF	Social Security Investment Fund
U.S.	United States
US$	United States Dollar
WAJ	Water Authority of Jordan
WB	World Bank
WBG	World Bank Group
WBL	Women, Business and the Law
WDI	World Development Indicators
WEO	World Economic Outlook

EXECUTIVE SUMMARY

While uncertainty around the COVID-19 pandemic lingers on, the global economy is set to face a new round of headwinds. Recent estimates from the IMF[1] suggest that the global economy registered a strong rebound last year from the unprecedented contraction induced by the pandemic. Improved vaccine rollouts, along with positive spillovers from accommodative monetary and fiscal policies, enabled an immediate and strong recovery. However, this nascent recovery remains uneven with a significant divergence in pace observed between advanced economies and emerging markets.[2]

In addition, the recovery has been also accompanied by global inflationary pressures. These pressures were further reinforced by higher global commodity prices and rising transportation costs. To control rising inflation, many central banks - including the major ones, have started to tighten their monetary policy stance.

Amid these developments and their subsequent impact on the global economy, another setback came with the Russian invasion of Ukraine. The war has caused major supply disruptions, leading to historically higher prices for a number of commodities. This has added another layer of headwinds to nascent global growth prospects as well as inflationary pressures. In this context, emerging supply chain bottlenecks due to zero-COVID policy in China is likely to pose an additional challenge to global recovery.

Jordan's economic recovery from the pandemic remains moderate, albeit broad-based. Against a contraction of 1.6 percent in 2020, the economy registered strong growth of 2.2 percent last year, which is slightly above the average of 2.1 percent registered over the five years prior to the pandemic. This recovery has been largely supported by lagged effects of an accommodative but prudent monetary and fiscal policy mix along with recovery in domestic demand as a result of a gradual reopening of the economy amid an increased pace of vaccine rollouts. Reflecting these positive developments, the subsectors of both industry and services experienced a broad-based expansion. In particular, the recovery in the travel and tourism sectors was quite encouraging despite significant challenges due to intermittent lockdowns. In 2021, tourist receipts increased by 96 percent, reaching around half of the 2019 level.

1 IMF World Economic Outlook (WEO), April 2022.

2 According to the IMF, in advanced economies the shortfall relative to the pre-pandemic trend will narrow through the forecast horizon. However, in emerging market and developing economies, economic activity is expected to remain below the pre-pandemic trend throughout the forecast horizon due to relatively larger human capital and investment losses and more limited policy support, and slower vaccination. (IMF WEO April 2022).

Furthermore, the pick-up in economic activity also contributed to higher tax revenues, helping with the overall fiscal consolidation effort.

Yet, spare capacity in the economy led to weak recovery in jobs, especially among youth. The country's total unemployment rate stood at around 23 percent at end-2021, compared to pre-pandemic level of 19 percent at end-2019. Nevertheless, recovery in the service sector helped alleviate some of the pressure from the labor market, when unemployment peaked at 25 percent in Q1–2022. However, unemployment levels remain significantly higher in Jordan compared to its regional peers. Indeed, the pandemic has left deep scars on jobs for the young population, which makes up around one fifth of Jordan's total working age population. As of end 2021, official statistics indicated that more than half of the country's young population is unemployed. This impact was even more pronounced among young female workers. Hence, a striking gender divide continues to characterize the Jordanian labor market with female labor participation rate almost 40 percentage points lower than male participation rates, ranking among the lowest in the world. Several factors contribute to this: workplace conditions that are not family-friendly; limited financial inclusion needed to boost entrepreneurship; social norms, and a range of legal restrictions affecting women's access to economic opportunities, as evidenced in the 2022 Women, Business and the Law Index that places Jordan among the bottom ten percent performers. There are also specific constraints that affect women disproportionately, such as the lack of affordable, quality childcare and reliable, safe public transportation.

The reports Special Focus "Creating more and better jobs in Jordan" focuses on key structural challenges in the Jordanian labor market as well needed reforms to overcome them. Jordan's labor market is characterized by high levels of unemployment and informality. These rifts are largely the result of the limited capacity of the private sector to generate more and better jobs. Higher job creation is generally held back by a productive structure that is dominated by small, low-productivity firms—the result of inefficient firm dynamics. Thus, creating more and better jobs in Jordan requires first and foremost reforms that will increase market contestability by reducing state-induced distortions. This needs to be accompanied by efforts to upskill the workforce, labor policies that facilitates job creation while protecting workers, as well as specific measures to create opportunities and lift constraints to female employment. While social norms are a big driving factor for low female labor participation rates, the global experience shows that norms change as more women join the labor force. Thus, more opportunities for females can be created by lifting specific constraints to female employment, such as the removal of legal restrictions around getting a job, expanding access to quality childcare, and increasing women's financial inclusion.

Jordan's private sector is showing sign of stunting. Evidence from the World Bank's fourth COVID-19 follow up survey (see Box 2) finds that, for the first time since the beginning of the pandemic, the share of firms that were "confirmed closed" is showing a slight decline. However, while small firms are showing timid signs of upturn, declines in monthly sales for large firms have become even more pronounced. Moreover, despite the underlying economic rebound, all firms reported an accelerated decline in their full-time workforce, which was more pronounced for small firms and firms operating in the services sector. This likely reflects the nature of the COVID-19 shock which has negatively affected contact-intensive sectors, such as services, more intensely. This protracted recovery may also explain persistent labor market challenges which is making unemployment rates sticky.

Overall, long-term trends in private sector performance and Jordan's business environment suggests that the pandemic has exacerbated the Jordanian private sector's regional and global gap in growth and performance. Firm-level metrics captured by the 2013 and the 2019 Enterprise Survey reveals that the competitiveness of Jordan's private sector has been declining even prior to the onset of the COVID-19 shock. For instance, Jordan's private sector seemed to not fully utilize the existing production capacity, with average capacity utilization reported 8 percentage points lower than the MENA average and 13 points lower than upper middle-income countries. According to The Jordan Country Private Sector Diagnostic 2021[3] key constraints limiting the private sector's ability to generate jobs and to compete in international markets are high business costs, policy unpredictability and investment risks, excessive labor market segmentation, and shortcomings related to market competition.

Despite unfavorable changes in global commodity prices, a pass-through to domestic prices remained subdued. Notwithstanding broad-based recovery, the output in major subsectors has still not reached the pre-pandemic levels during 2021. Reflecting this slack in the economy, the core inflation stayed at lower levels despite an overall increase in the headline inflation from 0.3 percent in 2020 to 1.4 percent in 2021. In addition to weak domestic demand, slower pass-through to domestic prices along with some price controls have helped alleviate the underlying increase in Jordan's inflation trajectory during 2021.[4] Nevertheless, in addition to being distortive of market signals, existing price controls may not be a sustainable way to deal with inflation.

CBJ kept its monetary policy stance broadly accommodative to support the nascent recovery amid high unemployment. CBJ kept its key interest rates unchanged during 2021. Rates were last reduced in March 2020.[5] With the aim of safeguarding the JD peg to the US dollar, and to sustain the strength and attractiveness of the JD-denominated assets against assets denominated in other currencies, and to help anchor gradually increasing inflationary pressures, the CBJ raised its key interest rates by 25 basis points in March 2022 and 50 basis points in May 2022, which moved the main CBJ policy rate to 3.25 percent. Overall, credit to the economy grew by around 5 percent in 2021, on top of a 5.7 percent increase posted in 2020. The deceleration in credit growth as economic recovery takes hold is partly reflecting a gradual but calibrated unwinding of COVID-related supportive measures introduced by the CBJ. Furthermore, prudent monetary management during the pandemic and the recovery phase also helped close the fourth review of the IMF-EFF program.[6] This together with an effective anchoring through dinar peg boosted much needed market confidence.[7]

CBJ's accommodative monetary policy stance was broadly supported by prudent fiscal management. This in turn was led by strong growth in tax and non-tax revenues. Indeed, the collection from both direct and indirect taxes outperformed the budgeted targets envisaged for 2021. In addition to an expansion in economic output, better compliance and administration have also contributed towards stronger revenue collection last year. On the spending side, the GOJ showed strong commitment to meet the IMF-EFF program targets. Both current and capital spending remained on the lower side than the budgeted targets of 2021. Nevertheless, capital spending still reached 3.5 percent of GDP, its highest level last four years. This is a welcome development given the critical role of public investment in reviving economic activity and employment. Overall, Central Government fiscal deficit[8] (including grants) indicated marked improvement in 2021, reaching 5.7 percent of GDP, which is 1.6 and 0.4 percentage points lower than the 2020 and 2021 budget targets, respectively. Importantly, similar developments were reflected in case of primary fiscal balance of the Central Government (CG). Nevertheless, heightened pressure from broader public sector contingent liabilities remains a source of a concern. To some extent, solid economic turnaround and consolidation effort helped slow down the accumulation of debt-to-GDP ratio relative to rise that occurred during 2020. As a result, Government and guaranteed gross debt[9] reached 113.8 percent of GDP in 2021 compared to

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3 World Bank Group. Country private Sector Diagnostic. Creating Markets in Jordan. Washington DC (World Bank, 2021).

4 IMF country report No. 22/4.

5 The CBJ main rate was reduced by 150 bps to reach 2.5 percent in March 2020.

6 Jordan entered into a four-year IMF-EFF program in March 2020 for an amount of about US$1.3 billion, which was augmented by US$200 million in June 2021. Jordan and IMF reached staff level agreement on the fourth review on 24 May 2022.

7 Reflecting these developments, in December 2021, Fitch rating agency affirmed Jordan's Issuer default rating at 'BB-' and revised its outlook to Stable from Negative. Moreover, in March 2022, Standard and Poor's (S&P) affirmed Jordan's B+/B sovereign credit rating, maintaining a stable outlook.

8 As per IMF GFS classification.

9 Definition of debt in this report follows the IMF GFS and therefore includes the securitization of domestic arrears based on the IMF country report No. 22/4.

109.0 percent of GDP in 2020, while debt net of Social Security Fund debt holdings stood at 92 percent of GDP compared to 88.0 percent of GDP in 2020.

In spite of fiscal prudence, unfavorable terms of trade led to a widening of the current account deficit. This happened despite a substantial growth in exports in 2021. In fact, the merchandize trade deficit reported an historical increase during 2021. Specifically, growth in non-energy imports remained buoyant as manufacturing activities showed strong recovery from pandemic lows. Estimates indicated that around one-fourth of deterioration in merchandize trade deficit in 2021 can be explained by the surge in global commodity prices. Furthermore, the recovery in travel receipts in 2021 exceeded expectations, but levels remained far below pre-pandemic levels. Nonetheless, even this improvement was partially offset by a sharp increase in global transportation cost due to disruptive activities at major global ports.[10] Workers' remittances, on the other hand, indicated a marginal recovery as COVID concerns on part of both Delta and Omicron variants led to gradual reopenings in source countries. On balance, the current account deficit (including grants) reached 8.8 percent of GDP in 2021 compared to 5.7 percent of GDP in 2020.

Nevertheless, Jordan ended 2021 on a strong footing. This is reflected through substantial improvement in the CBJ's gross official foreign reserves, which reached US$19 billion at end-2021; up by around US$2.1 billion from end-2020 position. Supported by strong multilateral and bilateral commitments, the significant improvement in the CBJ's foreign reserves helped authorities to meet the IMF program's net international reserves targets by a comfortable margin—an important indicator that reflects external stability. Moreover, standard reserves adequacy measures also suggest that the CBJ gross official foreign reserves position remained at a comfortable level even in comparison to most regional and peer countries in recent periods.

Going forward, the Jordanian economy is expected to sustain recent momentum, but significant global headwinds are likely to lead to some dampening. Like other import-dependent emerging economies, Jordan's near-term economic outlook is facing significant challenges due to recent global developments. This includes the impact of the war in Ukraine on global food and energy prices. Together, these developments may result in keeping the country's external sector elevated for another year along with a slowdown of the domestic economy. Meeting growing external financing needs can become more challenging if both the magnitude and speed of the US Federal Reserve's interest rate hike accelerates to curb rising domestic inflation. In order to counter these potential pressures, authorities need to calibrate a prudent macro policy mix. This is important in the context of addressing underlying monetary and financial stability risks that may remain unobserved due to recent targeted and supportive fiscal measures.[11]

Over the medium-term, growth is projected to reach 2.3 percent. Unless structural reforms to promote private sector-led growth and investment are accelerated, medium-term growth prospects are likely to remain constrained by long standing structural impediments along with external headwinds. Moreover, uncertainty around global developments poses medium-term risks to Jordan's outlook. Negative ripple effects being created globally as a result of the Russian invasion of Ukraine are significant headwinds for a small oil importer country like Jordan. Persistent supply bottlenecks leading to additional disruptions to international trade, accelerated inflationary pressures, and climate-related additional restrictions represent additional potential downside risks.

A more assertive investment-enabling reform agenda would help Jordan better manage turbulence and uncertainty. First, Jordan needs to face the microeconomic reform agenda to dynamize the creation, operation, and, when needed, the exit of private firms across the board, with more assertive and sustained efforts to solidify a level playing field. Second, these reforms will enable Jordan to tackle the dire unemployment and labor market situation of the country, especially for women and young people.

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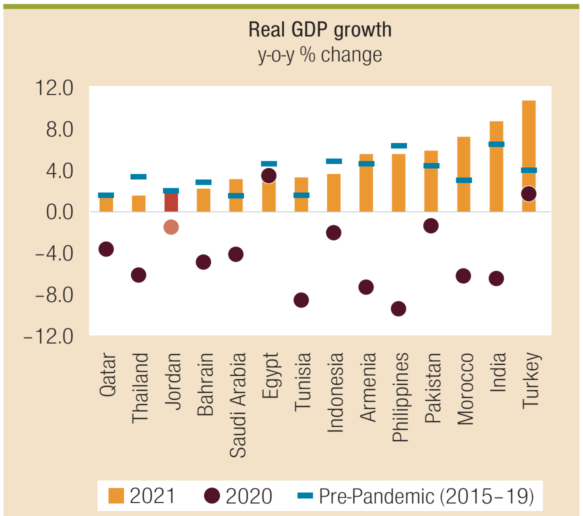
[10] Global container cost stood at U$9,437 at end of 2021 compared to U$3,143 a year ago [Source: Bloomberg].

[11] The CBJ extended the deferment on debt repayments by affected borrowers to banks to from June to end-2021. Hence, any potential asset quality effects of the pandemic are likely to manifest after this period only.

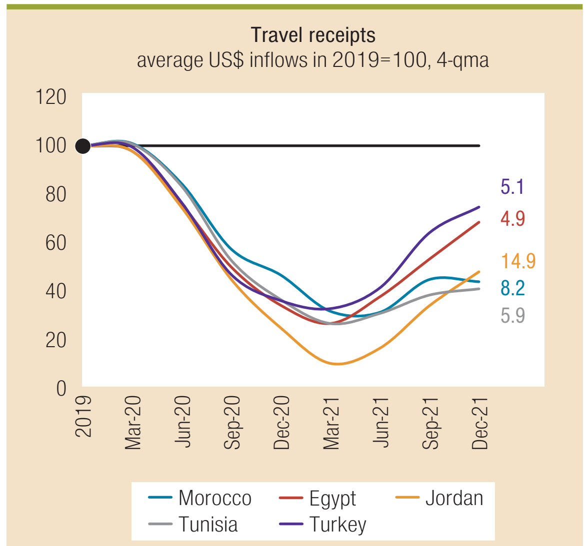
These efforts, together with a more dynamic private sector, can increase efficiency of use of resources in the productive sectors, leading to increased output and growth. Third, Jordan will have to transit to a post-crisis macroeconomic policy framework, especially to align fiscal performance and inflation to the new set of circumstances it faces. For instance, more public investment that is also more efficient and effective should go in tandem with fewer price controls, to ensure that signals on investment and prices in the economy are adequate. And fourth, Jordan will have to focus on revamping its debt financing strategy to sustain public investments in infrastructure and in the development of its human capital.

BOX 1. JORDAN'S ECONOMY IN SIX FIGURES

Jordan's Recovery from the COVID Pandemic Remains Modest Compared to Regional and Peer Economies, Partially Owing to its Muted Contraction in 2020.



Travel Recovery for Many Tourist Countries in the Region Remains Low Relative to the pre-Pandemic Levels.



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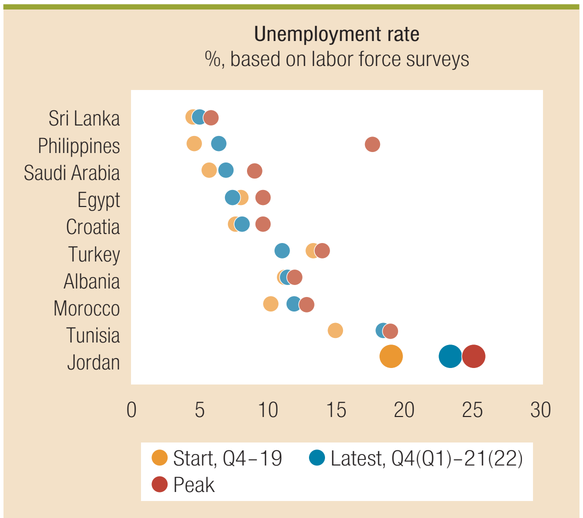
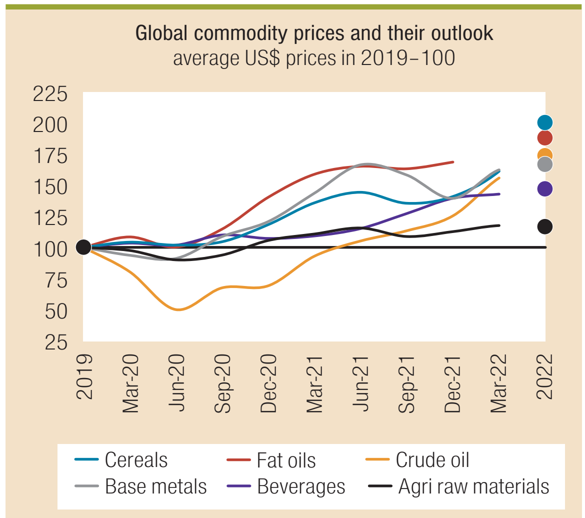
BOX 1. JORDAN'S ECONOMY IN SIX FIGURES *(continued)*

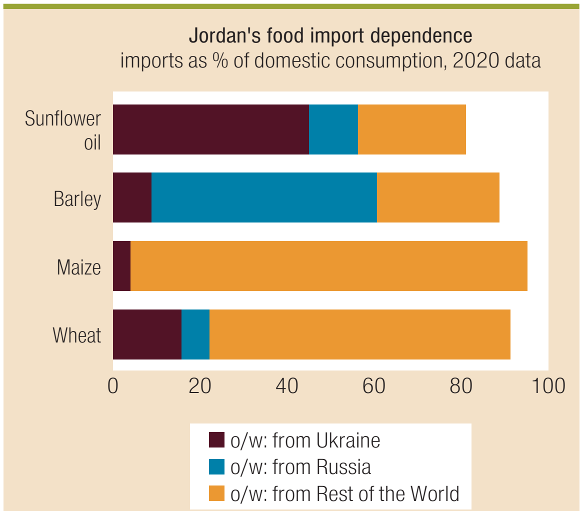
Jordan Continues to Face an Exceptional Unemployment Challenge, Which Has Been exacerbated by the Pandemic Shock.



