PN-AAT-350

41290

JORDAN

URBAN DEVELOPMENT ASSESSMENT

FINAL REPORT

September 1985

JORDAN

URBAN DEVELOPMENT ASSESSMENT

Final Report

Prepared by

Office for International Programs
Research Triangle Institute

for the
Office of Housing and Urban Programs
Agency for International Development

September 1985

JORDAN

URBAN DEVELOPMENT ASSESSMENT

Executive Summary

PURPOSE

This assessment has been carried out under contract with the Agency for International Development (AID) to provide assistance to the Agency in:

- understanding the process and dimensions of urbanization in Jordan, and
- formulating a set of strategies for the USAID Mission in supporting urban development.

The UDA exercise should be viewed as the starting point for dialogue between the USAID Mission staff and the Government concerning GOJ policy in the urban sector and the appropriate roles for USAID involvement. The Urban Development Assessment (UDA) is focused on national-level analysis and is intended to fill in analytical gaps that have been left by previous and ongoing studies. Consequently, the UDA devotes primary attention to the issues of:

- Urban Employment
- The Role of Municipalities
- Municipal Finance and Management.

The UDA is, by design, an intensively focused exercize which relies heavily on secondary source materials and information supplied by key informants involved with urban development in Jordan. The work of the UDA team has been greatly enhanced by the contributions of a team of four local Jordanian consultants, drawn from the universities and the Royal Scientific Society.

CURRENT ECONOMIC CONDITIONS

Jordan's economy has experienced a slowdown of economic growth since 1980. The GDP growth of 10% per annum experienced between 1975 and 1980 slowed to 6% per annum from 1980 through 1983 and to just over 3% in 1983-1984. The sectors most affected by the slowdown in growth have been mining and manufacturing, trade and other services. Maintaining fairly strong rates of growth from 1981 to 1984 have been the construction, water and electricity, and agriculture sectors.

The GOJ is projecting a resumption of modest GDP growth of about 5% per year over the next Five-Year Plan period, 1986-1990. According to GOJ

planners, the sectors expected to lead this growth include mining and manufacturing and agriculture. The UDA team is not optimistic about the prospects of greatly increased growth in manufacturing, given Jordan's apparent lack of competitive advantage in this sector. On the other hand, the UDA team notes that Jordan's extensive human resource base has served as the true basis for past economic growth (with workers' remittances comprising 34% of GDP in 1984) and should be viewed as the foundation for future economic growth. The UDA team sees additional opportunities in the high-wage services sector, particularly those services that make use of Jordan's educated human capital.

EMPLOYMENT PROSPECTS

Employment must become a major concern of the government as labor supply is expected to exceed demand over the next 5 years - a situation that has not occurred in Jordan over the past decade. Projections of unemployment vary considerably, with a very influential study of the World Bank conducted in 1983 estimating potential unemployment of up to 30% by 1990. The UDA team conducted a similar forecast using more current data and arrived at unemployment estimates ranging between 14% and 15% by 1990. The differences in the two projections are the result of differing assumptions about how fast the female labor force participation rate will rise. The rate is quite low at present and is definitely rising, but current data suggest that the rate of increase is much less than assumed by the World Bank forecast.

Although the precise rate of unemployment growth is subject to debate, there is agreement on the trend and on the types of persons most likely to have difficulty finding work. The numbers of educated young people entering the job market will increase greatly as the higher education system output grows. These numbers are expected to exceed the demand substantially unless the economy of the Gulf region expands greatly and the regional demand for educated workers grows apace. Given the poor growth prospects in the oil economies, this is not expected to happen.

The need to stimulate employment demand finds the GOJ ill-prepared at present since it has not had to deal with this issue in the recent past. GOJ policies, institutions and programs have all been primarily focused on labor supply issues, primarily education. The problem is complicated by a lack of good information on the level and distribution of employment. The lack of current and accurate data is a particular problem since the labor supply is subject to sudden changes, given the volatility of labor supply factors.

The UDA Team believes that the major opportunities for job growth lie in the non-government services sectors, including both the so-called "knowledge-based industries" and tourism. However, the GOJ has not devoted much attention to these sectors, despite the fact that they employ the types of educated workers being produced by the Jordanian educational system. Development of employment in knowledge-based industries (information technology, medical services, engineering, financial and management consultancy, education and training) requires a coordinated approach, bringing together educational resources, enterprise development, venture

capital, and government stimulus through government contracting. If Jordan is to develop this potential, a national effort is required.

The geographic distribution of employment is likely to remain an issue with most jobs located in the Amman region. Amman possesses locational advantages versus other regions that are not easily overcome: large consumer market, industrial and service base, labor supply and housing and social amenities. The GOJ policy of encouraging employment and population dispersal to other regions of the country will likely not achieve its objectives unless sizeable incentives are offered. Given the current economic climate, the GOJ can ill afford such incentives. Indeed, given the prudent nature of past GOJ policies, it is not likely that the GOJ would seriously consider such incentives.

The development of employment opportunities in secondary urban areas will be linked to growth in services and small-scale manufacturing. These opportunities will depend on very local situations and, in many cases, will be tied to regional agricultural activity. There is currently little technical assistance available to small-scale enterprise. While there are credit programs aimed at small industry and handicrafts, credit offices are located in Amman and not convenient to most of the secondary urban centers.

THE ROLE OF MUNICIPALITIES

There has been little attention focused on the role of secondary cities and small municipalities until just recently. While decentralization of government services has been promoted in theory, the current situation is one of increasing centralization of municipal services as responsibility for major municipal services (water, sewer, electricity, transport) has been turned over to national agencies.

Having ceded authority for many of the traditional municipal services, local governments are ill equipped to take on other roles in economic development and land development. Furthermore, the central government is creating special purpose agencies to deal with these issues on an ad hoc basis, raising further questions about the appropriate role for municipal government.

The major issue is one of national policy choice: what role should municipal government play in service delivery, economic development and land development? If local government is to continue to play a diminishing role, then there is little need for municipal government strengthening. If, on the other hand, local governments are to become active promoters and providers of development-oriented services, then planning and management skills need significant upgrading. This, in turn, will require institutional development since no existing organization is equipped to provide this support to local government.

MUNICIPAL FINANCE

Local government expenditures account for a very small proportion of total government spending in Jordan, amounting to about 6-7% of the national government budget. Municipal governments have three main sources of revenue:

- a share of central government taxes
- locally-collected revenues
- loans.

The major change in municipal finance in recent years has been the tremendous increase in use of loans to finance capital expenditures of local government. An examination of the finances of municipal governments shows that small municipalities are much more dependent on centrally-collected taxes and loans than are larger cities. Furthermore, total debt service is rising rapidly and may account for over one third of expenditures by 1988.

Small municipalities depend heavily on increasing central government transfers to cover rising current expenditures and debt service. However, the pool of centrally-collected taxes has not increased since 1982, creating severe cashflow problems for about 30 small municipalities. The financial problems of small municipalities can only be solved in the short term by increasing the share of centrally-collected taxes, given that there are already built-in increases in future expenditures caused by previously incurred debt.

There is limited scope for increasing the revenue base of locally-collected taxes. However, there are indications that revenue collection efficiency is quite low for some municipalities and that those governments can substantially raise revenues by improving collection practices. Furthermore, there is indication that substantial improvements can be made in expenditure efficiency. In addition, overall expenditure growth in municipalities has been quite high in recent years. If municipalities continue to have diminished responsibility for public service delivery and economic development, one must question the need for increasing local expenditures.

Making improvements in revenue collection and expenditure efficiency requires monitoring of financial performance across local government units as well as the provision of technical assistance and training. This capability does not now exist, although there are several institutions that could perform these functions.

ROLE FOR USAID IN URBAN DEVELOPMENT

USAID has had limited resources to support urban development in Jordan and has marshalled those resources largely in technical assistance programs across a number of sectors. The Mission has made major contributions in the water supply and sanitation sector, with about 60% of the Mission's budget devoted to urban projects in the sector. Furthermore, the Mission supports technical assistance in regional planning and in the provision of advisory assistance to Amman municipality. The Mission has initiated several housing activities, including development of a shelter sector strategy and the financing of low-income housing through the AID Housing Guarantee program.

The selection of USAID program targets in the urban sector (water supply and, more recently, low-income housing) are well considered. From the UDA results, we suggest several additional high-priority areas for potential USAID technical assistance involvement:

- small-scale enterprise development, particularly aimed at secondary cities
- development of knowledge-based industries and tourism
- upgrading employment information and analysis systems
- upgrading national-level capability in monitoring and analysis of local government finances and public service standards/costs
- training in municipal management and finance.

There are also key issues in terms of national policy dialogue, the most relevant of which include:

- the need to shift GOJ focus from its previous concern with labor supply to that of stimulating labor demand
- the lack of attention paid to stimulating employment in the services sector, particularly those subsectors that might absorb the anticipated surplus of educated Jordanians
- the extent to which the policy of regional dispersal of economic growth may conflict with the need for higher overall economic growth
- the extent to which the manufacturing sector provides real potential for accelerated growth and at what cost
- the ability of the country over the long term to afford uniform high standards of municipal services and the methods of financing those services, particularly in smaller urban centers.

TABLE OF CONTENTS

TABLE OF CONTENTS (Continued)

TABLE OF CONTENTS (Continued)

CHAPTER 1

DEMOGRAPHIC AND ECONOMIC DEVELOPMENT CONTEXT

1.1 GEOGRAPHIC AND POLITICAL DIVISIONS

The Hashemite Kingdom of Jordan (East Bank) has a total land area of 91,000 square kilometers divided into three major geographic regions:

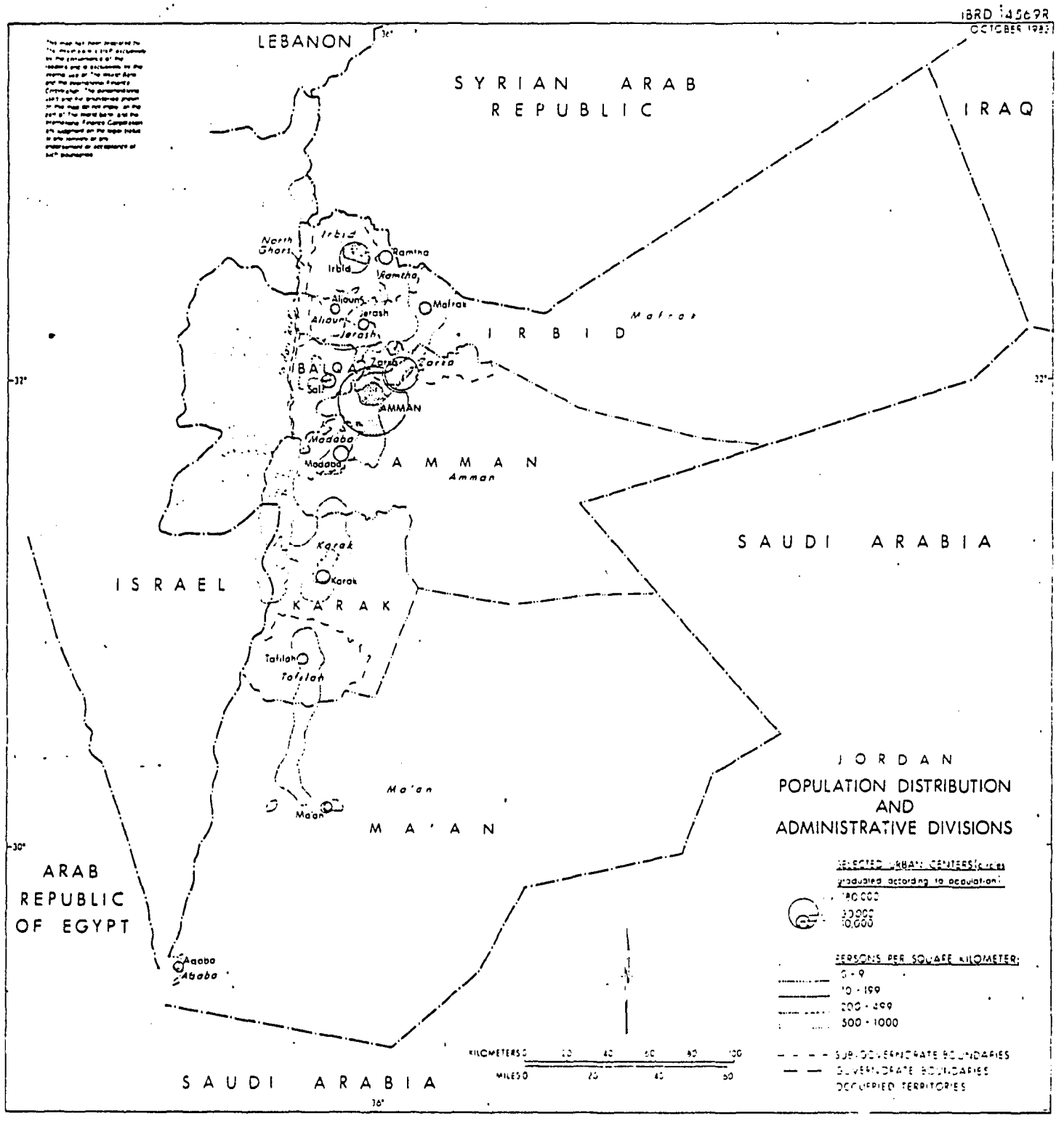
- The Jordan Valley
- The western highlands
- The desert

As shown in Exhibit 1.1, Jordan's population is heavily concentrated in a band running north to south along the western edge of the country which includes the Jordan Valley and the western highlands. The settlement pattern reflects the historic concentration of agriculture in those areas and the importance of the trade route between Damascus to the North and the Red Sea to the South. Today, Jordan is serving as an important overland trade route between the Red Sea and Iraq whose Arabian Gulf ports are closed due to the war with Iran.

Jordan is divided into five administrative provinces, or governorates: Irbid, Balqa, Amman, Karak, and Ma'an (see Exhibit 1.1). Each governorate has a capital in which national and provincial government offices are located. The primary urban concentration is in the Amman governorate, comprising the greater Amman metropolitan area of Amman municipality and adjacent municipalities of Zarqa, Suweileh, Wadiseer and Rusaifa. Irbid municipality, the capital of the Irbid Governorate, comprises the second urban concentration, serving as an agricultural marketing center to the northern highlands and northern Jordan Valley.

Aqaba, the Red Sea port located in the Ma'an Governorate, is a small, but rapidly growing urban center, whose growth has been stimulated by increasing port activity in (a) Jordanian imports, (b) phosphate and potash exports and (c) transshipments to Iraq. Smaller secondary urban centers of Salt and Karak are primarily service centers for agricultural regions.

Exhibit 1.1
Map of Jordan



Source: World Bank, Manpower Development in Jordan, Vol. 1, June 1984.

It must be kept in mind that Jordan is a small country geographically with very limited physical resources. Its future is dependent, to a great extent, on events and resources that lie beyond its borders. Although limited in physical resources, Jordan has been able to exploit its main "natural" resource, a well-educated population which has filled the demand for skilled labor in the neighboring Arab states.

