



Social Expenditure Monitor for Jordan

Towards making public social expenditure more equitable, efficient and effective



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The paper was prepared by a team led by Niranjana Sarangi, Senior Economic Affairs Officer and Coordinator of the project, Omar Hakouz, Regional Statistics Advisor, Nour Rmeih, Research Assistant, Ahmed Al-Alwan, Consultant, Marwen Hkiri, Economist; Dana Hamdan, Research Assistant; and Layal Darwiche, Research Assistant.

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Key messages

-
- *Improve monitoring and governance of social programmes for a more equitable, efficient and effective social policy in order to promote inclusive growth and achieve the Sustainable Development Goals, for which the social expenditure monitor (SEM) can be a useful tool for governments.*
-
- *Enhance fiscal space for increasing social expenditures in critical areas of social policy, such as quality education and health services, early childhood development, social insurance, labour markets, research and development and climate actions, which improve productivity and resilience to systemic shocks.*
-
- *Reprioritize allocations to critical social policy areas with a balanced mix of expenditures for improving human development, human capital and economic growth.*
-
- *Modernize the public transfer system in order to ensure transparency, provide efficient and quality service delivery and better target vulnerable populations.*
-
- *Accelerate reforms in public finance management (PFM) to rebalance social service delivery and improve fiscal stability.*
-

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Abbreviations

COVID-19	coronavirus disease
ESCWA	Economic and Social Commission for Western Asia
GDP	gross domestic product
IHDI	inequality-adjusted human development index
IMF	International Monetary Fund
PFM	public finance management
SDGs	Sustainable Development Goals
SEM	social expenditure monitor

Key recommendations

1. Improve the monitoring and governance of social programmes for a more equitable, efficient and effective social policy in order to promote inclusive growth. This requires: (i) improving the holistic monitoring of social programmes that support the achievement of the Sustainable Development Goals (SDGs), for which SEM can be useful; (ii) implementing a culture of periodic evaluation for public social programmes and identifying areas of improvement; and (iii) modernizing the public transfer system in order to ensure transparency, provide efficient and quality service delivery and better target populations in need, including children, young people, women and poor and vulnerable groups. This is essential not only to improving outcomes but also to ensuring that the basic rights are enjoyed by all people.
2. Reprioritize allocations to critical social policy areas with a balanced mix of expenditures for improving human development, human capital and economic growth. This requires: (i) assessing strategic areas of public expenditure that have a transformational impact, moving beyond traditional social expenditures on health, education and social protection and including other productive areas such as employment generation, environmental protection, housing, connectivity and community services, and culture and sports; (ii) rechanneling allocations to more productive areas, such as rebalancing current and capital expenditures within social sectors; and (iii) applying a simulation tool that provides policymakers with public social expenditure scenarios that align with macrofiscal policy. SEM provides a very useful simulation tool to guide public policies in this regard.
3. Strengthen skills training, incentivize entrepreneurial start-ups and encourage research and innovation in sectors such as education, health, agriculture, the environment and culture. This requires: (i) providing fiscal incentives and boosting investment in new sectors with high job creation (e.g. the environmental sector, renewable energy and organic farming); (ii) increasing the quality of higher education and post-secondary skills training to better adapt to labour market requirements, with a view to lowering the unemployment rate and reducing social vulnerability; (iii) promoting programmes that directly create jobs for low- or semi-skilled individuals and have a high impact on creating productive assets, similar to the National Rural Employment Guarantee Programme of India; and (iv) enhancing resilience to global crises, climate change and natural disasters.
4. Enhance fiscal space for increasing social expenditures in education, health and the ecological transition, which are critical to improving resilience to systemic shocks. The danger of falling into debt often forces Governments to adopt a fiscal austerity package, which poses a real threat to both the level and quality of social expenditures. Enhancing fiscal space would require: (i) improving domestic revenue mobilization

- by increasing tax collection, reassessing the tax base, enhancing tax equity and progressivity and addressing inefficiencies; (ii) developing debt-stabilizing scenarios over the medium term, along with medium-term frameworks for revenues and expenditures, taking into account any need to increase existing borrowing or take on new borrowing to help expand the fiscal space in order to finance the SDGs; and (iii) operationalizing innovative debt relief instruments, such as the ESCWA Climate/SDGs Debt Swap Mechanism to improve climate financing and accelerate progress on the SDGs.
5. Address the complex challenges faced when allocating budgetary resources to social expenditures (e.g. the population's growing social needs; budgetary consolidation; inequalities, including gender inequalities; and vulnerabilities as a result of new pandemics and climate change). This will require: (i) better targeting beneficiaries of social programmes; (ii) improving the reallocation of social expenditures in favour of investment spending; and (iii) establishing a common base for identifying social protection needs in a way that enhances inclusion and resilience.
 6. Accelerate reforms in public finance management (PFM) to rebalance social service delivery and improve macrofiscal stability. This requires: (i) developing a carefully designed PFM road map, including a process for sequencing PFM reforms that factors in the strengths and weaknesses of existing systems, resources and capacity constraints; (ii) prioritizing significant PFM system bottlenecks and core PFM functions that focus on financial compliance; (iii) improving budget reporting mechanisms, for both financial and non-financial performance reporting; and (iv) improving data and the quality of information to support policy design.
 7. Promote digitization as an opportunity to improve targeting and the efficiency of social expenditures. Digital social transfers can improve the efficiency of public interventions for families in need. Digitizing tax administration increases tax revenues and provides the Government with the necessary fiscal space to invest in basic social services. In addition, digitization increases transparency and effectiveness and provides new detection and monitoring capabilities to combat corruption.
 8. Foster gender-based budgeting in the budget cycle, the national development plan and all social programmes that reduce gender gaps by providing additional rights, protection from violence and equal access to all social sectors, particularly the labour market, because women deserve the right to decent work. More funds are required to finance these social areas.
 9. Implement a good communication policy on SEM. This will (i) improve the country's international fiscal transparency ranking; (ii) improve environmental, social and governance performance, which can have a positive impact on the country's creditworthiness since all major credit rating agencies (i.e. Fitch, Standard & Poor's and Moody's) have integrated such criteria into their sovereign credit rating process; and (iii) use SEM to mobilize finance through commitments of official development assistance and climate pledges from developed countries.

Introduction

The pressure arising from fiscal space and sustainability challenges has been growing in Jordan and the Arab region, emphasizing the need to invest in structural transformation, human development and the SDGs. Aligning public expenditure with macrofiscal sustainability and social development priorities remains a key challenge in the region.

Social expenditures facilitate the achievement of several SDGs, and social expenditure patterns can significantly influence a country's social development performance. The 2030 Agenda for Sustainable Development has therefore underscored the importance of incorporating strategies to improve education, health and economic growth into efforts to tackle poverty and other issues.¹ This is particularly significant, as the correct composition of social investments and social protection measures can enhance economic and human development and help to achieve the SDGs.²

The effectiveness of social expenditure depends on whether decisions are well-informed and efficient, given the coherence of macroeconomic policies and available fiscal space. Since meeting society's needs with a given budget has become more challenging as stress on fiscal space rises, the need arises to monitor public expenditure, particularly social expenditure. A comprehensive mechanism such as SEM helps to ensure that budget allocations are more efficient and effective in

achieving social development priorities and the SDGs.³

Since 2015, the Jordanian Government has been on a path to incorporate the SDGs in its national development plans. In 2016, it launched Jordan 2025: A National Vision and Strategy, which is a 10-year socioeconomic blueprint to establish a long-term vision for the country aimed at creating an inclusive and resilient economy through inclusion and reform. It also launched the 2018–2022 Jordan Economic Growth Plan to promote inclusive growth. In 2019, the country was among the first in the Arab region, along with Tunisia, to implement the SEM pilot project in its national context to monitor public social expenditure.

The structure of this paper is as follows: section two presents an overview of the country's macrofiscal performance and fiscal situation in the context of the coronavirus disease (COVID-19). Section three discusses the notion of social expenditure in the context of the SDGs, explores key results from mapping the national budget to the SEM framework and compares these results to other frameworks. Section four focuses on the overall trends and composition of social expenditure, as well as the main highlights and challenges facing various social areas and beneficiaries. Section five provides an analysis of social expenditure by beneficiary population, followed by an analysis of the

1 Paliova and others, 2019.

2 Sarangi and von Bonin, 2017.

3 ESCWA, 2019.

efficiency of public social expenditure and policy implication. Section six discusses the planning and budgeting reforms implemented

in Jordan and their role in improving the effectiveness and efficiency of social expenditure. The final section summarizes key findings.

1. Macrofiscal overview: Limited fiscal space constrains public social expenditure

The Jordanian economy has been exposed to many economic and social crises in the past three decades. The most prominent was the economic crisis of 1989, which increased the financing gap and reduced the country's sources of income, owing to decreases in the volume of Arab aid, remittances from Jordanians working abroad, the demand for Jordanian workers and national export markets. These challenges were also accompanied by a noticeable increase in deficits in the balance of payments and the general budget, an aggravated problem of external indebtedness and the depletion of official foreign currency reserves. The crisis led to a sharp decline in economic growth, a noticeable surge in the unemployment rate and monetary destabilization due to a deteriorating exchange rate for the Jordanian dinar and a rise in inflation, which resulted in a significant decline in the standard of living, as measured by gross domestic product (GDP) per capita. Accordingly, the Jordanian Government began to implement economic and structural reform programmes in cooperation with the International Monetary Fund (IMF), including budget reforms.

A. Macroeconomic situation in the context of COVID-19

Economic growth in Jordan has been declining for several years, and the COVID-19 pandemic further contracted growth from 2.2 per cent in 2019 to 0.5 per cent in 2020 (figure 1). The Jordan 2025 vision projected a target growth rate of 6.5 per cent in 2021 and 7.5 per cent by 2025⁴; however, the pandemic inflicted a heavy toll on the country's economy in 2020. Fiscal and external deficits widened and individuals were pushed out of the labour force.⁵ Strict lockdown measures to contain the crisis resulted in the contraction of the 2020 output and losses in terms of jobs and income. In addition to the pandemic, Jordan is impacted by other exogenous shocks, such as a high influx of displaced persons from the Syrian Arab Republic, which rapidly increased the Jordanian population by over 13 per cent, and a disruption in trade routes into and through Iraq and the Syrian Arab Republic, which Jordan has traditionally relied on for imports and exports. Projections of economic growth beyond 2020 show signs of a slow recovery, with an inflation

4 Economic Policy Council of Jordan, 2018.

5 Economic Policy Council of Jordan, 2018; IMF, 2021.

rate of -0.3 per cent, owing to efforts undertaken by the Central Bank of Jordan (including a cut in rates) to contain inflationary pressures. Nevertheless, the unemployment rate remains high, at 23.2 per cent in the third quarter of 2021, particularly among young people, graduates and women.⁶

Limited fiscal space and overall external sector vulnerability are emerging as significant impediments to financing inclusive recovery and development aspirations. In 2020, the Government's primary fiscal deficit (excluding grants and transfers to the National Electric Power Company and the Water Authority of Jordan) stood at -4.7 per cent of GDP. Public debt reached a high of 88 per cent of GDP in 2020 and is expected to reach 91.2 per cent in 2021 (figure 2), despite the fact that domestic revenue will increase from 21.8 per cent of GDP in 2019 to a projected 22.3 per cent in 2021 and 23.2 per cent in 2022, driven by an increase in tax revenues (i.e. value added tax and personal and income taxes).⁷ Nevertheless, the combined public sector deficit has broadened because the planned fiscal consolidation was not met, primarily owing to insufficient revenue

collection. The gross debt (including debt from the National Electric Power Company and the Water Authority of Jordan) reached 108.7 per cent at the end of July 2021 but is expected to reach 113 per cent in 2021.⁸

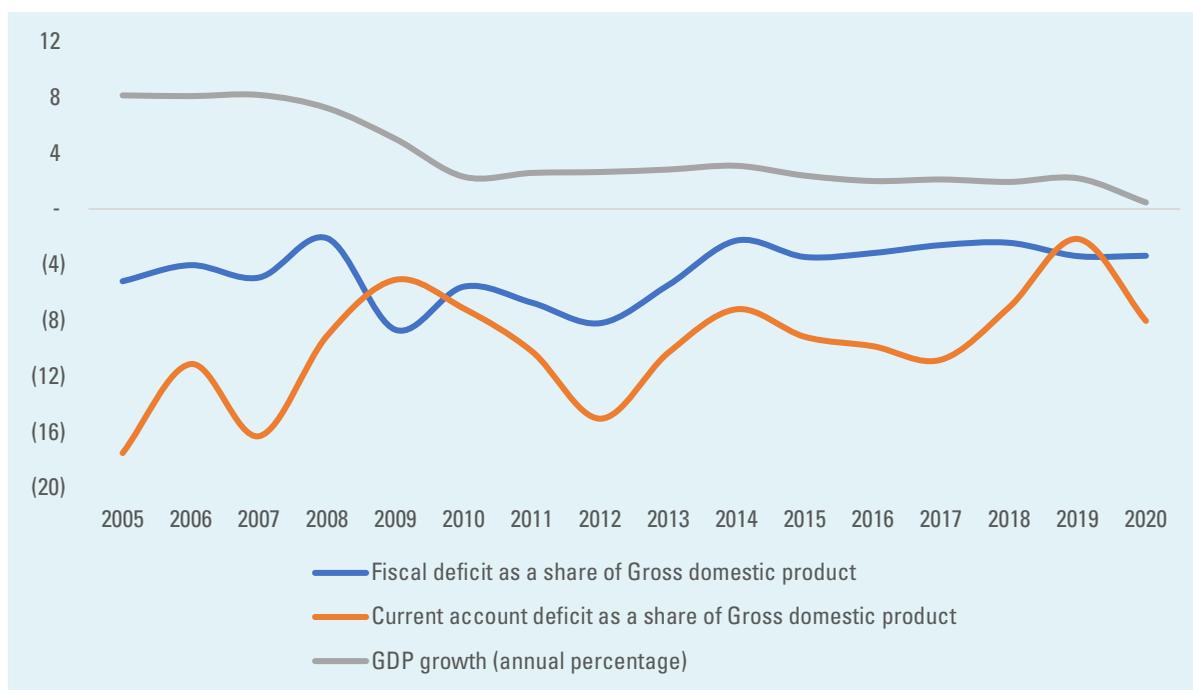
COVID has significantly impacted the Jordanian economy, exacerbating job losses and the lack of revenue. To protect people and businesses, the Government implemented a fiscal support package. The radar chart in figure 3 compares government fiscal support to the loss of jobs, loss of income and the level of stringent measures. There is a prominent dip at the bottom (indicating the loss of per capita GDP) and a peak at the top (indicating the loss of working hours). Government fiscal support in Jordan is estimated at \$1.48 billion for 2020 and 2021. Compared to the global average (23.3 per cent of GDP), an estimated additional \$8.2 billion is needed to mitigate the impact of COVID-19 on people and businesses in Jordan (figure 4). In addition to the financial needs for COVID-19 recovery, more public expenditures in critical social development areas are needed to achieve the SDGs in Jordan.

6 Data obtained from the Jordanian Department of Statistics.

7 IMF, 2022.

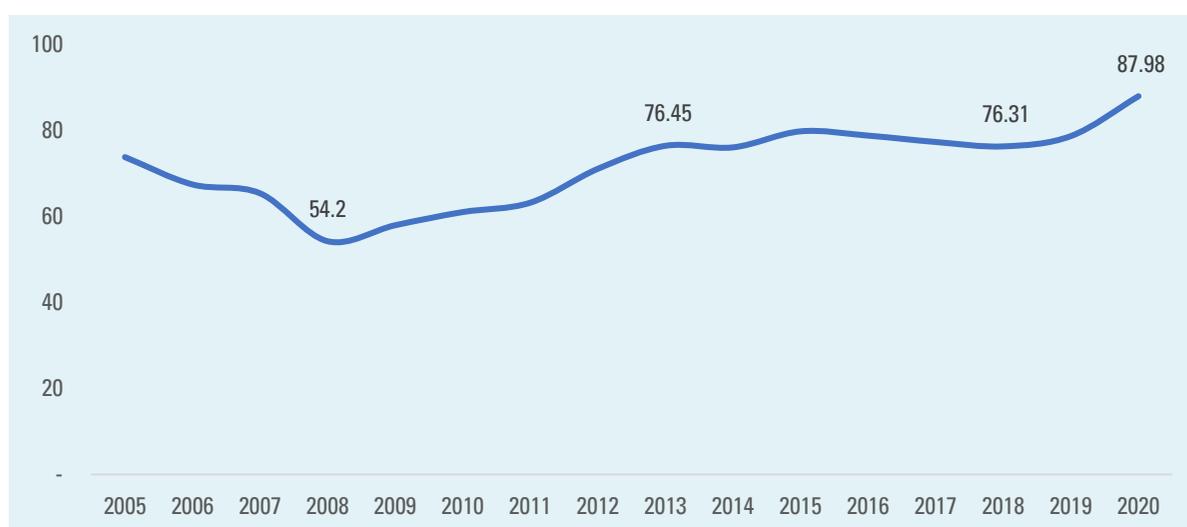
8 World Bank, 2021a; IMF, 2021.

Figure 1. Evolution of the fiscal deficit, current account deficit and growth in Jordan (Percentage)



Source: International Monetary Fund, 2021. Jordan: First Review Under the Extended Fund Facility Arrangement and Request for a Waiver of Nonobservance and Modifications of Performance Criteria, and Rephasing of Access-Press Release; Staff Report; and Statement by the Executive Director for Jordan. IMF Country Report No. 21/11. Washington, D.C.

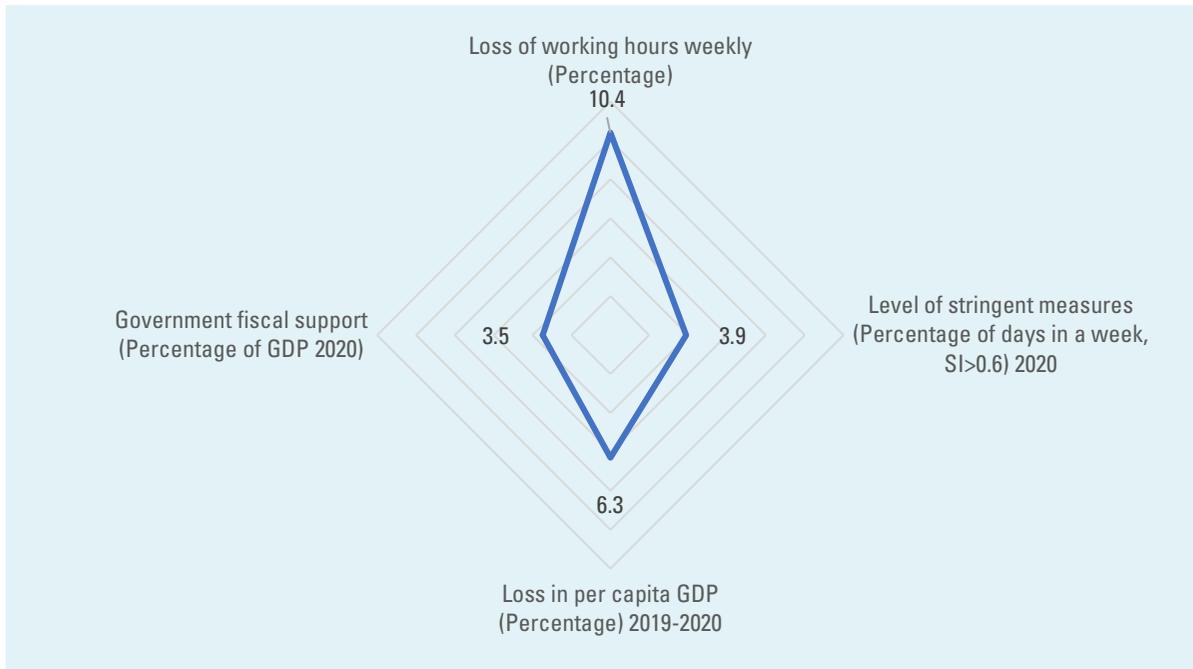
Figure 2. Public debt as a share of gross domestic product in Jordan (Percentage)



Source: International Monetary Fund, 2021. Jordan: First Review Under the Extended Fund Facility Arrangement and Request for a Waiver of Nonobservance and Modifications of Performance Criteria, and Rephasing of Access-Press Release; Staff Report; and Statement by the Executive Director for Jordan. IMF Country Report No. 21/11. Washington, D.C.

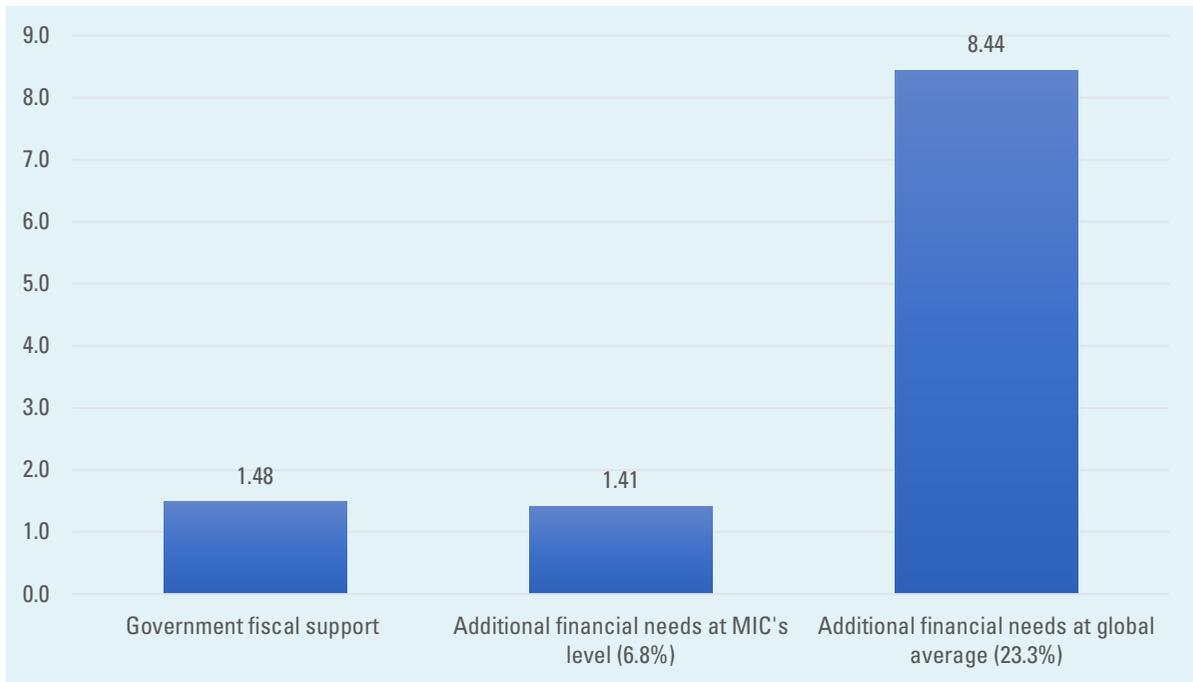
Note: The data on gross public debt in this figure do not include those of the Water Authority of Jordan or the National Electric Power Company.