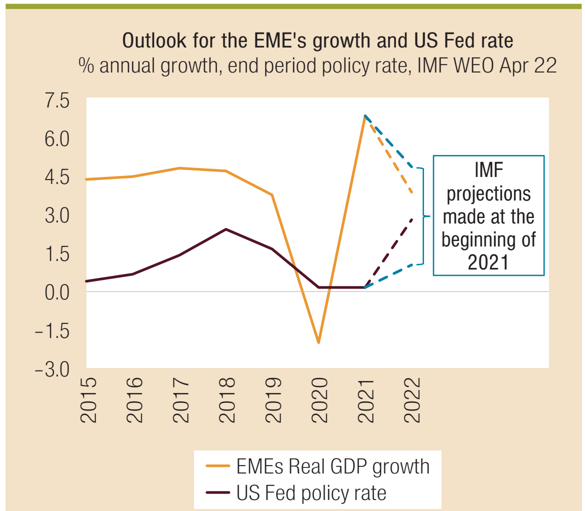
Rising Global Commodity Prices are Likely to Keep Pressure on the Country's External and Inflation Outlook in the Near-Term.



Ongoing War between Ukraine-Russia and its Added Impact on Global Commodity Prices is Likely to Keep Jordan's Import Bill at an Elevated Level for Another Year.



Together, Higher Global Prices Along with Tightening Global Financial Conditions Present a Rocky Path to the Near-Term Recovery in the EMEs, Including Jordan.



Sources: Haver, IMF, CBJ, DoS, World Bank's Global Economic Prospects, IMF's World Economic Outlook, USDA and World Bank staff calculations.

الملخص التنفيذي

في الوقت الذي لا تزال فيه حالة عدم اليقين بشأن جائحة كوفيد 19- مستمرة، فإن الاقتصاد العالمي مهيأ لمواجهة جولة جديدة من التأثيرات المعاكسة. **وتشير التقديرات الأخيرة من صندوق النقد الدولي[12] إلى أن الاقتصاد العالمي سجل انتعاشًا قويًا العام الماضي، بعد الانكماش غير المسبوق الناجم عن الجائحة. أتاح تحسين طرح اللقاح، إلى جانب التداعيات الإيجابية للسياسات المالية والنقدية التيسيرية، تعافيًا فوريًا وقويًا. ومع ذلك، لا يزال هذا الانتعاش الناشئ غير ثابت مع وجود تباين كبير في الوتيرة لُوحِظ بين الاقتصادات المتقدمة والأسواق الناشئة.**[13]

بالإضافة إلى ذلك، كان الانتعاش مصحوبًا أيضًا بضغوط تضخمية عالمية. **وقد تعززت هذه الضغوط بسبب ارتفاع أسعار السلع العالمية وارتفاع تكاليف النقل. وللسيطرة على التضخم المتزايد، بدأت العديد من البنوك المركزية - بما في ذلك البنوك الرئيسية ، في تشديد موقف سياستها النقدية.**

وفي خضم هذه التطورات وتأثيرها اللاحق على الاقتصاد العالمي ، جاءت انتكاسة أخرى مع الغزو الروسي لأوكرانيا. **تسببت الحرب في اضطرابات كبيرة في الإمدادات، مما أدى إلى ارتفاع تاريخي في أسعار عدد من السلع. وقد أضاف هذا طبقة أخرى من التأثيرات المعاكسة لآفاق النمو العالمي الناشئة وكذلك الضغوط التضخمية. وفي هذا السياق، من المرجح أن تشكل الاختناقات الناشئة في سلسلة التوريد بسبب سياسة انعدام** فايروس كورونا **في الصين، تحديًا إضافيًا للانتعاش العالمي.**

[12] آفاق الاقتصاد العالمي صندوق النقد الدولي (WEO) ، أبريل/نيسان 2022.

[13] وفقًا لصندوق النقد الدولي، فإن النقص في الاقتصادات المتقدمة بالنسبة لاتجاه ما قبل الجائحة سوف يقل خلال آفاق التنبؤ. ومع ذلك، في الأسواق الناشئة والاقتصادات النامية، من المتوقع أن يظل النشاط الاقتصادي دون الاتجاه السابق للوباء طوال آفاق التنبؤ بسبب خسائر أكبر نسبيا في رأس المال البشري والاستثمار وزيادة محدودية دعم السياسات وتباطؤ التلقيح. (صندوق النقد الدولي، آفاق الاقتصاد العالمي، أبريل/نيسان 2022).

لا يزال التعافي الاقتصادي للأردن من الجائحة معتدلاً، وإن كان واسع النطاق. مقابل انكماش بنسبة 1.6 في المائة في عام 2020، سجل الاقتصاد نموًا قويًا بنسبة 2.2 في المائة العام الماضي، وهو أعلى بقليل من المتوسط البالغ 2.1 في المائة المسجل خلال السنوات الخمس السابقة للجائحة. وكان هذا الانتعاش مدعومًا إلى حد كبير بالتأثيرات المتأخرة لمزيج من السياسات النقدية والمالية التيسيرية ولكن الحكيمة، جنبًا إلى جنب مع الانتعاش في الطلب المحلي نتيجة لإعادة الانفتاح التدريجي للاقتصاد وسط وتيرة متزايدة لعمليات إعطاء اللقاحات.

وانعكاسًا لهذه التطورات الإيجابية، شهدت القطاعات الفرعية للصناعة والخدمات توسعًا واسع النطاق. كان الانتعاش في قطاعي السفر والسياحة على وجه الخصوص، مشجعًا للغاية على الرغم من التحديات الكبيرة بسبب الإغلاق المتقطع. وفي عام 2021، زادت عائدات السائحين بنسبة 96 في المائة، لتصل إلى حوالي نصف مستوى عام 2019. علاوة على ذلك، ساهم انتعاش النشاط الاقتصادي أيضًا في زيادة الإيرادات الضريبية، مما ساعد في جهود ضبط أوضاع المالية العامة بشكل عام.

ومع ذلك، أدت الطاقة الفائضة في الاقتصاد إلى انتعاش ضعيف في الوظائف، لا سيما بين الشباب. **بلغ معدل البطالة الإجمالي في البلاد حوالي 23 في المائة في نهاية عام 2021، مقارنة بمستوى ما قبل الجائحة البالغ 19 في المائة في نهاية عام 2019. ومع ذلك، ساعد التعافي في قطاع الخدمات في تخفيف بعض الضغط من سوق العمل، عندما بلغت البطالة ذروتها عند 25٪ في الربع الأول من عام 2022. ومع ذلك، لا تزال مستويات البطالة مرتفعة بشكل ملحوظ في الأردن مقارنة بنظيراتها في المنطقة. في الواقع، ترك الوباء ندوبًا عميقة فيما يتعلق بالوظائف للشباب الذين يشكلون حوالي خمس إجمالي السكان في سن العمل في الأردن. اعتبارًا من نهاية عام 2021، أشارت الإحصاءات الرسمية إلى أن أكثر من نصف الشباب في البلاد عاطلون عن العمل. وكان هذا التأثير أكثر وضوحا بين العاملات الشابات. ومن ثم، لا يزال الفرق بين الجنسين واضحا في سوق العمل الأردني، حيث تقل نسبة مشاركة الإناث في العمل بنحو 40 نقطة مئوية عن معدلات مشاركة الذكور، مما يجعلها من بين**

التثبيت الفعال من خلال ربط الدينار إلى تعزيز ثقة السوق التي تشتد الحاجة إليها.[18]

كان موقف السياسة النقدية التيسيرية للبنك المركزي الأردني مدعومًا على نطاق واسع بالإدارة المالية الحكيمة. وقد أدى ذلك بدوره إلى زيادة قوية في الإيرادات الضريبية وغير الضريبية. وبالفعل، تجاوز التحصيل من الضرائب المباشرة وغير المباشرة الأهداف المتوخاة في موازنة عام 2021. وبالإضافة إلى التوسع في الناتج الاقتصادي، فقد ساهم تحسين الامتثال والإدارة أيضًا في زيادة تحصيل الإيرادات في العام الماضي. من ناحية الإنفاق، أظهرت الحكومة الأردنية التزامًا قويًا بالوفاء بأهداف برنامج IMF-EFF. ظل الإنفاق الجاري والإنفاق الرأسمالي في الجانب الأدنى من أهداف الموازنة لعام 2021. ومع ذلك، لا يزال الإنفاق الرأسمالي يصل إلى 3.5٪ من إجمالي الناتج المحلي، وهو أعلى مستوى له في السنوات الأربع الماضية. وهذا تطور مرحب به بالنظر إلى الدور الحاسم للاستثمار العام في إنعاش النشاط الاقتصادي والتشغيل. وبشكل عام، أشار العجز المالي للحكومة المركزية[19] (بما في ذلك المنح) إلى تحسن ملحوظ في عام 2021، حيث وصل إلى 5.7 في المائة من الناتج المحلي الإجمالي، وهو أقل بنسبة 1.6 و 0.4 نقطة مئوية من أهداف موازنة 2020 و 2021 على التوالي. والأهم من ذلك، انعكست تطورات مماثلة في حالة ميزان المالية العامة الأولي للحكومة المركزية (CG). ومع ذلك، لا يزال الضغط المتزايد من الخصوم الطارئة للقطاع العام يشكل مصدر قلق. ساعد إلى حد ما، التحول الاقتصادي القوي وجهود التوحيد في إبطاء تراكم نسبة الدين إلى إجمالي الناتج المحلي مقارنة بالارتفاع الذي حدث خلال عام 2020. ونتيجة لذلك، بلغ إجمالي الدين الحكومي[20] والمضمون 113.8٪ من إجمالي الناتج المحلي في عام 2021 مقارنة بـ 109.0٪ من الناتج المحلي الإجمالي في عام 2020، في حين بلغ صافي الدين من حيازات ديون صندوق الضمان الاجتماعي 92٪ من إجمالي الناتج المحلي مقارنة بـ 88.0٪ من إجمالي الناتج المحلي في عام 2020.

على الرغم من الحصافة المالية، أدت شروط التبادل التجاري غير المواتية إلى اتساع كبير في عجز الحساب الجاري. **حدث هذا على الرغم من النمو الكبير في الصادرات في عام 2021. في الواقع، سجل العجز التجاري للسلع زيادة تاريخية خلال عام 2021. على وجه التحديد، ظل النمو في الواردات غير المتعلقة بالطاقة قوياً حيث أظهرت أنشطة التصنيع انتعاشًا قويًا بعد أن وصلت أدنى المستويات أثناء الجائحة. وأشارت التقديرات إلى أن حوالي ربع التدهور في عجز التجارة السلعية في عام 2021 يمكن تفسيره بالارتفاع في أسعار السلع الأساسية العالمية. علاوة على ذلك، تجاوز التعافي في إيرادات السفر في عام 2021 التوقعات، لكن المستويات ظلت أقل بكثير من مستويات ما قبل الجائحة. ومع ذلك، حتى هذا التحسن قابله جزئيًا زيادة حادة في تكلفة النقل العالمية بسبب الأنشطة المُعَطَّلَة في الموانئ العالمية الرئيسية. ومن ناحية أخرى، أشارت تحويلات العمال إلى انتعاش هامشي حيث أدت مخاوف فايروس كورونا المستجد بشأن جزء من متغيرات دلتا وأوميكرون إلى إعادة فتح تدريجية في بلدان المصدر. وبشكل عام ، بلغ عجز الحساب الجاري (متضمنًا المنح) 8.8٪ من الناتج المحلي الإجمالي في عام 2021 مقارنة بـ 5.7٪ من إجمالي الناتج المحلي في عام 2020.**

على الرغم من ارتفاع عجز الحساب الجاري، أنهى الأردن عام 2021 بمركز قوي في جانب الشؤون الخارجية. **وينعكس ذلك من خلال التحسن الكبير في إجمالي الاحتياطيات الأجنبية الرسمية للبنك المركزي الأردني، والتي وصلت إلى 19 مليار دولار أمريكي في نهاية عام 2021. ارتفاعًا بنحو 2.1 مليار دولار أمريكي عن مركز نهاية عام 2020. وبدعم من الالتزامات القوية المتعددة الأطراف والثنائية، ساعد التحسن الملحوظ في الاحتياطيات الأجنبية للبنك المركزي الأردني السلطات على تلبية أهداف الاحتياطيات الدولية الصافية لبرنامج صندوق النقد الدولي بهامش مريح - وهو مؤشر مهم يعكس الاستقرار الخارجي. وعلاوة على ذلك، تشير مقاييس كفاية الاحتياطيات القياسية أيضًا إلى أن إجمالي الاحتياطيات الأجنبية الرسمية للبنك المركزي الأردني ظل في مستوى مريح حتى بالمقارنة مع معظم البلدان الإقليمية والدول النظيرة في الفترات الأخيرة.**

من الآن فصاعدًا، من المتوقع أن يحافظ الاقتصاد الأردني على الزخم الأخير، ولكن من المرجح أن تؤدي التأثيرات المعاكسة العالمية إلى بعض التراجع. **ومثل الاقتصادات الناشئة الأخرى التي تعتمد على الاستيراد، تواجه التوقعات الاقتصادية للأردن على المدى القريب تحديات كبيرة بسبب التطورات العالمية الأخيرة. وهذا يشمل تأثير الحرب في أوكرانيا على أسعار الغذاء والطاقة العالمية. قد تؤدي هذه التطورات مجتمعة إلى الحفاظ على ارتفاع أرقام القطاع الخارجي للبلاد لمدة عام آخر إلى جانب تباطؤ الاقتصاد المحلي. ويمكن أن تصبح تلبية احتياجات التمويل الخارجي المتزايدة أكثر صعوبة إذا تسارع حجم وسرعة رفع سعر الفائدة من قبل بنك الاحتياطي الفيدرالي الأمريكي للحد من ارتفاع التضخم المحلي. ومن أجل مواجهة هذه الضغوط المحتملة، تحتاج السلطات إلى معايرة مزيج حكيم من سياسات الاقتصاد الكلي. هذا مهم في سياق معالجة مخاطر الاستقرار النقدي والمالي الكامنة التي قد تبقى غير ملحوظة بسبب التدابير المالية الداعمة والمستهدفة الأخيرة.**[21]

من المتوقع أن يصل النمو على المدى المتوسط إلى 2.3 في المائة. وما لم يتم تسريع الإصلاحات الهيكلية لتعزيز النمو والاستثمار بقيادة القطاع الخاص، فمن المرجح أن تظل آفاق النمو على المدى المتوسط مقيدة بالعوائق الهيكلية طويلة الأمد، إلى جانب التأثيرات الخارجية المعاكسة. علاوة على ذلك، فإن عدم اليقين بشأن التطورات العالمية يشكل

وتمت زيادته بمقدار 200 مليون دولار أمريكي في يونيو/حزيران 2021. وتوصل الأردن وصندوق النقد الدولي إلى اتفاق على مستوى خبراء الصندوق بشأن المراجعة الرابعة في 24 مايو/أيار 2022.

[18] وانعكاسا لهذه التطورات، أكدت وكالة التصنيف فيتش في ديسمبر/كانون أول 2021، التصنيف الافتراضي للمصدر الأردني عند 'BB-' وعدلت نظرتها المستقبلية إلى مستقرة من سلبية. علاوة على ذلك، في مارس/اذار 2022، أكدت وكالة ستاندرد آند بورز (S&P) التصنيف الائتماني السيادي للأردن B+/B، وحافظت على نظرة مستقبلية مستقرة.

[19] حسب تصنيف إحصائيات مالية الحكومة لصندوق النقد الدولي.

[20] يتبع تعريف الدين في هذا التقرير إحصاءات مالية الحكومة لصندوق النقد الدولي ، وبالتالي يشمل توريق المتأخرات المحلية بناءً على التقرير القطري لصندوق النقد الدولي رقم 4/22.

[21] مدد البنك المركزي الأردني تأجيل سداد الديون من قبل المقترضين المتضررين إلى البنوك من يونيو/حزيران إلى نهاية عام 2021. ومن ثم، فمن المرجح أن تظهر أي آثار محتملة على جودة الأصول للجائحة بعد هذه الفترة فقط.

أدنى المعدلات في العالم. وتساهم عدة عوامل في ذلك: ظروف مكان العمل غير الملائمة للأسرة، الإشراك المالي المحدود اللازم لتعزيز ريادة الأعمال، والأعراف الاجتماعية، ومجموعة من القيود القانونية التي تؤثر على وصول المرأة إلى الفرص الاقتصادية، كما يتضح من مؤشر المرأة والأعمال والقانون لعام 2022 الذي يضع الأردن بين العشرة في المائة من الأدنى أداءً. وهناك أيضًا قيود محددة تؤثر على النساء بشكل غير متناسب، مثل عدم توفر رعاية أطفال ميسورة التكلفة وعالية الجودة ووسائل نقل عام موثوقة وآمنة.