1.2 POPULATION GROWTH TRENDS

1.2.1 Total Population

The population growth rate in Jordan is one of the highest in the world with a natural growth rate of 3.6% per annum. If we include immigration, the population of Jordan grew at 5.0% per year over the period 1961-1979. Total population in the East Bank of Jordan in 1979, the date of the last census, was 2.13 million. Of this number 48% were women and 96% held Jordanian nationality. There is no clear Government population policy in Jordan; officials believe that parents have the right to decide the number of children they desire.

In 1981, 26% of Palestinians lived in the East Bank of Jordan and 19% in the West Bank out of a total of 4.4 million Palestinians around the world. About 500,000 Palestinians have left the West Bank since 1967 war and currently account for around 50% of the Jordan East Bank population.

1.2.2 Urban Population

Of the total population, 60% lived in urban areas according to the census of 1979. Urban areas are defined as those areas in cities or agglomerates with 5,000 citizens or more. The population of Jordan is concentrated in the Governorate of Amman, which has 55% of the total population followed by the Governorates of Irbid (28.4%), Balqa (7.0%), Karak (5.9%), and Ma'an (3.5%). The Governorate of Amman is the most urbanized of all with 81% of the population in urban areas, followed, in terms of urbanization, by Ma'an (60.1%), Irbid (31.4%), Karak (28.6%) and Balqa (24.0%).

1.2.3 Migration

International migration, both out-migration to the Gulf States and immigration from (mainly) Egypt and the West Bank, is very important in Jordan. It is estimated that over 300,000 Jordanians are working abroad, living with an additional 500,000 dependents. The majority of these (85%) are in the Gulf States of which Saudi Arabia accounts for the majority (55% of total). Around 60,000 students are also estimated to be abroad.

In Jordan, immigrants are largely composed of unskilled Egyptians who tend to occupy, in the main, jobs of a menial nature. There were about 130,000 such immigrant workers in 1983 out of a total labor force of around 500,000.

1.2.4 Future Trends

The total population is projected to grow naturally at the rate of 3.6% per annum to the year 2000, when it is estimated to be 4.4 million. No figures are available from GOJ sources for the rate of growth in urbanization, either since the 1979 census or for future trends. Some commentators fear a large influx of return immigrants from The Gulf States as those economies contract as a result of falling oil prices. Not much is known about the characteristics of Jordanians living abroad and, furthermore, their future intentions are unclear. Although some GOJ officials believe that return migrants can displace immigrants working in Jordan, the types of menial jobs that immigrants in Jordan hold makes displacement unlikely. Annex B provides additional information on population characteristics and trends.

1.3 ECONOMIC DEVELOPMENT STATUS

1.3.1 Overview

The past decade has seen tremendous real growth in Jordan's economy and investment spending. This was caused by expansion in the oil economies of neighboring Arab states which greatly increased demand for Jordan's products and workers as well as contributed direct foreign aid to the GOJ budget. The government has prudently managed this growth and has avoided the inflationary spiral that often accompanies such growth.

Much of this economic growth has been channeled into physical infrastructure improvements which are now widespread throughout the Kingdom. Despite the success of translating these opportunities into widespread economic and social benefits without inflationary disruption, some observers are worried about the "structural imbalance" in Jordan's reliance on income flows that are not directly based on its own internal economy. About 30% of GDP in 1984 came from workers' remittances outside the country; foreign aid grants cover all capital investment expenditures and some current expenditures. This reliance on outside income makes Jordan especially vulnerable to changes in the economies of the oil producing states, particularly Saudi Arabia and Kuwait.

1.3.2 National Indicators

GDP grew at the rate of 10% per annum over the period 1975 to 1980. This slowed to 6% per annum over the period 1980 to 1984, and 3.2% per annum in 1983-84. GNP per capita in 1982 in Jordan was $US 1690 which puts it in the World Bank's upper middle-income group of countries near to such countries as Syria, Malaysia and Republic of Korea. The slowdown in economic decline in the Arab region negatively affected both demand for exports from Jordan and foreign aid grants. The slowdown in economic growth since the 1970s, although still impressive by industrialized country standards, was due in part to the fall in foreign aid transfers from 280 million JD in 1980 to 250 million JD in 1984. This decline in foreign aid grants was due largely to the decline in the Arab region economies following the decline in oil revenues since 1980. Receipts for budget support from the Arab region fell from 200 million JD in 1980 to 124 million JD in 1984.

Despite the recession in the Arab countries, workers' remittances - largely from the Gulf countries - held up well, at around 460 million JD in 1984 from 240 million in 1980. These remittances represented 19% of GDP in 1980 and 31% in 1984. This indicates just how important the economic prospects in the Gulf states are for the future economic prospects of Jordan.

In 1984 merchandise exports were 260 million JD, of which 25% went to Arab common market countries. The main merchandise exports of Jordan in

1984 were phosphates (27% of total), fertilizers (17%), and vegetables and fruits (10%). Imports of commodities were 1100 million JD in 1984, of which 18% was crude oil. The balance of payments recorded surpluses each year during 1978-81; however, they have been negative since then. The surpluses occurred because the deficit on merchandise trade, although large and growing, was approximately matched by rising net receipts from services and external grants. The deficits are now occurring because of a combination of the decline in merchandise exports to the Gulf states (in particular Iraq because of the war) and the decline in foreign oil grants.

Investment has been very high in Jordan as a proportion of GDP. It rose from 19% of GDP in 1973 to a peak of 37.6% in 1981 but fell back to 32% in 1983. Most of this investment has come from workers' remittances from abroad flowing into construction activity, especially private housing. On the other hand, domestic savings are small or even non-existent. This is thought to be because of unattractive interest rates offered by the Jordanian banks - these rates have been constant for several years, indicating that they do not change as a function of market forces.

1.3.3 Economic Prospects

Future expansion of agriculture (8% of GDP in 1983) appears to be limited unless substantial new investments are made in the rainfed highlands. Mining (4% of GDP) is composed of phosphate, cement, and potash plants, all of which are just coming on stream and hence not much future expansion is expected. There is, however, a possible oil field to exploit. Industry (17% of GDP) "has to grow" according to the Ministry of Planning but prospects are uncertain. Construction (10% of GDP) has grown rapidly in the past but no dramatic increase is expected. Transport and communication (11% of GDP) is not expected to grow as fast as in the past because of the expected decline in imports as the economy of Jordan slows. Private services (trade 18% of GDP, finance 11%) are not expected to grow significantly but the UDA mission thinks that there are a number of areas for possible growth. The same applies to tourism where GOJ efforts are being made to stimulate growth. Finally, public services (20% of GDP) are not expected to increase in the near term.

Given these prospects, the Ministry of Planning (MOP) is not optimistic about returning to very high rates of growth during the next 5-Year Plan (1986-1990). The MOP forecasts around 5% GDP growth per annum with agriculture, mining, and industry expected to be the leading sectors. These prospects are analyzed in more detail in Chapter 3.

1.4 LABOR FORCE AND EMPLOYMENT

1.4.1 Labor Force

The total labor force, including both Jordanians and non-Jordanians, is expected to increase from 446,000 in 1979 to 562,000 in 1985 and 685,000 in 1990 - an annual growth rate of between 3.8 and 4.1%. Labor force participation rates are low by international standards (around 20% of the population). This is due to the fact that more than 50% of the population are less than 15 years of age, school enrollment rates are high for both males and females, and, most significantly, the female labor force participation rate is quite low.

The female labor force participation rate was 6.7% in the 1979 census and rose, slightly, to 7.8% by 1983. The high enrollment rates of females in the schools, community colleges and universities in Jordan have led to speculation that there will be a large increase in the participation rate of females in the near future. Others believe conversely that if this leads to higher levels of unemployment, then the participation rate of females will continue to grow at a much slower rate.

Around 33% of employed persons have secondary education or more, with 16% of the total engaged in professional and administrative positions, and 18% of the total are illiterate. In the academic year 1983/84, there were 24,036 students enrolled in the two major universities of Jordan and 32,174 in the community colleges, of which 39.2% and 45.2% were women, respectively. Between 1986 and 1990, 275,000 students are expected to leave the education system. This includes Jordanians studying outside of the country as well as dropouts and graduates from the Jordanian education system itself. The majority of these students will have secondary or less than secondary levels of education (70.4%). The rest will be equally divided between

university and community college graduates. The composition of the labor force in terms of education levels is undergoing rapid change with only 3% expected to leave the education system in the next 5 years with less than secondary education. This has given rise to concern that there will be an excess supply of highly educated labor in Jordan in the future.

1.4.2 Employment

Most of the employed in Jordan work in the service sector which accounts for 70% of total employment. This sector has also been the fastest growing in terms of employment. For example, employment in financial services doubled between 1979 and 1984. Even though total employment grew at the rate of approximately 5% per annum over 1979-84, employment in agriculture declined every year and zero net growth was experienced in mining and manufacturing during that period. Agriculture accounts for about 10% of total employment with a large proportion of those jobs filled by non-Jordanians (largely Egyptians). Virtually all other jobs outside of agricultural production may be considered urban.

Unemployment apparently declined from 10.5% in 1979 to 6.5% in 1984, but these results are based on rather unreliable estimates and true levels are not known with any degree of confidence. Nevertheless, a consensus emerged from the UDA mission that unemployment is expected to rise rather steeply during the next plan period. Estimates made by the World Bank in 1984 projected unemployment climbing possibly to a rate of about 30% by 1990. Most observers feel that these estimates are too high as they are based on incomplete data. Using more recent data, the UDA mission, with the assistance of MOP and Jordan University manpower analysts, developed new labor force and employment projections to 1990. With reasonably liberal assumptions about the increase of the female participation rate, and taking the MOP preliminary estimates of a 5% GDP growth rate over the period 1985 to 1990, the UDA mission calculates that unemployment is likely to rise to approximately 15% of the labor force by 1990. Chapter 3 presents these forecasts in some detail.

There is considerable debate over which sectors and population groups are likely to be most affected by the forecasted growth in unemployment. Already the construction sector, which enjoyed such high rates of growth over the past decade, is experiencing falling employment. The high rate of growth in the numbers of college entrants causes some to forecast an over-supply of university and community college graduates when matched with suitable jobs during the next 5 years. Furthermore, if the accelerated growth in the manufacturing sector takes place as anticipated by the MOP, there will be a shortage of semi-skilled manufacturing workers and supervisors. This observation has caused the GOJ, with assistance from the World Bank, to increase substantially programs in vocation education.

The GOJ policy to increase university and community college output is quite rational when viewed against the experience of the past decade in which demand for educated Jordanians exploded in the Gulf. However, current economic prospects in the Gulf indicate that the government cannot rely on increasing demand. It now appears that the GOJ must help stimulate that demand rather than simply expand the supply of educated Jordanians. In summary, government policy must shift its focus from labor supply to demand, particularly with respect to the educated population group.

1.5 INSTITUTIONAL FRAMEWORK FOR URBAN DEVELOPMENT

Jordan has a well developed set of institutions for dealing with the planning, financing and delivery of urban services. The situation is characterized by an increasing centralization of responsibility for urban service delivery and, to some extent, a proliferation of specialized agencies dealing with different aspects of urban development.

In terms of local administration, Jordan is divided in two different ways. First, the five Governorates (with their sub-governorates, districts and sub-districts) report to the Ministry of Interior (MOI) and are concerned with security, provision of services outside of municipal boundaries, and some regional planning functions. Second, approximately 130 municipalities (defined as communities with over 2,500 population but sometimes having less) and over 200 village councils report to the Ministry of Municipalities, Rural Affairs and Environment (MMRAE). The MMRAE is also

responsible for overall regional planning. Amman municipality has a special status with its appointed mayor holding national cabinet rank. In addition, there are approximately 40 public corporations or authorities providing public services or coordination.

The Ministry of Planning (MOP) has been recently created from the National Planning Council (NPC) and is primarily responsible for overall public investment planning, including the preparation of the Five-Year National Economic and Social Development Plans. The MOP also has a regional planning unit which is mandated to coordinate the investment plans of the individual ministries on a regional basis. The unit is also in the process of developing proposals for subregional planning bodies to increase participation of local communities in national planning decisions.

The MMRAE provides technical assistance to municipal and village councils and exercises fairly tight control over annual budgets. The MMRAE created the Cities and Villages Development Bank (CVDB) to provide loans to municipal and village councils for infrastructure and "profit making" developments. The CVDB is in the process of expanding its role to include training of local officials in financial management.

There has been a recent trend toward removing municipal service delivery responsibility from local governments and concentrating them in specialized parastatal agencies. Municipal services of water, sewer, electricity and transportation are now so constituted.

General urban development has been left to the individual municipalities. With assistance from the World Bank, Amman Municipality created an Urban Development Department (UDD) to undertake slum upgrading in the city. The UDD has had substantial success and now there is consideration of turning it into a national agency to carry out land development and upgrading projects nationwide. This approach would continue the trend toward creating more and more specialized agencies for urban development and service provision. Chapter 7 addresses the issue of institutional development in detail.

CHAPTER 2

URBAN STRUCTURE AND PHYSICAL CONDITIONS

2.1 GENERAL PHYSICAL CHARACTERISTICS AND CONSTRAINTS TO GROWTH

Jordan has severe physical constraints to development. Of its total land area (91,000 sq. km.), only about 5.5% (5,000 sq. km.) are cultivable. Its population (2.1 million in 1979) is essentially limited to approximately 17% of the total land area that has annual rainfall of 200 mm or more (concentrated in the Jordan Valley and the western highlands).

Population and economic activity are highly concentrated in the Governorate of Amman, with over 55% of the total population and almost two-thirds of GDP. The only major sector of production not concentrated in the Amman governorate is agriculture.

Amman accounts for just over 20% of agriculture production. Almost 40% of agricultural production is concentrated in Irbid Governorate, and over 20% originates in Balqa Governorate. The agricultural productivity of Irbid and Balqa reflects the importance of the Jordan Valley, where over 60% of Jordan's crop output is produced. This productivity has been largely stimulated by improved irrigation infrastructure promoted by the Jordan Valley Authority (JVA) during the 1970's, cited by the World Bank as ". . . by far the most important single factor, contributing to a more balanced regional development during the last decade."[1]

In the "urban" sectors (mining and manufacturing, construction and services), the Amman Governorate is strongly predominant, concentrating 69% of GDP in those sectors. Section 2.4 below discusses the distribution of economic activity by region in detail.

The most significant physical constraint to growth in Jordan is the availability of water. This resource has been extensively examined, including, most recently, Dar Al-Handasah's "Jordan: Industrial Programming Study".[2] USAID also is in the process of assisting the GOJ in a national water resource study.