Figure 3. Government fiscal support compared to loss of jobs, loss of income and level of stringent measures



Source: Covid-19 Stimulus Tracker. Available at <https://tracker.unescwa.org/>.

Figure 4. Government fiscal support and additional financial needs (Billions of dollars)



Source: Covid-19 Stimulus Tracker. Available at <https://tracker.unescwa.org/>.

B. Public expenditure patterns in the context of COVID-19

The general government expenditure in Jordan was approximately 30 per cent of GDP in 2019 and is estimated to increase to 31.3 per cent in 2021.⁹ Public expenditure in Jordan witnessed some fluctuation between 2010 to 2019 but, overall, has been on par with the average of middle-income countries, which has remained relatively stagnant over the past five years. General government expenditure as a share of GDP has been lower than that of the world and the Arab region (figure 5).¹⁰

Most public expenditure in Jordan goes to current expenditure, including employee wages and salaries, use of goods and services, interest payments, social benefits and subsidies, which limits spending for development purposes.¹¹ In its 2018–2022 Jordan Economic Growth Plan, the Government planned to reduce current

expenditure and increase the efficiency of capital expenditure in a joint effort with the private sector to promote economic growth. Figure 6 shows that current spending was slightly reduced in 2019; however, it increased again in 2020 to 95 per cent of the Government's budget, and a major share of that goes to employee compensation (43 per cent), social benefits (19 per cent) and interest payments (13 per cent).

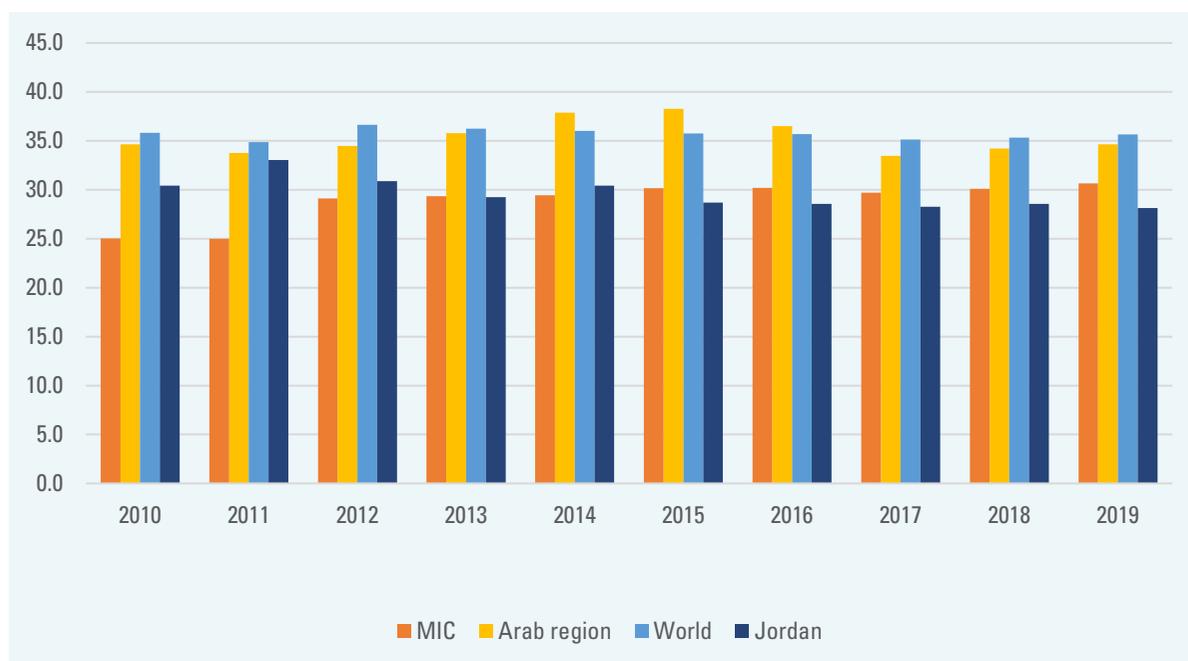
As shown in figure 6, only 5 per cent of the Government's budget was invested in non-financial assets or capital expenditure in 2020, representing a lower share than that of 2010 (11 per cent). This reveals that fiscal space is limited for essential infrastructure or investments in productive sectors that contribute to growth and human development, such as schools, hospitals and roads. There are some signs of recovery for investments, as intended in the 2018–2022 Plan.

9 IMF, 2022.

10 This analysis examined the general government expenditure and GDP of 187 countries, of which 100 were middle-income countries and 20 were from the Arab region.

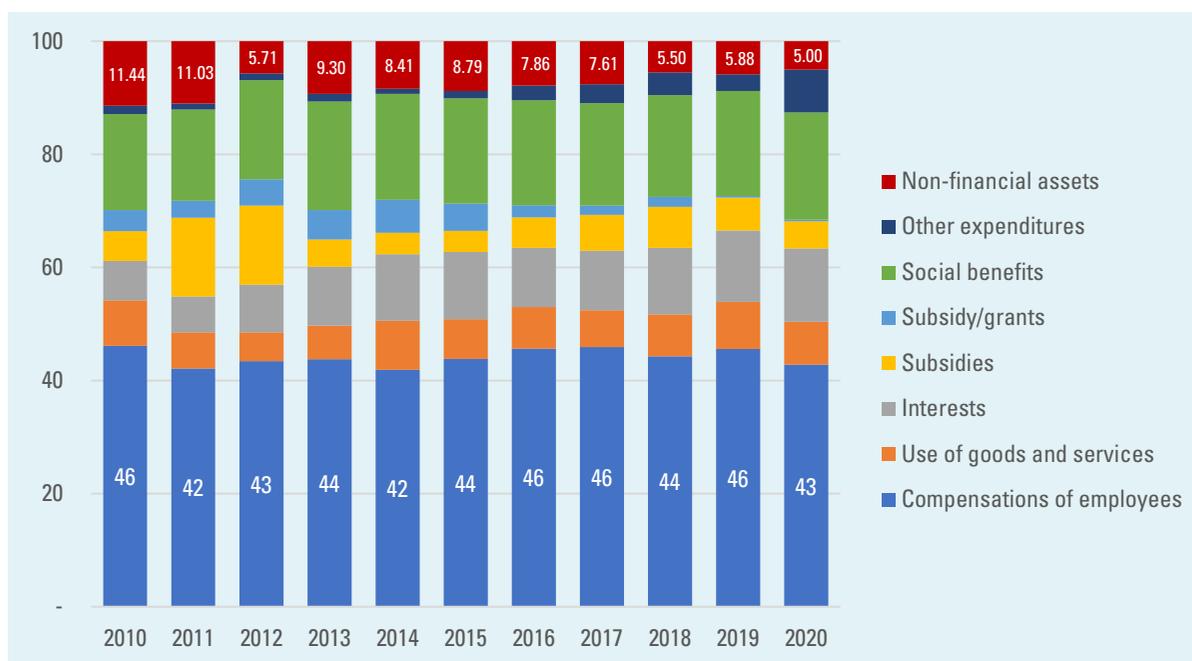
11 The central Government's budget was used in this analysis. Central government expenditure makes up approximately 80 per cent of the general government expenditure. Although the social expenditure analysed in the following sections is that of the central Government, it nevertheless provides an accurate depiction of the realities of social spending in the country.

Figure 5. Public expenditure as a share of gross domestic product – Jordan versus global regions



Source: IMF, 2021. World Economic Outlook: Recovery During a Pandemic – Health Concerns, Supply Disruptions and Price Pressures, October 2021.

Figure 6. Central government expenditure by economic use, 2010–2020 (Percentage)



Source: Ministry of Finance of Jordan.

2. Social expenditure in the context of the sustainable development goals

The notion of social expenditure varies across countries and depends upon a country's progress in social development priorities. Ideally, social expenditure aims to maximize levels of human well-being through access to quality services and social protection, including areas in which the 2030 Agenda aims for universal access. Appropriate social expenditures are "social investments" that promote inclusive and sustainable growth.¹² Although spending allocations cover a range of social sectors, little is known about their degree of efficiency and effectiveness in terms of both access to and quality of delivered services, or whether such spending levels are responsive to the macroeconomic and fiscal requirements of the period.

Moreover, the notion of social expenditure itself also varies in terms of its definition and the availability of data. While several international organizations have developed different ways to measure social expenditure, these are limited to specific aspects of social protection and do not cover a broad definition of the social dimension. For example, IMF measures social expenditure as budgeted government spending on health, education and social protection.¹³ The Fund acknowledges that some types of spending may also have a social component, but these are

often seen as inferior to well-designed public spending, such as a public sector wage bill or subsidies that may be poorly targeted. Comprehensive cross-country data on these types of expenditure are not available. The IMF definition of health, education and social protection does not consider housing and environmental protection, which are important to achieving several of the SDGs (table below).

The SEM model, produced by ESCWA, is broader in scope, aligns with the SDGs and can be adapted to national specificities. SEM addresses the critical gaps in the IMF model, particularly the fact that budgeted public transfers for social purposes must be broader in order to consider the SDGs, to which all Member States are committed.¹⁴ Public expenditure is important to ensuring universal access to public services and equal opportunities for all and to leaving no one behind. It is also explicitly stated in the SDG framework that strategic investments in social sectors are important for driving inclusive and sustainable growth.¹⁵ Furthermore, Member States adopted the Tunis Declaration on Social Justice in the Arab Region at the twenty-eighth session of ESCWA (held in Tunis from 15 to 18 September 2014), in which they reaffirmed their commitment to social justice as a core

12 ESCWA, 2017 and 2019.

13 IMF, 2020.

14 See Sarangi and others, 2021, for a comparison of the IMF and SEM measures.

15 See, for example, A/RES/70/1, paras. 20 and 67; targets 1.b and 2.a; and Goal 8.

value of Arab and Islamic culture and as a foundation for secure, cohesive and prosperous societies. They also pledged to achieve equality and equity and to promote participation and civic engagement in decision-making.

Against this backdrop, SEM defines social expenditure as including “transactions in the form of goods and services provided to individuals, households or communities, primarily on a non-market basis and also through means of transfers such as subsidies, grants, tax relief and other transfers.”¹⁶ It further elaborates that “any measure of social expenditure must ... take into consideration the following two guiding social development objectives: (a) targeting expenditure to ensure

social justice and inclusive development, reduce poverty and inequality and improve human development; and (b) targeting expenditure to enhance human capital and innovation, promote gender equality and foster sustainable economic growth”.¹⁷

The SEM framework classifies social expenditures in seven dimensions: (1) education; (2) health and nutrition; (3) housing, connectivity and community amenities; (4) labour market interventions and employment generation; (5) social protection, subsidies and support to farms; (6) art, culture and sports; and (7) environmental protection (table below). The dimensions cover all public expenditures with a social purpose and incorporate 47 of the 169 targets under the 2030 Agenda.¹⁸

Social expenditure definition according to the Economic and Social Commission for Western Asia and the International Monetary Fund

Dimension	Education	Health and nutrition	Housing, connectivity and community amenities	Labour market interventions and employment generation	Social protection, subsidies and support to farms	Art, culture and sports	Environmental protection
International Monetary Fund (health, education and social protection)	Included	Included	Not included	Not included	Included	Not included	Not included

16 ESCWA, 2019, para. 13. Despite the poor targeting of general subsidies, they are included in the public budget for social purposes. Although rationalizing subsidies and targeting them to the populations most in need is one of the key areas of the social expenditure reform, these inefficiencies do not provide a sufficient reason to discount subsidies when examining social expenditures (ESCWA, 2017).

17 ESCWA, 2019, para. 12.

18 ESCWA, 2019.

Dimension							
Institution	Education	Health and nutrition	Housing, connectivity and community amenities	Labour market interventions and employment generation	Social protection, subsidies and support to farms	Art, culture and sports	Environmental protection
Economic and Social Commission for Western Asia (social expenditure monitor)	Included	Included	Included, in addition to urban commuting and rural connectivity expenditures	Included [Tax breaks: included]	Included, in addition to subsidies to fuel and electricity and food security expenditures	Included	Included

Source: Authors.

The SEM model maps budgeted public social expenditures by purpose and beneficiary, as well as by current and capital expenditure. The indicators under each dimension are designed to map the purpose of expenditure (or the type of social service) and the beneficiary population (of the intended user of the social service). Furthermore, the classification of current and capital expenditures by indicator helps to analyse productivity and growth in the macroeconomic context. While the purpose of expenditures is aligned with the Classification of the Functions of Government, the beneficiaries are classified as children, young people and adults (disaggregated by sex); older persons; persons with disabilities, sickness and survivors; socially marginalized or at risk of social exclusion, refugees and immigrants; households benefitting from financial or in-kind support; and also the community at large, as is the case for expenditures on public goods and services and investments on non-financial assets that

are not exclusively for any specific population group.¹⁹ The indicators aim to capture crucial social development priorities in the Arab region and “represent a concrete step towards aligning thinking on social policy interventions and fiscal space with national budgets and macroeconomic policy”.²⁰

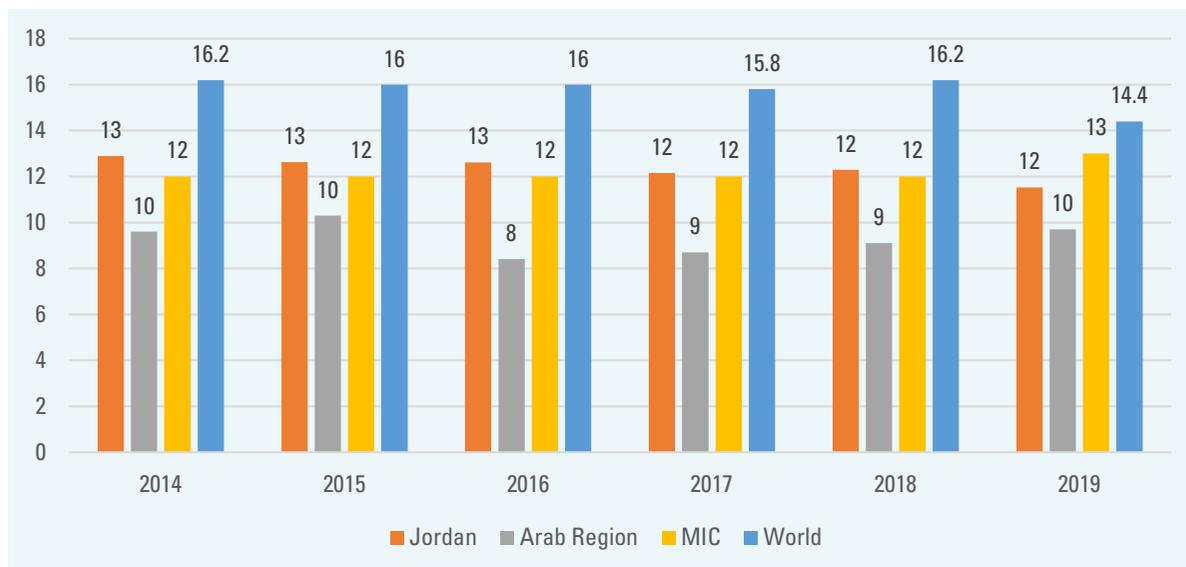
A. Public social expenditure: Jordan compared to global regions

Using the IMF definition of social expenditure, spending on health, education and social protection in Jordan ranged between 12.9 per cent of GDP in 2014 and 11.5 per cent in 2019, which was higher than the Arab region average and almost on par with that of middle-income countries prior to 2018 (figure 7). The percentage of expenditures for health, education and social protection is still far below the world average of 14.4 per cent of GDP in 2019.

19 ESCWA, 2019.

20 ESCWA, 2019, p. v.

Figure 7. Public social expenditure on health, education and social protection, as a share of gross domestic product – Jordan compared to global regions



Source: IMF Government Finance Statistics database. Available at <https://data.imf.org/?sk=a0867067-d23c-4ebc-ad23-d3b015045405>.

Note: According to the latest data; information on public social expenditure on health, education and social protection after 2019 is not available.

B. Public social expenditure: health, education and social protection versus the social expenditure monitor

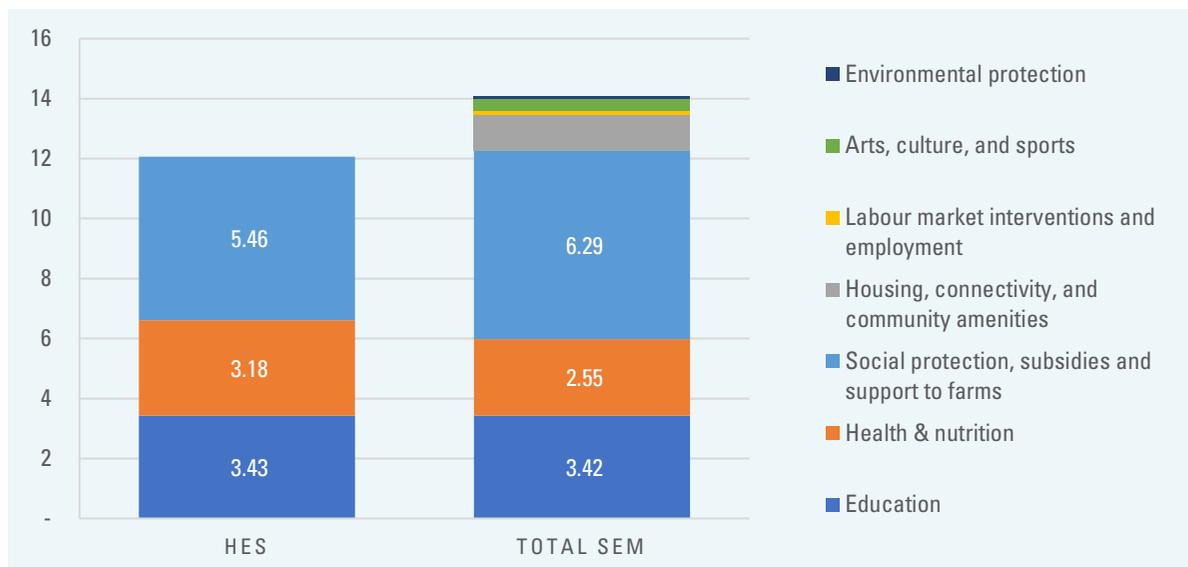
Using the SEM multidimensional framework, social expenditure amounted to 14 per cent of the country's GDP in 2019, compared to 11.5 per cent under the IMF model. Under both models, social expenditures are equal for education, but there is a gap in expenditures for social protection and health (figure 8). The difference is attributed to the different framing and conceptualization of social expenditure itself. For instance, the IMF model includes only expenditures for health, education and social protection (excluding subsidies), while the SEM approach

considers additional dimensions that impact social well-being, economic development and the achievement of all SDGs, such as housing, connectivity and community amenities; labour market interventions and employment generation programmes; art, culture and sports; and environmental protection. Furthermore, the SEM social protection dimension covers expenditures on fuel and electricity subsidies and components that are omitted under the IMF social protection measurements.²¹

Public social expenditure per capita in Jordan is equivalent to \$620, which is less than Tunisia but higher than that of other peer countries, such as Egypt and Morocco.

21 The SEM dimension on social protection does not cover the family allowance expenditures of all government entities in Jordan, only those that were mapped to SEM.

Figure 8. Social expenditure in Jordan in 2019, as measured by the International Monetary Fund versus the social expenditure monitor (Percentage of gross domestic product)



Source: ESCWA Social Expenditure Monitor; and IMF Government Finance Statistics (GFS).

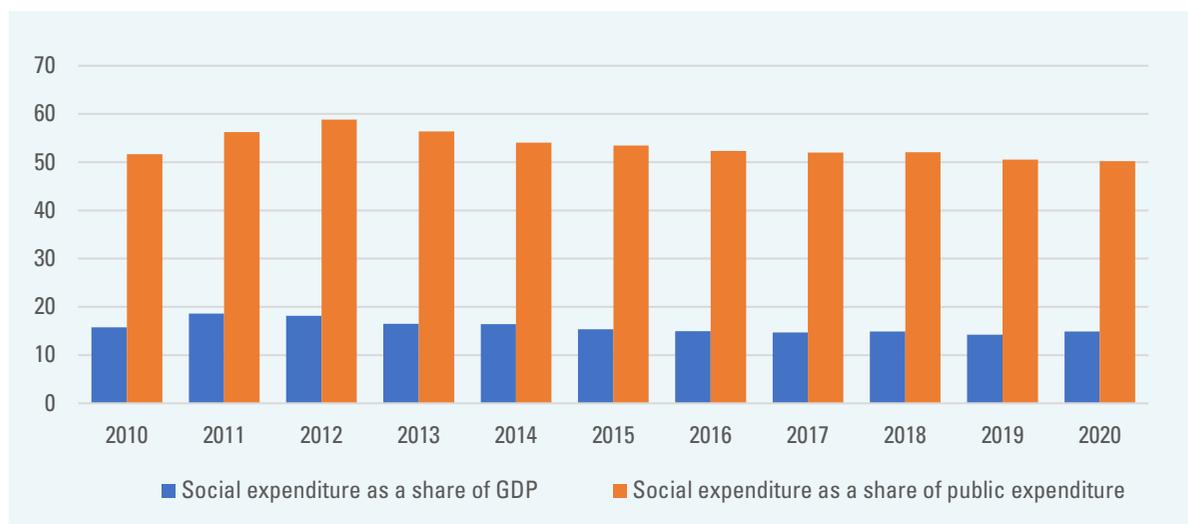
3. Social expenditure monitor in Jordan: overall trends and composition

Public social expenditure in Jordan decreased to 50.2 per cent of the total central government budget in 2020, compared to 58.8 per cent in 2012 (figure 9). Per capita spending in Jordan is \$620, below Tunisia (\$691) but higher than Egypt (\$466) and Morocco (\$433).