يركز تقرير التركيز الخاص «خلق وظائف أكثر وأفضل في الأردن» على التحديات الهيكلية الرئيسية في سوق العمل الأردني بالإضافة إلى الإصلاحات المطلوبة للتغلب عليها. يتسم سوق العمل الأردني بمستويات عالية من البطالة والطابع غير الرسمي. هذه الفجوات ناتجة إلى حد كبير عن القدرة المحدودة للقطاع الخاص على خلق وظائف أكثر وأفضل. وعادة ما يتم إعاقة خلق فرص عمل أكثر بسبب الهيكل الإنتاجي الذي تهيمن عليه الشركات الصغيرة منخفضة الإنتاجية - نتيجة ديناميكيات الشركات غير الفعالة. وبالتالي، فإن خلق وظائف أكثر وأفضل في الأردن يتطلب أولاً وقبل كل شيء إصلاحات من شأنها زيادة المنافسة في السوق من خلال الحد من التشوهات التي تسببها الدولة. يجب أن يكون هذا مصحوبًا بجهود لتحسين مهارات القوى العاملة، وسياسات عمل تسهل خلق فرص العمل مع حماية العمال، فضلاً عن تدابير محددة لخلق الفرص ورفع القيود عن توظيف الإناث. في حين أن الأعراف الاجتماعية هي عامل مسبب كبير للمعدلات المنخفضة لمشاركة المرأة في العمل، فإن التجربة العالمية تُظْهِر أن المعايير تتغير مع انضمام المزيد من النساء إلى القوى العاملة. وبالتالي، يمكن خلق المزيد من الفرص للإناث من خلال رفع قيود معينة على توظيف الإناث، مثل إزالة القيود القانونية المتعلقة بالحصول على وظيفة، وتوسيع نطاق الوصول إلى رعاية جيدة للأطفال، وزيادة الإشراك المالي للمرأة.

يُظهر القطاع الخاص الأردني علامات تشير الى عجز في النمو. وتشير الدلائل المستمدة من استبيان متابعة كوفيد 19 الرابع للبنك الدولي **(يرجى الرجوع الى المربع 2)**، إلى أنه لأول مرة منذ بداية الجائحة، تُظهر نسبة الشركات التي تم «تأكيد إغلاقها» انخفاضًا طفيفًا. ومع ذلك، بينما تُظهر الشركات الصغيرة علامات انتعاش ضعيفة، أصبح الانخفاض في المبيعات الشهرية للشركات الكبيرة أكثر وضوحًا.

علاوة على ذلك، وعلى الرغم من الانتعاش الاقتصادي الأساسي، أبلغت جميع الشركات عن انخفاض متسارع في القوى العاملة لديها بدوام كامل، وهو ما كان أكثر وضوحًا بالنسبة للشركات الصغيرة والشركات العاملة في قطاع الخدمات. ومن المحتمل أن يعكس هذا طبيعة صدمة كوفيد 19 التي أثرت سلبًا وبشكل أكثر كثافة على القطاعات كثيفة الاتصال، مثل الخدمات. وقد يفسر هذا الانتعاش المُطَوَّل أيضًا تحديات سوق العمل المستمرة التي تجعل معدلات البطالة ثابتة.

بشكل عام، تشير الاتجاهات طويلة الأمد في أداء القطاع الخاص وبيئة الأعمال في الأردن إلى أن الجائحة أدت إلى تفاقم الفجوة الإقليمية والعالمية للقطاع الخاص الأردني من حيث النمو والأداء. تكشف المقاييس على مستوى الشركات التي تم الحصول عليها في مسح المنشآت 2013 و2019 أن القدرة التنافسية للقطاع الخاص الأردني آخذة في الانخفاض حتى قبل بداية صدمة كوفيد 19. على سبيل المثال، يبدو أن القطاع الخاص في الأردن لا يستفيد بشكل كامل من الطاقة الإنتاجية الحالية، حيث سجل متوسط استخدام الطاقة أقل من 8 نقاط مئوية من متوسط منطقة الشرق الأوسط وشمال إفريقيا و13 نقطة أقل من البلدان ذات الدخل المتوسط الأعلى. ووفقًا لتشخيص القطاع الخاص في الأردن لعام 2021[14]، فإن القيود الرئيسية التي تحد من قدرة القطاع الخاص على توليد الوظائف والمنافسة في الأسواق الدولية هي تكاليف الأعمال المرتفعة، وعدم القدرة على التنبؤ بالسياسات ومخاطر الاستثمار، والتجزئة المفرطة لسوق العمل، وأوجه القصور المتعلقة بالمنافسة في السوق.

على الرغم من التغيرات غير المواتية في الأسعار العالمية للسلع الأساسية، ظل انتقال التغيرات إلى الأسعار المحلية ضعيفًا. على الرغم من الانتعاش على نطاق واسع، فإن الناتج في القطاعات الفرعية الرئيسية لم يصل بعد إلى مستويات ما قبل الجائحة خلال عام 2021. ظل التضخم الأساسي الذي يعكس هذا الركود في الاقتصاد، عند مستويات منخفضة على الرغم من الزيادة الإجمالية في التضخم العام من 0.3 في المائة في عام 2020 إلى 1.4٪ في عام 2021. وبالإضافة إلى ضعف الطلب المحلي، ساعد بطؤ انتقال التغيرات الى الأسعار المحلية جنبًا إلى جنب مع بعض ضوابط الأسعار، على التخفيف من الزيادة الأساسية في مسار التضخم في الأردن خلال عام 2021.[15] ومع ذلك، بالإضافة إلى كونها مشوهة لإشارات السوق، قد لا تكون ضوابط الأسعار طريقة مستدامة للتعامل مع التضخم.

أبقى البنك المركزي الأردني على موقف سياسته النقدية متكيفًا على نطاق واسع لدعم الانتعاش الناشئ وسط معدلات البطالة المرتفعة. **أبقى البنك المركزي الأردني على أسعار الفائدة الرئيسية دون تغيير خلال عام 2021. وتم تخفيض الأسعار آخر مرة في مارس/اذار 2020.[16] بهدف حماية ربط الدينار بالدولار الأمريكي ، والحفاظ على قوة وجاذبية الأصول المقومة بالدينار مقابل الأصول المقومة بعملات أخرى ، وللمساعدة في تثبيت الضغوط التضخمية المتزايدة تدريجياً ، قام البنك المركزي الأردني برفع أسعار الفائدة الرئيسية بمقدار 25 نقطة أساس في مارس/آذار 2022 و 50 نقطة أساس في مايو/أيار 2022 ، مما أدى إلى نقل سعر الفائدة الأساسي للبنك المركزي الأردني إلى 3.25 في المائة. بشكل عام، نما الائتمان المقدم للاقتصاد بنحو 5 في المائة في عام 2021، علاوة على زيادة بنسبة 5.7 في المائة تم تسجيلها في عام 2020. ويعكس بصورة جزئية، التباطؤ في نمو الائتمان مع حدوث الانتعاش الاقتصادي، تخفيفا تدريجيا ولكن مُعايَرا للتدابير المساندة المتعلقة بفيروس كورونا المستجد التي تم تقديمها من البنك المركزي الأردني. وعلاوة على ذلك، ساعدت أيضًا الإدارة النقدية الحكيمة أثناء الجائحة ومرحلة التعافي في إغلاق المراجعة الرابعة لبرنامج تسهيل الصندوق الممدد لصندوق النقد الدولي IMF-EFF.[17] وقد أدى ذلك إلى جانب**

[14] مجموعة البنك الدولي. تشخيص القطاع الخاص في البلاد. إنشاء أسواق في الأردن. واشنطن العاصمة (البنك الدولي، 2021)

[15] التقرير القطري لصندوق النقد الدولي رقم 4/22.

[16] تم تخفيض السعر الرئيسي للبنك المركزي الأردني بمقدار 150 نقطة أساس ليصل إلى 2.5 في المائة في مارس/اذار 2020.

[17] دخل الأردن في برنامج تسهيل الصندوق الممدد لصندوق النقد الدولي IMF-EFF مدته أربع سنوات في مارس/اذار 2020 بمبلغ يقارب 1.3 مليار دولار أمريكي،

مخاطرا متوسطة المدى على مستقبل الأردن. والآثار السلبية التي تنشأ على الصعيد العالمي نتيجة للغزو الروسي لأوكرانيا هي تأثيرات معاكسة كبيرة لدولة صغيرة مستوردة للنفط مثل الأردن. وتمثل اختناقات العرض المستمرة التي تؤدي إلى تعطيلات إضافية في التجارة الدولية، والضغوط التضخمية المتسارعة، والقيود الإضافية المتعلقة بالمناخ، مخاطرا بحدوث تطورات سلبية إضافية محتملة.

إن وجود أجندة إصلاح أكثر حزماً وتمكينا للاستثمار، من شأنه أن يساعد الأردن على إدارة الاضطرابات وعدم اليقين بشكل أفضل. أولاً، يحتاج الأردن إلى مواجهة أجندة إصلاح الاقتصاد الجزئي لتنشيط إنشاء الشركات الخاصة وتشغيلها، وعند الحاجة، خروجها من جميع القطاعات، مع بذل جهود أكثر حزمًا واستدامة لترسيخ تكافؤ الفرص. ثانيًا، ستمكّن هذه الإصلاحات الأردن من معالجة الأوضاع الملحة للبطالة وسوق العمل في البلاد، وخاصة بالنسبة للنساء والشباب. يمكن لهذه الجهود، جنبًا إلى جنب مع قطاع خاص أكثر ديناميكية، زيادة كفاءة استخدام الموارد في القطاعات الإنتاجية، مما يؤدي إلى زيادة الإنتاج والنمو. ثالثًا، سيتعين على الأردن الانتقال إلى إطار سياسة الاقتصاد الكلي لما بعد الأزمة، وخاصة لمواءمة الأداء المالي والتضخم مع مجموعة الظروف الجديدة التي يواجهها. على سبيل المثال، يجب أن يتزامن المزيد من الاستثمار العام الأكثر كفاءة وفعالية مع عدد أقل من ضوابط الأسعار، لضمان أن تكون الإشارات المتعلقة بالاستثمار والأسعار في الاقتصاد كافية. ورابعًا، سيتعين على الأردن التركيز على تجديد استراتيجيته لتمويل الديون للحفاظ على الاستثمارات العامة في البنية التحتية وتنمية رأس المال البشري.

1

ECONOMIC UPDATE

Real and Labor Sector

Jordan's economy registered a strong rebound in 2021. Real GDP grew by 2.2 percent, following its 1.6 percent contraction in 2020. Recovery remained strongest during the second quarter, at 3.2 percent (year on year), while retaining a firm momentum in the latter half of the year as the economy grew by 2.7 percent and 2.6 percent during Q3 and Q4 (year on year). This resilience was remarkable as Jordan faced two sizable waves of COVID-19 infections, one during March and the other in December, 2021.[22] As a result, Jordan's recovery gap—the difference between real GDP and its pre-pandemic trend—narrowed to 3.7 percent by the last quarter from 4.1 percent in Q4-2020 (Figure 1).[23]

On the supply side, services and manufacturing sectors supported the recovery. The services sector, with 60 percent[24] share in total output, made the largest contribution to growth during the year at 1.1 percentage points (Figure 2). Within this sector, finance & insurance, real estate, and government services subsectors led the rebound. The second largest contribution during 2021 came from the industrial sector at 0.7 percentage points—its highest growth contribution in a decade—led by manufacturing and mining, while the agriculture sector at 0.1 percentage points made a marginal contribution.

All sectors of the economy reached or exceeded their pre-pandemic levels.[25] Nonetheless, many subsectors did not catch up to their pre-pandemic capacity (Figure 3). Among them, the restaurants & hotels subsector came to the fore with a gap of almost 6 percent from the pre-pandemic level despite the recent recovery of travel and

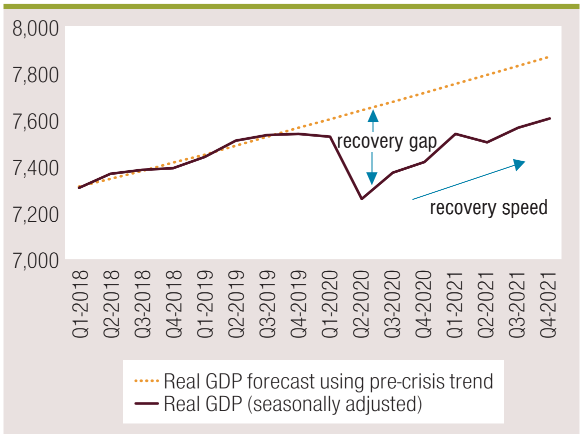
22 The second wave occurred in March, peaking at 812 daily new cases per million people, and the third wave in December, peaking at 485 daily new cases per million people.

23 The recovery gap was calculated based on the pre-pandemic trend of real GDP using X-13 ARIMA-SEATS model.

24 Share of GDP at market prices.

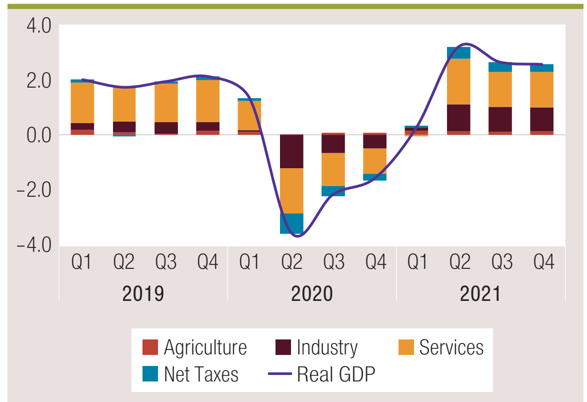
25 This section refers to quarterly statistics from Q4-2019 and annual statistics from 2019 as the pre-pandemic (pre-COVID) level.

FIGURE 1 • Recovery Gap
(JD Million; Seasonal Adjusted)



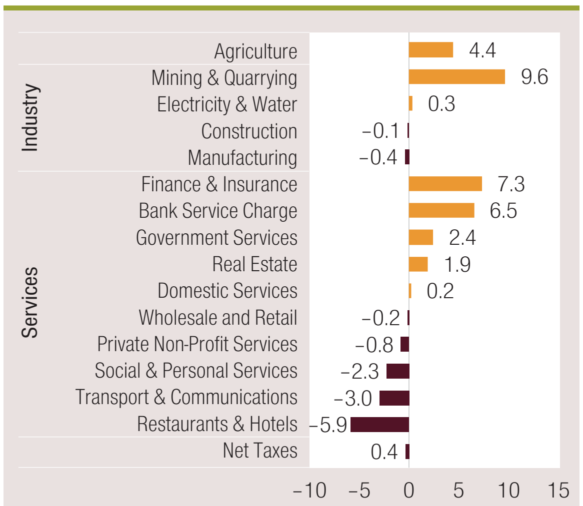
Source: DoS and World Bank staff calculations.

FIGURE 2 • Growth Contribution from the Supply side
(percentage Points/percent)



Source: DoS and World Bank staff calculations.

FIGURE 3 • Growth of Subsectors Vis-à-Vis 2019
Percentage Change Compared to 2019 (pre-Pandemic Level)



Source: DoS and World Bank staff calculations.

tourism activities.[26] Other contact-intensive services, such as transport and personal services, also remained below the pre-pandemic level. In contrast, the mining & quarrying sub-sector over-performed compared to the pre-pandemic level, in part as a result of higher demand for commodities driven by the global recovery. Interestingly, exports of phosphates and potash reached their highest levels since 2012.[27] Thus, the biggest concern still remains that even though GDP is showing some sign of recovery, private sector recovery remains limited at best (see Box 2).

Nevertheless, despite this bounce-back, pressing socioeconomic challenges such as high unemployment and low labor force participation remain firmly entrenched. The unemployment rate during Q4-2021 stood at 23 percent, 4 percentage points above the pre-pandemic level, though marginally lower than the same period in 2020 (Figure 4). Youth unemployment (15–24 years of age) reached unprecedented 52 percent or 11 percentage points higher than the pre-pandemic level. Even when job seekers find employment, informality in the labor market remains widespread with around 55 percent of Jordanian workers lacking social security coverage.[28] Meanwhile, labor force participation remained stagnated at around 34

[26] Jordan's main COVID-19 restriction policies remained in place until Q1-2022. In March, Jordanian government eased restrictions including reducing the quarantine period for people who test positive for COVID-19 to five days, removing the requirement for visitors to take a PCR test before or upon arriving in Jordan, and allowing full capacity opening of public facilities including restaurants.

[27] In 2021, exports of phosphates and potash reached US$1,256 million, an increase of 28 percent compared to US$980 million in 2019.

[28] Labor Force Survey 2018.

BOX 2. COVID-19 PANDEMIC IMPACT ON JORDANIAN FIRMS: EVIDENCE FROM THE 4TH FOLLOW-UP ENTERPRISE SURVEY

The World Bank Group has completed the fourth round of Enterprise Survey (ES) follow-ups to track the impact of COVID-19 on Jordan's private sector. Two years have passed since the outbreak of the COVID-19 pandemic. To assess the impact of the COVID shock on Jordan businesses, four rounds of follow-up surveys were undertaken to track a sample of firms that participated in the 2019 standard Enterprise Survey.[a] This data provides a unique opportunity to assess how firms were affected, what their response was, and how government support measures mitigated the shocks.

Jordan's private sector is only showing limited signs of recovery. For the first time since the beginning of the pandemic, the share of firms which were "confirmed closed" is showing a decline, from a peak of 15 percent in round III (June-July 2021) to 12 percent in round IV (Figure B.1). Importantly, firms with outward orientation appeared more shielded from the pandemic shock. The level of integration into global supply chains served as a source of resilience for Jordanian businesses, as exporting firms were more likely to report an increase in sales (almost 7.9 percent of Jordanian firms derived at least 50 percent of their sales from direct exports). Similarly, fewer exporting firms reported cuts in their input supplies, raw materials, and other goods bought to sell, compared to non-exporting firms.

Aiding the recovery, government support reached wider groups of firms by end-2021. In 2020, about one out of three firms reported to have received a form of national or local government assistance. By the latest round, the figure rose to nearly 40 percent. In addition to wage subsidies (received by 78 percent of firms), 22 percent of firms reported receiving cash transfers and access to new credit, followed by fiscal relief (16 percent of firms), and deferral of payments option (10 percent).

Nonetheless, expectations of a full recovery remain quite pessimistic. At the start of the pandemic, firms estimated that it would take an average of 8 months to return to normal levels of operation. This increased to 10 months in winter of 2020, and 11 months in both spring 2021 and fall 2021. Furthermore, close to 45 percent of firms in round IV responded that they expected to fall in arrears of outstanding liabilities in the next 6 months.

Even though more firms turned to online business activity during the pandemic, this did not lead to increased sales. Jordanian businesses steadily increased efforts to adapt to the post-pandemic business operations. The share of firms that started or increased online business activity grew from 57 percent during the first round to 66 percent during the latest round–one of the highest among all surveyed countries. Consistent across all survey rounds, this figure was notably higher for firms whose top managers were female. However, these efforts did not increase sales. The majority of firms (83 percent) did not report online sales generation even by November 2021. Thus, the boosted online activities appeared to have targeted marketing and meeting the immediate customer needs, rather than kickstarting a systematic digital transformation of firms.