The Dar Al-Handasah study suggests that by the late 1980's, demand for water is likely to exceed local supply in Northern Jordan, where total domestic, industrial and agricultural demand is estimated to be 782 MCM/year compared with available supply estimated to be 624 MCM/year. The water constraint appears to be especially critical in the Amman/Zarga area, with a current aquifer supply of 30 MCM/year, compared with a natural replenishment rate of 20 MCM/year. Current plans to bring 12 MCM/year by pipeline from bore-holes at Azrak by the late 1980's should alleviate the potential bottleneck in Amman/Zarga, complemented in the 1990's by the transmission of water from the Maqarin Dam through the JVA's Main Canal, with subsequent pumping to Amman.[3] It should be noted, however, that an underestimation of demand and/or delays in water supply investment schedules could present a serious constraint to the further growth of the Amman/Zarka area by the end of this decade.

2.2 POPULATION GROWTH, SPATIAL TRENDS AND SETTLEMENT PATTERNS

Jordan has experienced one of the fastest rates of growth in its population in the world. From 1952-1979, total population grew at an average annual rate of 4.9% (Exhibit 2.1). This overall growth primarily resulted from high increases in the number of people living in urban areas with populations of 5,000 or more (see notes to Exhibit 2.1). From 1961-1979, Jordan's urban population grew at 6.7% annually, while the rural population increased at the rate of 2.2% per year.

In 1961, Jordan as a whole, was approximately one-half urbanized, but only the Governorate of Amman was predominantly urban, with 83% of its population urban (see Exhibit 2.2). Ma'an was the second most urbanized Governorate, with only one-third of its population living in urban areas. By 1979, the national urbanization rate had increased almost 20 points, to 70%, but most striking is the spread of urbanization over the Kingdom.

By 1979, Amman was 88% urban, but three of the four remaining Governorates had achieved a 50% rate of urbanization or higher. Only Karak remained predominantly rural, but much less so than in 1961; its rate of urbanization increased from 11% to 24.3% over the 18-year period.

Exhibit 2.1

Regional Distribution of Population: 1952-1979 (East Bank)

Governorate	Thousands of People			Annual Rates of Growth	
	1952	1961	1979	1952-1961	1961-1979
Amman	218.5	433.6	1185.7	7.9	5.7
Balqa	64.9	79.1	151.5	2.2	3.7
Irbid	213.9	274.0	609.3	2.8	4.5
Karak	89.6	67.2	126.1	2.7	3.6
Ma'an		46.9	75.0		2.6
Total Jordan	586.9	900.8	2147.6	4.9	4.9
Urban	216.6[a]	469.5[b]	1508.1[b]	8.8[c]	6.7
Rural	370.3	431.3	639.5	1.8	2.2

Notes: [a]In 1952, urban areas included: all localities with 10,000 or more inhabitants (excluding refugee camps); all district capitals regardless of size; localities of 5,000 to 9,999 inhabitants in which two-thirds or more of economically active males were reported in non-agricultural occupations; and suburbs of Amman with populations in similarly non-agricultural occupations.

[b]Localities with populations of 5,000 or more.

[c]Based on urban populations of 1952 and 1961 as defined in note a.

Source: World Bank, Jordan: Urban Sector Review, op. cit., p. 74.

Exhibit 2.2

Regional Distribution of Urbanization: 1961-1979 (East Bank)

	1961					1979				
Governorate	Urban Pop.[a] ('000)	% Urban	Total Pop. ('000)	% Total	% Urbanization	Urban Pop.[b] ('000)	% Urban	Total Pop. ('000)	% Total	% Urbanization
Amman	360.0	77.5	433.6	48.1	83.0	1046.8	69.4	1185.7	55.2	88.3
Balqa	16.2	3.5	79.1	8.8	20.5	83.7	5.6	151.5	7.0	55.3
Irbid	65.0	14.0	274.0	30.4	23.7	303.3	20.1	609.3	28.4	49.8
Karak	7.4	1.6	67.2	7.5	11.0	30.6	2.0	126.1	5.9	24.3
Ma'an	15.6	3.4	46.9	5.2	33.3	43.7	2.9	75.0	3.5	58.3
Total	464.2	100.0	900.8	100.0	51.5	1508.1	100.0	2147.6	100.0	70.2

Notes: [a]See note a of Exhibit 2.1.

[b]Localities with populations of 5,000 or more.

Source: World Bank, Jordan: Urban Sector Review, op. cit., p. 76.

The obvious dominance of Amman in terms of population size tends to obscure the fact that other urban areas are growing quite rapidly. In 1979, 1.2 million people lived in 11 urban centers with populations greater than 20,000 (see Exhibit 2.3.) This group of cities grew at an average rate of 5.4% per year over the 1961-79 period. This is substantially less than the annual growth rate of 6.7% of Jordan's total urban population for the same period. This means that urban centers of less than 20,000 had greater than the average population growth rate for that period.

Amman Municipality's population grew at a rate slightly less than the group's average, and the fastest growing Municipalities were Amman suburbs; Ruseifa, Wadi Seer and Suweileh had population growth rates greater than 9% per year over the period. The southern port city of Aqaba also experienced rapid population growth, 6.4% per annum.

In summary, the fastest growing urban populations, and therefore the most rapid increase in demand for urban services, are concentrated in the Amman suburbs, Aqaba, and in urban centers with populations between 5,000 and 20,000 inhabitants. As discussed in Chapter 6, this latter group of small municipalities, only one fifth of which are located in Amman Governorate, is experiencing financial constraints in meeting increasing demands for urban services. For this group, linkages between agricultural and urban development policies also appear to be key for successful public intervention.

2.3 URBAN INFRASTRUCTURE

The GOJ has made tremendous progress in providing basic urban infrastructure throughout the country. As demonstrated in Exhibit 2.4, during the period of 1961 to 1979, the urban population served by piped water delivered to their households increased from 49% to 87%, and dwellings served with electricity increased from 39% to 97%. Owner occupied households increased from 37% to 48%, covering 54% of the urban population in 1979. Average urban household size has increased, from 5.5 to 6.3 persons.

Exhibit 2.3

Population Growth Rates (1961-1979) of Urban Areas with Populations Greater than 20,000 in 1979

Governorate	Municipality	1961 Population	1979 Population	1961-1979 Annual Growth Rate
Amman	Amman[a]	246,475	623,925	5.3
	Ruseifa[a,b]	6,200	49,885	12.3
	Wadi Seer[a,b]	4,455	24,400	9.9
	Suweileh[a,b]	4,978	23,996	9.1
	Zarqa[a]	96,080	216,065	4.6
	Madaba[a]	11,224	28,236	5.3
Balqa	Salt[a]	16,176	33,037	4.0
Irbid	Irbid	44,685	113,048	5.3
	Mafraq	9,499	21,280	4.6
	Ramtha	10,791	27,130	5.3
Ma'an	Aqaba	8,908	26,999	6.4
Total[c]		459,471	1,187,800	5.4

Notes: [a]Included in the Amman Urban Regional Planning Area.

[b]Close suburb of Amman Municipality.

[c]Does not include refugee camps established in 1967. Schneller Camp in Amman Governorate had a 1979 population of 23,261, and it is a close "suburb" of Amman Municipality. Baqaa Camp in Balqa Governorate had a 1979 population of 45,238, and it is included in the Amman Urban Regional Planning Area.

Source: World Bank, Jordan: Urban Sector Review, op. cit., p. 77.

Exhibit 2.4

Jordan: Shelter Conditions and Other Social Welfare Indicators, 1961, 1979

	1961[a]		1979[b]		
	Urban	Rural	Urban Total	Amman Gov. (Urban)	Rural
1. Shelter Indicators					
a. % of households with access to:					
Water (piped)					
Inside	48.6	2.1	86.9	84.7	35.7
Within 100 m.	20.1	11.4	3.3[c]	4.2[c]	21.5[c]
Mobile tanker	NA	NA	9.2	11.1	17.5
Toilet	90.4	30.8	NA	NA	NA
Sewage System					
Public	NA	NA	25.9	30.0	(In Other)
Private septic latrine	NA	NA	72.7	68.3	89.5
Other	9.6	69.2	1.4	1.7	10.5
Electric Lighting	39.2	17.0	97.0	98.0	35.2
Kitchen	60.8	17.6	NA	NA	NA
Bath or Shower	18.0	2.2	NA	NA	NA
Telephone Available	NA	NA	14.5	14.6	2.5
b. Tenure (% of households):					
Owners (households) %	36.6	56.9	47.8[e]	46.9[e]	85.5[e]
Renters (households) %	42.6	9.8	46.7[f]	47.2[f]	6.2[f]
Other	20.9[g]	33.3[g]	5.5	5.9	8.3
Persons per room					
Less than 2	NA	NA	18.2	18.6	12.6
2 - 4	NA	NA	40.8	39.0	46.2
More than 4	NA	NA	41.0	42.4	41.2
More than 2	NA	NA	81.8	81.4	87.4
Average Household Size	5.5	5.1	6.3[d]	6.3[d]	6.7[d]

2. Other Social Welfare Indicators

	All Jordan				All Jordan
Adult Literacy Rate (%)	25.0	74.6	74.7	51.4	65.4
Life Expectancy at Birth (yrs)	47.2				61.0
Enrollment Ratios (%)					
Primary	77				102
Secondary	25				74
Population per Physician	5805				1956

Notes: [a]Includes data on East and West Bank.

[b]Source: Jordan Department of Statistics, "Main Findings of Advance Tabulations: Housing and Population Census 1979," (November 1981). East Bank only. Note that these findings are based on an analysis of returns from only 2 percent of households.

[c]Public tap.

[d]1979 Census Sample Analysis (National average in this source was 6.5 compared with 6.7 in total census).

[e]Percentage of "population" in owned accommodation is respectively 54.1, 53.6, and 88.6 for urban total, Amman Governorate (urban), and rural.

[f]Percentage of "population" in rental accommodation is respectively 41.7, 41.7, and 4.6 for urban total, Amman Governorate (urban), and rural.

[g]Includes persons in accommodation provided by government and by UNRWA.

Source: World Bank, Jordan: Urban Sector Review, op. cit., p. 90.

Other social welfare indicators point to dramatic improvements over the past two decades. Exhibit 2.5 presents the spatial distribution of selected public facilities in urban areas in 1979. Although some appear to believe that the distribution of public infrastructure is heavily biased in favor of Amman, this is not the case. In the physical infrastructure and health indicators of access to facilities, the Amman Governorate occupied intermediary positions. In access to education indicators, Amman presented the poorest facilities, although its pupils attained the highest percentage of success in the 1980-81 final examination for the General Secondary Education Certificate.

In summary, drinking water and electricity are almost universally available to urban populations throughout the country. However, telephone and public sewerage coverage remains relatively poor; but in the case of telephone services, coverage does not vary substantially between Governorates. Thus, access to basic urban infrastructure does not appear to be a significant determinate of urban population growth rates in different parts of the country.

2.4 HOUSING SITUATION

Under the current Five-Year Development Plan 1981-85, the GOJ has given explicit priority to low-income housing. The plan calls for an annual supply of 17,000 units provided mainly through the private sector. Stimulation of the private sector to provide low-income housing is consistent with national policy both in terms of addressing the needs of all Jordanians and in reliance on the private sector. As such, it represents a departure from past practice in which the Government relied heavily on the Jordan Housing Corporation's publicly subsidized housing programs.

The demand for growth in the housing stock is quite high given the very high urban growth rates. The demand is estimated to be 14,000 to 17,000 units per year, not including the additional needs resulting from overcrowding of existing stock. The problem appears to be concentrated among low-income households. There has been a substantial growth in overall housing construction in Jordan over the past few years but this has been concentrated at the upper-income end of the scale. Apparently, much of the

Exhibit 2.5

Selected Public Facilities in Urban Areas, 1979

	Percent of Occupied Housing Units Equipped with:				Health	Education		
	Drinking Water Piped in	Electricity	Telephone	Public Sewage	Population per Hospital	Population per Classroom	Share Full Quality	Success Ratio[b]
Irbid	95.1	95.1	15.6	--	596	191	53	60.6
Balqa	100	99.1	15.5	88.8	830	215	53	60.8
Amman	84.6	98.1	14.6	30.0	510	334	27	68.0[c]
Karak	80.0	80.0	15.4	--	214	119	63	55.7
Ma'an	100	96.7	9.9	--	588	126	66	55.7
Country Average	86.9	97.2	14.5	25.6	524	236	45	64.6

Notes: [a]Entire Governorate, including rural areas: "Full quality classroom" means classrooms located in veritable school building constructed for that purpose; i.e. excluding classrooms in rental buildings.

[b]Percentage of success in the 1980/81 final examination for the General Secondary Education Certificate. All schools are located in urban areas but, obviously, cater also to surrounding rural areas.

[c]Amman Municipality alone: 71.2.

Source: World Bank, Jordan: Regional Development, op. cit., p. 27.

remittance income from Jordanian workers abroad has gone into this type of housing. Therefore, aggregate housing investment figures tend to mask the uneven supply.

The formal housing system has met several barriers in meeting the need for low-income housing. These barriers include:

- high land and construction costs, reflecting high construction standards and low-density land use regulation;
- restricted credit availability to the low-income group; and
- inadequate credit sources for construction finance.

Private developers reportedly have faced difficulty in assembling large tracts of land and in finding construction and mortgage financing for large-scale development. A major barrier to low-income families borrowing for home construction is the absence of loans for land purchase. The Jordan Housing Bank (JHB) does have a program for low-income families but will not finance land purchase. This effectively denies access to the program for many low-income households.

The GOJ has recognized this problem of low-income housing and is taking steps to rectify it. It is proceeding along two lines. In Amman, the government has initiated, with World Bank support, two urban upgrading programs (Urban Development Programs I and II) which provide infrastructure and housing for low-income residents of the Amman region. Second, the GOJ has requested assistance from USAID to develop a National Shelter Strategy and to provide a line of credit under the AID Housing Guarantee Program for construction and mortgage financing of low-income housing.

Because of the extensive work being done under AID auspices in the housing sector, the UDA mission was instructed not to focus much attention on the sector in this study. Therefore, the housing sector will receive little further discussion in this report except as it affects more general urban development and municipal services.

2.5 SPATIAL DISTRIBUTION OF ECONOMIC ACTIVITY

2.5.1 Regional Distribution

Exhibits 2.6 and 2.7 present a breakdown of the sectoral distribution of employment and gross domestic product (GDP) by governorate. The data indicate that across all economic activities, Amman Region accounts for:

- 56.3% of total national employment
- 64.6% of national GDP.

For private non-agricultural activities, the Region accounts for:

- 73.6 % of total employment
- 73.7% of GDP.

In the following sectors, employment is particularly concentrated in the Amman Region:

Manufacturing	(82.1%)
Financial Services	(80.2%)
Electricity and Water	(72.7%)
Trade	(71.0%)
Construction	(64.0%)
Transport and Communications	(62.0%).

Next to the Amman Region, Irbid is the only other of the five regions where a significant concentration of economic activity exists. Irbid Region accounts for 25.8% and 18.7% of total national employment and GDP, respectively. The largest concentration of agricultural employment is also found in the Region.

For all five regions, public administration and other public services constitute the major source of employment, ranging from a high of 51.8% in Irbid Region to a low of 36.9% in Balqa Region. Moreover, except for Amman Region, this sector accounts for the second largest source of regional GDP. For all regions except Karak, the private services sector accounts for the largest source of regional GDP.