As has been the case for several years, current expenditure dominates the composition of social expenditure in Jordan, representing 93.4 per cent of total expenditure in 2020. The significant share of current expenditure is mainly driven by the wage bill. Approximately 7 per cent of total expenditure is allocated to capital expenditure, which could reduce investment and impede economic growth and progress in social development (figure 10).

The social protection, subsidies and support to farms dimension accounts for the highest share of total public spending, at 23.1 per cent. Education and health and nutrition claim significant shares as well, at 12.4 per cent and 9.1 per cent, respectively. These three dimensions constituted approximately 89 per cent of the country's social spending in 2020. Relatively lower shares were allocated to housing, connectivity and community amenities (3.9 per cent) and art, culture and sports (1.3 per cent). Labour market interventions and employment generation as well as environmental protection received the smallest expenditure allocations in 2020, of less than 1 per cent (figure 11).

Figure 9. Social expenditure monitor trends, as a share of the total budget and gross domestic product



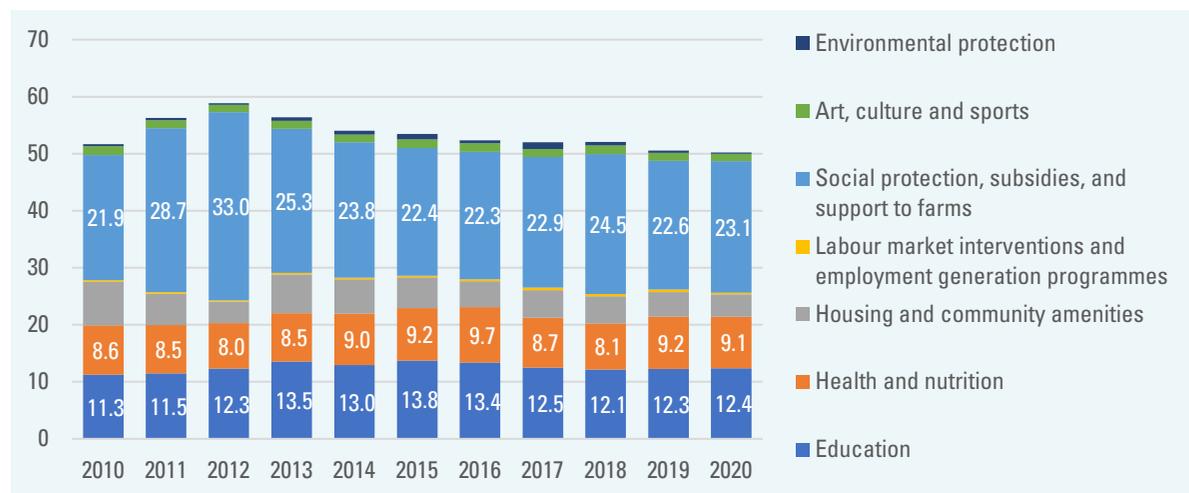
Source: ESCWA Social Expenditure Monitor.

Figure 10. Public social expenditure by use (Percentage)



Source: ESCWA Social Expenditure Monitor.

Figure 11. Composition of total public social expenditure by dimension, as a share of public expenditure, 2010–2020



Source: ESCWA Social Expenditure Monitor.

A. Social expenditure monitor in Jordan: dimensions and indicators

1. Education

The education sector represents one of the cornerstones of development in Jordan, and the country has proactively pursued reforms to

establish a knowledge economy. To better develop this sector, a 10-year national human resource development strategy has been implemented to focus on key interventions needed in early childhood education, primary and secondary school, vocational training and higher education. Nevertheless, some capacity challenges remain, particularly given the influx of refugees and the

increase in demand for education services, which require additional financing²².

In the past, overall education spending received the highest share of the total government budget after social protection and constituted 12.4 per cent in 2020. As seen in figure 12, the education expenditure reached its highest level in 2015, possibly owing to the higher demand from the influx of refugees. Public education expenditure is almost completely allocated to primary and secondary education, which receives nearly 10 per cent of the total government budget. Spending for primary education was 717 million Jordanian dinars (JD) in 2018, compared to 102 million JD for secondary education.²³ A smaller share of spending benefits tertiary education and post-secondary skills training, receiving less than 2 per cent each, despite the fact that the number of students has increased from 1.1 million to 1.4 million between 2013 and 2019 and real per-pupil expenditures have dropped significantly.²⁴

Compared to primary, secondary and tertiary education, early childhood education remains underfunded and received only 0.05 per cent of 2020 budget. As a share of GDP, preschool spending in 2018 was at zero.²⁵ Such findings demonstrate the urgent need to further focus on childhood, improve the enrolment rate for both

Kindergarten 1 and 2 and provide 2,800 classrooms to accommodate all children between the ages of 5 and 6 years.²⁶

As a result of this spending, Jordan has improved enrolment rates for primary education (81 per cent); however, challenges remain for secondary education (63 per cent) and tertiary education (34 per cent). Among non-member States of the Organisation for Economic Co-operation and Development, Jordan has registered the second-largest gains in quality of education by improving scores in reading, math and science and has closed the gap with the Organisation's average.²⁷ Nevertheless, inequality persists in terms of the net enrolment for children from high- and low-income households.²⁸ Challenges also remain in terms of the quality of education, which is impacted by the crisis in the Syrian Arab Republic. The increased demand for education from school-aged refugee children led to an increase in the number of double shift and overcrowded schools, thereby reducing the availability and quality of public education.²⁹ In addition, poor learning outcomes emerge throughout primary and secondary education and in student performance on international standardized tests.³⁰

22 Economic Policy Council of Jordan, 2018.

23 Rodriguez and Wai-Poi, 2021.

24 Department for International Development, forthcoming.

25 Rodriguez and Wai-Poi, 2021.

26 Government of Jordan, 2017. Only 32 per cent of children enroll in Kindergarten 1 and 2.

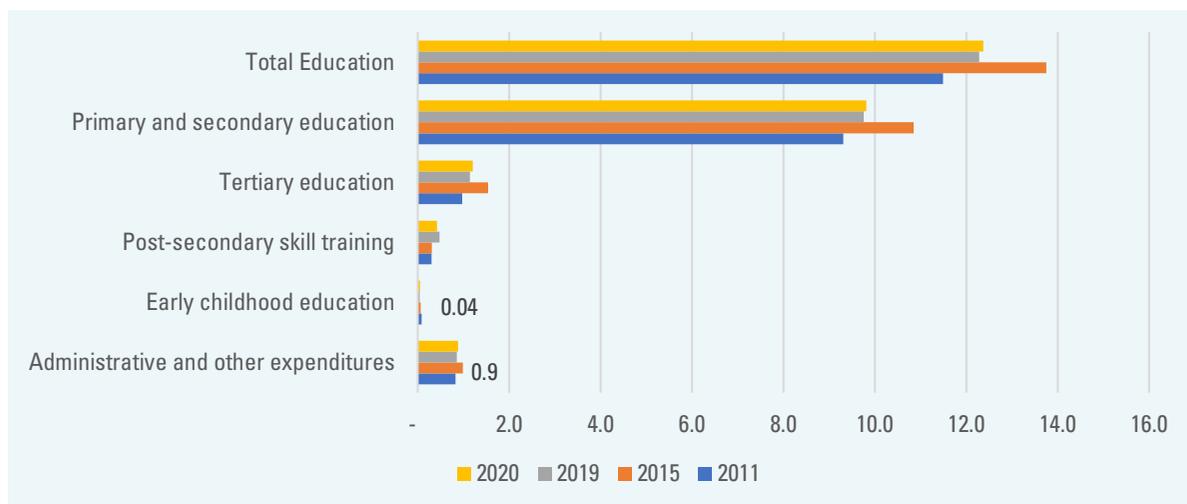
27 World Bank, 2019.

28 World Bank, 2021a.

29 United Nations Children's Fund, 2019a.

30 United Nations Children's Fund, 2019a.

Figure 12. Education indicators as a share of the total central budget, 2011–2020



Source: ESCWA Social Expenditure Monitor.

Note: Primary education is for children aged 5–10 years or 7–12 years. Secondary education is for children aged 10–17 years or 12–18 years in lower and upper secondary education (general or vocational). In Jordan, however, primary (i.e. basic) education includes lower secondary education as well. As a result, basic and secondary education are merged into one category.

2. Health and nutrition

The efficient use of health expenditures helps countries to attain target levels of measurable health-care outcomes. Jordan has been achieving high performance by developing a professional and high-quality cadre of doctors, health-care practitioners and facilities.³¹ Given the influx of Syrian refugees and the increasing demands on the national health system, the country must determine the best policy that will facilitate the most effective achievement of its health outcomes, particularly for communicable and non-communicable diseases such as malaria and tuberculosis.

COVID-19 is another shock that triggered the need for more health expenditure; however, in terms of public spending, health expenditure decreased in 2020 to 9.1 per cent of the total government budget, compared to 2019. Half of the spending went to inpatient services

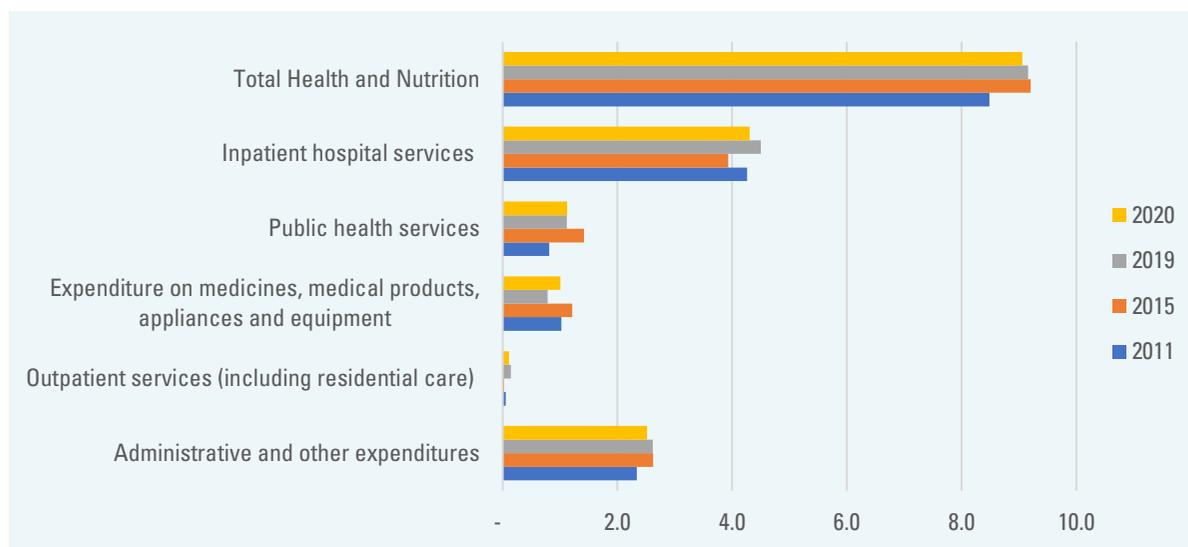
(4.3 per cent of the total government budget) followed by administrative costs (2.5 per cent), public health services (1.1 per cent) and medical equipment and medicine (0.8 per cent). (figure 13).

These expenditure patterns reveal the urgent need to prioritize social areas while COVID-19 persists in order to improve public health services, protect the population and expand health expenditure during the health crisis and beyond. The most prominent areas to improve are outpatient services (which provide access to basic health care for poor families); public health services to prevent communicable diseases; and medical equipment, medications and vaccines. To address the COVID-19 pandemic and support the health-care system, the Government of Jordan has already allocated approximately \$340 million to reimburse hospital and pharmaceutical company dues. Nevertheless, the share of health spending in

2020 remained below previous years, despite the objective in the national health strategy to establish a comprehensive health-care system by employing public and private service suppliers, encompassing all levels of care and providing advanced health-care services to the

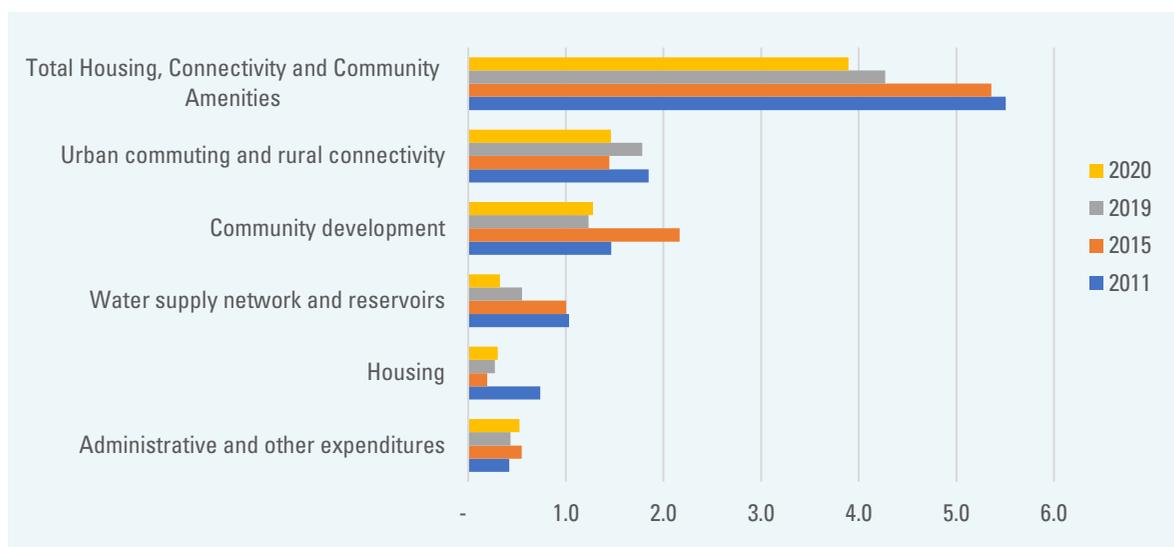
poor. This includes improving primary health-care facilities and hospital administration to accelerate admissions, reducing the fragmentation and duplication of services and eliminating waste for highly productive and scarce resources.

Figure 13. Health and nutrition indicators as a share of the total central budget, 2011–2020



Source: ESCWA Social Expenditure Monitor.

Figure 14. Housing, connectivity and community amenities indicators as share of the total central budget, 2011–2020



Source: ESCWA Social Expenditure Monitor.

3. Housing, connectivity and community amenities

Education, social protection and health consume significant shares of the total government budget. In contrast, expenditures on housing and community amenities have consumed 3.9 per cent in 2020, compared to 5.5 per cent in 2011 (figure 14). Importantly, patterns in all such expenditures have decreased since 2015. In 2020, the highest shares of public expenditure have been allocated to urban commuting and rural connectivity, at 1.5 per cent, and community development, at 1.3 per cent.

The category of housing was allocated 0.3 per cent in 2020, as was water supply networks and reservoirs. Other expenditures, which include expenditures on water quality, street lighting, research on housing and community amenities, and administrative and institutional support, received a mere 0.5 per cent of expenditures in 2015 and 2020. The sharp decline in the expenditure for the water supply network may be affected by the arrival of Syrian refugees to Jordan, which has placed a considerable burden on the country's water resources and the Jordanian municipal water services³².

Expenditure patterns also reveal the need for Jordan to focus on neglected areas that might boost economic growth, given the significant challenges that threaten safe, resilient, inclusive and sustainable human settlements, such as the deteriorating quality of its

infrastructure network.³³ The deterioration in housing and community amenity services could partially be explained by the unsustainability of public investment expenditure, which endangers economic development. According to the World Bank, capital expenditure contracted from a pre-crisis annual average of 7.4 per cent of GDP (2000–2009) to 4.2 per cent in the years since.³⁴ Investment efficacy has also been waning since 2008; the incremental capital output ratio has more than doubled since 2007.³⁵

4. Social protection, subsidies and support to farms

Social protection policies play a central role in tackling poverty and reducing inequalities. They can promote human development, enhance social cohesion, strengthen the labour force and stimulate economic growth. They represent an integral part of the 2030 Agenda and are fundamental to achieving several SDGs. Jordan has been undertaking efforts to achieve these goals by focusing more on social protection, subsidies and support to farms. This is the most privileged social area in terms of public expenditure (23.1 per cent of the total budget), despite a sharp decrease since 2011 (figure 15).

The Social Security Corporation in Jordan, covering public and private sectors and military schemes, manages several social protection mechanisms such as pensions; survivors' programmes; and

32 Alshoubaki and Harris, 2018.

33 ESCWA, 2017; Harake, 2019. According to the 2017–2018 Global Competitiveness Index, Jordan ranked 63 of 137 countries in terms of overall infrastructure quality, compared to 48 of 144 countries in 2014–2015.

34 Harake, 2019.

35 The incremental capital output ratio measures investment efficiency by quantifying the additional capital required to increase output by one unit.

benefits for pregnancy, unemployment, old age and disabilities.³⁶ Overall, Jordan increased its transfers from 7.7 per cent of GDP in 2020 to 8.1 per cent in 2021.³⁷ This includes 5 per cent of GDP for pensions and 0.8 per cent to the National Aid Fund for social assistance.

Under the Social Security Corporation, the pension scheme has been allocated the largest proportion of the government budget, at 17.1 per cent in 2020, compared to 15.1 per cent in 2015 (figure 15). As a result, it is one of the highest-funded social protection policies in the Middle East and North Africa. Nevertheless, despite high public expenditure on pensions, there is still a low level of effective coverage. The social programme will run a deficit in the next 10 years because contributions are insufficient to cover benefit expenditures given the faster demographic change.³⁸

One aspect to note in the social protection system in Jordan is subsidies to food processors, which have decreased significantly since the Government implemented reforms to phase them out and replace them with cash transfers. While subsidies consumed 11 per cent of the total government budget until 2017, they have decreased to zero in the budgets for 2019 and 2020 (figure 15). The reform was motivated by the need to further strengthen the social safety net by institutionalizing a cash transfer programme, which occurred just in time for the

COVID-19 pandemic. The expenditure on subsidies to fuel and electricity has also fluctuated from year to year, following subsidy reforms undertaken in the recent past. In 2020, these subsidies were completely cut. IMF estimated that 0.1 per cent of GDP would be spent on all subsidies in 2021.³⁹

At the same time, the Government pursued efforts to mitigate the adverse impacts of COVID-19. It implemented a stimulus package during the pandemic (box below) to support achieving basic income for vulnerable groups by increasing related public expenditure to 2.6 per cent of the total budget. It also increased the amount for subsidies and other support to farms (1.4 per cent). Nevertheless, in 2020, support to families and children remained low, at only 0.05 per cent of the Government's budget. It remains the most neglected social protection area, despite the Government's renewed commitment to support family and community programmes aimed at nurturing the positive potential of young people as agents of change in their families and communities.⁴⁰ All other expenditures, including support to housing, research on social protection, subsidies and support to farms, refugee camp affairs, the enhancement of individual rights, the improvement of protection services and social welfare, support to charities and societies, and administrative and institutional support, comprised 1 per cent of the Government's budget in 2020.

36 For more details on the pension system, see World Bank, 2021b.

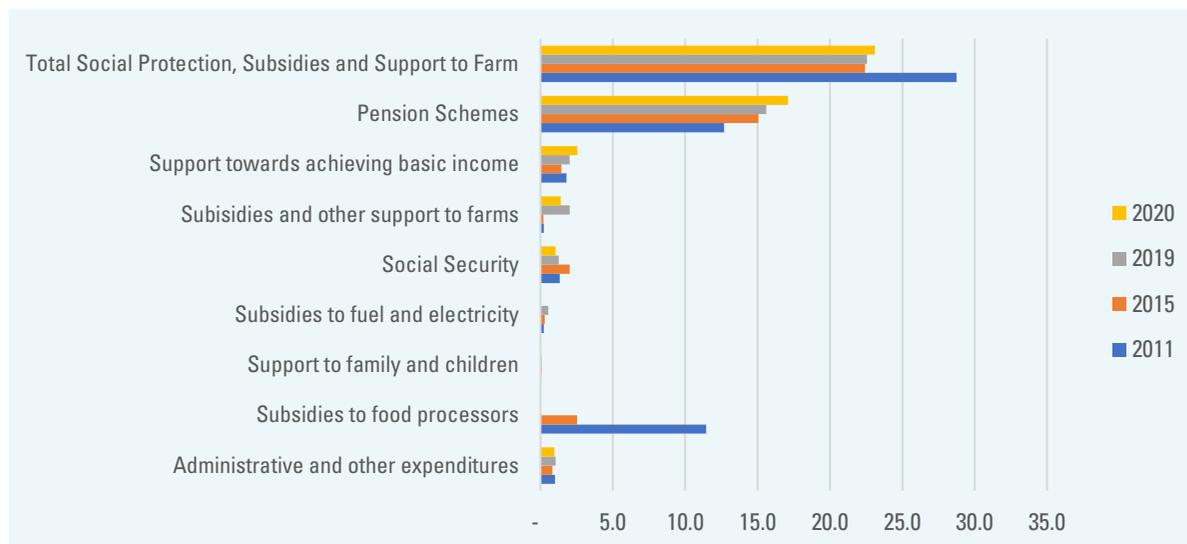
37 IMF, 2022.