Small firms are rebounding better but large firms continue to struggle. Intriguingly, small firms no longer reported the highest business closures nor the largest drop in sales (Figure B.2). At the same time, the decline in monthly sales for large firms became even more pronounced compared to the previous round.

Despite some preliminary signs of recovery, firms across sizes and sectors registered an accelerated decline in their full-time workforce, potentially indicating some economic scarring. Small (size) and services (sector) firms experienced the most severe setback with their permanent workforce shrinking by nearly 40 percent since December 2019 (or compared to pre-pandemic levels) (Figure B.3). This seemed to reflect the nature of the pandemic shock which has negatively affect the contact intensive sectors (such as services) more intensely. Moreover, the services sector dominates the Jordanian economy's sectoral composition and tends to have smaller establishments (CPSD 2021). For instance, the majority of Jordan's start-ups worked in the services sector with a particularly large concentration in the retail trade. These firms appeared to have a higher incidence of job shedding as the decline in employment has been mainly driven by retail, other services, and food subsectors. This phenomenon may also explain the protracted recovery of the labor market as small firms made up about 96 percent of total Jordanian enterprises and employed 60 percent of the country's labor force, according to the Jordanian Small and Medium Enterprise Association (CPSD 2021).

The pandemic seems to have exacerbated already-weak labor market conditions. Key labor market challenges before the COVID-19 crisis included a lack of labor market dynamism, rising informality, and limited net job creation. Such obstacles did not provide enough high-quality jobs and the available jobs were concentrated in lower-productivity sectors (CPSD 2021). Although the private sector in other countries in the region faced similar challenges, Jordan was one of few countries whose surveyed firms exhibited a negative employment growth in the last two rounds of the ES even prior to the pandemic shock (2013 and 2019) (Figure B.4).

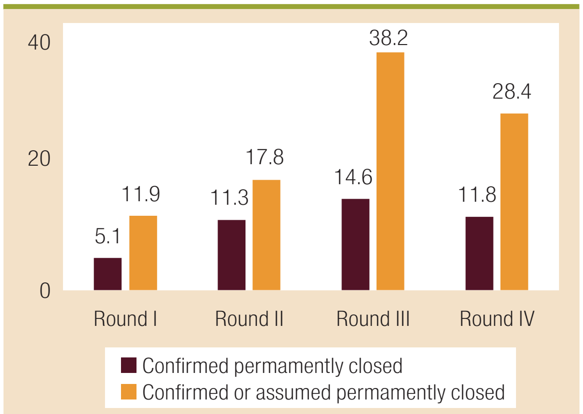
Overall, long-term trends in private sector performance and the business environment suggest that Jordan's private sector is facing a growing gap with regional and global comparators, which has been exacerbated by the pandemic. Firm-level metrics captured by the 2013 and the 2019 ES revealed that the competitiveness of Jordan's private sector largely declined. Jordan's private sector seemed not to fully utilize the existing production capacity and invested far less than its peers. For instance, firms reported that their average capacity utilization declined from 66 percent in 2013 to 59 percent in 2019. This was 8 percentage points lower than the MENA average and 13 points lower than upper middle-income countries. This unmet potential was more acute in SMEs, which faired much worse on these metrics than larger

(continued on next page)

BOX 2. COVID-19 PANDEMIC IMPACT ON JORDANIAN FIRMS: EVIDENCE FROM THE 4TH FOLLOW-UP ENTERPRISE SURVEY *(continued)*

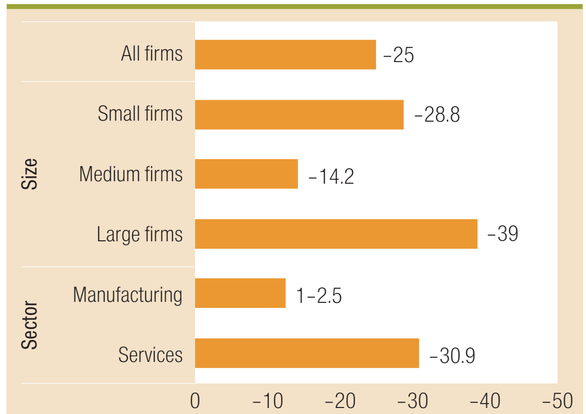
entities. These trends took place in the context of a rapidly evolving business environment, due to external shocks and policy changes that have likely been exacerbated by the COVID-19 pandemic.

FIGURE B.1 • Share of Firms Permanently Closed *(Percentage Point Change Since December 2019)*



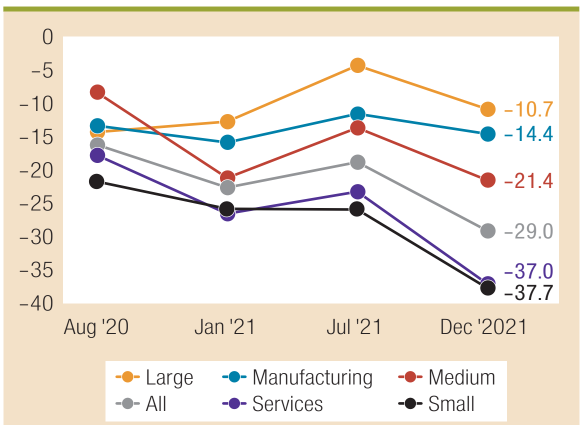
Source: Enterprise Surveys, The World Bank, http://www.enterprisesurveys.org – Jordan COVID19 Follow up surveys Round 4 (Dec 2021) and WB staff calculations.

FIGURE B.2 • Average Change in Monthly Sales Compared to One Year Ago *(Percent)*



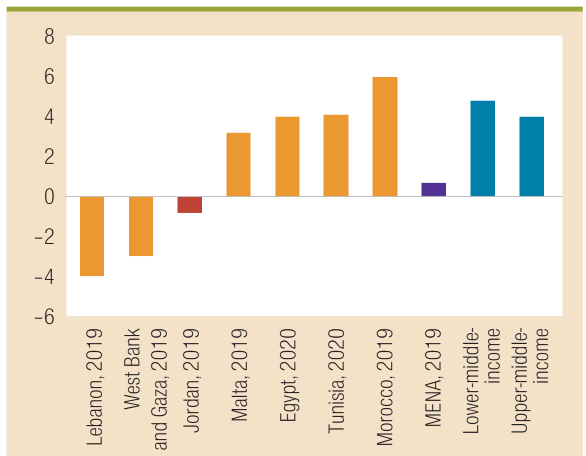
Source: Enterprise Surveys, The World Bank, http://www.enterprisesurveys.org – Jordan COVID19 Follow up surveys Round 4 (Dec 2021) and WB staff calculations.

FIGURE B.3 • Change in Permanent Full-Time Workforce *(Percentage point change since December 2019)*



Source: Enterprise Surveys, Jobs Undone: Reshaping the Role of Governments toward Markets and Workers in MENA (forthcoming) and WB staff calculations.

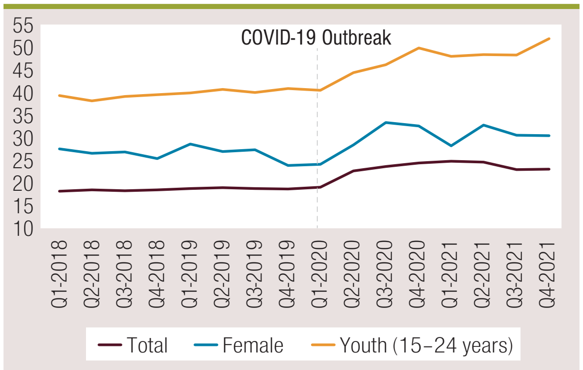
FIGURE B.4 • Job Creation in the Private Sector *(Annual employment growth in percent)*



Source: Enterprise Surveys, Jobs Undone: Reshaping the Role of Governments toward Markets and Workers in MENA (forthcoming) and WB staff calculations.

[a] 601 firms participated in the standard ES interview in 2019. The same firms were contacted for the four rounds of ES on the impact of the COVID-19 pandemic in 1) July/August 2020, 2) November 2020/January 2021, 3) June/July 2021, and 4) December 2021.

FIGURE 4 • Unemployment Rate
(Percent)



Source: DoS and World Bank staff calculations.

percent throughout 2021, largely unchanged from the previous two years.

A striking gender divide continues to characterize the labor market. The female labor force participation (FLFP) rate of 13.6 percent in Q4-2021 was almost 40 percentage points lower than that of the male labor force participation and ranked among the lowest FLFP rates in the world. Moreover, unemployment is a challenge for women in the labor market, leading to very few women working. In the last quarter of 2021, the female unemployment rate of almost 31 percent was over 9 percentage points higher than that of the male unemployment rate. Several factors inhibit women's economic opportunities, ranging from a legal framework that does not grant women and men the same rights, and restrictive social norms related to women working, to more specific constraints such as lack of affordable, quality childcare and reliable, safe public transportation, Jordan's score of 46.9 out of 100 in the 2022 Women, Business and the Law Index placed the country amongst the bottom performers.[29] Moreover, women's financial inclusion lag that of men, which impacts their entrepreneurship opportunities, and there is a lack of gender diversity in the private sector at all levels. A mere 3 percent of enterprises are led by a female top manager, there is a general lack of family-friendly policies and practices and there are lower wages in the private sector as compared to the public sector, making employment in the private sector less attractive for women.

While women with higher education (bachelor or above), continue to show a higher labor participation rate than women with less education, this is also the group of women with the highest share of unemployment. During 2021, women with higher education made up nearly 80 percent of all unemployed women. Moreover, women with higher levels of education demonstrate considerably higher unemployment rates compared to men with the same level of education at 36 percent, compared to 23 percent for men during Q4-2021. Moreover, employment opportunities for women are highly concentrated in the public sector, which employs most female workers and provides more flexibility and higher benefits. However, as fiscal constraints limit growth of public sector jobs, adding to women's difficulty in finding employment.[30] In particular, college graduates continue to have trouble finding jobs with a significant mismatch of skills with demanded by the private sector. Job seekers' preference for public sector jobs are adding to the skill mismatch, as this distorts decisions on what skills to acquire, which are not necessarily relevant to the private sector.

Protracted labor market recovery may be linked to limited recovery of the services sector. For example, more than 80 percent of Jordanian employees worked in the services sector while this was only around 50 percent in comparable economies.[31] At the same time, the services sector has

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29 World Bank. 2022. Women, Business and the Law 2022. Washington, DC: World Bank. The index measures legislations that affect women's economic participation in eight areas: Mobility, Workplace, Pay, Marriage, Parenthood, Entrepreneurship, Assets and Pension, and presents an index 0–100, where 100 reflects no discriminations.

30 Lugo,Maria Ana; Muller,Miriam; Wai-Poi,Matthew Grant. Middle East and North Africa – Women's Economic Participation in Iraq, Jordan, and Lebanon (English). Washington, D.C.: World Bank Group. See also: Kasoolu, S., et al., 2019. Female Labor in Jordan: A Systematic Approach to the Exclusion Puzzle. Harvard CID Working Paper; World Bank. 2020. State of the Mashreq Women. Washington, D.C.: World Bank Group; and World Bank. 2016. Jordan Job diagnostics. Washington, D.C.: World Bank Group.

31 Ibid.

been most affected by the pandemic. For instance, the employment rate in services declined from 22.4 percent in Q4-2019 to 20.6 percent by Q4-2020 and has remained broadly stagnant since then. In addition, findings from the latest round of the Enterprise Survey (December 2021) reveal a sustained job shedding by the sector (Box 2).

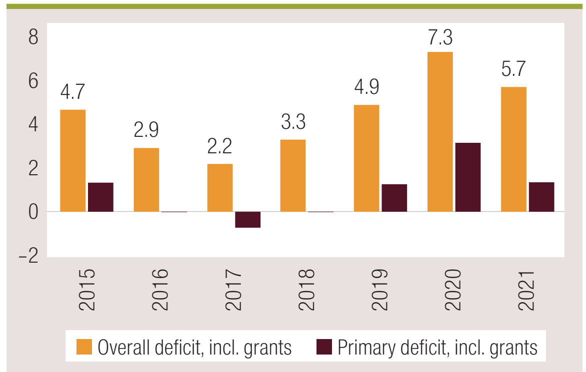
Boosting dynamism in the private sector is key to job creation. Notably, during Q4-2021, private sector jobs made up over 47 percent of all employment in Jordan compared to 44 percent before the pandemic. Although this is a positive development, much more needs to be done given the mammoth challenge at hand. The economy remains dominated by small and low productivity firms, leading to fewer and lower quality jobs being created even prior to the pandemic. The low productivity structure also fuels informality, and it is the informal workers who have been most affected by the pandemic through layoffs and wage cuts.

Government has recently undertaken several broad-base structural reforms to boost employment. These reforms included attempting to address the gender-biased articles in the labor law and expanding social security coverage of workers by lowering social security contributions for certain population groups and allowing for partial coverage of long-term benefits. During the pandemic, the government also provided firms with wage subsidies to help retain formal workers and minimize layoffs.[32] Moreover, the GOJ recently pledged 80 million Jordanian dinars to the Tashgheel national employment program with the aim to provide 60,000 formal private sector jobs and support relevant skills training and acquisition. However, additional actions are needed both from the government and private sector side to support a more inclusive private sector that benefits from the country's full potential in terms of human resources and is able to generate more and better jobs (see Special Focus Section: Creating more and better Jobs in Jordan).

Fiscal and Debt Developments

Jordan made notable progress towards fiscal consolidation during 2021. The CG fiscal deficit (incl. grants) reached 5.7 percent of GDP,[33] 1.6 percent

FIGURE 5 • Overall Central Government Fiscal Deficit
(Percent of GDP)



Source: MoF and World Bank staff calculations.

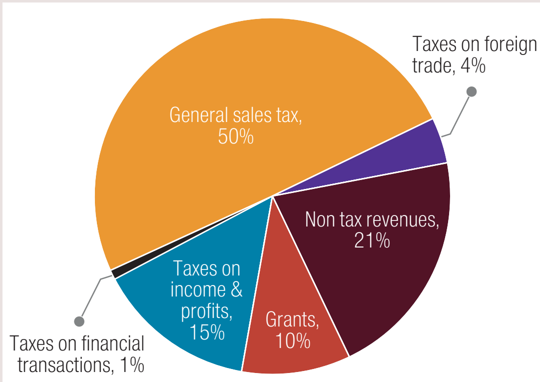
of GDP lower than 2020 and 0.4 percent below the budget target for 2021. Nonetheless, the deficit (incl. grants) remains above the pre-crisis level averaging at 3.6 percent of GDP during the past 5 years preceding the pandemic (Figure 5).

Domestic revenue collection showed robust growth during 2021, supporting the overall consolidation effort. Domestic revenues reached almost 23 percent of GDP in 2021 compared to around 20 percent of GDP in 2020 on the back of strong growth in both tax and non-tax revenue collection. Direct tax collection (taxes on income and profits and financial transactions) remained strong, growing by 8.7 percent to reach 3.9 percent of GDP in 2021 compared to 3.7 percent of GDP in 2020. This turnaround is a result of the government's continued effort to curb tax evasion and improve

32 The Jordanian government reduced social security contributions in the agricultural and IT sectors and have announced its commitment to extending the reduced rates for new workers under the age of 30 for a period of 10 years in all sectors. However, with lower social security contributions, workers receive less benefits. Source: International Monetary Fund. 2021. Third Review under the Extended Arrangement under the Extended Fund Facility and Request for Modification of Performance Criteria—Press Release. Washington, D.C.: International Monetary Fund.

33 Based on the IMF GFS classification, including grants and use of cash. Use of cash in 2021 is estimated at 0.3 percent of GDP in the IMF country report No. 22/4.

FIGURE 6 • Breakdown of Total Revenues
(Share of Total Revenues in 2021)



Source: MoF and World Bank staff calculations.

tax compliance. On the other hand, indirect taxes (general sales tax and taxes on foreign trade)—with more than 50 percent weight in total revenues—grew by almost 15 percent to reach 13.6 percent of GDP (compared to 12.3 percent of GDP in 2020), benefitting from exceptionally high import growth, demand recovery and pickup in revenues from oil derivatives.[34] Non-tax revenues also registered a robust increase of more than 30 percent, reaching 5.3 percent of GDP or slightly below the budget target of 5.9 percent of GDP. While most of this growth reflects a rebound from a pandemic-induced trough, it also appeared to be propelled by high real estate activity due to exemptions on land registration fees and property sales taxes, which were extended until end-March 2022.[35] Moreover, steady grant inflow has continued to buoy fiscal revenues, amounting to 10 percent of total revenues in 2021 or 2.5 percent of GDP (Figure 6). Historically, Jordan has benefitted from significant foreign grants, being the third largest recipient of U.S. foreign aid in 2020.[36]

Meanwhile, pandemic-related spending pressures and higher capital spending kept the government's total spending elevated. At end 2021, the Central Government's total spending reached 31 percent of GDP, slightly above the 2020 level, reflecting continuation of fiscal stimulus[37] and spending rigidities.[38] Recurrent expenditures remained more or less at the same level as last year, at around 27 percent of GDP. Within this, the primary contributors to keeping recurrent spending high were interest payments, military expenditures, and compensation of employees. On the other hand, a decline in transfers partially offset the overall increase in recurrent spending. A positive development this year has been higher capital spending, which reached 3.5 percent of GDP, albeit 0.5 percent of GDP below the budgeted target, but still the highest level since 2017. This is a welcome development given the critical role of public investment in reviving economic activity.[39]

Solid economic turnaround and consolidation effort have helped slow the accumulation of debt. At end-2021, Jordan's government and guaranteed gross debt stood at almost 113.8 percent of GDP, 4.8 percentage points above the 2020 level. At the same time, government and guaranteed gross debt net of SSIF debt holdings grew by 4.0 percentage points to reach 90.7 percent of GDP during the same time.

However, the structure of government and guaranteed debt remains largely favorable. Jordan continues to benefit from a relatively favorable debt structure due to its large share of

[34] In 2019, non-tax revenues on oil derivatives were reclassified as sales taxes. They are estimated to constitute around a quarter of sales tax revenues.

[35] According to the Department of Land and Survey, real estate trade volume in 2021 increased by 8 percent compared to 2019.