Balqa, Karak, and Irbid Regions are relatively more specialized in agricultural employment. The high level of agricultural employment found in Balqa is tied to the development of the Jordan Valley which is located principally in that region. Karak and Ma'an are relatively more specialized in mining activities, owing to the presence of significant mineral resources in these regions. Amman Region is relatively more specialized in

Exhibit 2.6

Percentage Distribution of Employment Across Regions by Industrial Sector, 1979

	Agriculture	Mining	Manufacturing	Electricty/ Water	Construction	Trade	Transportation/ Communication	Financial Services	Pub. Adminis./ Other Services
Amman	23.5	44.8	82.1	72.7	64.0	71.0	62.0	80.2	52.3
Irbid	39.0	6.8	11.0	20.1	19.5	19.4	24.6	11.5	30.3
Balqa	19.5	5.1	4.1	3.7	6.6	3.7	5.7	3.5	6.0
Karak	12.9	37.3	1.2	.9	4.3	2.9	3.6	1.3	6.5
Ma'an	4.9	6.1	1.6	2.6	5.5	3.0	4.1	3.5	5.0
Total: East Bank	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Department of Statistics, Housing and Population Census, Governorates Main Results, June 1984.

Exhibit 2.7

Gross Domestic Product at Factor Costs by Region, 1979
(in JD Million)

	Irbid	Balqa	Amman	Karak	Ma'an	Total
Mining, Manufacturing	14.04	5.81	92.72	4.60	5.33	122.5
Construction	7.55	4.85	44.23	1.53	2.34	60.5
Services	41.00	12.35	198.31	7.65	12.59	271.9
SUBTOTAL	62.59	23.01	335.26	13.78	20.26	454.9
Agriculture	16.26	9.23	9.63	5.70	2.38	43.6
Total Private and Para-public	78.85	32.64	344.89	19.48	22.64	498.5
Public Administration	38.56	9.23	60.53	11.80	8.98	129.1
GRAND TOTAL	117.41	41.87	405.42	31.28	31.62	627.6
Per Capita (JD)	192.7	276.4	341.9	248.1	421.6	292.2
Per Employee (JD)	1,281.8	1,272.6	1,635.4	1,203.1	1,377.1	1,490.4

Source: World Bank Jordan Regional Development Report, p. 81.

employment in all non-agricultural economic activities (except construction, where it ranks slightly behind Ma'an).

2.5.2 Distribution of Economic Activity in Major Urban Areas

The most recent data on the distribution of economic activity in major urban centers come from a census conducted by the Ministry of Planning in December, 1984, of industrial, commercial, and service establishments in all cities over 5,000 in population.[4] The census provides data only on the number of establishments in a location (not employees) and does not cover agricultural and public administration/community services sectors. Exhibit 2.8 presents a breakdown of the sectoral distribution of establishments across the 13 major urban centers analyzed in this report. The data indicate that across these 13 centers (which account for 80% of the country's total urban population) approximately one-half of all industrial and service establishments, and over a third of all commercial establishments are concentrated in Amman Municipality. If the nearby towns of Zarqa, Russeifa, Suweileh, and Wadi Esseir are included, then the concentration of economic activity found in this greater Amman metropolitan area is even more pronounced. Outside of the Amman Region, Irbid is the only other city where a relatively significant concentration of economic activity is found.

Tables A.1-A.3, located in Annex A to this report. contain a more detailed breakdown of the distribution of industrial, commercial, and service establishments across ten of the urban centers covered in the MOP census. The data in these tables indicate that for industry, the wood and furniture sector (which includes carpentry) accounts for the largest number of firms in four of the ten centers (Amman, Zarqa, Salt, and Ramtha). Fabricated metal production accounts for the largest number of establishments in Irbid, Karak, and Mafraq. For Aqaba, Madaba, and Ma'an, the largest number of firms are located in the construction, wearing apparel, and other non-metal mineral production (including stone and brickmaking) respectively.

Exhibit 2.8

Distribution of Economic Activity Across Major Urban Centers by Number of Establishments, 1984

	Industry		Commerce		Services	
	Number	Percent	Number	Percent	Number	Percent
Amman	3208	51.5	6057	37.0	3500[a]	49.7
Russeifa	303	4.9	595	3.6	227	3.2
Suweileh	203	3.3	476	2.9	220	3.1
Wadi Esseir	346	5.5	843	5.2	371	5.3
Subtotal	4060	65.2	7971	48.7	4318	61.3
Zarqa	622	10.0	2369	14.5	717	10.2
Madaba	175	2.8	693	4.2	200	2.8
Salt	140	2.2	459	2.8	142	2.0
Irbid	729	11.7	2651	16.2	586	8.3
Ramtha	76	1.2	319	2.0	108	1.5
Mafraq	107	1.7	486	3.0	135	1.9
Karak	94	1.5	464	2.8	149	2.1
Ma'an	71	1.1	222	1.4	96	1.4
Aqaba	157	2.5	720	4.4	588	8.4
Total	6231	100.0	16354	100.0	7039	100.0

Note: [a]Data collected on the number of service establishments for Amman are incomplete.

Source: Unofficial preliminary results of MOP establishment census for cities over 5,000 in population, 1984.

For all ten centers, industrial activity is concentrated in the following five sectors:

- Wood and Furniture
- Fabricated Metal Production
- Construction
- Wearing Apparel
- Other Non-Mineral Products.

Each of these sectors is found in nearly every center and, when aggregated for each center, account for nearly 70% of the total number of establishments.

There do not appear to exist any significant differences in the relative specialization of commercial and service activity across the ten centers. In nearly every center, the major commercial activities are in the retail distribution of food, clothing, and household goods and wares. Except for Amman, the retail distribution of food accounts for approximately half of all commercial activity in every center. Further, as might be expected, the greatest variety of commercial activity is found in Amman. Service sector activity across all centers is concentrated in restaurants, hairdressing, and automotive and other repairs.

In summary, a large percentage of industry is tied to building construction, either in the supply of construction materials or in the furnishings. This underscores the importance of the building industry as an engine of growth in the Jordanian economy to date and, by extension, the importance of worker remittances which have been channeled into new construction.

The fact that the Jordanian manufacturing sector is closely tied to the building industry raises questions about increasing the rates of growth in manufacturing output and jobs as anticipated by the MOP. Simply put, can such growth occur in the absence of another building boom?

2.6 CHAPTER SUMMARY

The current situation with respect to urban structure and physical conditions can be summarizes as follows:

- Agricultural land and rainfall are severely limited, in turn, limiting the growth in this sector of the economy; this means that urban sectors of the economy will have to produce all the new jobs in the economy and that urban functions linked to agricultural production (e.g., agricultural markets) will not likely expand.
- Water resource constraints are potentially severe for certain regions of the country, particularly the South. There is also a potential growth constraint on the Amman region especially as increasing consumption per capita is combined with very high urbanization rates in the region.
- Urban population growth rates are high throughout the country and are highest in the Amman suburbs and smaller urban centers of 5,000 to 20,000 populations.
- While Amman continues to dominate in terms of total urban population, all other parts of the country have become highly urbanized over the past 20 years; Jordan is one of the most urbanized countries in the world.
- Over the past decade Jordan has greatly increased coverage of basic infrastructure and other public services. The coverage is widespread and well distributed across the country; Jordan has succeeded in carrying out its national goals of widespread access to public services.
- While public services are readily accessible, housing is less available to low-income residents. This problem, however, is the focus of several initiatives by the government which will use publicly-controlled financial institutions to stimulate private sector provision of low-cost housing.
- In terms of regional distribution of economic activity, Amman dominates in all areas except agricultural production. Amman

is particularly dominant in manufacturing and financial services, but also concentrates all other types of economic activity in excess of its population share.

- The main components of industrial activity, with the exception of the wearing apparel manufacture, are closely tied to the building industry with heavy concentrations in furniture, construction inputs, and metal fabrication.

CHAPTER 2

NOTES

[1]World Bank, Jordan: Regional Development, Report No. 4767-JO, September 8, 1984.

[2]Dar Al-Handasah, Industrial Development Study, Task 1.8. 1982.

[3]C.f., Dar Al-Handasah, Industrial Development Study: Regional Development in Jordan, Task 1.16, 1982.

[4]The study, being conducted by the MOP Regional Planning Unit, now is still in process, May 1985; this section is based on preliminary, unpublished tabulations.

CHAPTER 3

URBAN EMPLOYMENT

3.1 OVERVIEW

There are two major considerations in the analysis of urban employment and formulation of employment strategies. The first is the technical analysis of labor supply and demand trends. The second is analysis of government policy and mechanisms for affecting future supply and demand. This chapter is divided into two main sections dealing with technical analysis and policy options.

Considerable attention is given to the technical analysis since the employment situation is complex and the data are subject to very different interpretations. Our analysis updates a very influential study carried out by the World Bank in 1981-83 and which forecasted alarming increases in total unemployment in Jordan by 1990. Using more recent data, and working closely with manpower analysts in the MOP and the University of Jordan, we have developed somewhat less pessimistic forecasts of unemployment than the World Bank. Given the critical nature of these findings and the controversy that may surround them, we present at some length the methods and assumptions used in the projection models.

On the policy option side, we examine carefully the current GOJ policies and their impact on labor supply and demand. We note that the Government has tended to focus on labor supply factors in the past to the exclusion of demand issues. Furthermore, we note that the GOJ is counting heavily on growth in the manufacturing sector for future job creation which is consistent with past policy but at variance with actual experience in the recent past. We note that the services sector has served as the main engine of growth in jobs in the past and has good potential for job creation in selected areas. Finally, we discuss the distribution of jobs by region and note the potential of different types of urban areas for future job creation.

3.2 LABOR SUPPLY AND DEMAND ANALYSIS

The World Bank conducted a very thorough analysis of the manpower situation in Jordan in 1981-83, primarily using preliminary results of the 1979 Census. This study forecasted very high labor force growth rates, primarily the combined result of high population growth rates and rapidly increasing female labor force participation rates. The outcome of various assumptions used by the World Bank study showed an overall unemployment rate of 30% by 1990.

Employment forecasting is an inexact science since many of the variables are difficult to predict very far into the future. Many Jordanian manpower analysts questioned some of the World Bank assumptions, particularly the rate of increase in the female labor force participation rates. A 1983 manpower survey revealed that the participation rate of women was not, in fact, rising as fast as had been assumed by the World Bank analysts.[1] Furthermore, there simply was no evidence of rapidly rising unemployment in 1985 when the UDA mission arrived in Jordan, as indicated by the World Bank results.[2]

The UDA mission, with the assistance of MOP manpower analysts and consultants from Jordan University, developed new manpower forecasts based on current information, most notably the full results of the 1979 Census, the 1983 manpower survey, and GDP growth rates being used by the MOP in developing the 1986-1990 Five-Year Plan. The model used is fairly simple and straightforward. It calculated yearly growth rates in total labor supply by combining population projections (including migration) with labor force participation rates. Since the labor force participation rates are a point of contention, two scenarios are constructed, giving a "medium" growth rate and a "high" growth rate.

The labor force projections are matched by demand projections which are constructed using forecasted GDP growth rates by economic sector and assumptions about productivity rates for each sector. There is somewhat more guesswork in the demand projections than labor supply since GDP growth rates and productivity rates have been fairly volatile over the recent past.

The following sections describe the construction of the model and the results. Additional supporting information is included in Annex B.

3.2.1 Labor Force Supply Estimates

To prepare labor force supply estimates, or projections, two sets of data are needed:

- Population projections (by age, sex, place of residence) for the period of the study.
- Labor force participation rates projected (by age, sex, place of residence) for the same period.

In this section we shall discuss these two sets of data.

Population

We used the population projections for Jordan 1980-2000 described in Annex B. Only fertility and mortality rates were used to prepare the projections under the assumption that net migration to Jordan will be zero during the period of projections 1980-2000 (See Annex B). Therefore, we used the arrivals and departures data published by the Department of Statistics by nationality for the period 1979-1983, to adjust the population projections to take account of international migration as follows:

- Population projections by sex and year were prepared for the period 1974-1990 by using the population growth rates (natural growth rates) between 1980, 1985 and 1990 (from the population projections by age and sex for the period 1980-2000).
- The population projection due to natural growth was then adjusted by net international migration assuming that net international migration will be 23,300 in 1983 with a 10% annual declining rate from 1983 to the year 1990 (see Annex B for discussion).
- The net migration to Jordan was then divided by sex using the sex ratio between non-Jordanians and Jordanians from the 1979 Population Census.

Labor Force Participation Rates

Labor force participation rates in Jordan are low by international standards. This is due mainly to the following:

- The population distribution by age and sex, where more than 50% of the Jordanian population are less than 15 years of age.
- Female labor force participation rates in Jordan are still very low (it was 3.3% for the total female population in the 1979 census).
- Educational enrollment rates are high for both males and females.

In this study we used the total labor force participation rate by sex from the 1979 population census. It was 21.0% for total population, 37.7% for males and 3.3% for females.

In general, there is a strong feeling among officials in Jordan that female labor force participation rates will continue to increase during the coming years. Therefore, we prepared more than one set of labor force participation rates for the period 1979-2000, but only two of them will be referred to:

(a) A medium set of labor force participation rates, where it was assumed that total male labor force participation rate will remain constant at 1979 census levels at 37.7%, and total female labor force participation rate will increase by +0.2% per year between 1979-1985 (from 3.3% to 4.5%) and by 0.3% per year between 1985-1990 (from 4.5% to 6.0%).

(b) A high set of labor force participation rates, where it was assumed that total male labor force participation rate would increase by +0.1% per year between 1979 and the year 1990 (from 37.7% in 1979 to 38.8% in the year 2000), and the total female labor force participation rate would increase by +0.3% per year between 1979 and the year 1990 (from 3.3% in 1979 to 6.6% in the year 2000) (see Exhibit 3.1).

Labor Force Supply

By applying the two sets of the labor force participation rates to the population projections by sex (Annex B), two sets of labor force supply were prepared for the period 1979-2000 (see Exhibit 3.1).

Exhibit 3.1
Labor Force Participation Rates and
Labor Supply Estimates for Two Scenarios

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
High Scenario												
Male Partic. Rates	37.7	37.8	37.9	38.0	38.1	38.2	38.3	38.4	38.5	38.6	38.7	38.8
Female Partic. Rates	3.3	3.6	3.9	4.2	4.5	4.9	5.1	5.4	5.7	6.0	6.3	6.6
Male Labor Supply	413	429	445	461	479	496	513	532	551	571	592	613
Female Labor Supply	33	38	42	47.2	52.5	59	64	70	77	84	91	99
Total Labor Supply	446	466	487	509	531	555	578	602	628	655	683	712
Annual Growth (%)		4.4	4.4	4.4	4.4	4.5	4.1	4.3	4.3	4.3	4.3	4.3
Medium Scenario												
Male Partic. Rates	37.7	37.7	37.7	37.7	37.7	37.7	37.7	37.7	37.7	37.7	37.7	37.7
Female Partic. Rates	3.3	3.5	3.7	3.9	4.1	4.3	4.5	4.8	5.1	5.4	5.7	6.0
Male Labor Supply	413	428	442	458	474	489	505	522	539	558	576	596
Female Partic. Rates	33	36	40	43	47	52	56	62	69	75	82	90
Total Labor Supply	446	464	482	501	521	541	562	584	607	633	659	685
Annual Growth (%)		3.9	4.0	4.0	4.0	3.8	3.8	4.0	4.1	4.1	4.1	4.1

Source: UDA Mission estimate (see Annex B).