38 World Bank, 2021a. According to the World Bank, in 2019 there were 1.3 million people contributing to the pension programme and only 242,000 beneficiaries. Nevertheless, revenue from contributions could barely cover pension benefits.

39 IMF, 2022.

40 Government of Jordan, 2017.

Figure 15. Social protection, subsidies and support to farms indicators as a share of the total central budget, 2011–2020



Source: ESCWA Social Expenditure Monitor.

Impact of COVID-19 on social expenditure – policy responses in Jordan

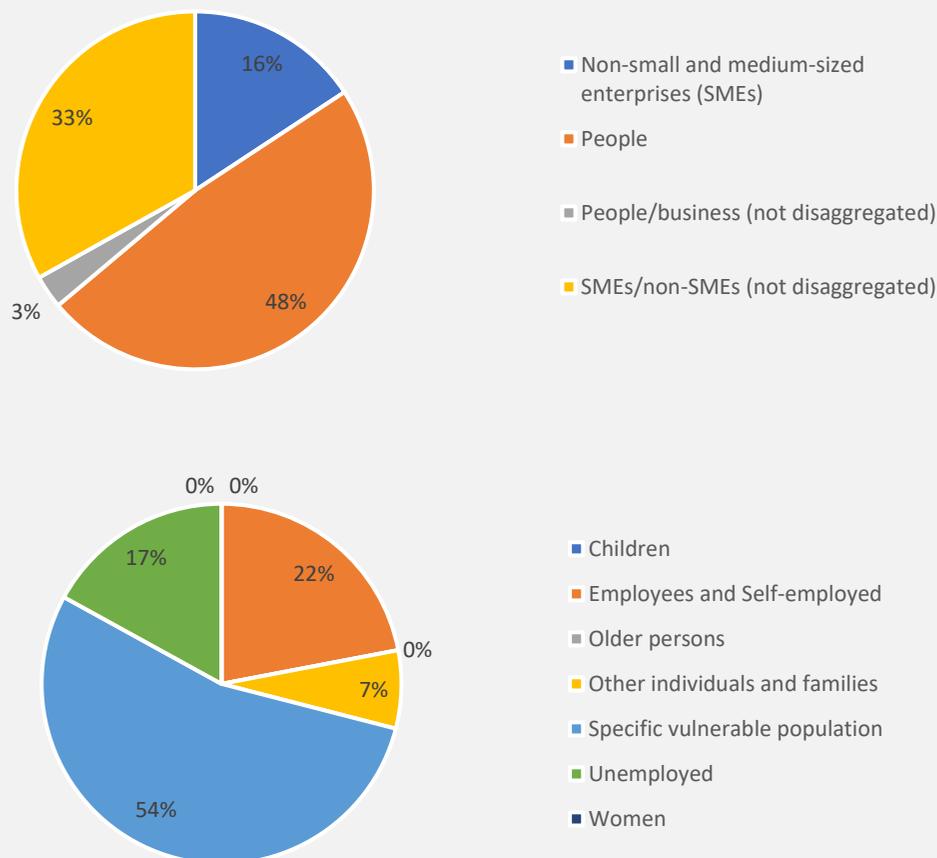
When the COVID-19 outbreak began, Jordanian authorities imposed an economic lockdown with stringent containment measures to protect people from the virus; however, the country was already suffering from high unemployment and debt levels and was therefore forced to respond immediately to mitigate some of the impacts on people and businesses. This incited the Government to upgrade its existing programmes. To reach the global average for fiscal support (22.6 per cent of GDP), Jordan requires an estimated \$8.2 billion in additional financing to mitigate the impact of COVID-19 on people and businesses. Compared to the average of middle-income countries (2.6 per cent of GDP), Jordan lacks approximately \$1.2 billion.

Social protection measures were estimated at \$0.7 billion to support the poorest households, the unemployed and specific vulnerable groups to mitigate the adverse impact of the pandemic. Cash transfers, primarily financed by World Bank programmes (i.e. *Takaful* 1, 2 and 3), were estimated at approximately 90 per cent of total spending on social protection policy measures.

To support poor households, the Jordanian Government expanded the number of National Aid Fund beneficiaries, which cost \$140 million; launched temporary recruitment programmes in the fields of tourism, health and agriculture, costing around \$251.4 million; provided a grant of approximately \$530,000 to the organization *Tkiyet Um Ali* through the Economic and Social Productivity Programme under the Ministry of Planning and International Cooperation, with a view to supporting 4,022 families of daily wage workers; allocated 50 per cent of maternity insurance revenues (\$225 million) to fund material assistance to the ill and elderly; announced a series of measures under the Ministry of Labour to protect the health and financial stability of employees; granted two weeks of paid leave for public sector workers; preserved employee rights in the private and public sectors; and cancelled the work permit fees for foreign workers willing to leave the country. On the other hand, spending on social insurance, at \$38 million, was limited to unemployment benefits for employees and daily wage workers whose work was suspended as a result of the pandemic.

Regarding health, the Government allocated approximately \$340 million to refund hospital and pharmaceutical company dues to support the health-care system.

Distribution of government fiscal support (Percentage)



Source: Covid-19 Stimulus Tracker. Available at <https://tracker.unescwa.org/>.

5. Labour market interventions and employment generation

Labour market interventions and employment generation is among the SEM dimensions with the lowest public budget allocations, at 0.3 per cent of the total budget in 2020 and 0.5 per cent in 2019 (figure 16). Given the labour

market challenges in Jordan, the role of public expenditure in promoting decent work opportunities and generating employment has become crucial. Limited job creation and a high unemployment rate among women (30.8 per cent), young people and university graduates remain critical challenges. Moreover, Jordan has ranked among the top

countries in the world in terms of low labour market inclusion for women, who also experience significant pay gaps and are overrepresented in the country's informal and formal labour markets.⁴¹ The Government must therefore orient more public expenditure towards areas that promote job creation, employability and economic empowerment. These goals are not feasible with only a small share of the budget. In 2020, 0.2 per cent was allocated to on-the-job training and skills upgrading, including for technology; 0.17 per cent for research on labour market programmes and policies; and 0.01 per cent for grants and other incentives for private enterprises, small and medium-sized enterprises, start-ups, the self-employed and entrepreneurs to promote job creation.

6. Art, culture and sports

Expenditures on art, culture and sports represent essential investments in youth capabilities, as they help to promote a dynamic and resilient society that fosters growth. Culture enables vibrant cultural diversity and strengthens the nexus between

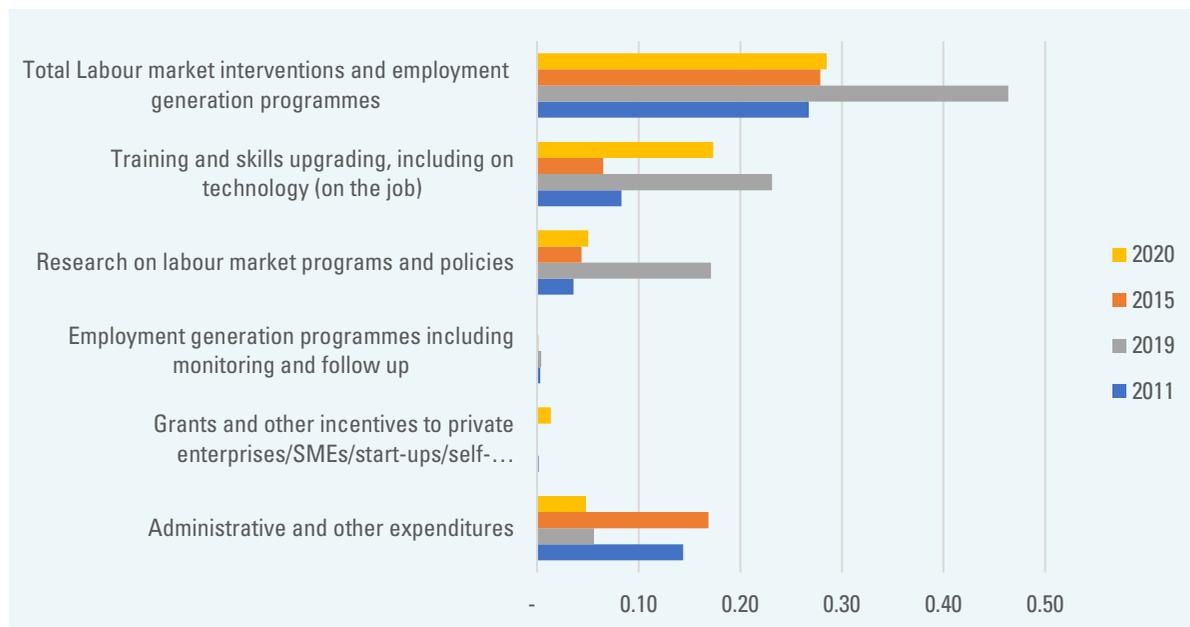
communities and environments. It encourages respect for cultural diversity and intercultural dialogue, fostering an environment that drives mutual understanding and social inclusion. Sports are also an essential enabler of sustainable development. They can promote various social and health benefits and help to establish a healthy society.

Nevertheless, Governments do not typically focus enough on such social areas or provide much financing for cultural and artistic events, since social priorities have always been focused on education, health, social protection and infrastructure. Indeed, expenditure on art, culture and sports was 1.3 per cent of the total budget in 2020, for which cultural events and sports received 0.7 per cent and 0.2 per cent, respectively. (Figure 17) for a breakdown of spending.

While Jordan has acknowledged culture as an enabler and driver of sustainable development and a key element for achieving the SDGs, the share of central government expenditure allocated towards this dimension must be improved.

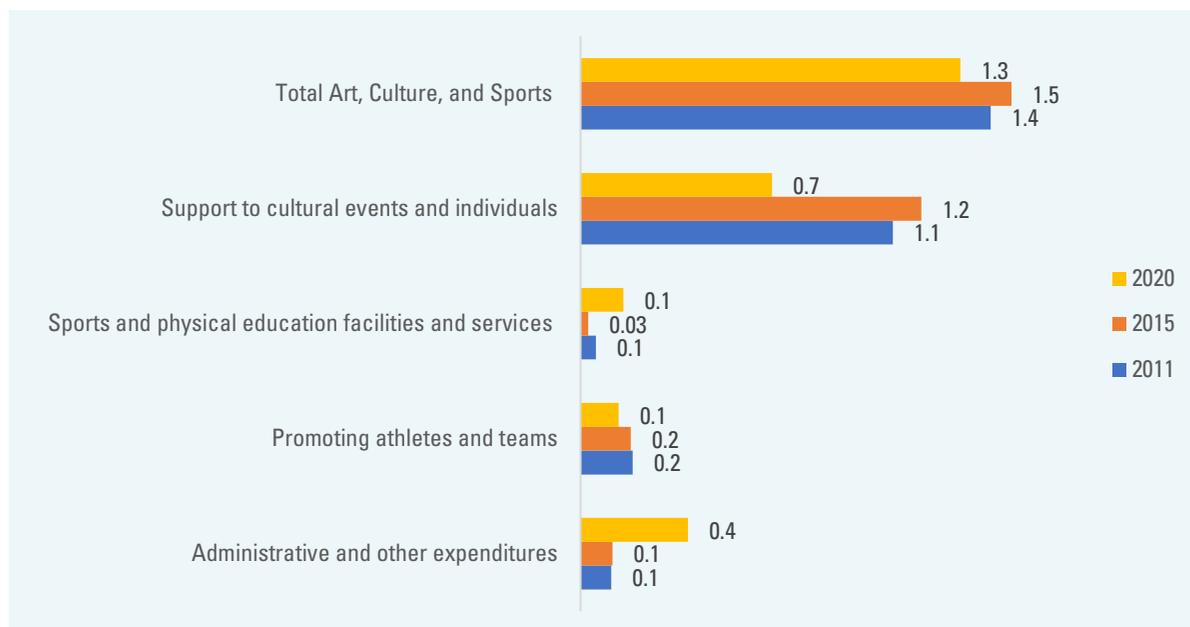
41 Kasoolu and others, 2019.

Figure 16. Labour market interventions and employment generation indicators as a share of the total central budget, 2011–2020



Source: ESCWA Social Expenditure Monitor.

Figure 17. Art, culture and sports indicators as a share of the total central budget, 2011–2020



Source: ESCWA Social Expenditure Monitor.

7. Environmental protection

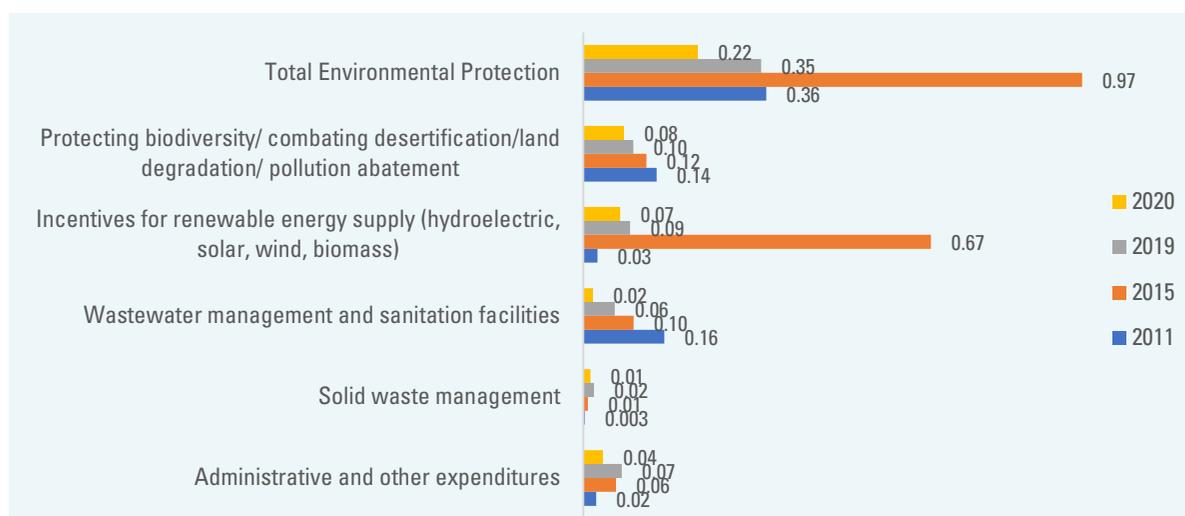
Environmental protection represents an essential SEM dimension, as it can capture society's efforts to improve sustainability. It is also strongly related to other dimensions, particularly health. Unsafe water, poor sanitation and poor hygiene will increase deaths and illnesses, particularly among children. Improvements to health require a number of environmental policies as well as additional spending to mitigate the adverse impact of pollution.

Nevertheless, as is the case for the art, culture and sports dimension, overall environmental protection expenditure in Jordan has been stable over time and represented less than 1 per cent of the total budget in 2020. Within this dimension, activities related to protecting biodiversity, combating desertification and land degradation and abating pollution received a

negligible share of total budget, at 0.1 per cent. This is followed by incentives for renewable energy (hydroelectric, solar, wind and biomass) at 0.08 per cent; wastewater management and sanitation facilities at 0.02 per cent; solid waste management at 0.01 per cent; and other expenditures, which include spending on research on environmental protection and administrative and institutional support at 0.04 per cent (figure 18).

Acute environmental challenges (i.e. threats to natural resources due to a lack of energy resources, water shortages and desertification), the growing population, the environmental impact of Syrian refugees and climate change require Jordan to reconsider and prioritize environmental policies by allocating more financial resources to these issues. The country must also protect its ecosystem and generate alternative renewable energy sources to ease the environmental impact.⁴²

Figure 18. Environmental protection indicators as a share of the total central budget, 2011–2020



Source: ESCWA Social Expenditure Monitor.

B. Social expenditure monitor: major highlights and challenges

1. Highest and lowest budget allocations

Considering all social expenditure areas together, the SEM model allows for a better understanding of which social areas are prioritized or neglected.

(a) Areas with the highest social public expenditure

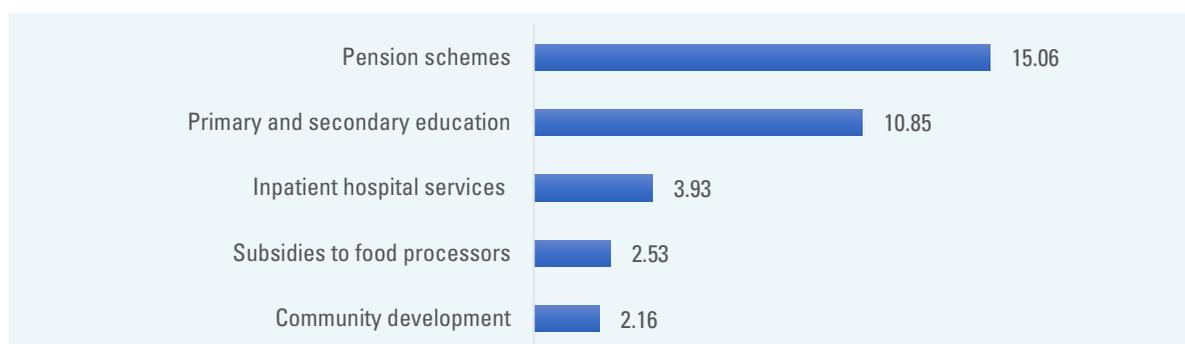
Comparing 2015 to 2020, pensions, primary and secondary education and inpatient services are among the top five social areas benefiting from the central budget, with 15 per cent, 11 per cent and 4 per cent, respectively (figure 19). While subsidies to food processors was ranked fourth in 2015 with 2.5 per cent of total budget, they have not received allocations since being phased out in 2019/20. In addition to pensions for older persons, education and health have been prioritized during the last decade in order to improve the country's human capital index.

Additionally, although it was not ranked among the top five in 2015, support towards achieving basic income moved into the top five social protection areas in 2020, ranking fourth with 2.6 per cent of the total budget. This change is aligned with the pandemic and economic crisis of 2020, for which the Government considered additional social expenditure to protect vulnerable groups via cash transfers (figure 21).

(b) Areas with the lowest social public expenditure

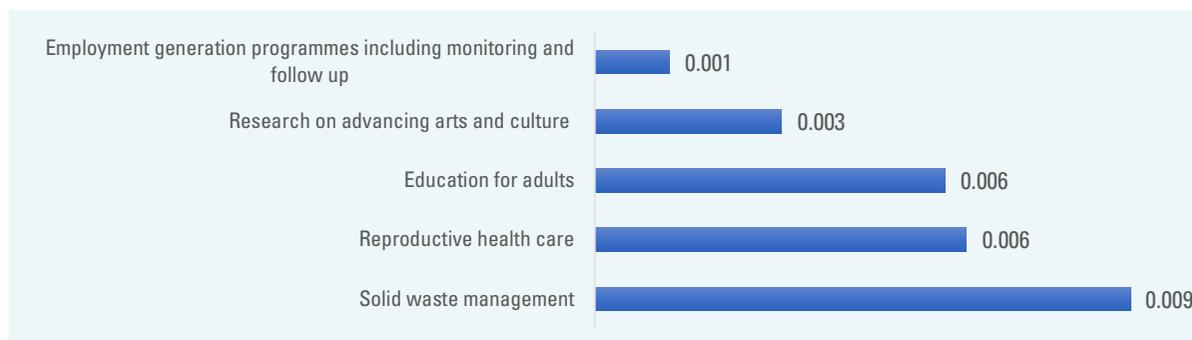
Several social areas have been deprived of public expenditures in the Jordanian central budget. Figures 20 and 22 show the bottom five social areas, which receive negligible amounts, such as areas related to the labour market (employment generation programmes), reproductive health care, education for adults, street lighting, solid waste management and culture. Many other social areas receive small shares of the budget but were not among the bottom five. Nevertheless, they also deserve more budget allocations.

Figure 19. Top five social expenditure monitor indicators as a share of the public budget in 2015



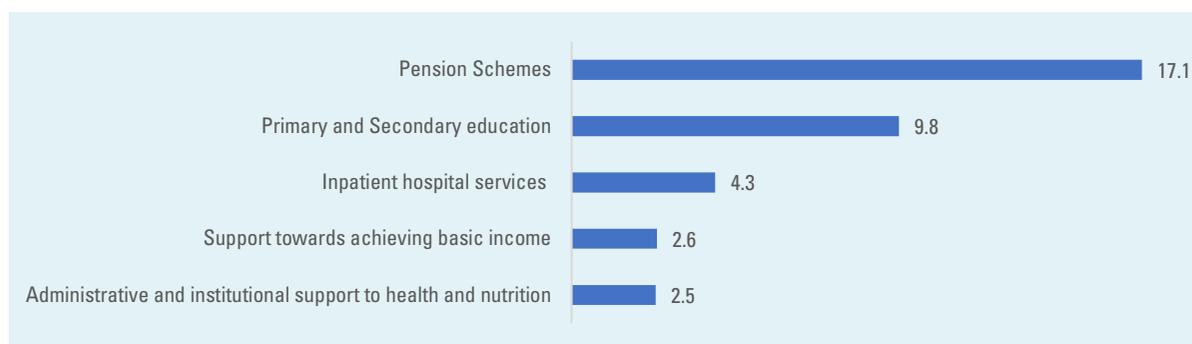
Source: ESCWA Social Expenditure Monitor.