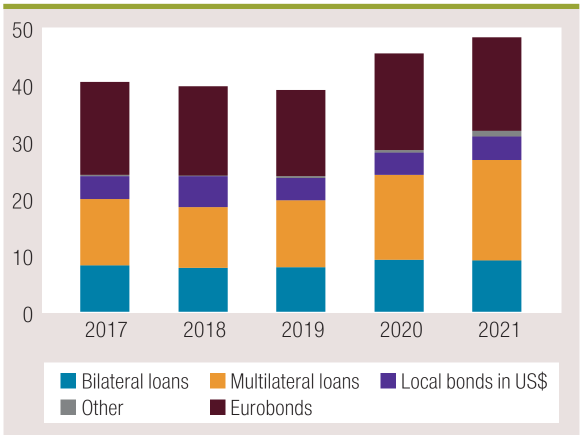
[36] Jordan received US$2.4 billion in foreign aid from the U.S. in 2020, of which 79 percent was economic assistance (Source: https://foreignassistance.gov)

[37] In March 2021, the government announced a fiscal-stimulus package, including an expansion of the social safety net, employment programs, support to the tourism sector, and clearance of arrears.

[38] During 2018–21, 75 percent of current expenditures consisted of compensation of employees, interest payments, defense and security, as well as pensions.

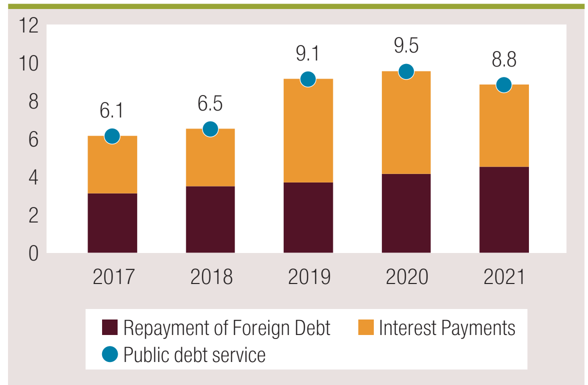
[39] Capital multipliers are estimated to be larger than current multipliers. For instance, Cerisola et al. (2015) find that for the average MENAP country, the estimated fiscal multipliers range from 0.2 to 0.7 for current spending, and 0.6 to 1.4 for government investment spending (Cerisola et al., 2015. "Assessing the Impact of Fiscal Shocks on Output in MENAP Countries", IMF Technical Notes and Manuals No.2015/01, International Monetary Fund.).

FIGURE 7 • External Public Debt by Lender in 2017-2021
(Percent of GDP)



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).

concessional debt. At end-2021, almost 41 percent of Jordan's public debt was external and within this more than half was from multilateral and bilateral lenders (Figure 7). Moreover, Eurobonds and local bonds in US dollars have gained significant importance over the last decade, amounting to around 43 percent of external debt in 2021. Multilateral loans retained their domination in net borrowing during 2021, making up almost three-quarters of the total—most notably from the IMF and the World Bank—while of the remaining, 14 percent came from foreign banks and companies and 7 percent were US dollar denominated bonds. This year, a major achievement for Jordan has been to maintain, or in some cases to improve, its long-term foreign-currency credit rating across all major rating agencies reflecting progress on fiscal consolidation and expectations on achieving debt stabilization, despite the challenging external environment.

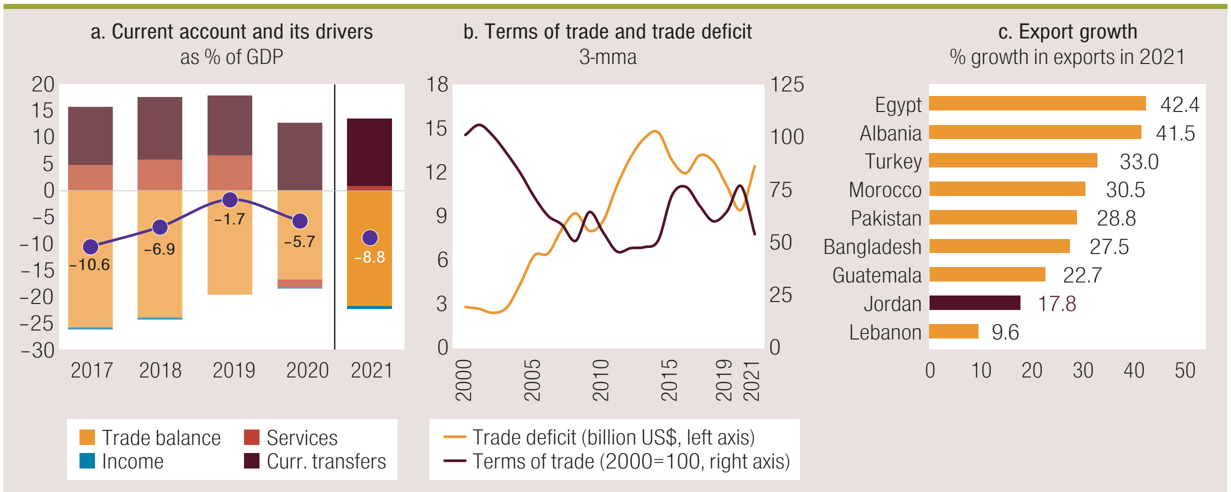
Public debt service in 2021 declined to 8.8 percent of GDP from 9.5 percent in 2020 (Figure 8). Interest payments on domestic and foreign debt reached 3.1 percent of GDP and 1.4 percent of GDP respectively, which is 0.3 and 0.1 percent of GDP higher than 2020, respectively. Despite higher interest costs in 2021, repayments of foreign debt have been slightly lower compared to last year, leading to an overall decline in debt service in 2021.

Balance of Payments Position

Global economic activity showed a strong rebound in 2021, supported by robust consumer spending and trade. Although the recovery remained broadly uneven, improved vaccine rollouts and lifting of COVID-19 restrictions have helped increase consumer confidence, particularly across major countries. This in turn supported global trade activity as merchandize trade volumes grew by 10.3 percent in 2021 after contracting by 5.3 percent in 2020. However, a protracted recovery in services trade, especially at ports, with increasing demand for goods led to global supply chain shortages. This together with improved global demand—due to the continuation of supportive monetary and fiscal policies—caused global commodity prices to rise with an unprecedented rate of around 15 percent in 2021 (the highest increase recorded since 2011). On balance, these developments have caused significant deterioration in the current account balances, especially those of import-dependent emerging economies, such as Jordan.

Growth in imports substantially outpaced strong recovery in exports. Specifically, Jordan's total import bill increased by almost 25 percent in 2021 as against 10 percent contraction in 2020. Sectoral data shows that energy imports grew by 44 percent last year. Interestingly, all this increase in energy imports was due to higher energy prices—which rose

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



Sources: CBJ, DoS, IMF, World Bank staff estimates.

by 60 percent, as import of energy volumes contracted by a quarter. Non-energy imports, having a share of around 85 percent in total imports, increased by almost 23 percent in 2021. For this category, however, the volume effect dominated over the price effect as former grew by 12.7 percent compared to 5.2 percent growth in the unit prices. In addition to the import of vaccines, cars, machinery and electrical equipment, and cereals were the main non-energy imports in 2021 (Figure 10.a.). Moreover, data indicates that, in line with underlying economic recovery and improving domestic demand, import of intermediate goods remained buoyant, growing by 40 percent in 2021. A similar trend was reflected in import of consumer goods which increased by 16 percent. On the other hand, growth in import of capital goods remained modest (3.3 percent), despite pick up in the public investment (see Fiscal section for further details).

Unlike the merchandize trade deficit, the other major current flows remained net positive, partially offsetting the deficit in the current account. In particular, both travel receipts and remittance flows indicated steady recovery from pandemic lows. Travel receipts, for example, cumulatively grew by 96 percent in 2021 against a contraction of 76 percent in 2020. Detailed data shows that, besides expat Jordanians, tourists from regional Arab countries, especially Egypt, remained largely supportivet.[40] Despite such strong growth, travel receipts still remained 55 percent below their pre-pandemic level. Similarly, workers' remittances, which declined by 9 percent in 2020, grew by a marginal 1 percent during 2021. Provided that a large chunk of Jordanian remittances originates from the neighboring oil exporting nations, the slower recovery in such flows broadly indicates gradual ease in travel restrictions by these countries.[41]

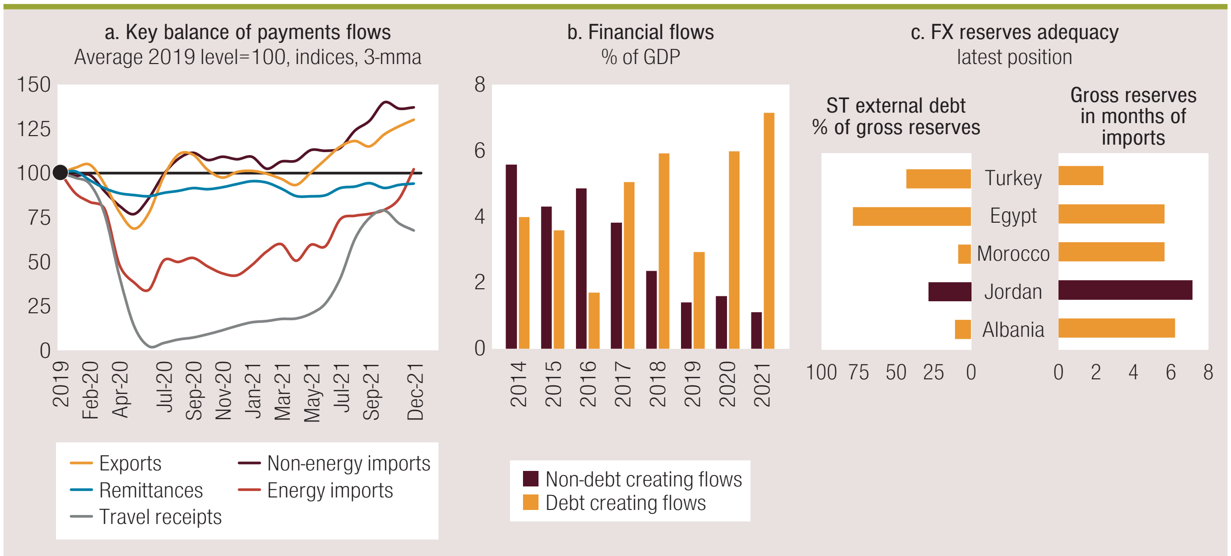
Jordan's current account deficit nevertheless continued to widen during the pandemic years. The current account deficit (CAD, incl. grants) reached US$4.0 billion or 8.8 percent of GDP in 2021 compared to US$2.5 billion or 5.7 percent of GDP in 2020 (Figure 9.a.).[42] Furthermore, while the increase in

[40] Data for tourist numbers indicated that 0.9 million expat Jordanians visited the country in 2021 as compared to 0.4 million in 2020. This is followed by 0.3 million Egyptian visitors in 2021 against almost 0.05 million in 2020.

[41] In addition to the broader trend, country specific factors, such as Doha Initiative 2020—which designed to provide 10,000 jobs for Jordanians in Qatar, may have also contributed towards underlying recovery in remittances.

[42] It is most likely that the current account deficit in 2021 is overstated. This is supported by the temporary increase in the net positive errors and omissions observed in that year, which represents around 4.6 percentage points of GDP, having assumed that the projected adjustment path of the current account suggests it would level off around 4 percent of GDP in the medium term.

FIGURE 10 • Jordan's Key Balance of Payment Flows and CBJ's Foreign Reserves Adequacy in 2021



Sources: CBJ, DoS, IMF, World Bank staff estimates.

Jordan's CAD in 2020 was mainly driven by a decline in services related trade—particularly tourism—due to intermittent lockdowns, the deterioration in 2021 can be explained by the underlying improvement in domestic demand amid an unprecedented increase in the global commodity prices.

The merchandize trade deficit during 2021 reported a deterioration. The external trade deficit for goods deteriorated by 34 percent to reach US$9.9 billion in 2021 as against an improvement of 15 percent in 2020 (US$7.4 billion). This is the highest increase in the country's trade deficit since 2005 when the deficit swelled by 48 percent.[43] Most of this increase in Jordan's trade deficit in 2021 can be explained by a gradual improvement in domestic demand as COVID-related restrictions gradually eased. However, substantial deterioration in Jordan's terms-of-trade, particularly that of food and fuel items, has also played an important part in widening the country's trade deficit in 2021 (Figure 9.b.). Indeed, estimates indicate that around one-fourth of total deterioration in the country's trade deficit during 2021 was only due to unfavorable changes in global commodity prices (see Box 3).

Some of the impacts of higher commodity prices on the trade balance were partially offset by strong growth in exports. Jordan's total exports grew by 17.8 percent in 2021 against a decline of 4.5 percent in 2020. This recovery was largely supported by exports of chemicals, potassium and phosphate, which together explained around two-third of the increase in the country's total exports. Demand from US, India and the neighboring GCC region together explains around two-thirds of the total increase in Jordanian exports in 2021. Moreover, disaggregated data shows that the price effect slightly dominated in driving overall growth in exports. Specifically, exports volume grew by an average 8.3 percent while their unit prices increased by 10.5 percent during this period. Notwithstanding these positive trends, Jordan's export recovery from the pandemic continues to lag its regional peers (Figure 9.c.).

Amid weak private capital flows, Jordan's access to official flows to cover the widening CAD, continued to be impressive. Foreign direct investment (FDI) on net basis declined by almost 17 percent in 2021 to 1.3 percent of GDP compared to 1.7 percent of GDP in 2020. A similar trend was observed for portfolio flows. These trends perhaps

43 As a proportion of GDP, in historical comparison, trade deficit continues to trend almost 4 percentage points lower than its average in the last ten years.

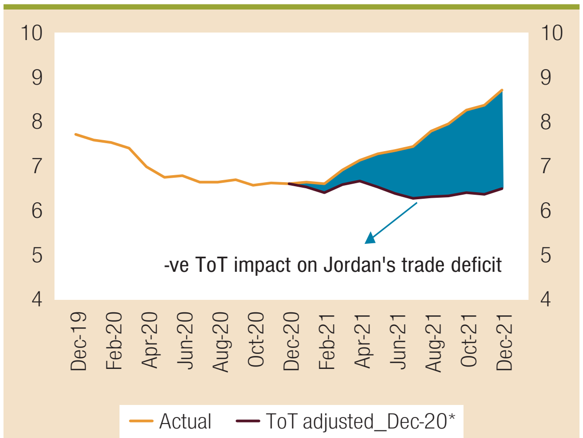
BOX 3. RECENT TERMS-OF-TRADE SHOCK AND JORDAN'S MERCHANDIZE TRADE BALANCE – A COUNTERFACTUAL ANALYSIS

The world economy is currently reeling through a significant commodity price shock. According to the IMF data, prices of major global commodities have more than doubled over the last two years. This momentum appeared to be much stronger in the case of energy prices, which are showing almost 5 times increase compared to their low in April 2020. Similarly, global food and metal prices are also marching north, albeit at relatively lower pace than energy prices. Earlier, this trend was attributable to global supply chain shortages, increases in transportation cost, and recovery in global demand from the pandemic. More recently, this attribution shifted to the war in Ukraine since both Ukraine and Russia are major food and energy suppliers. On balance, this unfolding price shock has so far disproportionately affected the external accounts of import-dependent emerging economies, such as Jordan.

The latest available data indicated a deterioration of around 10 percent in Jordan's overall terms-of-trade during 2021.[a] This unfavorable trend in trade prices led to substantial widening in country's trade deficit, which rose to around 22 percent of GDP in 2021; showing almost 5 percentage point increase over 2020. Counterfactual estimates show that, had trade prices remained at their end-2020 levels, Jordan's trade deficit would have been 25 percent lower than the actual level reported in 2021 (Figure B.5). This could be equivalent of saving around US$2.2 billion or around 18 percent of average CBJ's gross foreign reserves position in the last year.

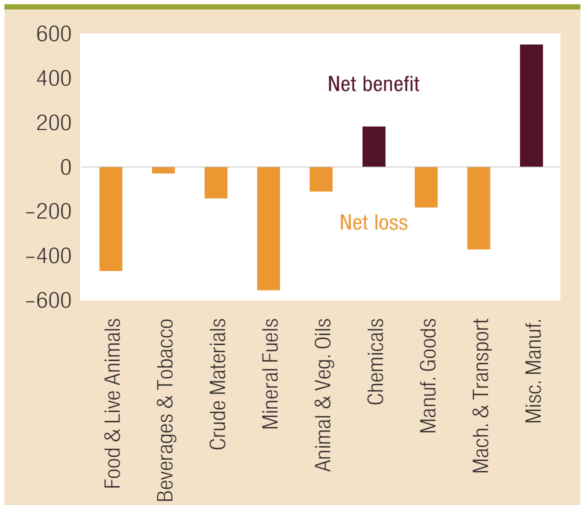
Interestingly, disaggregated analysis shows that, although the net impact of recent changes in terms-of-trade remained unfavorable for Jordan, it also benefited some products (Figure B.6). For instance, acceleration in global fertilizer prices and textile products translated into net benefit as they partially offset the impact of price hike in major imports. Overall, as expected, it is the unfavorable movement in global food and fuel prices which made a larger dent to Jordan's widening trade gap during 2021. Besides this, these underlying developments would certainly have implications for domestic inflation outlook in near-term.

FIGURE B.3 • Trade Deficit and Terms-of-Trade *(US$ billion, 12-mma)*



Source: CBJ, DoS, IMF, WB staff estimates.
Note: Disaggregate analysis excludes those commodities that are not classified elsewhere. They were around 10 and 1 percent of total imports and exports in 2021, respectively.

FIGURE B.4 • Sectoral Impact of Terms-of-Trade *(US$ million, during 2021)*



Source: CBJ, DoS, IMF, WB staff estimates.
Note: Disaggregate analysis excludes those commodities that are not classified elsewhere. They were around 10 and 1 percent of total imports and exports in 2021, respectively.

[a] When calculated for only commodity trade, i.e., after excluding the impact of manufactured and industrial items, the deterioration in terms-of-trade was very substantial (at around 22 percent) in 2021.

broadly reflect the continued uncertainty on part of foreign investors towards the emerging markets since the pandemic emerged. In addition, tightening global financial conditions and elevated borrowing costs have further raised concerns for emerging markets' outlook that restrained investors during 2021. This led to increased support in terms of official flows to support external stability (Figure 10.b.). Specifically, government net official loans rose by almost 26 percent to US$1.2 billion in 2021 compared to US$0.9 billion in 2020. This was further supported by IMF-EFF disbursements of around US$542 million on net basis and SDR augmentation of US$469 million during the year. In addition to official flows, significant retrenchment of banks' net foreign assets, driven by an approximate US$1.2 billion rise in non-resident deposits, also helped improve the domestic forex liquidity of the banking system.