From the Exhibit we can see that the total labor force supply is expected to increase from 446,000 in mid 1979 to 562,000 in 1985 and, 685,000 in 1990 in the medium scenario, an annual growth rate ranging from 3.8% to 4.1%.

According to the high scenario, the total labor force supply is expected to increase to 578,000 in 1985 and 712,000 in 1990, an annual growth rate ranging from 4.1% to 4.5%.

As discussed in Annex B., the Second Round (early March '83) of the 1982/83 Manpower Survey gave a crude female participation rate of 4.1%, this is the same as our estimate for 1983 in the Medium Scenario.

3.2.2 Labor Demand Estimates

Future labor demand is estimated by first calculating GDP growth rates by sector for the forecast period. Second, productivity rates by sector are estimated and applied to the GDP estimates to generate labor absorption rates by sector. In order to develop estimates of GDP growth by sector, we have to examine Jordan's recent experience.

3.2.3 Growth of Value Added

GDP (at factor cost) grew rapidly, 14.05%, from 1980 to 1981 with value added for transport and communication growing at 39% and trade at 27.2% (Exhibit 3.2). Since then the growth rate has declined sharply and averaged 2.9% per year over 1981 to 1984 (Exhibit 3.3). Mining and Manufacturing (and Trade) dropped the sharpest of all, from a growth of 10.6% from 1980 to 81 (27.1%) down to average of only 1.0% (-2.8%) over 1981 to 1984. This was probably because of the fall in manufactured exports (they dropped by half in 1983 compared to 1981) due to the Iran-Iraq war. After the bad year of 1983, some recovery was recorded in 1984 when manufactured goods exports returned to their former levels. The Ministry of Planning is clearly optimistic that the relatively poor GDP growth performance of 1983 and 1984 can be significantly improved to around 5.0% per year from 1984 to 1990. The leading sectors for recovery are assumed to be manufacturing industry (16.7% of GDP in 1984 and projected to grow at 11.0% per annum

Exhibit 3.2
Industrial Origin of GDP at 1980 Prices

	1980	1981			1982			1983			1984**			Average Growth Rate 1980-1984		Annual Growth Rate (Compound)
			Growth Rate			Growth Rate			Growth Rate			Growth Rate				
Economic Activity	Actual	Actual	Actual	Planned*	Actual	Actual	Planned	Actual	Actual	Planned	Actual	Actual	Planned	Actual	Planned	1980-1984
Agriculture	64.60	74.50	15.33	8.30	78.10	4.83	6.10	90.80	16.26	8.70	92.70	2.09	6.70	9.63	7.45	9.45
Min. & Manufactur.	167.10	184.80	10.59	17.50	193.00	4.44	18.20	174.20	-9.74	17.70	190.20	9.18	17.90	3.62	17.83	3.29
Elec. & Water	17.10	18.90	10.53	25.00	21.00	11.11	10.00	22.90	9.05	18.20	25.80	12.66	23.10	10.84	19.08	10.83
Construction	97.50	104.90	7.59	13.50	119.70	14.11	11.90	142.50	19.05	12.10	149.60	4.98	13.50	11.43	12.75	11.30
Total Prod. Sectors	346.30	383.10	10.63	14.96	411.80	7.49	14.29	430.40	4.52	15.00	458.30	6.48	15.22	7.28	14.87	7.26
Trade	166.50	211.70	27.15	6.52	212.20	0.24	10.88	198.60	-6.41	11.04	194.70	-1.96	11.05	4.75	9.87	3.99
Transp. & Commun.	79.50	110.50	38.99	9.89	118.90	7.60	11.00	119.10	0.17	12.61	122.80	3.11	12.00	12.47	11.38	11.48
Government Services	170.20	160.50	-5.70	3.30	179.00	11.53	4.00	185.60	3.69	3.00	184.70	-0.48	3.70	2.26	3.50	2.06
Other Services	125.90	147.40	17.08	8.10	142.20	-3.53	10.50	143.10	0.63	11.10	143.70	0.49	10.70	3.65	10.10	3.36
Total Serv. Sectors	542.10	630.10	16.23	6.73	652.30	3.52	8.70	646.40	-0.90	9.00	645.90	-0.06	8.99		8.36	4.48
GDP at Factor Cost	888.40	1013.20	14.05	9.90	1064.10	5.02	11.00	1076.80	1.19	11.50	1104.20	2.54	11.70	5.70	11.03	5.59
Indirect Taxes	91.10	102.70	12.73	10.10	124.40	21.13	11.70	173.90	39.79	10.40	179.10	10.71	11.50	21.10	10.93	18.41
GDP at Market Price	979.50	1115.90	13.93	9.90	1188.50	6.51	11.10	1250.70	5.23	11.40	1283.30	2.60	11.60	7.07	11.00	6.99
Net Factor Income	205.80	288.50	40.18	10.15	307.30	6.52	9.68	301.90	-1.76	10.08	309.10	2.30	9.92	11.83	9.96	10.70
GNP at Market Price	1185.30	1404.40	18.48	10.00	1495.80	6.51	10.80	1552.60	3.80	11.10	1592.40	2.60	11.30	7.84	10.80	7.66

* Planned in the 1980-85 Plan. ** Preliminary (as of 27 April 85). Source: Ministry of Planning

Exhibit 3.3

GDP Growth Projections, 1984-1990 (Percent per Annum)

Sector	Percent of GDP in 1984	81/84	84/85	85/86	86/87	87/88	88/89	89/90	84/90
Agriculture	8.1	7.6	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Mining/Manufact.	16.7	1.0*	11.1	11.0	11.0	11.0	11.0	11.0	11.0
Electric./Water	2.3	10.9	2.8	6.1	4.6	4.4	4.2	4.5	4.4
Construction	13.1	12.6	4.0	4.0	3.9	4.0	4.0	4.0	4.0
Trade	17.0	-2.8	3.0	3.0	2.2	3.8	3.0	2.8	3.0
Transpor./Commun.	10.8	3.6	4.7	4.9	4.6	5.2	4.9	4.9	4.9
Services	32.0	0.8[a]	2.4	2.4	2.4	2.2	2.5	2.4	2.4
Total	100.0	2.9	4.8	5.0	4.8	5.3	5.3	5.2	5.1

* one point zero (not a misprint!)

[a]Of which government grew at 4.8% per year.

Source: Ministry of Planning (preliminary estimates).

over 1984/90) and agriculture (8.1% of GDP in 1984 and projected to grow at 7.0% per annum over 1984/90). (See Exhibit 3.3).

For purposes of projecting GDP growth by sector, we use the MOP estimates shown in Exhibit 3.3. The total average growth rate of 5.1% over the period is judged reasonable although there is some question about the distribution of that growth across sectors. In particular, the UDA mission is skeptical about the projected growth in manufacturing, which assumes a growth rate double that experienced over the last 5 years. Such a growth rate is not impossible, but will require substantial intervention to achieve.

In order to develop labor productivity estimates by sector, we must first examine productivity ratios in the past. This required comparing labor force size by sector with recorded GDP by sector. This analysis is made difficult by the absence of reliable data on the breakdown of labor force by sector over the past 5-year period. There are only two data points, the 1979 Census and the 1982/83 Manpower Survey, from which to build year-by-year estimates. The process of estimation was informed by additional analysis of labor force distribution on several dimensions as presented by Annex B.

Recognizing the fragmentary nature of the historical database, it was judged prudent to estimate past labor demand and supply as ranges, according to the medium and high labor force participation scenarios presented in Exhibit 3.1. These estimates are presented in Exhibits 3.4 and 3.5. Although it may be observed that absolute values and growth rates differ from Exhibit 3.4 to 3.5, the general trends are consistent for both scenarios.

These estimates suggest that employment grew at an average rate of from 4.8% to 5.4% per annum over the period 1979/84. Growth was concentrated in the service sectors. Trade, employing 10.5% of total employment in 1983, grew between 5.6% and 6.2% per year; transport and communication, employing 8% of the total, grew betweer 9.8% amd 10.4%; finance, employing 3% of total, grew strongly between 13.4% and 14%; and government and other services, employing 50% of total workers, grew from 8.2% to 8.8% per annum over 1979/84.

Exhibit 3.4

Employment Total by Sector, 1979-84
Medium Labor Supply Scenario
(Thousands of Persons)

Sector	19/9	1980	1981	1982	1983	1984	Growth Rates 79/80	80/81	81/82	82/83	83/84	Average 79/84
Agriculture	46.8	44.8	42.8	41.0	37.1	38.6	-4.3	-4.3	-4.3	-9.5	4.0	-3.8
Mining/Manufact.	40.7	40.5	40.3	40.1	37.8	39.2	-0.5	-0.5	-0.5	-5.7	3.7	-0.8
Electric./Water	2.4	2.5	2.6	2.7	2.8	2.8	5.0	5.0	5.0	3.7	0.0	3.1
Construction	64.1	63.7	63.4	63.1	59.4	61.7	-0.5	-0.5	-0.5	-5.9	3.9	-0.8
Trade	40.5	43.6	46.8	50.3	51.2	53.2	7.5	7.5	7.5	1.8	3.9	5.6
Transpor./Commun.	25.8	29.2	32.9	37.1	39.7	41.2	12.9	12.9	12.9	7.0	3.8	9.8
Finance	7.8	9.2	10.8	12.7	14.0	14.6	17.3	17.3	17.3	11.1	4.3	13.4
Social Services	171.2	189.8	210.4	233.3	245.1	254.4	10.9	10.9	10.9	5.1	3.8	8.2
Total	399.3	423.2	450.1	480.3	487.2	505.7	6.0	6.4	6.7	1.4	3.8	4.8
Labor Supply	446.2	463.8	482.2	501.3	521.1	540.9						
Unemployment (%)	10.5	8.8	6.7	4.2	6.5	6.5						
Percent Non-Jordanians of Total Employment	9.8	18.8	20.8	25.0	25.3	28.8						

Source: Mission estimates based on Ministry of Labor data for unemployment in 1983, and for employment of non-Jordanians. 1979 data from census, adjusted to mid 1979 values. 1982 data from Manpower Survey 2nd round. 1980 and 1981 data were interpolated. 82/83 growth rates were assumed the same as 1981/82 and 1983/84 were extrapolated on the assumption that each sector grew as fast as GNP.

Exhibit 3.5

Employment Total by Sector, 1979-84
High Labor Supply Scenario
(Thousands of Persons)

Sector	1979	1980	1981	1982	1983	1984	Growth Rates 79/80	80/81	81/82	82/83	83/84	Average 79/84
Agriculture	46.8	44.8	42.8	41.0	37.9	39.6	-4.3	-4.3	-4.3	-7.6	4.5	-3.3
Mining/Manufact.	40.7	40.5	40.3	40.1	38.5	40.2	-0.5	-0.5	-0.5	-4.0	4.4	-0.2
Electric./Water	2.4	2.5	2.6	2.7	2.8	2.9	5.0	5.0	5.0	3.7	3.6	3.8
Construction	64.1	63.7	63.4	63.1	60.5	63.3	-0.5	-0.5	-0.5	-4.1	4.6	-0.2
Trade	40.5	43.6	46.8	50.3	52.2	54.6	7.5	7.5	7.5	3.8	4.6	6.2
Transpor./Commun.	25.8	29.2	32.9	37.1	40.5	42.3	12.9	12.9	12.9	9.2	4.4	10.4
Finance	7.8	9.2	10.8	12.7	14.3	15.0	17.3	17.3	17.3	13.5	4.9	14.0
Social Services	171.2	189.8	210.4	233.3	249.8	261.0	10.9	10.9	10.9	7.1	4.5	8.8
Total	399.3	423.2	450.1	480.3	496.5	518.9	6.0	6.4	6.7	3.4	4.5	5.4
Labor Supply	446	466	487	509	531	555						
Unemployment (%)	10.5	8.8	6.7	4.2	6.5	6.5						
Percent Non-Jordanians of Total Employment	9.8	18.8	20.8	25.0	25.3	28.8						

Source: Mission estimates based on Ministry of Labor data for unemployment in 1983, and for employment of non-Jordanians. 1979 data from census, adjusted to mid 1979 values. 1982 data from Manpower Survey 2nd round. 1980 and 1981 data were interpolated. 82/83 growth rates were assumed the same as 1981/82 and 1983/84 were extrapolated on the assumption that each sector grew as fast as GNP.

Agricultural employment (8% of total employment in 1983) declined between 3% and 4% per year over the 1979/84 period, and approximately zero growth was experienced in mining and manufacturing where 7.8% of total employment is found. Twelve percent of total employment is in construction and has remained approximately unchanged over 1979/84. Of the total employment in the East Bank in 1984, approximately 29% were non-Jordanians.

The unemployment rate estimates presented in Exhibits 3.4 and 3.5 indicate a significant reduction, from 10.5% in 1979, to 6.5% in 1984. The initial estimate was made from 1979 census data, adjusted to mid-year. Although the 10.5% unemployment rate in 1979 remains the "official" rate, there is considerable opinion that the real rate may have been in the 7% to 9% range. If this lower range estimate is accepted, then unemployment has remained relatively stable over the six year period.

The analysis of employment growth by sector allows us to develop estimates of productivity growth. Because of the year-to-year swings in GDP growth by sector during the 1980's, we derive changing annual productivity growth rates. This makes projection difficult. However, when we compare our analysis to that of the World Bank, we find sufficient agreement in the overall productivity growth rates for the period 1979 to 1982 to allow us to use their projected productivity growth rates for the period 1985-1990 with some confidence (see Exhibit 3.6).

3.2.4 Employment Forecast

The consolidated results of our exercise are presented Exhibits 3.7 and 3.8. Using the same labor productivity estimates as those of the World Bank for 1985-1990, we expect the number of jobs offered in 1990 to reach the 589 to 604 thousand range. Non-agricultural jobs, largely based in urban areas, are expected to maintain a relatively stable proportion of total jobs, about 92%. The total number of jobs offered is expected to grow at 2.6% per year between 1984 and 1990, and 70% of those jobs will be in the service sector if current trends continue (service sector contains commerce, transport, communications, government, defense, and other personal services).