Figure 20. Bottom five social expenditure monitor indicators as a share of the public budget in 2015



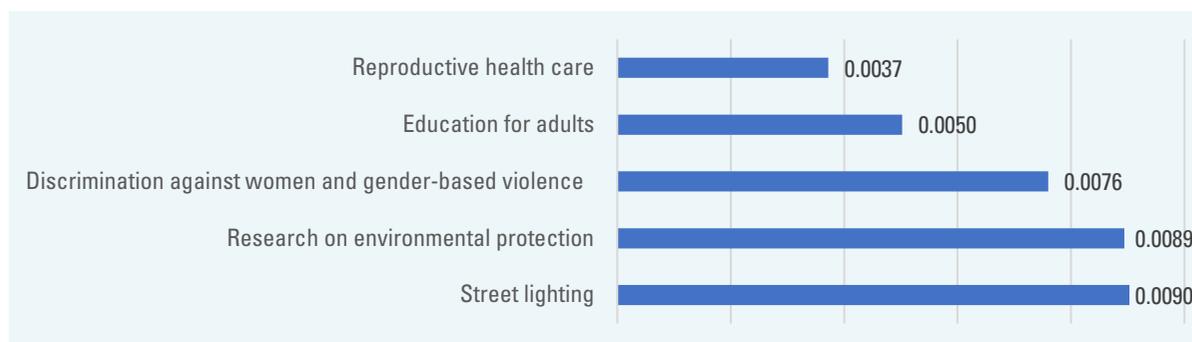
Source: ESCWA Social Expenditure Monitor.

Figure 21. Top five social expenditure monitor indicators as a share of the public budget in 2020



Source: ESCWA Social Expenditure Monitor.

Figure 22. Bottom five social expenditure monitor indicators as a share of the public budget in 2020



Source: ESCWA Social Expenditure Monitor.

2. Budget expenditures: estimated versus actual spending by social expenditure monitor indicator

Estimated and actual spending had been almost equal for several years in Jordan; however, there has been relative underexecution of the budget

since 2017 for almost all SEM dimensions, which may be indicative of public investment management issues and jeopardize SDG achievement (figure 23). During budget execution, a Government may face challenges, such as the need for additional revenue to

finance in-year unexpected expenditures. This may affect its fiscal deficit. On the other hand, when the budget is not completely spent by the end of the fiscal year (i.e. underexecution), it may affect its social programmes' goals and achievements, as well as the SDGs as a whole. It may also limit the effectiveness of some social expenditures, particularly when investment spending is delayed or hampered by weak public investment management, i.e. planning, allocating and executing investments in order to

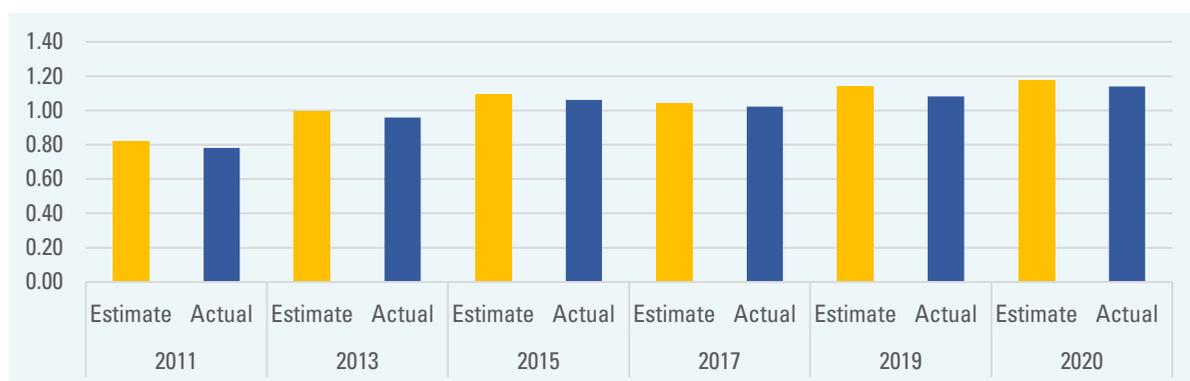
improve the efficiency of allocations across projects. Planning in Jordan, for example, is based on different "tracks" within several institutional arrangements, such as economic reforms, development planning and humanitarian issues to address the refugee crisis. According to the Public Investment Management Assessment framework, the effectiveness of the public investment institution was rated as "low", exposing the limitations of strategic plans.⁴³

Figure 23. Actual versus estimated social expenditure by dimension

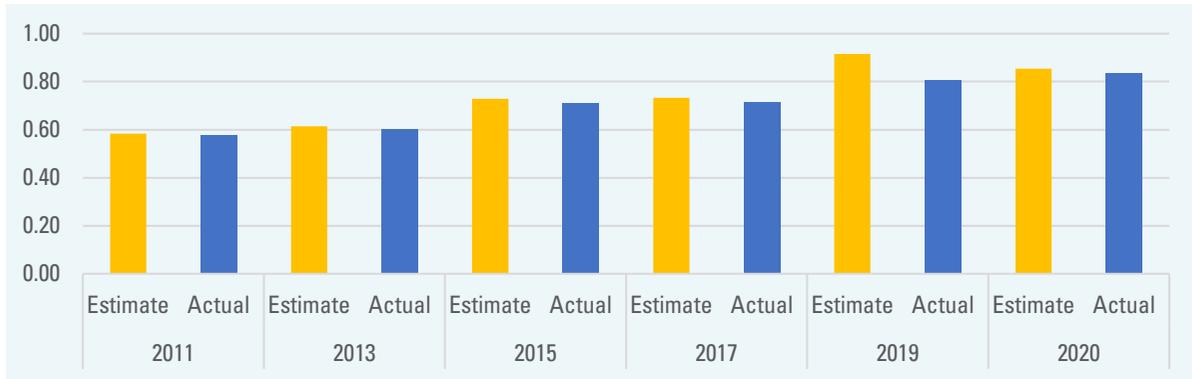
Overall public social expenditure in Jordan



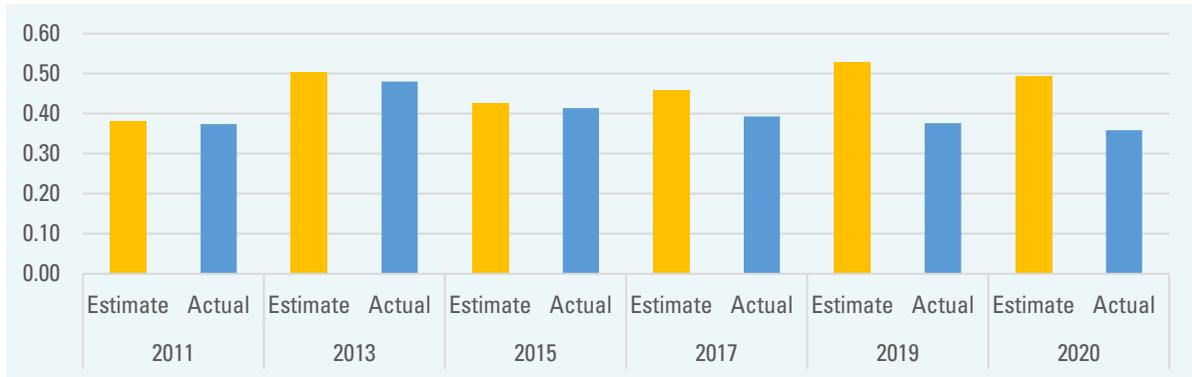
Education



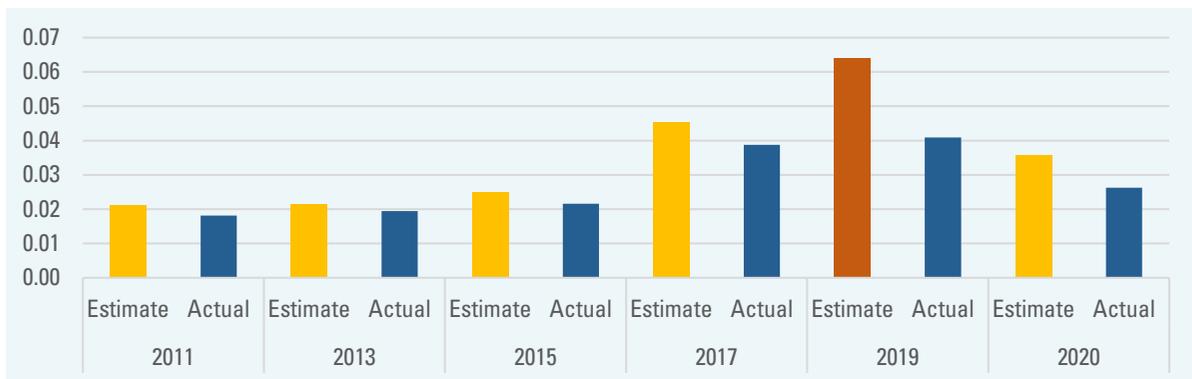
Health and nutrition



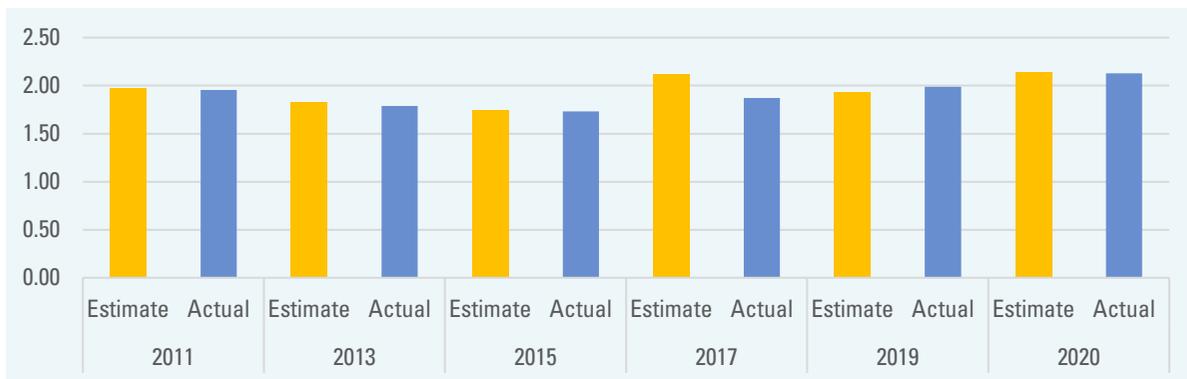
Housing, connectivity and community amenities



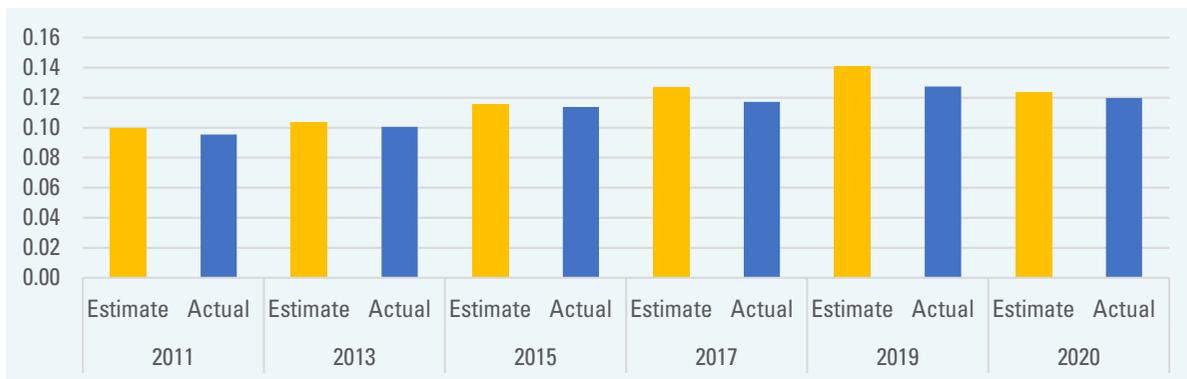
Labour market interventions and employment generation



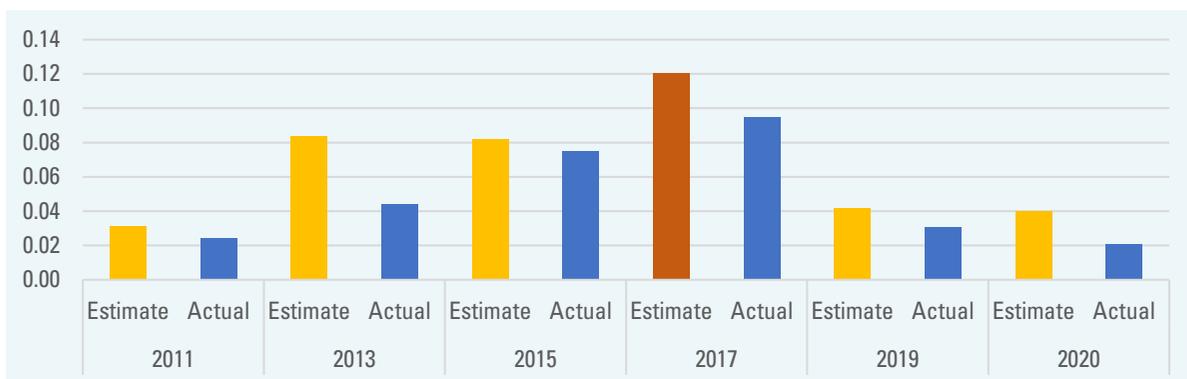
Social protection, subsidies and support to farms



Art, culture and sports



Environmental protection



Source: ESCWA Social Expenditure Monitor.

3. Budget expenditures: lack of adequate research and development activities

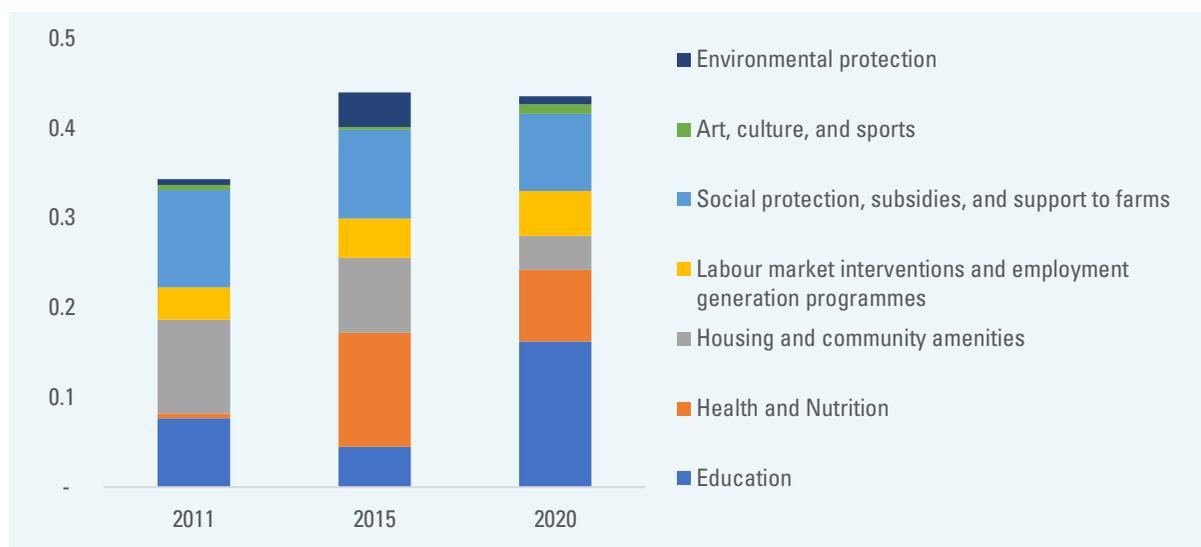
Overall, central budget allocations totalled only 0.4 per cent for social research activities in 2020 (figure 24), of which research in education, social protection and health and nutrition consumed the largest shares, at 0.16 per cent, 0.09 per cent and 0.08 per cent, respectively. This amount remains insufficient. Innovation and research and development provide an essential contribution to economic growth and human capital development by creating knowledge, technologies and products. Underspensing on such social programmes will create technology gaps among countries. The Jordanian Government must therefore allocate more spending to research and development in health and education. In terms of health, such activities can provide essential information on disease trends, risk factors, patterns of care, health-care costs and outcomes of public health interventions or treatments,

among others⁴⁴. Technology can also play a crucial role in education. It can broaden access by simplifying access to educational resources, improving learning experiences and promoting a wide range of learning styles and degree options, among other benefits. The importance of spending on research and technology to advance and facilitate access to education and health services was underscored by the COVID-19 pandemic.

4. Administrative expenditure by dimension

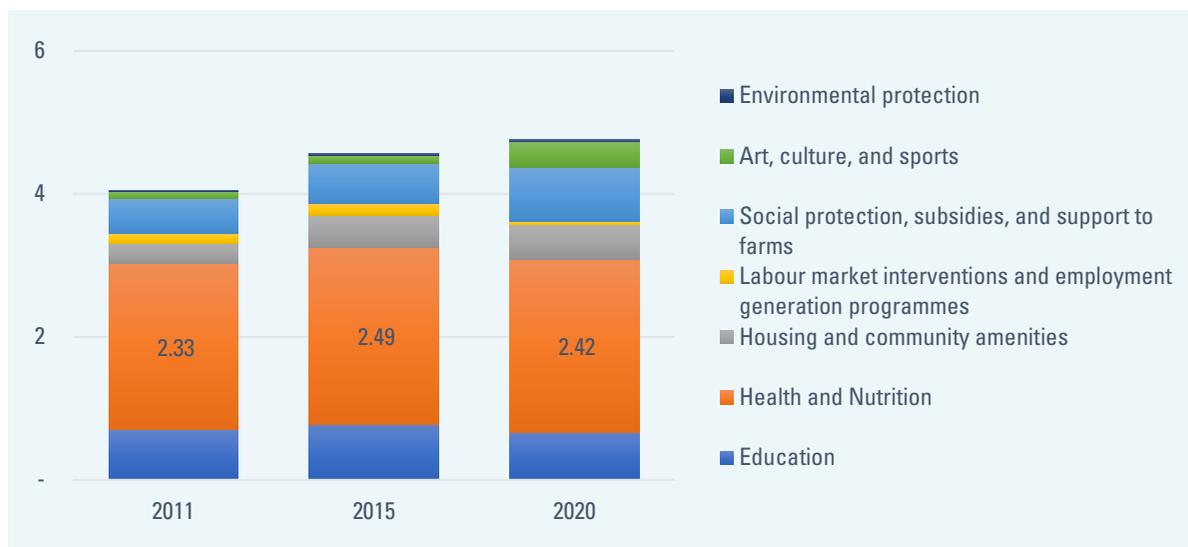
Administrative costs include all expenditures on the administration, formulation and implementation of general policies related to a specific social dimension. Across all social dimensions, administrative costs accounted for a significant share of the total central budget, reaching over 4 per cent in 2020 (figure 25). Health and nutrition consumes over 2 per cent more than some of the other dimensions.

Figure 24. Budget allocation for research activities by dimension, 2011–2020



Source: ESCWA Social Expenditure Monitor.

Figure 25. Administrative expenditure by dimension, 2011–2020



Source: ESCWA Social Expenditure Monitor.

4. Social expenditure monitor in Jordan: beneficiary populations

During the period 2010–2020, most of the budget expenditure targeted older persons, children and households, at 17 per cent, 10 per cent and 5 per cent in 2020, respectively. While the expenditure for households and families decreased over the last decade as a result of the food subsidy reform, expenditures for all other beneficiaries (i.e. children, young people and adults and specific vulnerable groups) remained mostly stable over the same period. Such patterns are interesting and reveal important targeting challenges for these populations.

Distribution of expenditures across public services for each beneficiary category

The purpose this analysis is to understand the composition of expenditures across social areas for each beneficiary group. The State budget targets different beneficiaries through several social programmes under various government entities. For example, children benefit primarily from expenditures on primary and secondary education; however, government programmes under social protection and health also support children. Examining the composition of such expenditures will therefore provide a better understanding of all types of social expenditures targeting children. The

composition of expenditures is analysed for each beneficiary, including children, young people and adults, women, families and households, and older persons.

1. Children

In 2020, approximately 10 per cent of public expenditure was allocated to different social purposes that target children aged 0 to 17 years in Jordan. The spending share has been steady during the last decade. In terms of the distribution of the actual expenditure across social areas, 99 per cent goes towards primary and secondary education, while only 1 per cent goes towards spending on social protection; art, culture and sports; and health and nutrition, such as inpatient hospital services and public health services (figure 27).

Consequently, the welfare of children of all ages is in jeopardy when little is spent on important services such as early childhood education, maternity and child health care and nutrition. For example, food insecurity is highly prevalent in Jordan.⁴⁵ During the period 2014–2016, 12.8 per cent of the total population was affected by severe food insecurity, and 7.7 per cent of children under the age of 5 years suffered from some form of undernutrition in 2012.⁴⁶ Furthermore, the enrolment rates in public early childhood education remain low;

45 Government of Jordan, 2017.

46 Results from the Food Insecurity Experience Scale survey conducted in 2018.

the combined enrolment rate for Kindergarten 1 and 2 is 32.9 per cent, while the enrolment rate for Kindergarten 2 is 59 per cent. An additional 2,800 classrooms are needed to accommodate all children between the ages of 5 and 6 years in Kindergarten 2. Moreover, children remain vulnerable because of weak neonatal health and social protection systems, as well as high domestic violence rates affecting them.⁴⁷

2. Young people and adults

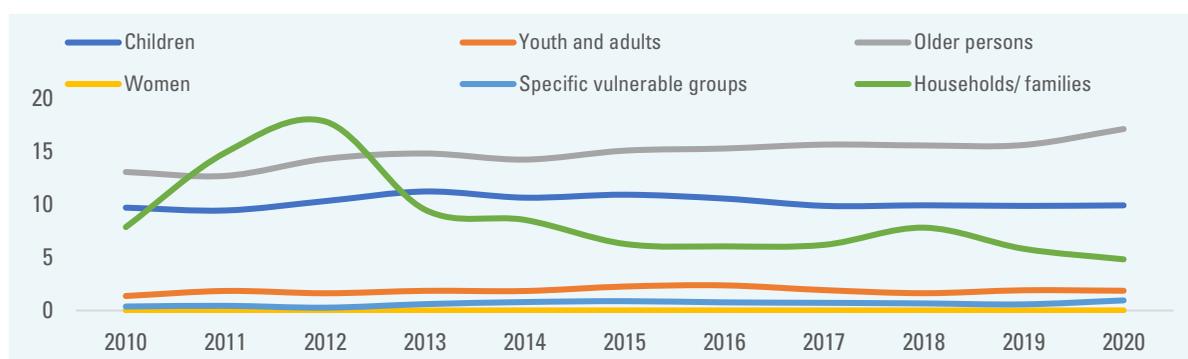
Approximately 1.9 per cent of public expenditure in 2020 targeted young people and adults in Jordan, a slight decrease compared to previous years (figure 26). This small share is distributed primarily across tertiary education (59 per cent) and post-secondary skills training (22 per cent). Expenditure on other social areas remains low, including grants and other incentives for small and medium-sized enterprises and private enterprises for job creation, as well as training and skills upgrading. Together, these areas play a key role in facilitating the transition from university to

decent jobs and in reducing the high youth unemployment rate at a time when 50 per cent of Jordanians are working in the informal economy.⁴⁸

3. Older persons

Older persons, aged 65 years and above, receive considerable attention in Jordanian society at all levels but remain among the most vulnerable groups, facing poverty, illness and isolation. This situation was further exacerbated by the COVID-19 pandemic. In 2020, 17 per cent of expenditures in the total central budget targeted older persons. While several important social policies must target this group, such as health-care services, figure 27 shows that all expenditures for older persons are allocated to pensions (100 per cent). In absolute terms, the social expenditure per older person in 2020 was 3,902 JD, which is higher than the country's per capita income of 3,040 JD.⁴⁹ Older persons also require housing, income, free health care and other services, for which additional spending is needed.