Overall, developments in balance of payments remained net positive for the CBJ official gross foreign reserves adequacy. As of end December 2021, the CBJ's gross foreign reserves stood at US$19 billion; up by around US$2.1 billion from end December 2020 position. Supported by strong commitments, this improvement remained substantially higher than earlier expectations, particularly under the IMF-EFF program context.[44] This in turn helped the authorities to meet the program's net international reserves (NIR) targets by comfortable margins.[45] Importantly, standard reserves adequacy measures broadly suggest that, at the end of 2021, the CBJ foreign reserves remain at a comfortable level even in comparison to most regional and peer countries during the pandemic stress (Figure 10.c.). This trend continued during the first two months of this year as CBJ reserves position further strengthened. Together with credible dinar peg and prudent macroeconomic management, adequate position of the CBJ's foreign reserves provided much needed support to the country's overall macro stability against potential external shocks.

Monetary Policy and Inflation

Global financial conditions have continued to remain tight since the second half of 2021. In this period, commodity prices in global markets have sharply risen due to supply-demand mismatches that emerged during the pandemic. This led to an unprecedented increase in inflation across both advanced and emerging economies which pushed their central banks to raise policy rates from pandemic lows. In addition, major central banks have recently introduced measures to gradually reduce their COVID-related monetary stimulus. So far, amid higher levels of uncertainty, these developments have disproportionate effects on emerging economies through increased external outflows and weakened currencies.[46]

Jordan's economy also faced an increase in price pressures, largely due to supply-side disruptions. Specifically, being an import-dependent small open economy, changes in Jordan's term-of-trade, especially for energy and food items, remained unfavorable for domestic prices throughout last year. Furthermore, trends in global transportation costs were also not supportive.[47] Reflecting these developments, headline CPI inflation clocked in at an average 1.4 percent in 2021; the highest in the last 3 years (Figure 11.a). This increasing trend in consumer prices continued during the first two months of 2022 as headline inflation recorded at 2.2 percentage points over the same period last year.

Inflation in Jordan remained low compared with other MENA countries. Specifically, as against an inflation rate of 1.4 percent in Jordan, annual inflation in other regional countries averaged around 4 percent during 2021 (Figure 11.b). To some extent, lower inflation in Jordan is explained by slower pass-through of global commodity prices, especially those of energy products, to consumer products. For instance, against the rise in Brent crude prices by around 50 percent, domestic fuel pump prices only grew by 21 percent in 2021.[48] Thus, slower pass-through helped contain a more severe impact from

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44 For example, both 2nd and 3rd EFF reviews projected the CBJ's gross foreign reserves to be around US$17 billion in 2021.

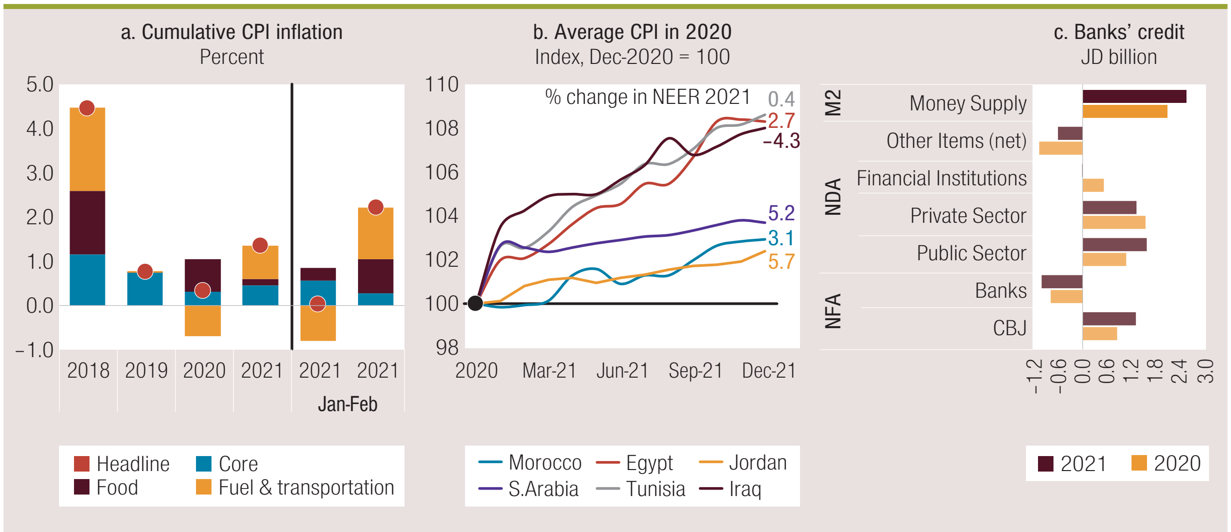
45 According to the IMF-EFF 3rd review, CBJ's NIR stock increased from US$12.7 billion as of end December 2019 to US$14.3 billion as of end September 2021.

46 On average, emerging markets' currencies depreciated by 11 percent over the last one year [Source: JP Morgan].

47 Global container cost stood at $9,437 at end of 2021 compared to $3,143 a year ago [Source: Bloomberg].

48 Apparently, this diversion has further widened in the first three months of 2022 as retail oil prices at pumps showed a marginal increase of 1.4 percent since end 2021 compared to substantial increase in global oil prices in this period.

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



Sources: CBJ, Haver, IMF and World Bank staff estimates.

the rise in global commodity prices. Furthermore, the Jordanian government has recently introduced various targeted and time-bound price control measures on imported food and vegetable items given the sharp increase in their prices in the global markets due to the war in Ukraine.[49] Even though price controls are limiting the pass-through, thus helping keep inflation at low levels, this is not a sustainable way to address inflationary pressure over the mid- to long-term. Price controls are (i) costly for government finances (thus need to be temporary at best) as well as (ii) distortive of market signals (an impediment to private sector activity, thereby to employment).

Demand-side pressures broadly remained subdued in driving consumer prices. Core inflation—measured after excluding food and energy items—stood at 0.9 percent in 2021, indicating a marginal uptick from last year's level of 0.6 percent. In terms of contribution, core inflation only explained around one-fifth of the overall increase in Jordan's consumer prices during 2021. This points towards the fact that the economy is estimated to be still operating below its potential as conditions in the labor market remained weak. Furthermore, detailed data indicates that services related prices have been major drivers behind core inflation. This highlights relatively stronger recovery in Jordan's tourism sector from the pandemic shock.

CBJ is gradually adjusting its monetary stance to limit inflationary pressures amid nascent domestic recovery and heightened external pressures. After no change over the past two years, CBJ has raised its key interest rates by 25 basis points on March 22 and 50 basis points on May 8, 2022, which moved the main CBJ policy rate to 3.25 percent. These actions follow the reversal in the Federal Reserves' policy stance and would help support dinar peg and sustain the strength and attractiveness of the JD-denominated assets against assets denominated in other currencies. In addition, it would also help anchor gradually increasing inflationary pressures. Moreover, given the recent trend in headline inflation, the real interest rates have remained positive, which will not only help anchor inflation expectations but also help sustain economic recovery in the post COVID period.

Money supply broadly remained buoyant in 2021, notwithstanding some moderation in credit growth. Around 90 percent of the increase in money supply in 2021 was due to expansion the in banking system's net domestic assets (NDA,

49 For instance, government has recently capped the general sales tax for vegetable oils at zero percent instead of earlier 4 per cent, until the end of May 2022 [Source: Jordan News Agency, Petra].

even though credit to the private sector registered deceleration in growth from 5.9 percent in 2020 to 4.8 percent in 2021 (Figure 11.c). In contrast, credit to the public sector accelerated and grew by almost 5.6 percent in 2021; indicating higher needs in the absence of external credit. Overall, deceleration in credit growth broadly explains CBJ's calibrated reversal in the monetary stance as underlying economic recovery takes hold (Box 4).[50] This stance was further cemented by recent increase in CBJ's key interest rates. Notwithstanding this gradual policy adjustment, CBJ's targeted support to the economy continued as it has extended its refinance program for 10 sectors to JD1.3 billion; the outstanding balance for refinancing program amounted to JD623 million at the end of March 2022, providing space for additional refinance exceeding JD600 million. The Bank kept the subsidized interest rates unchanged for such refinance loans to support recent recovery.[51] Unlike NDA, the marginal increase in the banking system's net foreign assets (NFA) reflected the impact of country's higher trade deficit in 2021, largely due to unfavorable changes in terms of trade amid declining export competitiveness.

Overall, the banking system remained sound and resilient. Licensed banks' non-performing loans to total loans stood at 5.0 percent in 2021. Meanwhile, banks' capital adequacy remained strong at around 18 percent and their dollarization ratio according to

50 A similar trend could also be observed in the CBJ's credit facilities to SMEs, where credit growth declined by 2 percent in 2021 over 2020.

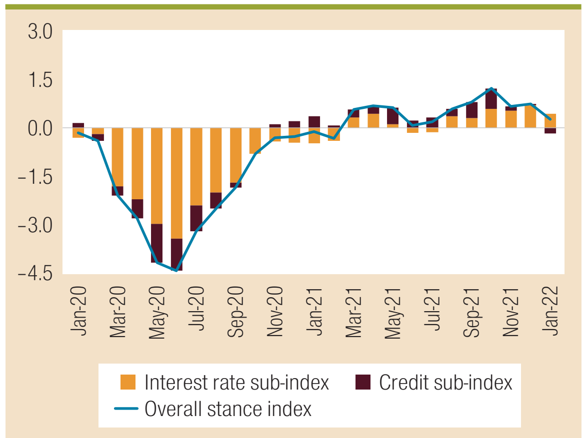
51 For details, see monetary policy decision by the CBJ.

BOX 4. CBJ'S MONETARY POLICY STANCE DURING THE PANDEMIC

The monetary policy stance of the CBJ remained accommodative throughout the initial phase of the pandemic. This stance is characterized by the timely reduction in key interest rates (by 150 bps) along with a reduction in cash reserve requirement (200 bps) and other targeted credit measures. On balance, these measures improved the licensed banks' liquidity position, which in turn supported credit growth towards both businesses and households during the downturn. Since the beginning of 2021, the monetary policy stance of the CBJ has broadly tightened compared to its average stance in 2020, as credit growth to private sector slowed from average 5.9 percent in 2020 to 4.8 percent in 2021.

The restraint in monetary conditions could also be judged through constructed monetary policy stance index for the CBJ, using both interest rate-based (such as key interest rates) and non-interest-rate policy instruments (such as credit policies).[a] The index uses a statistical approach that aggregates the information contained in both interest rate based (interest rate sub-index) and non-interest rate instruments (credit sub-index).

FIGURE B.7 • CBJ's Monetary Policy Stance Index



Source: CBJ and WB staff estimates.

It could be observed from Figure B.7: CBJ's Monetary Policy Stance Index that, led by the reduction in key rates and cash reserves requirements, the monetary conditions substantially eased during the first half of 2020. Subsequently, as the economy started to gradually recover from the shock, the monetary conditions begun to tighten**.** This trend became more prominent in 2021, largely reflected through declaration in credit growth. Recently, amid the surge in the Omicron variant, some respite appeared in the CBJ's monetary stance at the beginning of 2022, which broadly remained neutral until the CBJ's raised the interest rate in March and May 2022.

[a] Two sub-indices are estimated using the principal component analysis, with the first one capturing changes in policy rates and cash reserves requirement that affect market interest rates (interest rate sub-index) and the other aiming to capture the credit growth (credit sub-index). The variables included in the calculation of the two sub-indices are: key short-term money market interest rates, lending rate for loans to private sector, change in reserve requirement ratio, and nominal effective exchange rate (for interest rate sub-index); and growth rates of M2 (excluding government deposits) and bank lending in JD to financial institutions and private sector.

liquidity definition decreased from 21.2 percent at the end of 2018, to 19.3 percent at the end of February 2022. Of note, comfortable foreign reserves position over the last three years provided much needed support towards decreasing dollarization level in the formal economy. Despite these positive developments, recent tightening in global and domestic financial conditions call for more vigilance on the part of the CBJ to preserve financial stability. This vigilance becomes especially important as the full impact of tapering off of COVID-related relief measures has yet to be reflected in banks' balance sheets.

2

OUTLOOK AND RISKS

Jordan's economic recovery is expected to remain broadly steady this year with slight moderation due to heightened global risks. Growth is projected to reach 2.1 percent in 2022 on top of 2.2 percent growth posted last year. Underlying recovery in domestic demand amid full reopening of the economy and resumption in travel and tourism are expected to be the major growth drivers. Specifically, improved travel outlooks would help accelerate recovery in the services sector, which has been hit the hardest by the COVID-19 shock. Moreover, the government's recent Economic Priorities Program for 2021–23 is further expected to stimulate the economy through direct support to priority sectors along with increased capital spending and employment programs (see Annex 1: The government of Jordan's Economic Priorities Program for more detail). This outlook, however, is subject to notable downside risks, largely emanating from recent global developments. Most notably, supply chain bottlenecks emanating from COVID-19 concerns in China as well as headwinds from the war in Ukraine and the ensuing surge in global commodity prices are likely to create sizable external and domestic pressures on Jordan, similar to many other import-dependent economies. Furthermore, the recent tightening of global financial conditions due to hikes in policy rates in advanced economies, especially by major central banks, will have an impact on Jordan's borrowing cost on international capital markets.

Inflation is projected to moderately accelerate this year, mainly due to supply-side factors amid unfavorable outlooks for global food and energy prices. Headline CPI inflation is projected to increase to 3.3 percent in 2022 compared to 1.4 percent last year. This sequential increase in consumer prices mainly reflects a relatively higher expected pass-through of elevated international oil and other commodity prices to domestic prices. However, the overall impact of current and expected changes in global commodity prices to domestic prices is likely to be partially offset by the government's recent fiscal and administrative measures to keep a check on increase in retail consumer prices.[52] Nonetheless,

[52] Price measures included (among others) a decrease in customs tariffs to 5 percent on most imports that are not locally available, a price cap on vegetable oil, a ceiling on freight costs, reduction of GST on vegetable oil, and an exemption of imported agricultural production inputs from service fees.

these price control measures are anticipated to subside during the year. Although these measures cast uncertainty on part of the future inflation outlook, a prudent monetary stance by the CBJ would help arrest such risks through demand management.

On the external front, the current account deficit is expected to marginally decline. The CAD (incl. grants) is expected to reach 8.2 percent of GDP in 2022 compared to 8.8 percent in 2021.[53] This moderation in CAD is mainly explained by improved outlook for travel receipts, which are expected to reach levels close to those of 2018. This outlook is further supported by the complete removal of travel restrictions in Jordan and accelerated global vaccination drive. Despite projected increases in travel receipts, however, recent unfolding uncertainty resulting from the war in Ukraine is likely to keep the CAD elevated for yet another year. The anticipated slowdown in external demand in partner countries may also affect the export outlook. This together with unfavorable import prices, particularly that of food and energy, are likely to keep Jordan's merchandise trade deficit on the higher side.[54] On a positive note, the favorable price outlook for fertilizers and chemicals (being major export items for Jordan), would help arrest some of this widening.

Elevated CAD is likely to keep Jordan's gross external financing needs higher. This can be challenging given the increasing cost of borrowing in global debt markets and lower expectations of foreign investment inflows towards emerging economies, including Jordan.[55] However, Jordan continues to benefit from significant long-term and concessionary support from multilateral and bilateral partners[56] which reached 5.4 percent of GDP in 2021 (compared to past three years average of 3.9 percent of GDP).[57] Hence, most of this required external financing is expected to be met through official multilateral and bilateral financing. In this context, successful achievement of the IMF program targets along with timely implementation of Jordan's economic reform agenda remains crucial. This is also important from the perspective of maintaining credible dinar peg supported by adequate CBJ's foreign reserves position.

On the fiscal side, fiscal reforms, robust revenues performance, and economic recovery are expected to continue to support fiscal consolidation efforts. Fiscal reforms under the ongoing IMF-EFF program, especially in the areas of tax administration, are expected help improve authorities' tax collection performance going forward. Revenue collection is likely to be further supported by the expected recovery in domestic economic activity, especially in the services sector. Overall, total fiscal revenues and grants are projected to reach around 25.8 of GDP in 2022 as compared to 25.3 percent in 2021. Amid evolving risks, fiscal spending is likely to be restrained as COVID-related spending pressures ease. At the same time, the government aims at providing targeted support through

53 4M-2022 data however is pointing towards some positive development for the external sector. For instance, export during Q1-2022 grew by 40 percent, although imports also registered a growth of 29 percent. However, travel receipts reflected a strong rebound of almost 250 percent. These early signs indicate that current account deficit (as % of GDP) during 2022 may be slightly smaller than earlier projections.

54 In response to the rise in global oil prices in early 2020, the government was using its strategic reserve (about 2 months of supply) to reduce its oil imports. Price controls for oil derivatives (gasoline and diesel) have been put in place in the to mitigate the impact of inflation on the population. However, these costs will likely be significant once Jordan resumes its imports at full volumes and starts replenishing its strategic reserve.

55 Despite this, Jordan has been successful in issuing U$650 million worth Eurobonds on international markets on 30 June 2022, with a fixed coupon rate of 7.75 percent over a 5 year maturity. The issue was oversubscribed by more than 6.25 times.

56 Average time to maturity for bilateral and multilateral debt contracted in 2020 and the first half of 2021 remained relatively long at 10.1 and 8.3 years, respectively (source: WB staff calculations).

57 Based on MoF government finance bulletin (January 2022), total disbursements from multilateral and bilateral lenders reached 5.4 percent of GDP in 2022, while foreign grants stood at 2.5 percent of GDP. Additionally, according to data from the World Bank's International Debt Statistics, loan support to Jordan from official creditors is relatively high in regional comparison. In 2020, disbursements from official creditors (multilateral and bilateral loans, excluding IMF) reached 3.4 percent of GDP in Jordan, compared to 4.4, 2.4 and 1.3 percent of GDP in Morocco, Tunisia and Egypt, respectively.

higher capital spending to priority sectors. As a result, capital spending during 2022 is projected to reach 3.7 percent of GDP in 2022—a level not reached since 2015. However, recent administrative price control measures are likely to increase fiscal pressures in the near-term and could affect the outlook for capital spending.[58] As a result, the CG fiscal deficit (incl. grants) during 2022 is projected to reach 4.1 percent of GDP, or almost 1.7 percentage points lower compared to 2021 level. This would help achieve an almost balanced primary balance in 2022 compared to 1.3 percent deficit in 2021.