Exhibit 3.6
Productivity Growth Estimates by Sector

Growth Rates	75/79	80/82	80/85	86/90
Agriculture	3.7	12.4	7.9	4.5
Mining & Manufacturing	6.0	5.0	6.8	4.0
Electricity & Water	-0.9	1.5	1.7	1.6
Construction	2.0	2.2	2.1	2.0
Trade	20.2	4.1	2.8	1.5
Transport. & Communica.	4.5	3.3	2.5	1.8
Services	0.7	2.8	1.5	0.2
Total	5.4	3.1	3.3	2.4

Source: Previous tables plus World Bank, Manpower Survey, Vols. I and II, June 1984.

Exhibit 3.7

Employment Projections by Sector, 1985-1990[a]
Medium Labor Supply Scenario
(Thousands of Persons)

Sector	1984	1985	1986	1987	1988	1989	1990	Growth Rates 84/85	85/86	86/87	87/88	88/89	89/90	84/90
Agriculture	38.6	39.5	40.5	41.4	42.4	43.4	44.5	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Mining & Manufact.	39.2	41.9	44.7	47.7	50.9	54.3	57.9	6.8	6.7	6.7	6.7	6.7	6.7	6.7
Electricity & Water	2.8	2.8	3.0	3.0	3.1	3.2	3.3	1.2	4.4	3.2	3.0	2.8	2.6	2.8
Construction	61.7	62.9	64.2	65.4	66.7	68.0	69.3	2.0	2.0	1.9	1.9	2.0	2.0	1.9
Trade	53.2	54.0	54.8	55.2	56.6	57.9	58.8	1.5	1.5	0.7	2.6	2.3	1.5	1.5
Transport. & Commun.	41.2	42.4	43.6	44.8	46.4	47.9	49.3	2.8	3.0	2.8	3.4	3.3	3.0	3.0
Services	269.0	274.6	280.7	286.9	292.6	299.3	305.9	2.1	2.2	2.2	2.0	2.3	2.2	2.2
Total	505.7	518.1	531.5	544.4	558.7	574.0	589.0	2.4	2.6	2.4	2.6	2.7	2.6	2.6
Labor Supply	541	562	584	607	633	659	685							
Unemployment (%)	6.5	7.8	9.0	10.3	11.7	12.9	14.0							

[a]GDP divided by Productivity.

Source: Computed from data in Exhibits 3.3 and 3.6.

Exhibit 3.8

Employment Projections by Sector, 1985-1990[a]
High Labor Supply Scenario
(Thousands of Persons)

Sector	1984	1985	1986	1987	1988	1989	1990	Growth Rates 84/85	85/86	86/87	87/88	88/89	89/90	84/90
Agriculture	39.6	40.6	41.5	42.5	43.5	44.6	45.7	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Mining & Manufact.	40.2	42.9	45.8	48.9	52.2	55.6	59.4	6.8	6.7	6.7	6.7	6.7	6.7	6.7
Electricity & Water	2.9	2.9	3.1	3.2	3.3	3.3	3.4	1.2	4.4	3.2	3.0	2.8	2.6	2.8
Construction	63.3	64.6	6[illegible].9	67.1	68.4	69.8	71.1	2.0	2.0	1.9	1.9	2.0	2.0	1.9
Trade	54.6	55.4	56.2	56.6	58.1	59.4	60.3	1.5	1.5	0.7	2.6	2.3	1.5	1.5
Transport. & Commun.	42.3	43.5	44.8	46.0	47.3	48.9	50.4	2.8	3.0	2.8	2.8	3.3	3.0	3.0
Services	276.0	281.8	288.0	294.3	300.2	307.1	313.9	2.1	2.2	2.2	2.0	2.3	2.2	2.2
Total	518.9	531.8	545.3	558.6	573.0	588.7	604.2	2.4	2.6	2.4	2.6	2.7	2.6	2.6
Labor Supply	555	578	602	628	655	683	712							
Unemployment (%)	6.5	8.0	9.4	11.0	12.5	13.8	15.1							

[a]GDP divided by Productivity.

Source: Computed from data in Exhibits 3.3 and 3.6.

Our estimates of future labor supply and demand indicate that unemployment should increase from a level of 6.5% in 1984 to between 14.0% and 15.1% in 1990. These estimates are about one-half the 30% projection made by the World Bank in its "high unemployment," or first, scenario. In its study, the Bank suggests that it is likely that underemployment would substantially increase under Scenario 1 conditions and this would lead to a corresponding decline in productivity. Thus, the World Bank's Scenario 2 assumes that actual productivity increases could be 42% less than that assumed for Scenario 1, leading to a 26% unemployment rate in 1990. Finally, the Bank's third scenario assumes no productivity increase during 1986/90, resulting in an estimate of a 22% rate of unemployment in 1990. In order to arrive at unemployment levels of the order that the World Bank forecasted for 1990 (30%for Scenario 1), female participation rates would have to rise at 20% per year compared to the 8% per year increase recorded for 1979 to 1982 (see Exhibit 3.2). The rate of increase of 20% seems unlikely (see Annex B). Alternatively, substantially more returning Jordanians and immigrants would have to enter the country than the levels we anticipate (note that we estimate positive net immigration while the Bank estimated positive net outmigration). The question of the composition, in terms of skill and education levels, is not one we considered quantitatively during the mission. We do in the next section, however, consider the question qualitatively.

3.2.5 Future Skill Mismatches

There is considerable concern in Jordan about possible labor surpluses of certain types of highly educated labor and deficits in certain skill levels. The predicted output from the educational system of approximately 275 thousand graduates of varying levels over the next 5 years has contributed to this concern. Given that the total 1985 labor force is estimated to be in the 518-532 thousand range, the predicted additions are worrisome.

The World Bank estimated potential surpluses and deficits for different occupation pools in the Manpower Study.[5] Exhibit 3.9 reproduces the surplus and deficit estimated from that study. The exhibit shows a predicted shortage of about 95,000 workers -- largely in semi-skilled manual workers,

Exhibit 3.9

Projected Manpower Surpluses and Shortages of Jordanians by Occupational Pools in 1990

Pools	Labor Balances			
	National Labor Supply	National Labor Demand	Shortage of National Labor	Surplus of National Labor
Scientists & Mathematicians	9592	6825		2767
Architects & Engineers	8074	10772	2698	
Health Professionals & Technicians	13044	16931	3887	
Teachers	73677	44034		29643
Other Professionals	34386	23769		10617
Managers	21663	24588	2925	
White Collar Supervisors	54856	23063		31793
Science Technicians	10585	8072		2513
Blue Collar Supervisors & Foremen	13721	21415	7694	
Skilled Office Workers	108591	35792		72799
Skilled Farm Workers	14208	24637	10429	
Skilled Manual Workers[a]	53152	62317	9165	
Semi-Skilled Non-Manual Workers	190923	64696		126227
Semi-Skilled Manual Workers	93763	149754	55991	
Unskilled Workers	83950	86272	2322	
Total	784185	507826	95111	276359

[a]Except agriculture. Source: World Bank, Manpower Survey.
Note: Non-Jordanians are excluded.

farm workers, and in several highly skilled categories: architects, engineers and health professionals. The predicted surplus in other fields is about 276,000, made up of semi-skilled non-manual workers, skilled office workers, white collar office workers and supervisors, and teachers.

Overall, the World Bank study indicates that the surpluses will develop in fields populated by the new graduates of the education system; the surplus areas are also those most open to women. While data estimation difficulties make it hard to rely precisely on the World Bank estimates, there is anecdotal evidence that the trend of their projections is accurate. That is, for example, supply of office workers and teachers is outstripping demand while semi-skilled manual workers are in short supply. This suggests that two strategies may be needed. First, retraining of office workers into blue-collar workers may be desireable. Second, more jobs need to be created to absorb the output of the education system. The following section describes the GOJ policies that may address these issues.

3.3 POLICIES AFFECTING URBAN EMPLOYMENT

3.3.1 National Employment Policies

The 1981-1985 Five-Year Plan aimed at an average rate of growth of GDP of 11% per annum. As Exhibit 3.2 shows, the actual growth rate over the period 1980-1984 has been only 5.6%. The main impulse for growth was expected to come from manufacturing, electricity and water, and construction with intended annual growth rates of 17.8%, 18.7%, and 12.6%, respectively. What actually occurred over the period 1980 to 1984 was 3.3%, 10.8%, and 11.3%, respectively. As it happened, agriculture exceeded its growth target and transport and communications performed exactly as expected.

The plan was explicit in its aims for developing the supply side of the labor force. It proposed the expansion of education and training and the development of technical and vocational skills. It insisted on balance in the labor market in order to maintain appropriate ratios between high- and medium-level cadres, and to increase women's participation in the labor

market through the provision of increased educational and training opportunities. Available evidence shows that it has had more success with these policies than with the overall economy, although a large part of the relatively low growth recorded was mostly outside of the control of the Jordanians. The labor policy assumed, however, that the demand for labor was not going to be a problem over the period of the plan. As we have seen, this assumption has proved to be more or less correct.

The volume of fixed investment during the plan was expected to be JD 3300 million, of which 61% was to be allocated to the public sector and 39% to the private and mixed sectors, or 52.9% of the total to commodity producing sectors and tourism and 47.1% to infrastructure and services. Apparently only about 50% of the total planned investment was realized; more details are so far not available.

Ideas for the next Five-Year Plan are only just beginning to take shape. Thus the discussion in this section reflects only the preliminary ideas of the Ministry of Planning.[6]

The objectives of the next Plan are to be concerned with income, employment, balance of payments, and regional distribution of growth. Regional aspects are to be encouraged by giving larger relative weights to the value added expected to be generated by new projects in the regions outside of Amman.

A large surplus of skilled labor is expected and so job generation for these groups will be given a high priority. Given falling aid grants and poor economic conditions in the region, national budget resources will be limited. Therefore, cost considerations and contribution to balance of payments are also going to be important components of project planning. This means, among other things, that public employment will not grow as fast as in the past.

A 5% per annum growth rate is expected in the economy over 1986-1990. Investment is anticipated to be 3.6 billion JD's in the coming 5 years, of which 50 to 60% is to be private. This excludes defense and is of the same level as anticipated, but not realized, in the previous plan.

There is a preference against a one city-state country, so the next Plan intends, through economic incentives, to reduce the rate of internal migration into Amman.

3.3.2 Employment Policy Considerations

There are a number of considerations which affect the development of a set of urban employment strategies. First, all employment, outside of agricultural production and some mining, is urban employment. Jordan is so highly urbanized and concentrated in such few locations that virtually all economic activity is developed in urban areas.

Second, given the smallness of Jordan's domestic market and the need to expand foreign exchange earnings, new job creation should focus on export-oriented industries. Jordan is already heavily dependent on exported services for employment; with the predicted contraction of opportunities in the neighboring states, Jordan will likely need to replace some of these important foreign exchange earnings.

Third, job creation needs to absorb large numbers of educated young people coming into the market over the next 5 years. Under current GOJ policy, these entrants are not likely to be absorbed by public employment. There will need to be either substantial growth in other, private sector services, or in the manufacturing area. These two areas are discussed in detail in following sections.

Fourth, the GOJ is extending its policy of favoring job creation in areas outside of Amman. It seems clear that Amman will continue to hold a competitive advantage over other areas for most export-oriented industry, including both manufacturing and services (see Chapter 4). Therefore, job creation in secondary urban areas will likely be tied to very local economies, in most cases agriculture. Examination of the major secondary towns in Jordan shows, with the exception of Aqaba, very little industrial development. Commercial activities in these towns are very dependent on agriculture. And, in the rainfed highlands, poor rainfall can lead to substantial unemployment in the towns when crops are poor. Further, the seasonal nature of agriculture adds to unemployment in the towns when, in

the off season (May/June to October/November), agricultural workers migrate to the towns looking for work. In order to reduce present and future projected umemployment in the secondary towns, it would seem necessary to improve agriculture prospects. In particular, the stimulation of multi-cropping through irrigation would, if it is not prohibitively expensive, contribute greatly to avoiding seasonal unemployment. However, as noted in Chapter 2.1, water availability is a major constraint and may preclude expansion of irrigated agriculture.

Finally, government policy making is hampered by lack of consistent, reliable and timely data on employment. There are a number of manpower analyses being conducted at present and several proposals for establishing employment information systems.[7] These proposals need to be coordinated and acted upon quickly.

The following sections go into more detail on the prospects for increasing employment in the manufacturing and services sectors. These are the sectors in which growth must occur if Jordan is to avoid significant increases in unemployment.

3.3.3 Prospects for Employment Growth in Manufacturing

The current narrow base of Jordan's manufacturing industry and its relatively poor performance over the past 4 years do not argue well for rapid growth in this sector.

Value added in mining and manufacturing grew at only 3.3% in real terms over 1980 to 1984. This was much less than the plan had envisaged, 17.8%. At the same time the provision of jobs in this sector was stagnant.

Mining and manufacturing provided 17% of GDP but only 8% of employment in 1984. Several large industrial projects were established during the last plan but some of these concerns (the Aqaba-based Jordan Fertilizer Industries Company, the Arab Potash Company, the South Cement Company) have produced financial losses. The Minister of Industry, Trade and Supply said that the projects, costing JD 400 million, had faced a number of difficulties. He cited: lack of technical and qualified cadres, high operating

and management expenses, the high price of raw materials and a drop in market prices.[8]

There is limited scope for major industrial job creation because of the lack of natural comparative advantages in Jordan - e.g., it has no indigenous energy resources, few other natural resources, higher fuel prices than neighboring countries and limited transport possibilities to the Mediterranean.[9] Further, as the available information on wages suggest, Jordan is not especially advantaged compared to some possible competitors.[10] Clearly, should the authorities wish to make a major push in industrial development, further study is required to pinpoint exactly the markets in which Jordan could compete profitably. According to the recent study by Coopers and Lybrand, the weaknesses within industry are in basic technology, production methods and marketing.[11] This is especially true of those firms not involved in joint ventures with foreign companies. Joint projects between Jordan and foreign firms could, therefore, help to stimulate growth in this sector.

There is some scope for industrial growth if export promotion and import substitution strategies could be adopted in small- and medium-scale industries. One would have to bear in mind, however, that to be competitive, especially in export markets, international standards and specifications have to be met.

One possible area of development for small- and medium-scale industry is in the area of export-oriented light engineering. The rapid development of the Gulf region over the past 10 years has led to massive investments in infrastructure such as roads, sewerage, water and electrical power systems. This infrastructure will need substantial maintenance in the future. Jordan, with its skills in construction and increasing levels of education, can hope to obtain some of this business. This could be encouraged by Government in the training of semi-skilled workers and management, and in marketing those services in the Gulf area.

3.3.4 Service Sector Development

The service sector includes education, health, recreational services, tourism, and other services related to the producing sectors. These are transport, communication, commerce, banking, finance, government administrative services and defense. In 1984, services accounted for 58% of GDP and 72% of employment. Value added in services grew at the rate of 4.5% per annum over 1980 to 1984 and employment in services grew at 9.35% per annum. The largest employer in the service sector is the Government with 44.1% of employment in 1979 followed by commerce and trade 15.7%, transport and communication 6.6%, and finance 2%.