Figure 26. Social expenditure as a share of the total central budget across the main beneficiary categories, 2010–2020



Source: ESCWA Social Expenditure Monitor.

47 United Nations Children's Fund, 2019b.

48 Government of Jordan, 2017.

49 Social expenditure per older person was calculated by dividing the total social expenditure allocated to older persons (which consisted solely of pension scheme expenditures) by the population group aged 65 years and older. Since government pension schemes do not benefit that entire population group, the result may have underestimated actual expenditures. Nevertheless, the general idea remains consistent: the social expenditure per older person exceeds that of per capita income.

4. Women

Women play an important role in Jordan, and their empowerment is a prerequisite for sustainable development. The country cannot move forward in achieving the SDGs without optimizing investment in this half of its population and in its young people, who represent approximately one third of the population.⁵⁰ Nevertheless, only 0.01 per cent of the public expenditure allocated for various social purposes targeted women in 2020 (figure 27). This small share is insufficient to be distributed across the various social areas that could improve the situation for women in terms of gender discrimination, gender-based violence, education, health and the labour market.

5. Specific vulnerable groups

The specific vulnerable population, which includes persons with disabilities, sickness, survivors; marginalized groups or those at risk of social exclusion; and refugees and immigrants, was allocated just 0.95 per cent of the country's public expenditures in 2020 (figure 27). While social assistance from the National Aid Fund has played a key role in protecting these groups, the small share of

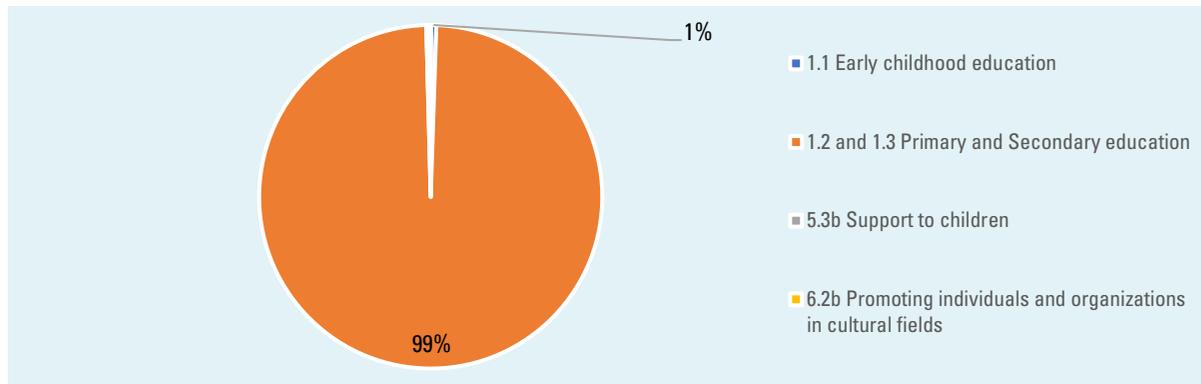
public expenditure makes it difficult to guarantee full coverage for all beneficiaries and finance their social needs in areas such as inpatient and public health services, support towards achieving basic income, research on social protection, refugee camps affairs, the enhancement of individual rights and the improvement of protection services and social welfare.

6. Households and families

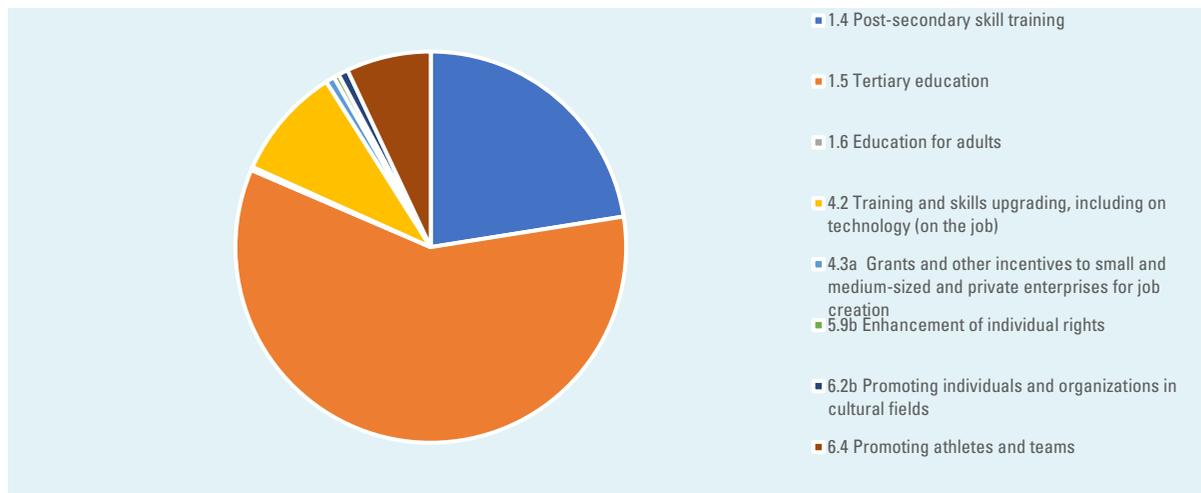
Approximately 4.8 per cent of the country's public expenditure targeted households and families in 2020, which has dropped from its 2012 level of almost 18 per cent (figure 27). The share fell primarily because of reforms that phased out food and energy subsidies by 2019 in order to improve the social safety net. In 2020, spending went to support towards achieving basic income (51 per cent), subsidies and other support to farms (29 per cent), and social security and insurance (19 per cent). While all these social areas are important for households and families, there is also a need for social services, particularly reproductive health care. As shown in figure 27, however, that service constituted only 0.004 per cent of the Government's budget.

Figure 27. Distribution of beneficiary expenditure by social area

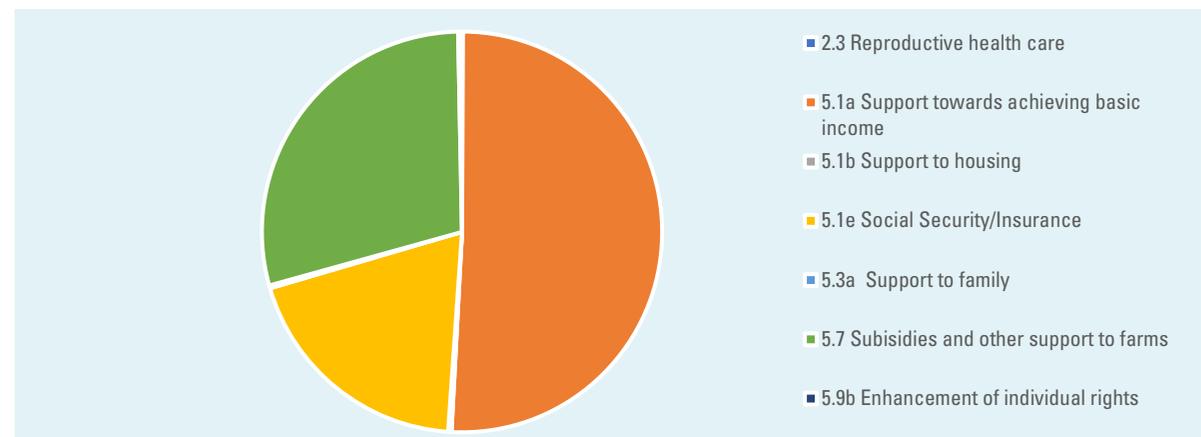
Distribution of social expenditure for children by social policy areas, 2020



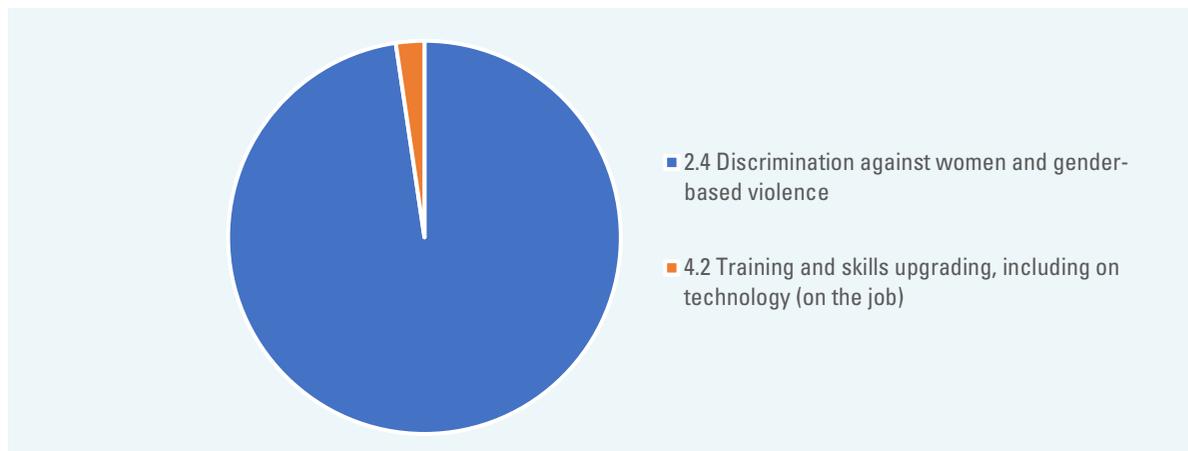
Distribution of social expenditure for young people and adults by social policy areas, 2020



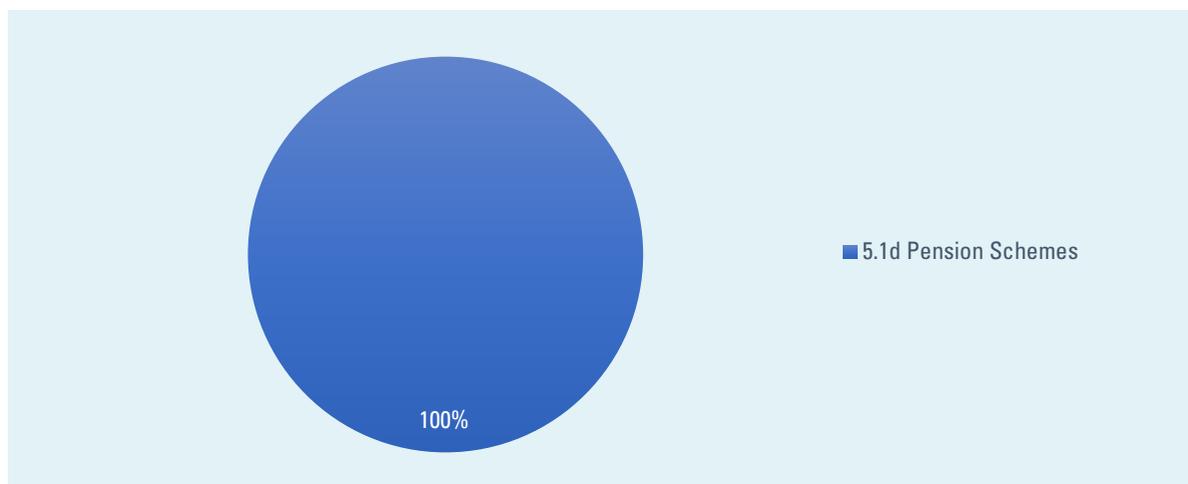
Distribution of social expenditure for households and families by social policy areas, 2020



Distribution of social expenditure for women by social policy areas, 2020



Distribution of social expenditure for older persons by social policy areas, 2020



Source: ESCWA Social Expenditure Monitor.

5. Improving the efficiency of public social expenditure: policy implications

Budgeting performance is a function of how efficiently expenditures are allocated across different areas to achieve optimal outcomes. A set of indicators relating to inputs and outputs are considered to assess efficiency, using a Data Envelope Analysis.⁵¹ While SEM includes seven dimensions, the following analysis focuses on the five sectors of education, health, housing, social protection and environmental protection, since output data are unavailable for labour market interventions and arts, culture and sports.

A. Outcome indicators in Jordan vis-à-vis other countries

This section investigates the association between key public social expenditure areas and their associated performance indicators.⁵² The association between public social expenditure and the inequality-adjusted human development index (IHDI) score shows a positive correlation (figure 28). On average, Jordan scored 0.622 on the IHDI, while its social expenditure levels constituted just 13 per cent of its GDP. In comparison, countries such as Finland and Denmark, which had a high score, dedicated a larger share of GDP to social expenditure, at approximately 37

per cent. Accordingly, there is a clear link between a country's level of social expenditure and human development. The more a country spends in terms of social expenditure, the higher its IHDI score.

The correlation between public education expenditure and harmonized test scores is positive but not overly strong (figure 29).⁵³ Additional spending on education does not necessarily translate into higher test scores. For example, the public education expenditure in Jordan constituted 3.4 per cent of GDP, yet the country scored 409 on harmonized test scores. In comparison, the Marshall Islands spent approximately 14 per cent of GDP yet scored amongst the lowest countries, with just 332. Public education expenditure in Singapore constituted just 2.7 per cent of GDP, but it achieved the highest test scores, with 581. Consequently, the quality of education services and the provision and efficiency of public education expenditure are essential to increasing and enhancing student performance.

There is a positive correlation between life expectancy and public health spending (figure 30). Moreover, on average, countries with a higher public investment in health have a higher life expectancy. Public health

51 Input and output variables for assessing the efficiency of social expenditure are available in the annex.

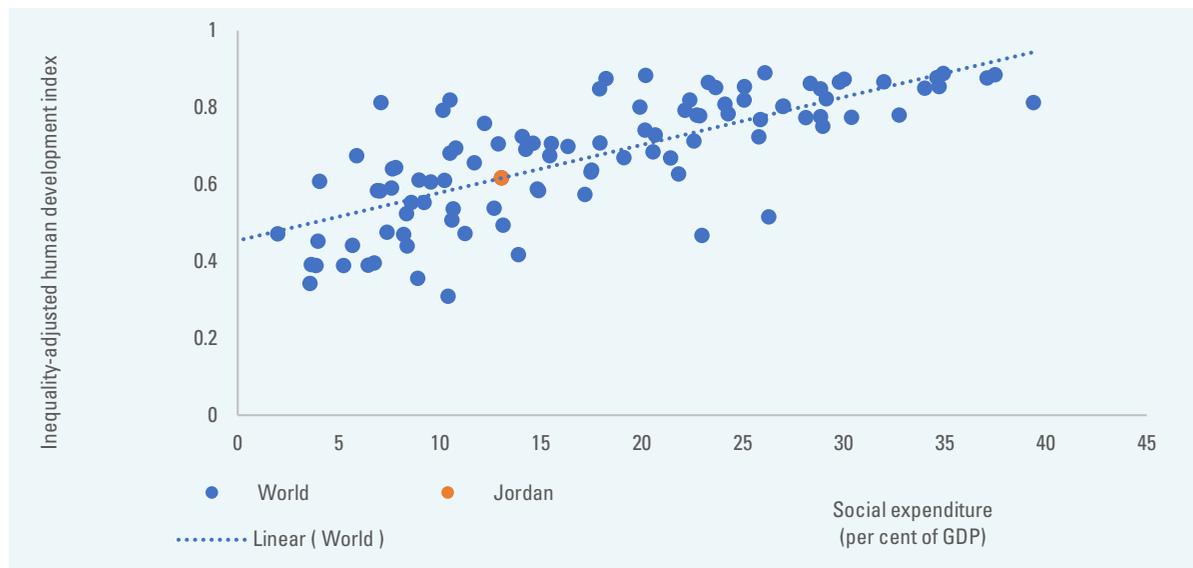
52 The IMF measure of social expenditure was used to ensure comparability across countries, and the three-year average from 2019 was used to produce the graphs.

53 In harmonized test scores, 300 represents minimal attainment and 625 is advanced.

expenditure in Jordan constituted just 2.4 per cent of GDP, and the country's life expectancy reached 74 years of age. A slightly higher share was spent in both Bahrain and Oman, at approximately 2.7 per cent of GDP, and the countries' life expectancy reached 77 years. In contrast, Lebanon spent just 0.9 per cent of GDP, yet the country ranked the highest in terms of life expectancy in the Arab region, at almost 79 years. The correlation between these indicators is less pronounced in Arab countries, since the health system in the Arab region is characterized by an unusually high share of out-of-pocket expenses in total health expenditures. As a result, private and not public health investment may be responsible for these advancements.

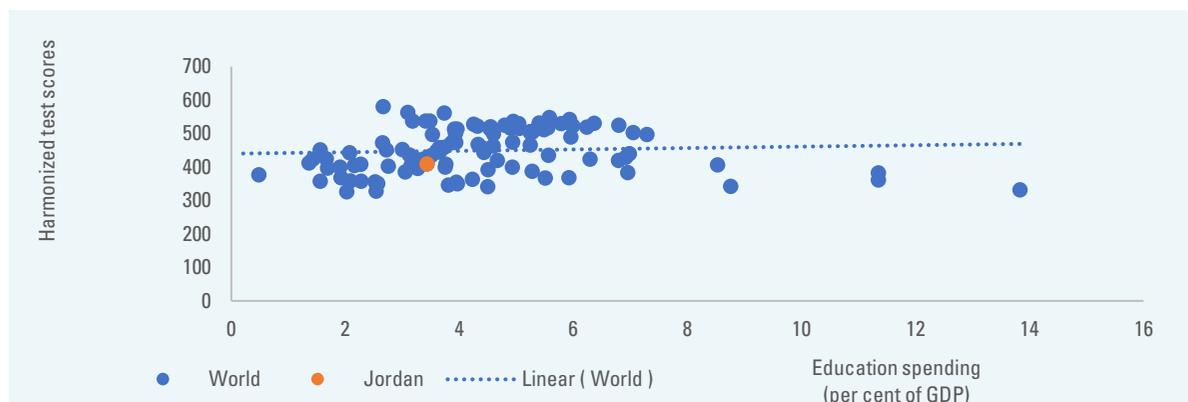
There is a negative correlation between the prevalence of undernourishment and public social protection spending (figure 31); the higher the expenditure on social protection, the lower the prevalence of undernourishment in a country. Public social protection expenditure was approximately 6.1 per cent of GDP in Jordan, where 8.6 per cent of the population was undernourished. Madagascar spent a lower share on social protection, with just 2.4 per cent of GDP and had a higher prevalence of undernourishment, at 41.5 per cent. Finland and France had the highest share of social protection expenditure, at approximately 24 per cent of GDP each, and the lowest prevalence of undernourishment, at 2.5 per cent.

Figure 28. Social expenditure compared to the inequality-adjusted human development index



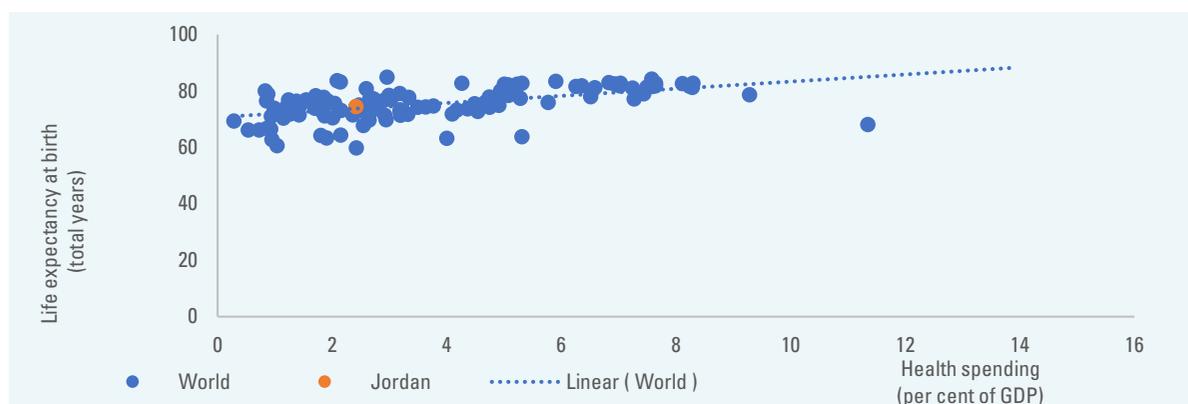
Source: Gaska and others, 2021. *Efficiency of Public Social Expenditure in the Arab States*.