These developments are critical for stabilizing the country's elevated debt-to-GDP ratios. Jordan's gross government and guaranteed debt is projected to peak at 114.8 percent of GDP in 2023 before gradually declining thereafter.[59] In contrast, gross government and guaranteed debt—net of SSIF holdings—will already begin declining in 2022 to reach 89.9 percent of GDP. Nonetheless, risks to debt sustainability remain high and include lower-than-anticipated growth, slippages in fiscal consolidation, or materialization of large contingent liabilities of state-owned companies. Moreover, in the medium term, rising interest rates could raise Jordan's debt servicing costs.

On balance, due to recent external developments, uncertainty and risks surrounding Jordan's near-term economic outlook are exceptionally high. Although Jordan's direct trade links with both Ukraine and Russia are limited, negative spillovers from other channels can be significant. The war has caused a major shock to global commodity markets and poses a major threat to global food security as Ukraine and Russia are major global producers of basic agricultural commodities (wheat, maize, oilseeds), fertilizer and fuel. These dynamics also affect Jordan's capacity to continue grain imports to meet its food security needs as small buyers, like Jordan, are competing in a tight market with larger buyers and fewer suppliers. These impediments and global risk factors could limit the government's timely management of its strategic grain reserves as the primary means to mitigate shortages or price fluctuations. Additionally, if the war becomes protracted, it could further erode global confidence, increase financing costs for emerging and developing markets, and worsen energy and food insecurity. This together with sustained global supply chain disruptions could further increase inflationary pressures and may lead to faster than anticipated global monetary policy tightening and cause a marked slowdown in global growth. Already, recently released IMF WEO is pointing towards these global trends.[60] Certainly, this outlook poses substantial economic challenges for the Jordanian economy amid the country's already significant unemployment challenge.

Over the medium-term, growth is projected to increase to only 2.3 percent a year unless structural reforms are implemented at a faster pace. Medium-term growth prospects remain constrained by long standing structural impediments in the Jordanian economy Downside risks include a prolongation of the Ukraine-Russia war, continued spread of COVID-19 and the emergence of new, more contagious virus strains, persistent inflationary pressures and global supply chain disruptions as well as risks stemming from climate change and natural hazards.

58 Expenses for securing food and feed to reduce short term vulnerability to supply shocks are estimated at US$460 million over 2022–23 (source: World Bank's Emergency Food Security Project for Jordan).

59 Under the baseline scenario of the World Bank's recent debt sustainability analysis.

60 According to the IMF WEO (April 2022), global growth has been downward revised by 0.8 percentage points in 2002, while growth for Advanced Economies and Emerging Market and Developing Economies is projected 0.6 and 1.0 percentage points lower, respectively.

TABLE 1 • Jordan – Selected Economic Indicators (2018-2023)

	2018	2019	2020	2021	2022	2023
	Act.	Act.	Act.	Act.	Proj.	Proj.
Real sector			(in percent, unless otherwise specified)			
Real GDP growth	1.9	2.0	−1.6	2.2	2.1	2.3
Nominal GDP (JD Billion)	30,482	31,597	31,025	32,123	33,858	35,483
CPI Inflation (p.a.)	4.5	0.8	0.3	1.4	3.3	2.5
Government finance			(in percent of GDP, unless otherwise specified)			
Total revenues and grants	**25.7**	**24.3**	**22.7**	**25.3**	**25.8**	**24.7**
Domestic Revenue	**22.8**	**21.8**	**20.1**	**22.8**	**23.1**	**23.1**
Tax revenues	15.5	15.3	16.0	17.5	17.5	17.5
Non-tax revenues	7.3	6.5	4.1	5.3	5.6	5.6
Foreign Grants	2.9	2.5	2.5	2.5	2.7	1.6
Total expenditure (incl. use of cash)[a]	**29.3**	**29.2**	**30.0**	**31.0**	**29.9**	**29.5**
Current	25.0	25.0	27.2	27.1	26.2	26.1
Capital Expenditure	**3.1**	**3.1**	**2.7**	**3.1**	**3.7**	**3.4**
Statistical discrepancyf	0.3	0.0	0.0	0.0	0.0	0.0
Unallocated discretionary fiscal measures (cumulative)[b]	0.0	0.0	0.0	0.0	0.0	1.3
CG Overall balance (deficit (-), incl. grants)	**−3.3**	**−4.9**	**−7.3**	**−5.7**	**−4.1**	**−3.5**
CG Primary Balance (deficit (-), incl. grants)	0.0	−1.3	−3.1	−1.3	−0.1	0.4
			(in percent of GDP, unless otherwise specified)			
Government and guaranteed gross debt[c]	**92.9**	**97.4**	**109.0**	**113.8**	**114.5**	**114.8**
Government and guaranteed gross debt, net of SSIF holdings[c]	75.1	78.0	88.0	92.0	91.1	89.9
SSIF holdings of government debt[d]	17.8	19.4	21.1	21.8	23.4	24.8
External sector			(in percent of GDP, unless otherwise specified)			
Current Account (including grants)	−6.9	−1.7	−5.7	−8.8	−8.2	−6.7
Memorandum Items:						
NEPCO operating balance (JD million)[e]	−79	2	−62	−158	−427	−466
WAJ overall balance, excl. project grants (JD million)[f]	−279	−291	−257	−304	−304	−306
Export FOB (% growth)	3.2	7.3	−4.5	17.8	4.8	5.1
Import FOB (% growth)	−0.8	−5.5	−10.1	25.4	89.5	3.1
Travel Receipts (% growth)	13.2	10.2	−75.7	95.8	74.0	16.2
Remittances (% growth)	−1.1	0.9	−9.1	1.0	1.4	2.5
Gross usable Foreign Currency Reserves (US$ million)	12,512	13,511	15,127	17,272	17,395	15,720
in months of next year's imports of GNFS	6.8	8.8	7.8	8.0	7.7	6.8

Source: World Bank staff projections (JEM Spring 2022).

[a] *Includes use of cash based on IMF 3rd EFF review, Country Report No. 22/4, Jan 2022.*

[b] *Unidentified cumulative fiscal discretionary measures part of IMF 3rd EFF review, Country Report No. 22/4, Jan 2022.*

[c] *Government's direct and guaranteed debt (including NEPCO and WAJ debt) and securitization in 2019 and 2020 as per IMF 3rd EFF review, Country Report No. 22/4, Jan 2022.*

[d] *4 Projected SSIF holdings of public debt as estimated in IMF 3rd EFF review, Country Report No. 22/4, Jan 2022.*

[e] *Based on WB energy team projections.*

[f] *Based on IMF 3rd EFF review, Country Report No. 22/4, Jan 2022.*

3

SPECIAL FOCUS

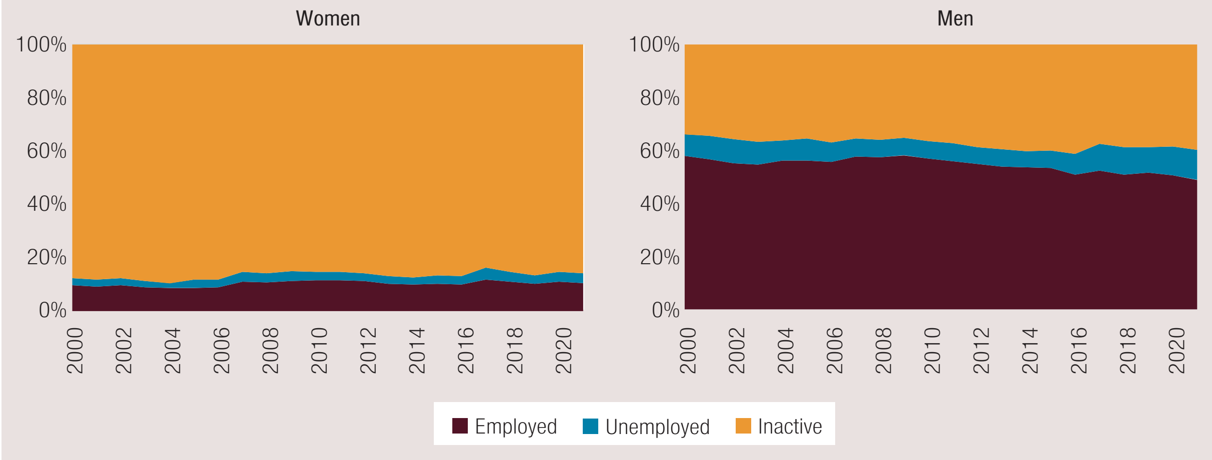
Creating more and better Jobs in Jordan

Jordan's labor market is characterized by high levels of unemployment and informality, which are largely the result of the limited capacity of the private sector to generate more and better jobs. Higher job creation is generally held back by an economic structure that is dominated by small, low-productivity firms—the result of inefficient firm dynamics. Thus, creating more and better jobs in Jordan requires, first and foremost, reforms to increase market contestability by reducing state-induced distortions. This needs to be accompanied by efforts to upskill the workforce, labor policies that facilitate job creation while protecting workers, as well as specific measures to create opportunities and lift constraints to female employment.

Jordan's labor market is characterized by persistently high levels of joblessness and informality. The latest figures (Q4-2021) depict a dire situation: 23 percent of Jordanians in the labor force are unemployed, mostly affecting youth (52 percent) and women (31 percent). Only 34 percent of Jordanians over the age of 15 are in the labor force, mainly driven by one of the lowest female labor force participation rates in the world (14 percent). These figures reflect in part the impact of the COVID-19 pandemic, and the labor market is yet to recover despite the economic rebound starting in 2021. But the level of joblessness in Jordan has been persistently high throughout the 2000s (Figure 12): only about 3 in 10 Jordanians of working age are employed (2 in the private sector and 1 in the public sector). Also, more than half of Jordanians working in the private sector are informal (72 percent including non-Jordanians)—meaning they are not covered by social security and at increased vulnerability and risks to workers. This figure that has not changed much since 2010.

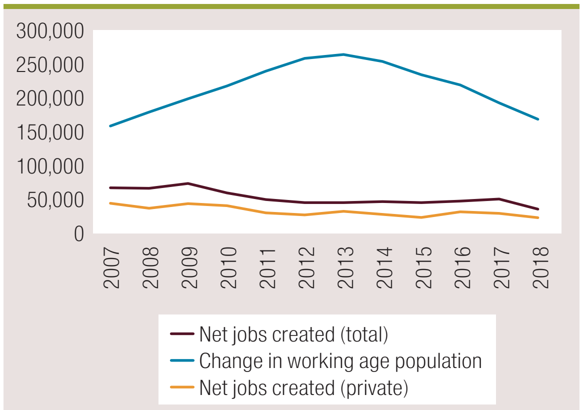
High levels of unemployment and informality are mainly explained by the limited capacity of the private sector to generate more and better jobs. Net job creation is very low and well below the flow of new entrants (Figure 13). Only two-thirds of net jobs created come from the private sector, a share that has not changed since 2007. The remarkable increase in the flow of new entrants into the labor market until 2013 comes from both Jordanians (increasingly educated) and non-Jordanians (mostly

FIGURE 12 • Joblessness Has Been Persistently Low Since 2000, Particularly among Women



Source: DoS and World Bank staff calculations.

FIGURE 13 • Low Net Job Creation, Well Below Flow of New Entrants *(Net Number of Jobs Created)*



Source: DoS and World Bank staff calculations.

low-educated).[61] Not only is the private sector not creating enough jobs, but the jobs that were created between 2000 and 2015 tended to be in lower productivity, lower skill economic activity[62] sectors like wholesale and retail trade, restaurants & hotels and manufacturing, which have lower productivity levels. And these lower productivity sectors have seen their productivity levels decline or remain stagnant, driving down overall productivity growth since 2008. Higher productivity sectors, like transport, storage and communications, have seen their employment share decline (Figure 14) since 2000.

The dynamics of labor demand and supply are compromising Jordan's economic and social prosperity. It is keeping unemployment high and private sector wages stagnant, as lower productivity makes it difficult for firms to pay higher wages. It is also decreasing the employment shares and relative wages of high-educated workers (including most Jordanians joining the labor force) relative to low-educated workers (Winkler and Gonzalez, 2019). And it is fueling job informality, as low productivity jobs tend to be informal. The low activity rates, particularly among women, are constraining economic growth, and together with high job informality, are limiting the capacity of the labor market to reduce poverty.[63] All of this is resulting in growing dissatisfaction, particularly among an increasingly educated youth, most of whom either find themselves working informally, unemployed, or inactive.[64]

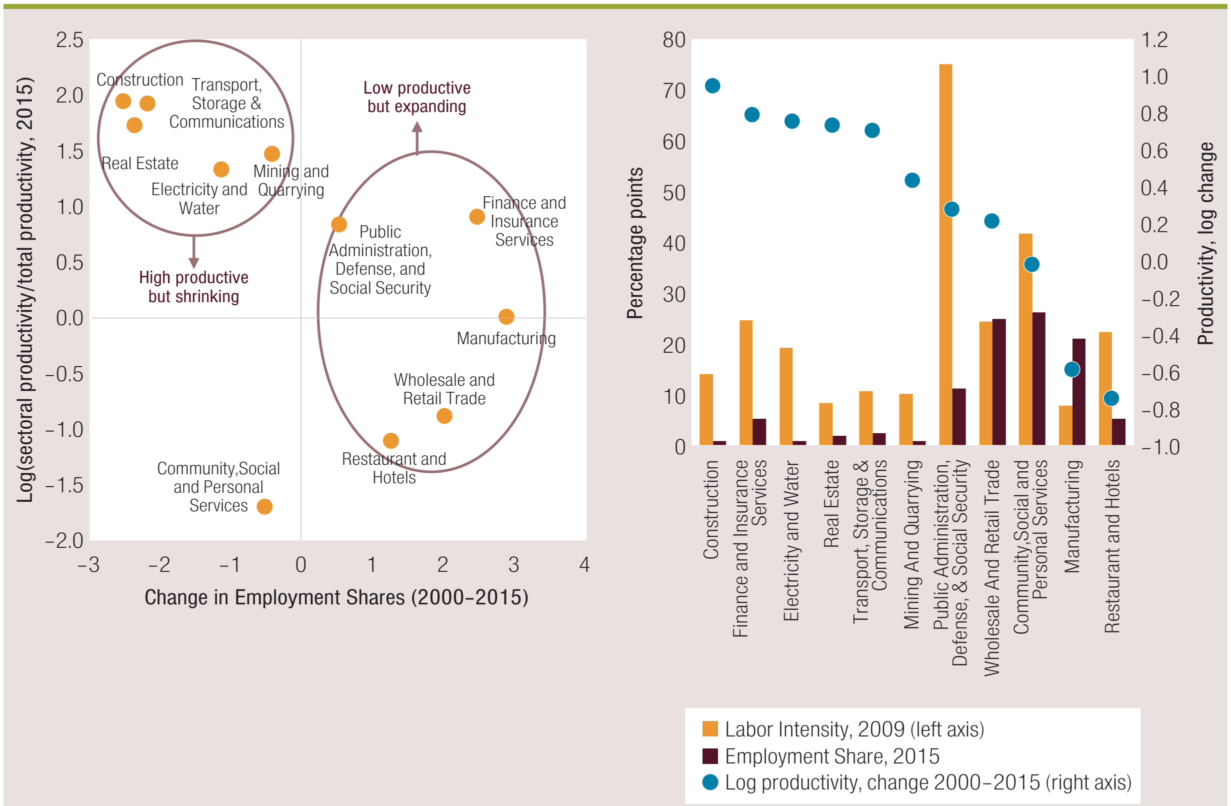
61 The size of the working age population in Jordan has doubled since 2000. Only nine other countries in the world had a higher rate of working age population growth during this period.

62 Hernan Winkler and Alvaro Gonzalez. 2019. Jobs Diagnostic: Jordan, Jobs Series Issue No. 18, World Bank Group.

63 Lugo, Maria Ana; Muller, Miriam; Wai-Poi, Matthew Grant. 2020. Middle East and North Africa – Women's Economic Participation in Iraq, Jordan, and Lebanon. Washington, D.C.: World Bank Group.

64 About 41 percent of 18-29-year-olds—25 percent of men, 61 percent of women—are not employed, nor enrolled in education or training (DoS).

FIGURE 14 • Sectors Creating Most of the Jobs Tend to Be Less Productive and the Productivity of These Sectors Has Declined or Remained Stagnant

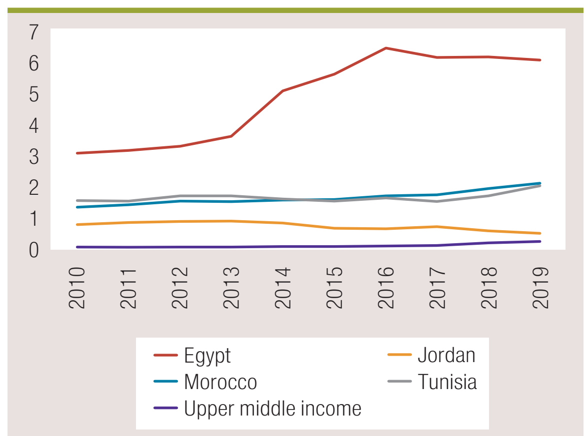


Source: Winkler and Gonzalez,(2019) based on DoS data.

Inefficient firm dynamics lead to a stunted private sector dominated by small, low productivity firms. There is a persistently low rate of firm entry, well below the average for upper middle-income countries (Figure 15).[65] Firm growth is not driven by the most productive firms, and firms exiting the market are not always the least productive. Inefficient firm dynamics has resulted in a productive structure dominated by small/micro, low-productivity firms: 43 percent of private sector workers are employed in micro-enterprises (less than 10 workers) (Figure 16), 80 percent of whom are informal (accounting for 72 percent of all Jordanian private sector informal workers) and earn, on average, 58 percent of the salary of employees of firms with 100 or more employees. And there is very little mobility: almost all firms that were small in 2016 were still small in 2019 (World Bank Enterprise Surveys), and over 80

[65] The percentage of 'young' firms (5 years or less) is also declining in Jordan, suggesting not just difficulties with business registration but also increased exit of young firms (World Bank Enterprise Surveys: https://www.enterprisesurveys.org/en/enterprisesurveys).

FIGURE 15 • New Business Density *(New Registrations Per 1,000 People Ages 15-64)*



Source: WDI and World Bank staff calculations.