The largest service industries in the private sector are wholesale and retail trade and the hotel and catering sector, followed by banking and insurance, which, like tourism, have profited from Beirut's decline. Transport and communications have expanded, including a sharp increase in activity at the port of Aqaba after the re-opening of the Suez canal and in road transport to Iraq.

Many Jordanian officials feel uneasy that the service sector contributes so much to GDP. Nevertheless, the country's geopolitical situation favors its service function. This situation also invites good treatment by its Arab neighbors, both in terms of aid as well as favorable policies toward Jordan's migrant workers, whose remittances have greatly helped the expansion of the total economy in Jordan. The service sector should not be seen as a burden on the economy. Education investments, for example, are generating a human capital base that represent perhaps the best way for Jordan to overcome its physical resource handicaps.

Because of the size and importance of the service sector, the UDA Mission believes that any future urban job creation strategy must have major consideration of the service sector, in particular the private service sector. Some of the potential areas of development are discussed next.

Potential for Private Service Sector Growth

Even though the service sector has been extremely important as a source of jobs, there has been little study of it. It may well have been that chances to capture new service industries have been missed in the past because of the lack of emphasis given to the service sector. For example, many financial services formerly located in Beirut have relocated to Bahrain, although some have come to Amman. More may have been attracted if a coordinated service sector development strategy had been followed in the past. Furthermore, the exporting of skilled Jordanian labor in the past may have reduced the chances of developing domestic private services within the country such as private consulting.

Two types of service industries would appear to warrant further consideration:

- Knowledge-based industries
- Tourism.

Knowledge-based industries

In order to utilize the expanding supply of scientists, engineers, doctors, and teachers in Jordan, so-called "knowledge-based industries" may hold the key to future economic and employment growth. Examples of such industries include information technology, computer services, medical services, consulting engineering, management consultancy, education and training institutions. Such industries are often not thought of as engines of economic growth; however, these industries led the recent economic recovery of the United States and are becoming more and more important in Europe.

Such industries are most often developed in close association with major universities. Jordan University and Yarmouk University both offer potential for fostering such developments. However, merely the creation of a university science park does not guarantee success. In addition, there must be the creation of organizations and private firms which would develop and market these services. This requires both expertise and venture capital. There may also be the need for some stimulation from the government in terms of government contracts to these firms.[12]

The development of these firms could be accelerated by joint ventures with foreign firms experienced in the target fields. USAID has already had some experience in selected engineering projects in which U.S. firms were encouraged to associate with Jordanian firms as explicit local capacity building. Such efforts could become a routine mechanism for developing the private sector services industry. This discussion points out the need for a coordinated approach in which venture capital, government contracting, university-based resources and local enterprise development come together. This requires a major policy commitment and organization at the highest levels of the GOJ.

Tourism.

Tourism is a service sector activity that has multiple backward linkages to productive industry such as agriculture and construction. Tourism is intensive in semi-skilled labor and evidence suggests that once jobs are created in tourist activities, they tend to be permanent.

Tourism was featured in the 1981-1985 Plan, where it was noted that tourism is still concentrated in the Amman area in terms of hotel rooms and employees. An attempt was made to widen the availability of tourist facilities in regions outside of Amman and to sell Jordan itself as a tourist destination instead as a stopping place for visitors en route to other 'Holy Land' attractions. This has only been partially successful since tourist arrivals fell from 1982 to 1983 and again in the following year. With many new hotels in the pipeline (3666 beds are proposed to come on stream over 1985/87 at a cost of 40 million JD),[13] vigorous marketing is required to reverse this trend. More could also be done to expand domestic low-cost holidays, for example, the provision of coach tours for local people coupled with low-cost accomodation.

3.3.5 Labor Supply Side Policies

So far, we have discussed possible steps that could be taken to increase and change the composition of the demand for labor especially in the service sectors. Supply side policy is also important in order to improve the quality of new entrants as well as existing workers in the

labor market. The Government has been aware of this and a number of institutions conduct training programs. The Ministry of Education has 2-year technical training centers (TTC), 3-year secondary school vocational training programs, and the community colleges. The Ministry of Labor has the Vocational Training Corporation (VTC) which is mainly concerned with trainees already in jobs.

A major problem in the design of training policies is the limited and inconsistent data base. No one can give accurate employment and unemployment figures for different levels of skill and education since the census of 1979, and, as we have seen, little confidence exists in the manpower forecasting studies. On the other hand, as noted above, there is an increasing number of studies on the topic. There is a clear need, therefore, to rationalize these studies and place them in one place. Further, as others have suggested (see, for example, Proposed Manpower Development Project, World Bank, October 1984), there is a need to develop a systematic method of regularly compiling and delivering labor market information to institutional planners and individual career decision makers in a manner that is easy to use and update.

3.4 CHAPTER SUMMARY

The situation with respect to trends in employment and government policy may be summarized as follows:

- Unemployment is expected to rise significantly over the next 5 years, though not as high as previously predicted by the influential World Bank study published in 1984.
- The major variables that could radically affect the labor supply are the growth in female labor force participation rates and return of large numbers of Jordanians who are now working in the oil-producing countries of the region. Sudden changes in either of these factors could greatly increase the labor supply and, hence, the potential unemployment situation.
- The volatility of the labor supply is made worse by the lack of good data collection on employment in Jordan. Policy makers simply do not have timely and reliable information on the current situation.

- Although the exact distribution of job shortages by labor groups is difficult to predict with great confidence, the very large increase in the pool of young, well-educated job-seekers indicates that they will constitute the most vulnerable group. On the other hand, there is estimated to be a shortage of semi-skilled industrial workers, particularly if manufacturing growth occurs as anticipated by national planners.
- Government policy has been focused in the past on labor supply, devoting considerable resources to the educational system. This has proved to be a good investment, but there is now an evident need to direct more attention to creating employment. Unfortunately, this side of the equation has been ignored and Jordan now finds itself with limited experience and few intervention mechanisms to effect new job creation.
- The GOJ is counting on a substantial growth in manufacturing to produce new employment opportunities. There is no evidence that such growth will occur naturally so the burden is on the government to stimulate that growth; such stimulative measures are not yet proposed.
- The services sector has been the main engine of growth in the economy in the past. It is clear that government employment, which has been a main component of total growth in the sector, cannot continue to expand as rapidly due to budgetary limitations on the central government.
- Some components of the services sector offer opportunity for growth, especially those that can make use of Jordan's large educated population. These areas include the so-called "knowledge-based industries" and tourism. Indeed, these areas will need to expand to absorb the increased output of the higher education system. If these areas do not grow, there will be increasing pressure to expand public employment, a scenario that has occurred in many other countries.

- The development of new employment opportunities, whether in the high-wage service sectors or in manufacturing, will require a more extensive and coordinated set of actions than have existed in the past. There is an evident lack of international marketing skills across sectors. There appears to be an absence of GOJ attention, let alone policies or programs, on developing knowledge-based industries.
- The regional distribution of employment will remain a problem, at least in the eyes of national policymakers who are committed to job creation outside of the Amman region. If the GOJ succeeds in stimulating manufacturing growth, that growth will follow the already heavy concentration in the Amman region. If GOJ policy focuses on export industry (manufacturing and/or services) that industry will also concentrate in the Amman region.

CHAPTER 3

NOTES

[1]Ministry of Labor, Manpower Survey, Second Round, 1983.

[2]Based on series of personal interviews with manpower analysts in Ministry of Labor, Ministry of Planning and University of Jordan, May 1985.

[3]This figure seems high given the rapid economic growth at that time. It could be higher than normal because of seasonality of agricultral labor, overestimation of labor supply (see World Bank, Manpower Development in Jordan, Vol. I, page 27), 1984.

[4]Source: Jordan Times, May 22, 1985.

[5]The World Bank, Manpower Development in Jordan, Vol. I, June 1984.

[6]Based on personal interview with Director of Regional Planning, MOP, May 1985.

[7]We counted eight studies: World Bank Manpower Survey (1984, performed in December 1983); ILO Manpower Study, 1982 (see ILO, JOR/72/PO 6); Royal Endowment of Jordan study; Vocational Training Corporation with Ford Foundation (proposed study); Ministry of Planning and Labour Study (ongoing for next plan and many of its results reported here); Department of Labour and Arab Fund (planned); World Bank (1986, planned); Dar al Handesah study (ongoing); University of Yarmouk thesis (date unknown).

[8]Source: Jordan Times, May 12, 1985.

[9]Coopers and Lybrand, Jordan Industrial and Export Development, May 1985.

[10]Ibid.

[11]Ibid.

[12]See Office of Technology Assessment, U.S. Congress Technology, Innovation and Regional Economic Development, Background Paper #2, 1984.

[13]See "Hotel Projects Development," Tourism Service Department, GOJ, January 1985.

CHAPTER 4

REGIONAL DEVELOPMENT

4.1 REGIONAL DEVELOPMENT OBJECTIVES

Since the early 1970's, the GOJ has expressed concern over the rapid growth of population and concentration of economic activity in the Amman Region relative to other regions in the country. As of 1979, the Amman Region contained over half of Jordan's total population; accounted for 73.6% and 56.3% of total national employment in private non-agricultural activities and all activities, respectively; and accounted for 64.6% of total Gross Domestic Product. In response to this situation, the GOJ in successive Development Plans beginning in 1973 has placed heavy emphasis on developing regions outside of Amman. The major regional development objectives as cited in these plans have been to:

i) slow down population growth in the Amman Region

ii) promote more rapid economic development and expand public service provision in outlying regions

iii) improve local participation in the decision making process at the local level.

4.2 REGIONAL DEVELOPMENT PLANNING AND POLICIES

4.2.1 Planning and Institutional Development

In 1979, a Regional Planning Department was created within the Ministry of Municipalities and Rural Affairs and the Environment (MMRAE). One of the primary focuses of this department has been to assist local governments develop land use plans. In addition to this function, the Department also houses three major regional planning groups: The Amman Urban Regional Planning Group (AURPG), the Northern Regional Planning Group (NRPG), and the Southern Regional Project (SRP). The AURPG and NRPG were established in 1977 and 1978, respectively, under the aegis of the former National Planning Council (NPC) and were transferred to the MMRAE when the new regional planning department was created. The SRP was established recently and has led to the creation of a new regional planning body -- the Southern Regional Development Authority, located in Aqaba. All three of these

planning groups have attempted to draw up development strategies for their regions and identify investments to implement those strategies.

The GOJ has also recently created a new regional planning unit within the Ministry of Planning (MOP). This unit is currently undertaking a number of activities in support of the forthcoming 5-Year Plan (1986-1990) among which include:

a) Identifying 'gaps' in the level of industrial, commercial, service, and social facility provision currently present in and between settlements across all five regions of the country;

b) Establishing physical and administrative sub-regional and district planning units. These administrative units (planning councils) are envisioned to play a yet-to-be-defined role in helping meet those 'gaps' in economic activity and social facilities identified under (a) above.

4.2.2 Government Investment in Physical and Social Infrastructure

The GOJ has invested heavily in the provision of water supply, electricity, transportation, education, and health facilities in urban and rural centers throughout the country over the past decade. Under the 1981-1985 5-Year Plan, 34% of total planned investment was targeted for physical infrastructure projects and 21% for 'social sector' projects. Exhibit 4.1 presents a breakdown of planned per capita investment by sector and region for 1981-1985.

The data in the table indicate that in the water, electricity, health, education, and transportation sectors, planned per capita investment was generally higher for the four lesser developed regions of the country compared to Amman.

4.2.3 Government Investment in Resource Based Industries

The GOJ has also made major investments in large- and medium-scale mineral and agricultural resource-based activities and linked industries outside the Amman Region. Exhibit 4.1 shows that per capita planned

Exhibit 4.1

Regional Per Capita Investment, 1981-1985 (JD's)

	Region				
Sector	Amman	Balqa	Irbid	Karak	Ma'an
Agriculture & Cooperatives	0.1	123.2	--	--	--
Water & Irrigation	64.4	119.8	461.3	299.6	182.6
Mining & Manufacturing	45.1	557.6	192.7	63.5	4670.9
Tourism & Antiques	2.9	--	13.5	3.2	2.5
Energy & Electricity	22.4	--	24.1	11.1	63.3
Trade & Supply	8.5	--	1.6	-	53.4
Transportation	73.3	45.9	37.1	120.6	1178.3
Communications	27.6	--	--	--	--
Education	29.5	30.4	85.8	138.1	66.8
Health	19.2	13.9	19.7	39.7	67.4
Housing & Government Buildings	67.2	31.4	46.6	50.5	194.5

Source: World Bank, Jordan Urban Sector Review, p. 80.

investment in the mining and manufacturing sectors was weighted heavily in favor of the four lesser developed regions of the country, Ma'an in particular. Major planned investments under the past 5-Year Plan included the development of copper and phosphate mining, the production of phosphate fertilizers and derivatives, the production of phosphate derivatives, cement production and petroleum refining. Government investment in the agricultural sector continues to focus primarily on the development of irrigated agriculture in the Jordan Valley.

4.2.4 Regional Credit Allocation and Investment Incentives

The GOJ also appears to have actively encouraged the extension of institutional credit to cities and towns located outside the Amman Region. The Industrial Development Bank (IDB) is a quasi-government institution and one of the major sources of non-agricultural credit for both large and small business enterprises in Jordan. As indicated in Exhibit 4.2, on a per capita basis, the distribution of IDB loans has tended to favor smaller cities located outside the Amman Region such as Ma'an, Karak, and Aqaba. The lending operations of the Cities and Villages Development Bank (CVDB) also have tended to favor cities located outside the Amman Region, although that is not explicit Bank policy. Data on the per capita distribution of loans made by the Jordan Housing Bank do not indicate any particular regional biases.

As indicated in Chapter 6, the formula for allocating central government transfers to local governments tends to favor Governorate capitals outside of Amman. On a per capita basis, Karak and Ma'an receive the largest amounts of transfers.

The Government also offers financial and fiscal incentives to eligible firms willing to locate outside the Amman Region. Such firms receive 9- and 7-year exemptions on their income and building and land taxes, respectively, as compared to 7 and 5 years for firms locating in the Amman Region. Firms locating outside the urban areas of Amman, Baqah (located in Balqa Region) and Aqaba are also eligible to obtain 'soft' loans from the IDB. These loans are offered at a 1.5% discount and provide for an extra year's grace period. In addition, the Jordan Industrial Estates Corporation

Exhibit 4.2
Per Capita Distribution of IDB Loans

City/Region	1965/79*	1980/84**
Amman/Amman	23.8	28.6
Zarqa & Russeifa/Amman	3.3	28.4
Madaba/Amman	24.0	35.7
Irbid/Irbid	13.6	16.1
Mafraq/Irbid	5.2	11.8
Salt/Balqa	103.5	164.4
Karak/Karak	6.2	33.0
Ma'an & Tafila/Ma'an	2.3	111.7
Aqaba/Ma'an	19.7	58.9

* Based on 1979 population figures.

**Based on 1983 population figures.

Source: IDB Annual Report, 1984.

(JIEC) has developed industrial estates in a number of secondary towns throughout the country (Aqaba, Ibid, Salt, and Zarqa) and the Free Zones Corporation is promoting the development of free trade zones in Aqaba and along the Jordanian/Syrian border near Ramtha.