Figure 29. Education expenditure compared to harmonized test scores



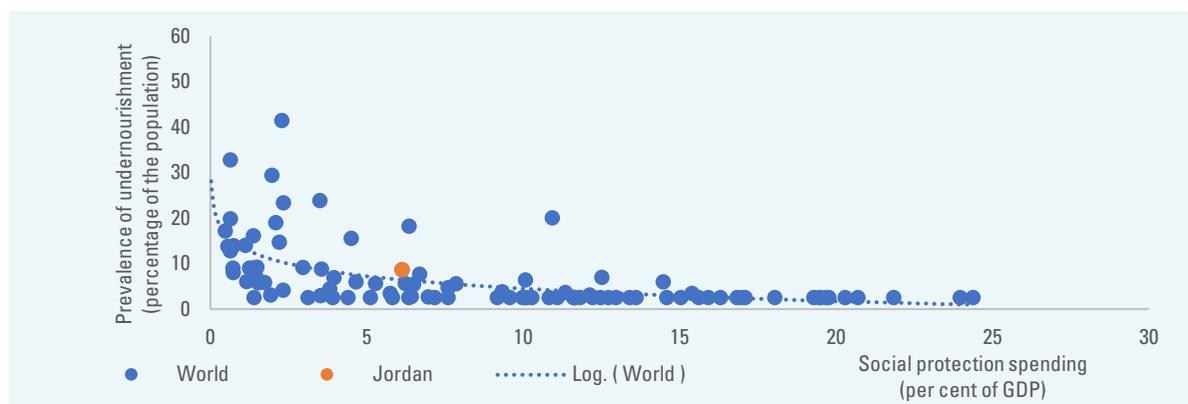
Source: Gaska and others, 2021. *Efficiency of Public Social Expenditure in the Arab States*.

Figure 30. Health expenditure compared to life expectancy at birth



Source: Gaska and others, 2021. *Efficiency of Public Social Expenditure in the Arab States*.

Figure 31. Social protection spending compared to the prevalence of undernourishment



Source: Gaska and others, 2021. *Efficiency of Public Social Expenditure in the Arab States*.

Note: Data in the figures refer to 2018.

B. Output and input efficiency

Budgeting performance relies on the efficient allocation of expenditures across social areas to better achieve optimal outcomes. A set of indicators relating to inputs and outputs was considered to assess efficiency, using a data envelope analysis.⁵⁴ The output efficiency of overall social expenditure in improving the IHDI score shows that the country's efficiency score is 0.64, which is slightly higher than the Arab region (0.60) but lower than the global average (0.71). It remains below the efficient frontier (figure 32). While Jordan performs better than the average of both groups in both housing and environmental protection, its efficiency scores remain far from the frontier. In terms of health, education and social protection, the country's efficiency score is lower than that of both groups. Nevertheless, the social protection expenditure is relatively efficient and close to the frontier (over 0.9), (figure 32).

In terms of education, outcome indicators in Jordan lag behind comparator countries. The student-teacher ratio is low and wages for teachers are almost twice the per capita GDP and have risen over years; however, non-wage recurrent spending appears to be lacking.⁵⁵

C. Policy simulations based on efficiency scores

The efficiency scores developed in the previous section allow policy simulations to be performed over time. Since outcomes are defined as a product of expenditures and efficiency, the inputs can be altered to study

projected changes to the output indicators. For example, a country may want to determine the effect of increasing educational spending by 20 per cent on expected years of schooling. Alternatively, the country might be interested to know the potential effect that efficiency improvements will have on outcomes. In this scenario, expenditures remain fixed while efficiency is raised to a relevant benchmark, such as the average efficiency for high-income countries. The best results occur when spending increases are combined with efficiency improvements, but this is not always possible in every situation. Efficiency simulations therefore help countries to prioritize their efforts.

A different type of policy simulation involves fixing the output indicator at a predetermined level and assessing the possible combinations of spending and efficiency required to achieve the desired output. In this case, a country may be interested in the potential savings that can be achieved by improving efficiency. By leaving the output indicator unchanged and raising the efficiency score to an appropriate benchmark, the simulation will calculate the amount of savings.

In general, the simulations assessed: (i) improvements under SDG indicators that could be achieved if both countries increased social expenditures to global averages and raised efficiency to the average efficiency of high-income countries and (ii) the potential savings both countries could benefit from by substituting efficiency for expenditures. Key outcomes from the policy simulations are presented in this section (figures 33 and 34).

54 Input and output variables to assess the efficiency of social expenditures are available in the annex.

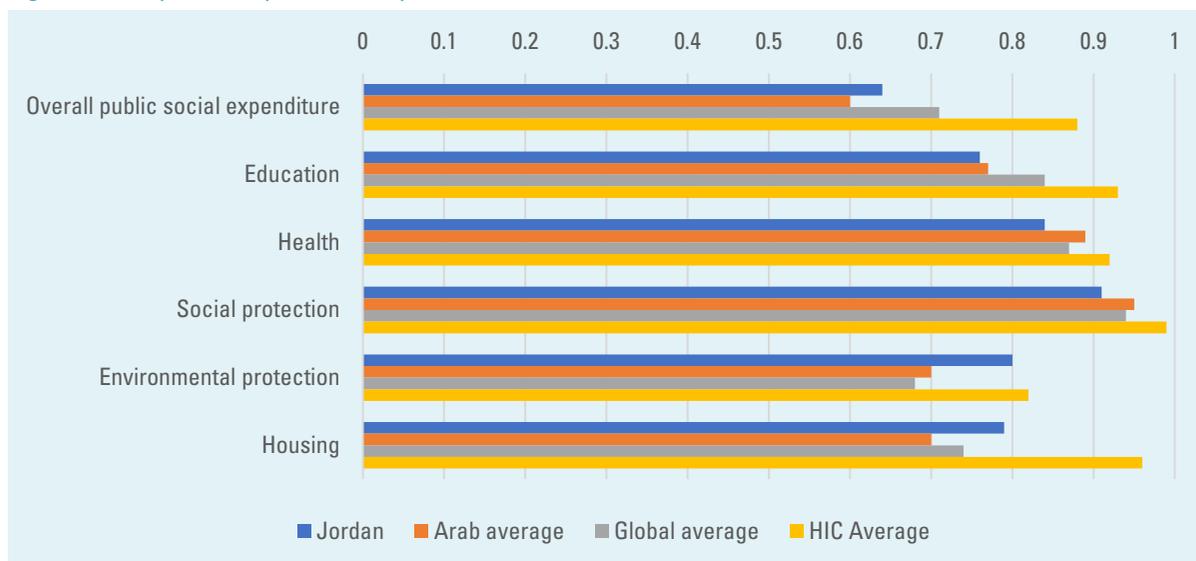
55 Shamsuddin and others, 2018.

Efficiency simulations: input and output variables

If Jordan maintains its current level of social expenditure as a share of GDP and improves its efficiency to match the average of high-income countries, its IHDI would increase

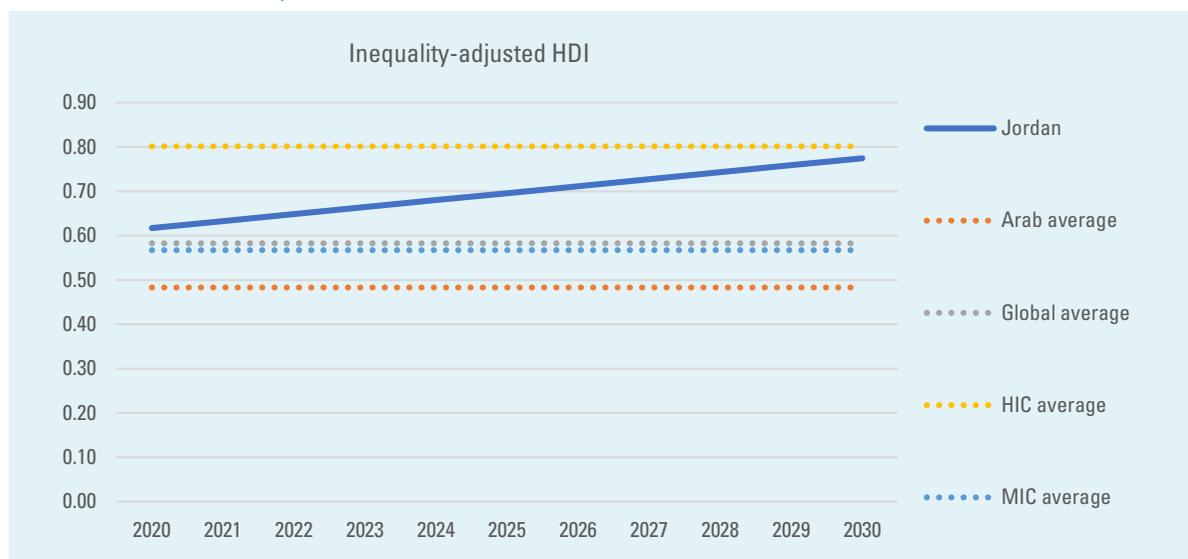
from 0.622 to 0.774. This would raise its IHDI ranking from 72 to 38 out of 152 countries. In reaching the efficiency of high-income countries, Jordan could reduce total public social expenditure by 28 per cent, a savings of 1.1 billion JD, without impacting human development.

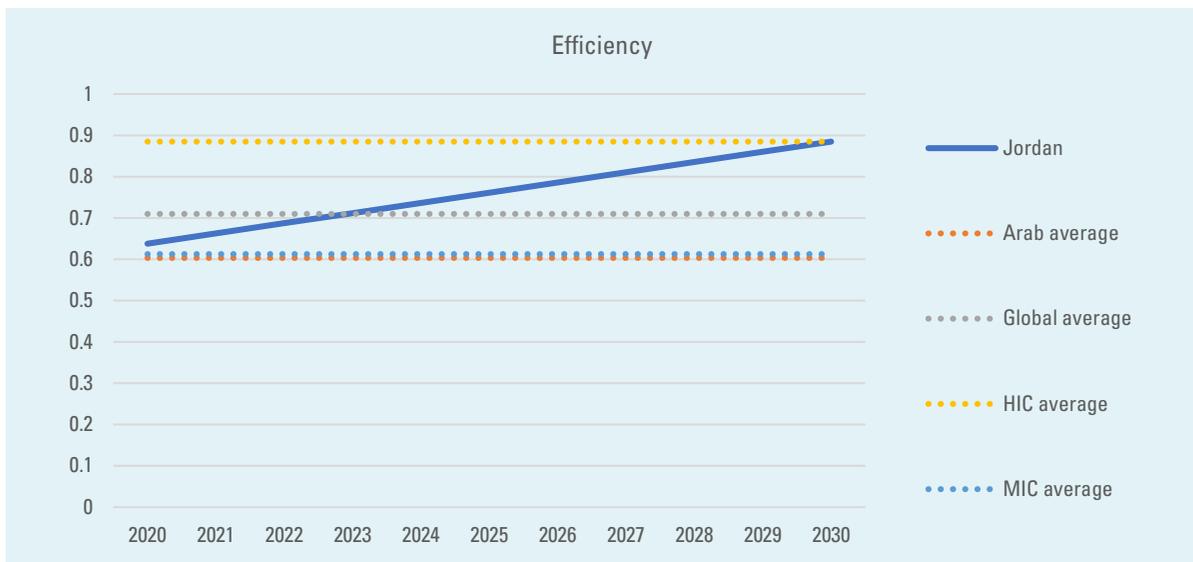
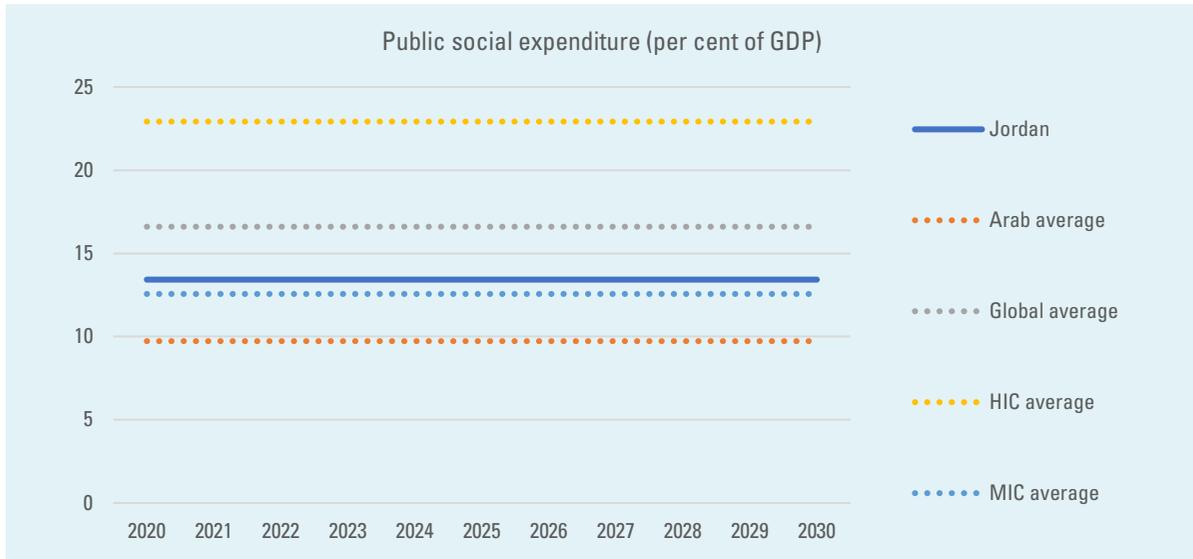
Figure 32. Output and input efficiency



Source: ESCWA Social Expenditure Monitor.

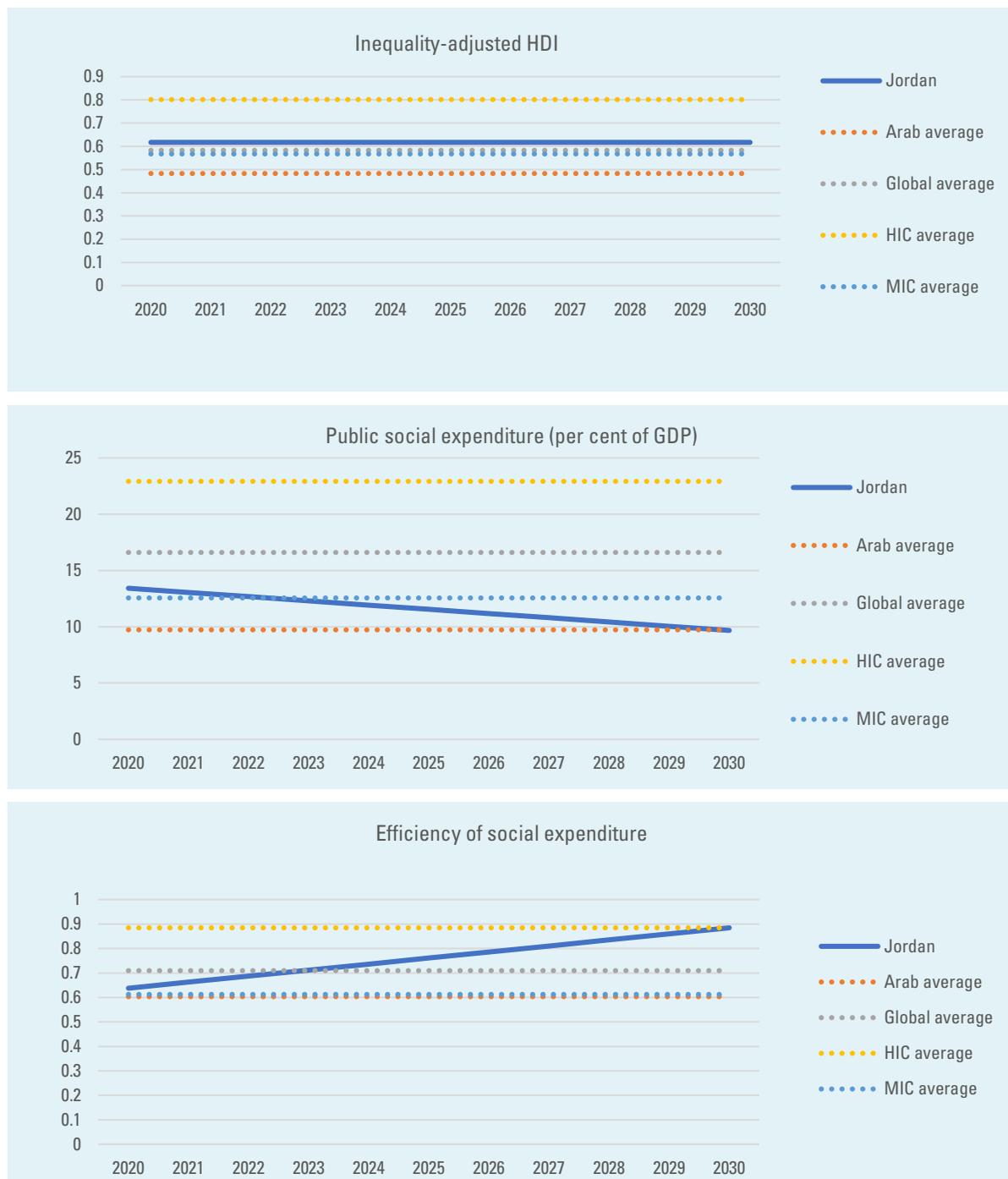
Figure 33. Policy simulation – improving efficiency improves the inequality-adjusted human development index with constant levels of expenditure





Source: ESCWA Social Expenditure Monitor.

Figure 34. Policy simulation – improving efficiency reduces expenditures to achieve the same inequality-adjusted human development index (Jordan)



Source: ESCWA Social Expenditure Monitor.

At the sectoral level, improved efficiency would lead to greater outcomes without any change in the level of expenditure. Alternatively, it could help to save resources if the country maintains the same output. For instance, at the same level of expenditure, if Jordan improved education spending efficiency to match the average of high-income countries, the primary student-to-teacher ratio would decline from 19.37 to 12.38. If it also increased primary education spending by 5 per cent, in line with the global average, the student-to-teacher ratio would fall from 12.38 to 12.34.

In this example, improving efficiency is a more effective means of improving outcomes than allocating additional resources. If Jordan achieved the overall education efficiency of high-income countries, education expenditures could be cut by 20 per cent from current levels, a savings of 220 million JD, without reducing expected years of schooling.

With regard to health, increasing efficiency to the high-income country average would allow Jordan to maintain its current life expectancy while reducing health expenditures by 10 per cent, or 73 million JD. Increasing the efficiency of overall social protection spending to the high-income country average would mean Jordan could lower social protection expenditures by 10 per cent, saving 199 million JD without increasing undernourishment.

Given these results, the effectiveness of social expenditure in Jordan requires a strategic allocation of resources and improvements to efficiency. The country could improve achievements under educational or public health indicators without increasing spending through a combined effort to improve service delivery mechanisms, budgetary institutions and relevant PFM arrangements.⁵⁶

6. Planning and budgeting reforms in Jordan and their impact on the effectiveness of social expenditure

Public spending sustainability and quality improvement can only be achieved in the medium term with better targeted, more efficient and more equitable spending. This requires better monitoring of the public budget, particularly for social expenditures to ensure coherence in planning, strategies and programme. This section presents an overview of the public financial management reform in Jordan and the primary conclusions on its impact on the effectiveness of social expenditure.

A. Public financial management reform in Jordan

The Ministry of Finance and related departments have been working continuously for over a decade to improve financial management. The work has been undertaken in cooperation with international institutions and donors to achieve sustainable improvements in PFM policies and practices. The Ministry intends to improve the Government's financial operations, strengthen fiscal discipline, improve the standard of living for citizens, enhance economic growth, improve its ability to achieve fiscal and budgetary results, continuously measure and monitor progress as a basis for prioritizing reform areas, guarantee the most effective and efficient use of resources and

enable it to support the fiscal policies needed in Jordan.

To ensure compatibility with national goals, the Jordan 2025 vision and the 2018–2022 Jordan Economic Growth Plan, reform efforts were guided by the goal of developing a PFM system that contributes to improving economic and financial stability in the country and enhancing the welfare of its citizens. The overarching objective of the fiscal reform efforts was to strengthen long-term macrofinancial discipline, policy-based budgeting and the role of the private sector. The primary responsibilities of the entities entrusted with financial management included collecting public revenues, preparing the general budget, managing and controlling public spending, and managing borrowing and debt. These were in addition to managing accounts; supervising cash flows; studying and analysing financial, monetary and economic positions; evaluating tax policies and procedures; managing civil and military retirement affairs; studying issues that relate to government rights; and drafting financial legislation related to public revenue and expenditure.

The objectives of the PFM reform efforts in Jordan have evolved over time. Until the 1980s, PFM focused on meeting spending needs. Since the mid-1990s, however, it has been focused on

achieving fiscal discipline to effectively tackle the critical challenges facing the country, such as those relating to the budget deficit, the level of public debt and tax evasion and avoidance. It has also broadened its focus to include the efficient allocation of resources and consideration for citizens' concerns. Improving fiscal discipline—as measured by stabilizing the government debt-to-GDP ratio over the medium term and managing primary balance and overall fiscal balance ratios—tends to achieve efficiency, as countries monitor their expenditures more closely and have more fiscal space to allocate funds to areas in which they are most needed.⁵⁷ This is the case for Jordan, where a simulation of stabilizing the debt-to-GDP ratio over the medium term and allocating additional fiscal space to social expenditures (e.g. health, education and housing services, among others) shows a growth-enhancing effect in cumulative terms (between 2022 and 2030). Jordan could increase its real GDP by 3.1 per cent above the projected baseline.⁵⁸

Although the PFM reform process focused on fiscal discipline, the emphasis on public revenue measures formed the cornerstone of these reforms and is needed to effectively address tax evasion and avoidance and align this strategic priority with international good practices in tax administration.

B. Reforms and development in budget preparation and implementation

In this context, by translating policy priorities into allocated resources and adopting good practices for their use, budgeting has a role to

play in addressing some of the drivers of inefficiency. Improving governance and fiscal transparency contributes to significant efficiency gains in social sectors; however, as evidenced by the case of Jordan, such improvements must be complemented by efforts to improve effectiveness through better targeting, which is mainly achieved through a better design of service delivery mechanisms.⁵⁹

Many financial reform concepts have been adopted and implemented in the country, in keeping pace with international best practices in budget preparation and implementation and aligning with the vision of the General Budget Department to adopt a transparent budget that enhances the pillars of sustainable development.

The first concept is related to results-oriented budgeting, which was designed to achieve the optimal use of available resources, increase the productivity and efficiency of the public sector and enable it to achieve national goals and priorities. This shift aligned with the PFM reform strategy adopted by the Ministry of Finance to develop a methodology to prepare and implement the public budget that defines the strategic goals of each ministry and/or department, the programmes and projects that achieve these goals and a system of performance indicators that link spending to expected results.