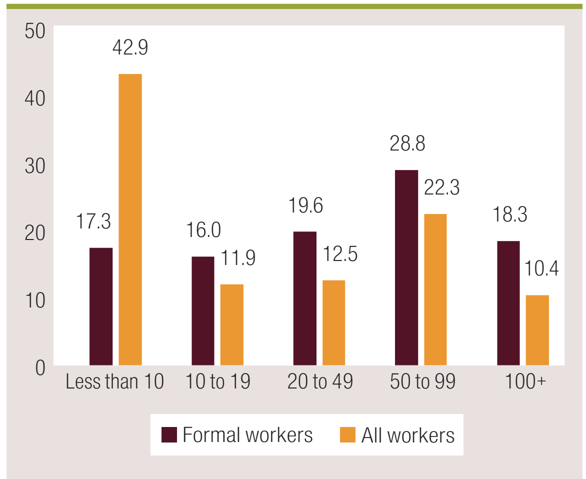
percent of workers who were informal in 2010 remained informal in 2016 (Jordan Labor Market Panel Survey).

This is not a productive structure that will allow Jordan to compete with the rest of the world, nor provide opportunities to Jordanians. With a small domestic market, the only option for the Jordanian economy to grow sustainably and to generate more and better jobs is to rely on exports and to attract foreign investment. However, the current productive structure is not oriented towards this goal. In 2019, exports and FDI only accounted for 36 percent and 1.6 percent of GDP, respectively (down from their respective peaks of 56 percent in 2008 and 24 percent in 2006). With accelerating technological change and globalization, this productive structure will only cause Jordan to diverge further away from other upper middle-income countries. This is because technological change and globalization are rewarding frontier firms at the expense of lagging firms,[66] and rewarding countries with a high share of productive firms at the expense of others with high shares of lagging firms.[67] Technological change is also making jobs in high-income and upper-middle income countries more intensive in non-routine, cognitive and interpersonal tasks. Workers in Jordan perform significantly fewer of these tasks compared to other upper middle-income countries like Turkey.[68]

Thus, creating more and better jobs in Jordan is mainly about increasing market contestability to ease firm entry, and to ensure efficient growth and exit of firms. This means that more productive firms are the ones growing and creating the most jobs as well as staying in the market, while the least productive contract or exit the market.[69] Jordan, as most other MENA countries, lacks market contestability, favoring incumbent firms (SOEs or private) over new entrants. As an illustration, 9 percent of firms are 'politically connected' (12 amongst larger firms), well above the average for upper middle-income countries (4 percent).[70]

Increasing market contestability involves, first and foremost, reducing state-induced distortions in the product market. The presence of State-Owned Enterprises (SOEs) in natural monopolies, like the National Electric Power Company (NEPCO) and the Water Authority (WA), may be justified, while keeping in mind the associated social and fiscal costs.[71]

FIGURE 16 • Distribution of Jordanian Regular Employees in Private Sector *(Share of Total in Percent)*



Source: DoS and World Bank staff calculations.

[66] Berlingieri, G., P. Blanchenay, and C. Criscuolo. 2017. The Great Divergence(s). OECD Science, Technology and Industry Policy Paper 39. Paris: OECD.

[67] Cristobal Ridao-Cano and Christian Bodewig, 2018. Growing United: Upgrading Europe's Convergence Machine, World Bank Group, Washington DC.

[68] Asif M. Islam, Dalal Moosa, and Federica Saliola, forthcoming. Jobs Undone: Reshaping the Role of Governments toward Markets and Workers in MENA, World Bank Group, Washington DC.

[69] This section draws from Islam, Moosa, and Saliola (forthcoming), who collected and analyzed Product Market Regulations (PMRs) for Jordan and other MENA countries against 37 high-income and 14 upper-middle-income countries. PMRs directly affect market contestability through the costs that firms face when they enter the market, and the degree of competition between the firms that already exist in this market. The rigidity or flexibility of PMRs affect the number of firms that operate, their growth, and their ability to create jobs.

[70] Meaning the owner, CEO, top manager or any of the board members of the firm has ever been elected or appointed to a political position (World Bank Enterprise Survey, 2019).

[71] State-Owned Enterprises NEPCO and WAJ create sizeable fiscal cost and contingent liabilities for Jordan. For instance, combined losses from just these two SOEs has been around 1 percent of GDP on average over last three years. These are also expected to increase significantly in future when the largest PPA related to energy and water sector comes on board.

However, the economic rationale for the presence of SOEs in 14 other subsectors is unclear.[72] There is often a lack of competitive neutrality (level-playing field) between SOEs and private sector peers in sectors where SOEs are active. Also, price controls are still prevalent in Jordan, including on staple foods, medicines, cellular communications, and internet services. Even if well-intended, these price controls lead to inefficiencies. Beyond price controls, business regulations are also subject to frequent and unpredictable (for businesses) changes that are not based on impact assessments.[73]

Creating employment opportunities in the private sector also requires reforms to public pay and employment policies to reduce the public sector wage premium. Private sector wages were stagnant during the 2010s, while public wages grew, increasing the wage gap between the public and private sectors (Winkler and Gonzalez 2019), reaching 25 percent in 2018. The wage premium in the public sector relative to the private sector for a similar type of worker and job also increased during the 2010s, reaching 18 percent in 2018. The public sector wage premium is largest among the lowest wage decile (i.e., the poorest 10 percent of workers) (36 percent) and becomes negative for the highest wage decile (–5 percent).[74] The wage premium matters because the public sector accounts for a high share of total employment (40 percent in 2020, up from 38 percent in 2010). As such, the wage premium tends to push private sector wages up, particularly among low-skill workers, eroding competitiveness. The large wage premium and size of the public sector also generate a fiscally unsustainable wage bill. Reducing them requires reforming public employment and pay policies, an increase in the share of contracted workers versus civil servants, and tying pay more closely to performance.

Beyond reducing distortions, it is important to continue reducing entry barriers and improving supporting infrastructures for businesses. Jordan has made significant progress in reducing entry barriers, but there is still ample room to: (i) further streamline business registration; (ii) reduce entry barriers in network industries and professional services (e.g., accounting, legal, engineering); and (iii) reduce restrictions on FDI (e.g., restrictions on joint ventures) and on hiring foreign workers in professional services. Ongoing efforts and investments to improve the infrastructure for business development should continue, including the infrastructure for the digital economy (e.g., broadband internet, digital payments) and the financial infrastructure for accessing credit and other financial services. All of the above horizontal reforms to revitalize the private sector can also be complemented with targeted support to firms with the highest growth potential for employment, including female and youth employment (e.g., ITO/BPO businesses), aiming to help improve their performance and access to new markets.

Labor and social insurance policies can help create more and better jobs while protecting workers. Labor regulations regarding the hiring and firing of workers, as well as the setting of the minimum wage, should aim to protect workers while giving enough flexibility to firms to hire and fire in response to changes in demand. Social insurance programs run by the Social Security Corporation (SSC) are meant to protect workers throughout their careers and upon retirement, while minimizing distortions to the labor market. And labor programs should aim to help jobseekers connect to the labor market by providing employability and job placement support.

- **Making labor regulations more pro-employment**. The GOJ has made good progress in introducing flexible forms of employment, like part-time work, although more effort is needed to raise awareness among companies and workers. The ratio of the minimum wage (JD 260) to value added per worker (0.59) is relatively high,[75] although the minimum wage does not appear

72 For example: air and road transportation; manufacture of refined petroleum products and chemicals; whole and retail trade; accommodation, food and beverage services; insurance and pension funds.

73 Based on the assessment of PMRs in Jordan and the views of business, as reflected in World Bank, 2021.

74 Javier Sanchez-Reaza, Mehtabul Azam, Carole Chartouni, and Friederike Rother, forthcoming. Jordan's Public-Private Compensation Premia, World Bank Group, Washington DC.

75 Islam, Moosa, and Saliola, World Bank, (forthcoming).

to be too binding yet: there is not too much concentration of private sector wages around the minimum wage, and most workers earn above it.[76] However, nothing prevents the minimum wage from becoming binding and thus a constraint to job creation. And the existence of a separate (lower) minimum wage for non-Jordanians is distorting the labor market. Thus, going forward, the priority would be to set up a single minimum wage for all workers as well as objective criteria (e.g., productivity growth) for adjusting it.

- **Enhancing worker protection**. Labor regulations and social insurance programs do provide the right protections, but most workers do not benefit from them by virtue of being informal. Enhancing labor inspection, including by making it more risk-based, will help much because most informal workers are employed in micro-firms. Thus, going forward, while efforts to 'formalize' (i.e., have informal workers join mandatory SSC programs) can continue, voluntary savings schemes could also be considered to provide protection to informal workers with some capacity to save in a financially sustainable way, as well as providing complementary benefits to formal sector workers.
- **Improving employment support.** There is ample room to enhance employment support through labor programs. The Ministry of Labor (MOL) is building an effective digital platform to intermediate job-matching and employment support, including through the recently launched and private sector-driven National Employment Program (NEP). The priority going forward is to invest in impactful employment support programs, targeting youth and women.

Policies to revitalize the private sector to create more and better jobs need to be accompanied by efforts to improve the skills of the workforce. Jordanian youth are becoming more educated (half of 25–29 year-olds are college-educated, well above the OECD average). Yet, unemployment among college-educated workers is higher than for any other education group and it is increasing (25 percent in 2019, up from 16 percent in 2010). Part of the reason is that there are not enough jobs for college graduates. But there is also a significant skills mismatch: 53 percent of working youth do not have qualifications matching their occupation. Schools and universities are not equipping youth with skills relevant for the labor markets of both today and tomorrow—the result of a supply-driven education and training system. In the short-term, the priority is to invest in demand-driven skills training for the workforce. Over the medium to longer term, reforms are needed to ensure all Jordanian children acquire minimum levels of foundational 21st century skills, along with reforms to improve the quality and relevance of technical, vocational and higher education.[77] Specific reform priorities include:

- **Modernizing vocational education** by: (i) changing the 'narrative' of vocational education to one that is not associated with failure and is future-oriented, covering blue, grey, and white-collar qualifications; (ii) planning and facilitating a gradual and organic growth of vocational education over time; and (iii) introducing futuristic short-term courses that focus on the adoption of new technologies across sectors.
- **Enhancing private sector participation** by/through: (i) leveraging/empowering Sector Skill Councils (SSCs) for market intelligence, standards and job connections; (ii) short-term market-oriented courses (3–6 months) with credit links for horizontal and vertical mobility; and (iii) Public-Private Partnerships (PPPs) in select Vocational Training Centers (VTCs), and moving towards the Al Hussein Technical University (HTU) model of active private sector involvement

[76] According to the Employment and Unemployment Survey data from DOS, about 17 percent of workers earn JD 240 and 280 per month in 2018, 13 percent if only considering formal sector workers. And 64 percent of workers earn JD 300 or more (76 percent for formal sector workers, which is consistent with the data from Social Security Corporation (SSC) for registered workers).

[77] '21st Century Skills' include strong foundational cognitive and socioemotional skills, as well as technical, digital, and entrepreneurship skills.

in skills development and vocational training programs.

- **Making skills aspirational** by/through (i) skill competitions; (ii) communication (social media and digital marketing; and (iii) international connections, making Jordan a skill hub in specific upcoming sectors linked to global market demands (e.g., cybersecurity, business process automation).
- **Streamlining institutions** by/through: (i) reforming the Technical Vocational Skills Development Council (TVSD) and Commission (TVSDC); (ii) promoting a coordinated (MOL, Ministry of Education (MOE) and other relevant ministries involved in skills development) approach, including clarifying roles, responsibilities and leadership; and (iii) introducing a Labor Market Information System (LMIS).

Specific measures are needed to create opportunities and lift constraints to female employment. Women are far less likely than men to be in the labor force—female participation rates peak at age 24. Women are also more likely to be unemployed and earn 14 percent less than men with similar characteristics. And yet women are becoming as educated (if not more) than men, and value work (almost) as much as men,[78] and 60 percent of jobless women would like to work.[79] Why? social norms are a big driving factor, but global experience shows that norms change as more women join the labor force. How? by implementing all the above policies to create more and better jobs, but also by creating opportunities for and lifting specific constraints to female employment. Some of the key measures that could be taken, including:

- **Eliminating legal restrictions to women's participation in the economy**. Despite progress in recent years, legal restrictions still exist around getting a job, pursuing a trade/profession, choosing working hours, traveling, being a household head, or choosing where to live—all of which directly impact women's opportunities to participate in the economy on equal terms to men. The Women, Business and the Law (WBL) index for 2021 ranks Jordan 178 out of 190 countries. Priorities for reform include the Labor Law (e.g., to address sexual harassment and to introduce paternity leave), Child Rights Law, and the Personal Status Code (asset ownership), as well as ensuring laws protecting the rights of women are implemented.
- **Enabling the private sector to become the main job creator for women**. Women are a great potential source of private sector growth. Tapping on that potential will take more information about and encouragement for women to work in the private sector, but also: (i) increasing gender diversity in the workplace and company boards, including through the use of role models and champions; (ii) focusing on sectors with potential for female employment growth, including tourism and digital, as well as 'satellite' companies in ITO/BPO, food processing and manufacturing; and (iii) improving public transportation.
- **Expanding access to quality childcare.** Less than 1 percent of children under the age of 5 have access to formal childcare, and 25 percent of jobless women say they would be willing to work if childcare services were available (World Bank, forthcoming). Expanding access to quality childcare would not only allow for more women to work but it will also create more job opportunities for women. Reform priorities include: (i) streamlining licensing of childcare providers; (ii) professionalization of care workers; (ii) repurposing community centers for childcare and after-school service provision; and (ii) targeted support to new providers.
- **Increasing women's financial inclusion and entrepreneurship.** Women have more limited access to finance than men, which constraints female entrepreneurship. Reform priorities include: (i) investment and exports related

[78] According to the 2018 World Values Survey, nearly 80 percent of Jordanian women think that work is a very/rather important part of life (90 percent of men do).

[79] World Bank (forthcoming). Childcare Services in Jordan: Assessment of Supply and Demand, Mashreq Gender Facility, World Bank, Washington DC.

reforms to facilitate growth of female-owned business; and (ii) diversifying credit products and services, alongside targeted financial literacy training, to expand women's access to credit.

The jobs reform agenda laid out in this note is not without challenges, but the status quo is not an option, and the experience in Jordan and elsewhere offers some guidance on the way forward. The approach so far in Jordan has been to tackle the jobs issue as a problem that can be mainly addressed through labor policies or policies that replace non-Jordanian workers with Jordanian workers. Some have also suggested that a big part of the problem is brain-drain to GCC countries. The evidence presented in this note shows that the main reason why there are not enough jobs of good quality is because the private sector is stunted. Thus, reducing unemployment and job informality for Jordanians (and non-Jordanians) requires, first and foremost, revitalizing the private sector, to be accompanied by efforts to encourage the upskilling of the workforce to meet the demands in today's market and the markets of the future. Labor policies can help, as can specific measures to increase female employment. Thus, any jobs reform agenda in Jordan should include all these policy areas. The experience from Jordan and elsewhere also point to the need to ensure private sector and public support for reforms, as well as the continuity of the reform agenda across administrations.

ANNEX 1

The Government of Jordan's Economic Priorities Program

On 29 August 2021, the government presented its economic priorities program for 2021–23, aimed at supporting economic growth and recovery from the impact of the COVID-19 pandemic. The total value of the program stands at JD480 million, of which JD200 is financed from foreign assistance. Moreover, major projects in partnership with the private sector are estimated at about JD3.8 billion. The program includes 53 priorities distributed over 3 main areas:

(1) Improving the investment environment and doing business:

- Develop a legislative and institutional environment conducive to investment and doing business.
- Reduce the cost of electricity, restructuring customs tariffs, and facilitating access to finance.
- Accelerate the digitization and stimulate investment and stimulating the capital market.
- Launch infrastructure projects and partnership projects with the private sector:

Project	
2021 projects	**Amount**
Build 15 new public schools	JD30 million
High-speed buses between Amman and Zarqa	JD30 million
Buildings, cargo, and passenger yards in King Hussein Bridge border crossing	JD96 million
Irbid Central Market	JD60 million
National water carrier	JD2 billion
Use solar thermal energy in government and military hospitals	JD30 million
2022 projects	
National railway network project	JD1.6 billion
Regional electrical interconnection projects	JD55 million
Production expansion in Hamza oil field	JD17.2 million
Production expansion in Risha gas field	JD38 million
Public transport service.s	JD2 million

(2) Enhancing competition and stimulating the private sector to provide sustainable employment opportunities:

- Amend legislation and procedures to ensure fair competition and ease of entry to the local market.
- Amend the Social Security Law to reduce contributions for new subscribers and link contributions to economic performance.
- Amend the Labor Law with the aim of creating a safe working environment for women.
- Extend the sustainability program until end-June 2022, at a value of JD 30 million.
- Launch of the National Employment Program (direct support for insurance contributions, wage support, and skills development) at a value of JD80 million.

(3) Supporting priority economic sectors:

- ***Tourism sector:*** Attract 4.5 million tourists to Jordan by 2023.

Project	Amount
Support low-cost charter flights and bring in an additional low-cost charter carrier.	JD42.8 million
Enhance competitiveness by reviewing legislation related to the tourism sector.	JD 200,000
Launch new tourism identity for Jordan.	JD1.5 million
Develop and promote service and tourism products.	JD20 million
Provide financial facilities for at least 90% of the businesses affected by the pandemic.	JD20 million
Increase the interaction rate on digital communication channels by 10% by 2023.	JD15.8 million
Launch electronic visas for target countries	

- ***Agricultural sector:*** Increase agricultural output by more than 20 percent by 2023:
- Encourage adoption of modern agricultural technology.
- Grant JD10 million in loans to agricultural initiatives that use automated, digital, modern processes, technologies, or procedures.
- Establish an agricultural marketing company (at JD7 million) to develop and operate an online platform for marketing and exporting.
- Explore investment opportunities for food processing with the private sector.
- ***Information Technology***: Promote Jordan as a regional center for digital transformation and IT services by developing a roadmap to launch the 5th generation domain and attracting 10 investment opportunities in supportive fields.
- ***Industrial sector:*** Support the growth and export potential of the industrial sector by providing infrastructure that stimulates investment.

ANNEX 2

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 – Addressing Fiscal Commitments and Contingency Liability Management for PPP Projects in Jordan	March 14, 2022	Brief
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

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Title	Publication Date	Document Type
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
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

ANNEX 3

Summary of Special Focuses from the Latest Jordan Economic Monitors

Fall 2021 JEM: "How wealthy is Jordan? Measuring Jordan's comprehensive wealth using Wealth of Nations Approach (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 polices 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 regulatory environment.

Fall 2021 JEM: "Public Transportation Challenges in Jordan"

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.

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.

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