In line with results-oriented budgeting, a new chart of accounts was built at the end of 2007 to accommodate the new direction and align with the latest global applications. The budget was reclassified for all programmes and projects in the general budget law and the budgets law of

57 IMF and ESCWA, 2021.

58 Altshuler and Sarangi, 2021.

59 IMF and ESCWA, 2021.

government units according to the functional classification in the Government Finance Statistics Manual.⁶⁰ Some capital expenditure items were reclassified and transferred to current expenditure, in line with their current nature. The public sector, general government and central Government were also redefined and reclassified. The new chart of accounts provided comprehensive analytical information on financial management, enhanced transparency in revenue management and expenditure control processes, supported the requirements for issuing and sending reports at various levels of the legislature and supported results-oriented budgeting.

The new chart of accounts structure included the following classifications: financing, organizational, functional, programme and geographical classifications, along with revenue and expenditure and balance sheet accounts. In line with the Government's goal to develop PFM under the project to build and reform the country's financial system, the General Budget Department developed the necessary infrastructure. This approach facilitates the implementation of the new approach to results-oriented budgeting and the studies and analysis required to build a new system to produce and issue the budget law in line with the budget's new direction. It also ensures that the system is more flexible and accurate in terms of saving data and performing the necessary financial analyses.

To ensure the success of the process for developing the methodology to prepare and implement the public budget using results-oriented budgeting, there must be a clear financial vision for public expenditures in the medium term that enables the Government to

programme priorities and effectively mobilize available financial resources to achieve national goals and priorities. Accordingly, the General Budget Department established a medium-term framework for public expenditures that showed the expected spending volume for the programmes and projects of each ministry and government department over three years, beginning with the 2008 general budget draft.

A paper with the priorities and policies for the general budget was prepared for the first time in 2010 within the medium-term framework. It highlighted the budget's most prominent features and dimensions and determined the total capital expenditure, including the expected financial space. The paper also included a presentation of the most prominent economic and financial developments; the expected performance, with a focus on public finance; the features of the general budget for the fiscal year, including the primary expectations on which the budget is based; and the policies and procedures to be adopted. In addition, it presented a preliminary vision of its revenues; the methodology used in preparing the budget, which is consistent with the Government's action plan; and a statement detailing the structure and priorities of public spending and identifying capital expenditure priorities.

A budget cycle manual was prepared, intended for budget analysts in the General Budget Department and employees connected to budget and planning departments in the various ministries, departments and government units. The guide includes theoretical and conceptual frameworks, the impact of the budget cycle on government policies, the legal framework for preparing the general budget, budget classification (i.e. the chart of accounts) and the

60 IMF, 2001.

role of various government agencies in preparing the annual general budget law and the budget analysis framework. It also details the phases of the budget cycle, which include mechanisms for monitoring and evaluating budget processes and preparing the budget for capital projects.

To keep pace with global developments in women's and children's rights, the General Budget Department adopted the concepts of a gender-responsive and child-friendly budget and incorporated human rights in its formulation. The Department monitors and highlights the financial allocations necessary to meet the needs of women and children and protect human rights for all. In this context, it amended the budget preparation forms to include these changes as of 2011 to ensure that a significant portion of the budget preparation forms began to account for gender when determining performance measurement indicators, distributing human cadres, sharing information about each ministry and government department and identifying the services provided by government programmes. The general budget law shows the estimated allocations for women in all programmes and classes as well as a breakdown of the salary costs by gender and job group for all ministries and departments. A child-friendly budget approach is adopted by developing budget models and reviewing and amending strategic plans, programmes, projects, activities and performance indicators to follow up on financial allocations for children within the various programmes distributed according to chapters in the budget law. This helps to highlight the allocations related to children within the budgets of ministries and departments.

Regarding follow-up, control, implementation and transparency, the Department prepared a

periodic report on the level of spending and completion of capital projects in the general budget law and budgets law of government units for the first time in 2008. The report also showed the geographical distribution of projects by governorate, implementing agency and economic sector. This report was submitted to the Office of the Prime Minister, which circulated it to all ministries, departments and government units to follow up on the achievements and progress of the various capital projects being monitored.

Moreover, to enhance citizen participation in the budget preparation and implementation process, a citizen's guide was issued in 2011 to provide them with the greatest possible amount of information and data related to the projects and activities implemented by ministries and departments. The aim was to enable citizens to follow up on the implementation process and report any errors or omissions that needed to be remedied, as well as allow the Government to take the necessary measures to correct them. The document also aimed to increase citizens' responsibility in preserving development gains and government achievements by making them partners in preparing plans and following up on achievements.

The Department also issued a budget summary document, which includes a summary of economic and financial performance, budget assumptions, macroeconomic expectations, the most prominent features and developments in the budget for the following year, the budget preparation mechanism and any potential medium-term risks. This document helps the competent international bodies on transparency, reporting and budget implementation to improve the evaluation of general budget management. It also

strengthens the principle of participation in this field.

In the pursuit of a mechanism to evaluate the effectiveness and efficiency of budget processes, the Department developed a system to follow up on and evaluate the performance of ministries, departments and government units in cooperation with the United States Agency for International Development (USAID), which funded the second financial reform project. The aim was to lay the foundation for the process of evaluating the achievements of various government institutions, the extent to which strategic objectives are achieved, the extent of their contributions to national goals and priorities, the consolidation of the Department's efforts to enhance budget transparency and its ability to provide more accurate and objective information to decision makers.

C. Sustainable Development Goals and their alignment with the general budget

Building on the successful experience gained during the pursuit of the Millennium Development Goals, Jordan began to implement the 2030 Agenda at an early stage, supported by political will at the highest level. Nevertheless, Jordan began this journey with significant challenges; continued regional instability and other challenges put significant pressure on the country's development gains. In addition, the country's infrastructure and services faced an urgent need for long-term financing.⁶¹

Jordan's national voluntary review on the implementation of the 2030 Agenda demonstrated the way in which the SDGs and the 2030 Agenda have been mainstreamed in the various axes and projects of the Government's executive programme.⁶² A large proportion of the SDG indicators, which are classified at the first level, monitor the progress made in the sustainable development plan.

The survey, which was conducted between late 2016 and early 2017, compares the goals, targets and indicators of the 2030 Agenda with the Jordan 2025 vision and strategy. It was conducted with the broad participation of a wide range of ministries and government institutions in cooperation with United Nations bodies. The results showed that all goals and most of the targets are aligned. A mission for Jordan has subsequently been incorporated into national strategies and executive development programmes, albeit to varying degrees.

According to the country's 2017 national voluntary review, the goals, objectives and indicators of the 2030 Agenda were integrated and aligned with the last executive development programme and the agreed-upon road map. The Executive Development Plan contains the integrated national development plan. It guarantees the outputs of all national plans and documents and provides the reference for preparing state budgets.

All economic and social plans and executive development programmes during the past period aimed to improve the standard of living and quality of life for citizens, including the

61 This section relies heavily on the country's first national voluntary review on the implementation of the 2030 Agenda, 2017.

62 Government of Jordan, 2017.

development of social services (education, health, culture, youth activities and social care), infrastructure (energy, water and roads) and municipal services in all governorates.

Despite these development plans and programmes, economic and social indicators show that Jordan has not reached its targets in terms of improving the standard of living, achieving financial stability, reducing poverty and unemployment rates and improving the provision of social services.

Improving the provision of social services and the efficiency of social spending are two important priorities for the Government in order to promote the concepts of social justice and social inclusion, guarantee equitable access to essential services and enhance solidarity and equal opportunities among citizens and regions. Nevertheless, the limited fiscal space available and the current degree of efficiency of spending emerge as some of the main challenges to achieving the country's growth goals and development aspirations.

Although the Government confirmed that the SDGs were mainstreamed in the 2016–2019 Executive Development Plan and the country's national voluntary review on the implementation of the 2030 Agenda, the 2018 report of the Audit Bureau revealed that

the results of the alignment were not shown, owing to a number of factors.⁶³

- A lack of clarity about the mechanism for defining joint responsibilities among government agencies that are involved in the achievement of one or several goals.
- The failure to clarify some of the steps taken by the Government to address the intersections among SDGs that are targeted by more than one party, with a view to coordinating their cooperation to overcome obstacles in the implementation stage.
- The need to clarify and document accountability arrangements among the 19 task forces of the Supreme National Committee for Sustainable Development and the parties working to achieve the SDGs with regard to defining the scope of their commitments and monitoring progress.
- The delay in preparing the monitoring and follow-up system for the SDGs with regard to defining the scope of commitments and monitoring progress.
- A lack of clarity about the periodicity of reporting on progress made in achieving these goals for the technical committees in various ministries and departments.
- The lack of a specific schedule for the periodicity of committee meetings. The Committee currently meets when necessary and has held only two meetings since 2016.

63 State Audit Bureau of Jordan, 2018. pp. 151 and 152.

Key findings

1. According to the SEM model, total public social expenditure as a share of GDP was 14.9 per cent in 2020, compared to 14.7 per cent in 2019 and 18.2 per cent in 2012. As a share of total central government expenditure, it has declined over the years; it was 50.2 per cent in 2020, compared to 50.5 per cent in 2019 and 58.8 per cent in 2012.
2. Approximately 90 per cent of social expenditure goes towards current expenditure. In 2020, Jordan spent 93.4 per cent on current expenditure (primarily for employee compensation and public transfers), leaving a small share (6.6 per cent) for capital expenditure. As a result, there has been insignificant spending on building essential infrastructure or investing in more productive sectors that contribute to growth and human development.
3. According to the SEM model, social protection, subsidies and support to farms continued to receive the largest share of total public social expenditure (23.1 per cent) in 2020. Pensions for older persons constitutes 17.1 per cent of total public social expenditure within the social policy category of this dimension. Public expenditure was insignificant on other social policies, such as social assistance and social insurance to vulnerable populations, support to children and families and support to farms.
4. The pattern of public expenditure also shows that spending on education, housing and health and nutrition (as a share of GDP) has been relatively stagnant over the past decade. Strikingly, public expenditure also remained insignificant for labour market interventions and employment generation; environmental protection; and art, culture and sports. More investment is needed in these critical social policy areas to accelerate inclusive and sustainable development.
5. The breakdown of social spending for each of the seven SEM policy dimensions has revealed the country's spending priorities and the potential to redirect spending towards other neglected social areas. For example, the bulk of spending in education targets primary and secondary education, leaving spending gaps in other crucial education indicators such as early childhood education or post-secondary skills training.
6. Spending has been largely insignificant on crucial health indicators, such as outpatient services, reproductive health care and efforts to combat discrimination against women and gender-based violence.
7. The bulk of the expenditure in housing and community amenities was mainly oriented towards urban commuting, rural connectivity and community development. At the same time, water supply networks and reservoirs received one of the lowest shares of spending over the past decade, despite the fact that water shortages remain a key challenge for Jordan.
8. Labour market interventions and employment generation had received low public expenditure shares over the past decade. On-the-job training and skills upgrading, including on technology; research on labour

market programmes and policies; and administrative and institutional support have captured the larger shares of government spending on the labour market. Insufficient expenditure is recorded to encourage female employment, grants and other incentives to private enterprises and start-ups for job creation and employment generation programmes, despite the fact that Jordan is struggling to address high unemployment and demand for jobs, particularly among young people and women.

9. Art, culture and sports is also among the social policy dimensions that have received the lowest allocation of public expenditure over the past decade. Expenditure on research and development activities remained insignificant, at 0.4 per cent of the total central budget in 2020. This limits the capacity such activities, which are essential to the development of human capital and dynamic economies.
10. In terms of targeting specific groups, older persons received a large share of public social expenditure (17 per cent in 2020), owing to the government pension schemes offered to public sector employees. As a result of spending on primary and secondary education, children were the target group receiving 9.8 per cent of budget. Nevertheless, expenditure on early childhood development remained insignificant.
11. Households and families received 4.8 per cent of the total budget in 2020, through various social interventions including cash transfers and support to improving basic income. Although they may benefit from spending that targets households, young people and adults receive only a small share of social expenditure from targeted social programmes (1.9 per cent of public expenditure in 2020). This results primarily

from government allocations to several public interventions, including labour market interventions and employment generation programmes (e.g. grants and other incentives for small and medium-sized enterprises and private enterprises for job creation and training and skills upgrading), as well as art, culture and sports. Similarly, women and specific vulnerable groups (i.e. persons with disabilities, sickness and survivors; the socially marginalized or at risk of social exclusion; and refugees and immigrants) received the minimum from social programmes, highlighting the need to better target social expenditure for these disadvantaged groups.

12. In terms of efficiency of social spending in achieving inclusive human development, proxied by the IHDI score, the efficiency score of Jordan is 0.64, which is strikingly below the efficiency frontier. The average in the Arab region is 0.60, the global average is 0.71 and the average among high-income countries is 0.88. The low efficiency of overall social expenditure is a manifestation of the inefficiencies in education, health and social protection expenditures.
13. Policy simulations suggest that if the current level of social expenditure as a share of GDP in Jordan remained the same and the country improved its efficiency to match the average among high-income countries, its IHDI would increase from 0.622 to 0.774. This would raise its world ranking from 72 to 38 out of 152 countries. Alternatively, in reaching the efficiency of high-income countries, Jordan could reduce its total public social expenditure by 28 per cent, or a savings of 1.1 billion JD, without seeing a loss in human development. At the sectoral level, policy simulations indicate that improving efficiency would lead to better outcomes without any change in the level of

- expenditure, or Jordan could maintain the same level of output and save resources.
14. Government effectiveness and digitization drive efficiency more than the size of the social expenditure itself. States do not necessarily need higher public social expenditures to be efficient. Inefficient social expenditure can result in poor social outcomes or even unnecessarily high expenditure levels, which can lead to higher taxation or crowd out other spending priorities. The right combination of social expenditure, not merely higher levels, is therefore fundamental to drive the economy and society towards ensuring inclusive development and attaining the SDGs.
 15. Limited fiscal space and inefficiencies in public spending are some of the main challenges that Jordan must address in order to stimulate higher economic growth and achieve the SDGs. The public debt-to-GDP ratio has increased in recent years, and the pandemic further aggravated debt and deficit challenges. The combined public sector deficit has expanded because the planned fiscal consolidation and revenue mobilization were not met.
 16. The efficient allocation of resources remained the main priority for Jordan to stabilize its government debt-to-GDP ratio over the medium term and to manage primary balance and overall fiscal balance ratios. More fiscal space is required to allocate funds to areas in which they are most needed. A simulation of stabilizing the debt-to-GDP ratio over the medium term and allocating the additional fiscal space to social expenditures (health, education and housing services, among others) shows a growth-enhancing effect in cumulative terms (between 2022 and 2030), where real GDP could increase by 3.1 per cent above the projected baseline.
 17. Guided by the vision of developing a PFM system, Jordan succeeded in implementing several planning and budgeting reforms to enhance the effectiveness of social expenditure, ensure the most effective and efficient use of resources and support needed fiscal policies. To strengthen its policy-based budgeting, Jordan also implemented results-oriented budgeting in line with a medium-term public expenditure framework, along with a new chart of accounts and long-term macrofiscal discipline (i.e. stabilizing the government debt-to-GDP ratio over the medium term and managing the primary balance and overall fiscal balance ratios).
 18. Since budgeting plays a key role in addressing some of the drivers of inefficiency, Jordan is on track to improve governance, fiscal transparency, follow-up, control and implementation. The country's reforms focused on budget preparation and implementation, which must be complemented with significant efforts to improve effectiveness through better targeting, which is primarily achieved through a better design for service delivery mechanisms.
 19. There are still several areas in which PFM reforms can continue to enhance the provision of social services and macrofiscal stability. These include data, the quality of information and coordination across entities. It is essential to develop a carefully designed PFM road map that entails a sequencing process for PFM reforms and factors in the strengths and weaknesses of existing systems, resources and capacity constraints. It is equally important to address significant PFM system bottlenecks

and core PFM functions that focus on financial compliance and to improve data and the quality information for budget reporting (including both financial and non-financial performance reporting) as well as policy design.

20. Improving the provision of social services and ensuring greater efficiency for social spending are two important priorities for the Government in order to promote the

concepts of social justice and social inclusion, guarantee equitable access to essential services and enhance solidarity and equal opportunities between citizens and regions. Nevertheless, the limited fiscal space available and the current degree of efficiency of spending emerge as some of the main challenges to achieving the country's growth goals and development aspirations.

Annex. Input and output variables to assess the efficiency of social expenditures

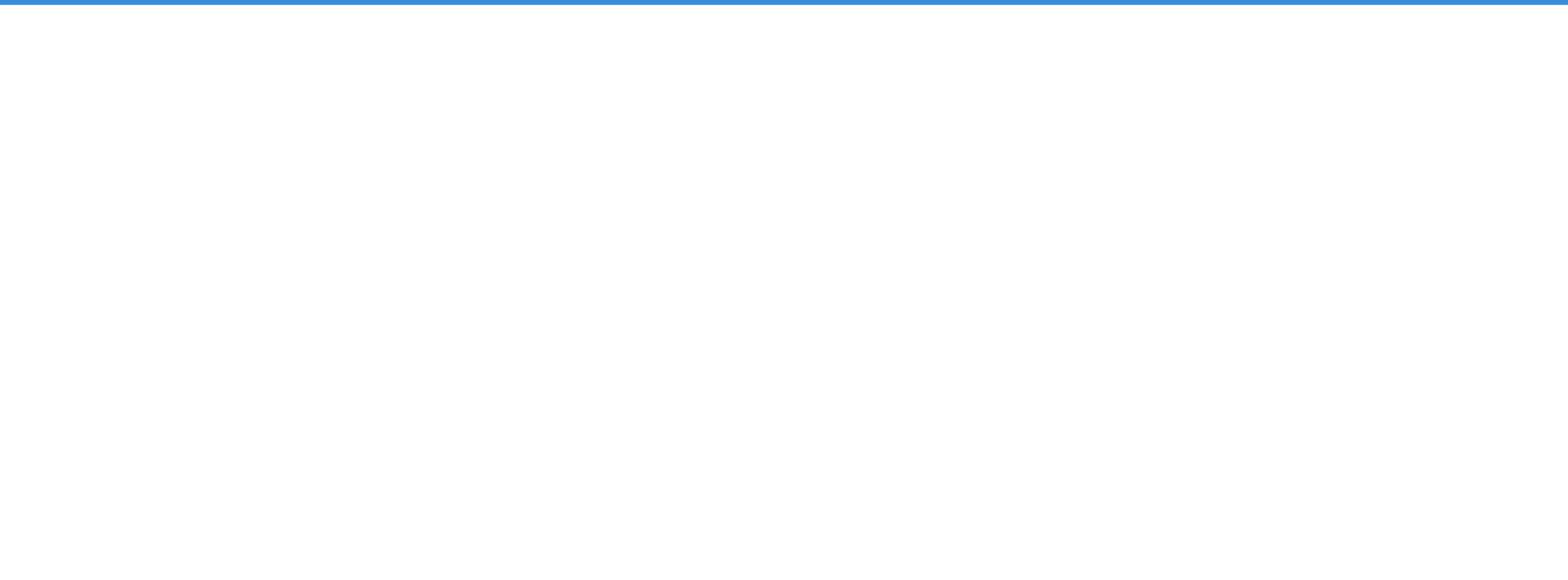
	Input variable	Output variable
Social expenditure	Total social expenditure	Inequality-adjusted human development index
Education	Overall education expenditure	Expected years of schooling
	Pre-primary, primary and secondary education	Student-to-teacher ratio, primary
	Tertiary education	Student-to-teacher ratio, tertiary
	Research and development education	Harmonized test scores
Health	Overall health expenditure	Life expectancy at birth, total years
	Outpatient services	Mortality rate for cardiovascular diseases, cancer, diabetes or chronic respiratory disease between exact ages of 30 and 70 years, percentage
	Hospital services	Infant mortality rate, per 1,000 live births
	Public health services	Prevalence of anaemia among pregnant women, percentage
Housing and community amenities	Overall housing and community amenities expenditure	Population living in slums, percentage of urban population
Social protection	Overall social protection expenditure	Prevalence of undernourishment, percentage of population
	Older persons	Proportion of population above the statutory retirement age covered by benefit
	Sickness and disability	Proportion of population with a severe disability covered by benefit
	Families and children	Prevalence of anaemia among women of reproductive age (15–49 years), percentage
Environmental Protection	Overall environment protection expenditure	Environmental Protection Index

Source: Gaska and others, 2021. Efficiency of Public Social Expenditure in the Arab States.

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Public social expenditure underpins the well-being and economic potential of individuals and entire societies. The growing pressure arising from limited fiscal space and sustainability challenges has been increasing in the Arab region, including Jordan, emphasizing the need to invest in structural transformation, human development and the Sustainable Development Goals (SDGs). The goal is not merely to increase total public expenditure, however, but to improve its efficiency. If expenditures can be targeted to key social development priorities and vulnerable populations facing multiple deprivations, the impact on social and human development outcomes would be much greater. A proper tool to map public social expenditure in its entirety and assess its efficiency is needed in order to manage expenditure in a way that meets the aspirations of people and achieves the SDGs.

A comprehensive mechanism that monitors social expenditure, such as the social expenditure monitor (SEM), helps to ensure more efficient and effective budget allocations to achieve socioeconomic priorities and the SDGs. Using SEM, this policy paper analyses the major trends and patterns of social expenditure allocations in the public budgets of Jordan and assesses their efficiency. The paper draws important policy conclusions, such as improving monitoring and governance of social programmes for a more equitable, efficient and effective social policy; enhancing fiscal space for increasing social expenditures in critical areas of social policy such as quality education and health services, early childhood development, labour market, research and development and climate actions; reprioritizing allocations to critical social policy areas with balanced mix of expenditures towards improving human development, human capital and economic growth; and modernizing the public transfer system in order to ensure transparency, efficient and quality service delivery and better target vulnerable populations.