4.3 ACHIEVEMENTS TO DATE

The GOJ has achieved considerable success in increasing the coverage of basic infrastructure in secondary towns. Data indicate that there now exists little relative per capita difference in the quantity of provision of such infrastructure as, water supply, electricity, and education and health facilities between Amman and most secondary towns. Furthermore, for the most part, lack of such infrastructure does not currently appear to constitute a significant constraint to stimulating economic development in secondary towns. Nonetheless, given that population is growing rapidly in many of these towns, Government will have to continue to make major investments in the supply of infrastructure to ensure that future demand is adequately accomodated. In addition, there is a need for further Government assistance in making capital and technical improvements to the existing stock of infrastructure in urban centers throughout the country. It is estimated that over 30% of the water produced for municipal water supply is lost through leakage.

The Government's development of mineral and agricultural resource-based activities and investment in complementary industries in secondary towns have contributed significantly to the country's regional development. These investments appear to have had a particularly positive impact on the economic development of towns in the Southern region of the country, Aqaba in particular, as well as a number of smaller urban centers located in the Jordan Valley.

However, despite these achievements, there has not occurred any apparent reduction in population growth and concentration of economic activity in the Amman region:

- Projections performed by the Telecommunications Corporation indicate that population in cities and towns within the Amman Region will continue to grow at rates comparable to or exceeding those of

urban centers located in other regions of the country over the next decade.

- As of 1984, nearly 80% of all industrial establishments across 16 urban areas comprising some 80% of the country's total urban population were located within the Amman Region (see Chapter 2.5).

4.4 DOMINANCE OF AMMAN

The continued economic dominance of the Amman Region vis-a-vis the rest of the country indicates that private capital investment, despite the provision of the aforementioned array of regional investment incentives, continues to concentrate in the Region. This reflects that the Region remains a relatively more economically efficient location for the establishment of most new medium- and large-scale "footloose" industry and related commercial and service activity than other cities and towns in other regions of the country. (Footloose industry is defined as neither resource nor final consumption-based economic activities.)

This efficiency of the Amman Region as a location for economic activity stems from the fact that relative to other regions it possesses:

- a larger consumer market
- a highly developed industrial and service base
- a larger supply of skilled and semi-skilled labor
- a greater provision of housing and other social amenities
- a larger number of business and government services.

While other studies indicate that the financial cost differentials between Amman and other major secondary urban centers (Aqaba and Irbid in particular) are relatively small for a number of footloose industries,[1] the relative absence of those factors listed above in these cities currently serves as a major deterrent to private investment.

4.5 CURRENT GOJ POLICY AND TRADEOFFS

In light of the continued concentration of population and economic activity found in the Amman Region, the GOJ, in preparing its forthcoming 5-Year Plan (1986-1990), is placing renewed emphasis on promoting economic

and social development in other regions of the country. Policies currently under consideration to help achieve these goals are the establishment of a regional investment weighting scheme and revision of the current regional investment incentive program. However, Government pursuit of regional development objectives could come into conflict with two other major objectives of the forthcoming 5-Year Plan:

- employment generation
- promotion of private non-agricultural and mineral exports.

As noted in Chapter 3, the Government is projecting major increases in national manufacturing employment over the next decade. While the UDA Team is less optimistic about the prospects for growth in this sector, it does foresee considerable potential for expanding employment in relatively high-skilled service activities. In any event, the Amman Region will continue to function as the most efficient location for generating most of the employment growth that will occur in both these sectors. Government efforts should therefore focus on improving the existing manufacturing and service base in the Amman Region. In fact, the Government is presently undertaking projects to improve water supply, transportation, municipal finance, and manufacturing export promotion in the Region all of which should have a positive impact on its ability to generate new jobs and exports in both the manufacturing and service sectors.

A major Government effort to encourage manufacturing and relatively high-skilled service employment outside the Amman Region would, however, require heavy subsidies and would in all likelihood result in a significant reduction in national economic growth. Previous Government efforts to establish manufacturing industries in economically unsuitable locations have met with predictably negative results (e.g., the Ma'an glass factory).[2] It is recommended therefore that if the Government should decide to pursue such a course, a detailed study of the costs and benefits should be performed to provide policymakers with an explicit awareness of the tradeoffs involved.

4.6 PROSPECTS AND POLICIES FOR EMPLOYMENT GROWTH IN SECONDARY TOWNS

While the Amman Region will remain as the principal location for most economic activity in Jordan, secondary towns in other regions of the country have the potential to play an increasingly important role in helping to promote national economic development.

4.6.1 Decentralization of Government Services

One important action the Government can take to enhance the development potential of secondary towns is to encourage the decentralization of government services. At present, all industrial licenses must be obtained from the Ministry of Industry located in Amman. In order to reduce the transaction costs of entrepreneurs seeking to establish enterprises outside the Amman Region, Government should consider creating branch offices of the Ministry in selected major secondary towns (Aqaba and Irbid being the prime candidates). The Government should also consider revising current import regulations. As they now stand, most import shipments must be cleared through Amman even if they are destined for locations outside the Region.

The tendering of Government contracts is also highly centralized. Government should seek to increase the participation of contractors located in secondary towns in bidding on centrally-funded development projects located outside the Amman Region through increased use of local advertising and other appropriate measures. Finally, most secondary towns lack adequate telecommunication facilities (telex services in particular) to support more modern business practices. The Government should therefore encourage the Telecommunications Corporation (TCC) to extend basic service coverage to major secondary towns.

4.6.2 Industrial Employment

As previously noted, there is limited scope for the development of light manufacturing industry in most secondary towns located outside the Amman Region. The town with the best potential for attracting such industry appears to be Irbid, given that it possesses a relatively greater supply of skilled labor and labor costs are generally lower compared to other secondary towns. Irbid's remoteness from major export markets and the high cost

of transporting imported raw material and capital goods, however, serve as major impediments to growth in this sector. In terms of heavy industry, the only secondary town that offers significant potential for growth in this sector is Aqaba. Conditions for the development of capital-intensive export industry appear particularly favorable given that labor costs in Aqaba are very high and transportation costs of both imports and exports relatively low.

4.6.3 Agro-Industry Employment

The UDA mission was unable to undertake a thorough analysis of the prospects for generating employment in agriculturally-related activities in secondary towns. However, on the basis of site visits made by the Team, there appears to exist potential for greater development of agro-industries in such secondary towns as Karak, Irbid, Ramtha, and Mafraq. The Ministry of Planning is currently conducting a study which should shed further light on the potential for developing urban-rural linkages in these and other secondary towns.

4.6.4 Small-Scale Enterprise Promotion

Although their contribution to total national value added is relatively small, small-scale enterprises constitute one of the major sources of private non-agricultural employment in most secondary towns in Jordan. Given the aforementioned limited prospect for significant increases in medium- and large-scale industrial employment in most of these towns, Government policy should focus on developing strategies to support the establishment of new, and expansion of existing, small-scale industries and services. As mentioned earlier, the Ministry of Planning is currently conducting a study on identifying potential gaps in the level of industry, commercial, service, and social facility provision in and between urban and rural centers across all regions of the country. The results of this study should provide an indication of what types of small-scale industries and services are likely to grow and help identify what are the major constraints to promoting their development.

At present, Government support to small-scale enterprises consists of provision of concessional credit through the IDB's Small Scale Industry and Handicrafts (SSIH) window and limited technical extension assistance provided through the Community Extension Service Program at Yarmouk University located in Irbid. However, there appear to exist considerable opportunities for improving both the quality and scope of these types of activities.

Data collected from a sample of small-scale enterprises across Jordan indicate that the majority of such firms obtain their credit needs from personal, "informal," sources. Consideration should therefore be given to examining whether current IDB lending practices are appropriately structured to meet the credit needs of small-scale entrepreneurs. In addition, consideration should be given to establishing branch IDB offices in major secondary towns in order to enhance the access of entrepreneurs outside the Amman Region to IDB credit.

Greater efforts should be made to expand the frequency, geographical coverage, and range of technical assistance provided to small-scale entrepreneurs. At present the main focus of these extension programs is accounting training. In the future, additional training might be provided in such areas as input procurement, capital maintenance, and marketing. In addition, further reliance should be made on the staff and resources of the growing vocational school and community college system.

A major obstacle to the promotion of small-scale enterprise is the lack of an institutional base. There appears to be no appropriate organization either within the GOJ or in the private sector which views this as a mandate. The regional planning unit of the MOP is studying this issue, but it is not really an implementing agency and would need to change its role substantially in order to take on such a function. In the meantime, without an institutional home, it is hard to see an effective program being established.

4.7 CHAPTER SUMMARY

The situation with respect to regional development may be summarized as follows:

- The GOJ has been consistent in its policy formulation and execution to promote regionally-balanced growth. Analysis of investments, loans, and transfers to local governments all support the regional growth policies.
- The GOJ has also made institutional commitments to promoting regional growth through the establishment of several regional planning bodies and authorities.
- It should be noted that, while the GOJ has made reasonable efforts to stimulate regional growth, it has, by and large, not made foolish investments nor skewed the investment climate which could have hurt overall economic growth.
- Despite these reasonable efforts, the concentration of economic activity remains heavily in the greater Amman region due to natural economic advantages. Growth has also occurred in other urban centers but no significant economic bases have developed to challenge Amman.
- Over the next 5 years, the need for greater economic growth and export earnings may come into conflict with even modest attempts to promote regional growth outside of Amman.
- There are opportunities for promoting economic activity in secondary cities but these opportunities lie primarily in smaller-scale industry and services and tend to be unique to the individual sites.
- The promotion of small-scale enterprise would support regional growth objectives but there is no institutional base for such a program.

CHAPTER 4

NOTES

[1]The World Bank, Jordan Regional Development, September 1984 and Dar Al-Handasah, Industrial Development Study, 1982.

[2]The World Bank, Jordan Regional Development, 1984.

CHAPTER 5

MUNICIPAL DEVELOPMENT

5.1 ORGANIZATION AND RESPONSIBILITY FOR MUNICIPAL FUNCTIONS

In terms of municipal development, Jordan's municipalities may be grouped in three major categories:

- -- Amman Municipality
- -- Major secondary urban centers (Governorate capitals and cities with 20,000 population in 1985)
- -- Small urban centers (population of 5,000 to 20,000 in 1985).

Amman municipality occupies a special role with legislated functions and authority not granted to other cities in Jordan. The Mayor (termed "Lord Mayor") of Amman holds national cabinet rank. Amman Municipality has direct access to international and domestic lending sources and has created a number of special agencies to deal with urban development within the municipality.

Amman Municipality has undertaken several projects funded by the World Bank[1] and currently has several advisors in management, finance and engineering supplied by USAID. The Amman region was the focus of a major regional planning study funded by USAID, completed in 1982[2] and is currently the focus of another study being conducted by Dar Al-Handasah.[3] This latter study is more tightly focused on the Amman metropolitan region, including a study of consolidating municipal management among Amman Municipality and its major suburbs. This study has just started so the results are not available at the time of writing this report.

Given that a major study on Amman municipal consolidation is underway and USAID advisors are already working with Amman municipal government in several different areas, the UDA Team has not devoted much attention to Amman municipality operations in this study. Since considerably less attention has been given to the secondary cities and smaller municipalities, these have formed the focus of our analysis.

There are 130 Municipalities, defined as communities with a minimum of 2,500 persons but sometimes having fewer. In addition, there are about 200 villages. Municipal and village councils generally are composed of from seven to twelve councilors. The GOJ has expressed a desire to increase local participation in decision making, and outside the Amman Municipality some municipalities are shifting from a system of appointed mayors and councils to that of local elections for both. The GOJ has reserved for itself, however, the authority to dissolve elected councils and mayors and to replace them with appointed members for a period of 2 years (with a possible extension of an additional 2 years). The Municipality of Aqaba, for example, had an elected mayor and council in 1984, when the Southern Regional Development Authority was created in Aqaba. The Municipality and Authority could not reach agreement on an acceptable working relationship, and the elected council was replaced with an appointed one.

Municipal staffs vary in size and in organization according to the population of the municipality. For small municipalities with limited staff resources, regional delegations of the MMRAE may provide planning, design and financial management assistance. There is no standard municipal organizational structure; each council may create its own departmental organization.

5.2 CURRENT ROLE OF MUNICIPALITIES

According to Law 29 of 1955, municipalities were provided a wide range of authority and responsibility. At least since the 1973-75 Development Plan, the GOJ has expressed a policy that local governments should have a major and expanding role in providing local services and in stimulating local development. In fact, however, over the past two decades many major municipal functions have been transferred to central ministries or agencies. These functions include water and sewerage, electricity, education, health, emergency services, and public transportation. For many of these services, such as water and electricity, the relatively small size of the Kingdom and its severe physical constraints, indicate that centralization may be justified on the basis of lower unit costs.

Although the legal base for the role of municipalities is large, in fact, municipal government's current contribution to major national development objectives is relatively small. For most municipalities, local government service responsibilities are limited to the following:

-- street cleaning and garbage collection
-- street construction and paving
-- sidewalk construction
-- street lighting
-- public market construction and operation
-- school building construction.

In addition, municipal governments have a set of regulatory functions, including issuing a wide range of licenses and permits and in land use planning.

In addition to service delivery and regulatory activities, municipal governments appear to do little in the way of economic development promotion and urban land development. While municipal governments have no formal mandate for economic development, some have attempted to spur local development through the construction of commercial centers and, in some cases, the creation of industrial parks. These projects have been made possible through a loan program of the Cities and Villages Development Bank which provides loans to local councils for "profit making" enterprises.

In the area of urban land development, municipalities do perform land use planning (zoning) of land within municipal boundaries. This usually requires assistance from the MMRAE for the smaller municipalities and/or private consultants for the larger municipalities. However, outside of this planning function, there appears to be little in the way of actively stimulating urban development or in active land development such as channeling urban growth through infrastructure provision to raw land.

The issues of municipal management have been the focus of two recent studies, one conducted by Peat, Marwick, Mitchell & Company (PMM) for Amman Municipality in 1978 and one conducted by the Jordanian Royal Scientific Society (RSS) for all municipal councils outside Amman in 1984.

The PMM study found a general lack of administrative organization and planning, coupled with a highly centralized system of authority. Furthermore, it found low salaries, lack of adequately trained staff and an absence of management support systems.[4] In the smaller cities, the RSS study found the same problems but with more emphasis on the need for training of local staff and officials.[5]

The problems with local municipal staffing may be overstated. In discussions with local mayors and finance directors in 10 secondary cities and Amman, the UDA team was generally impressed with the professionalism and level of competence of those officials. What was clear, however, is that these officials do need assistance in management techniques, particularly finance, which is best provided through some type of highly focused training program. However, there is no formalized, routine training of local municipal staffs in their job tasks.

The current role of municipal governments is further clouded by two recent developments:

-- The creation of non-profit Municipal Development Corporations
-- The creation of Regional Planning Authorities.

The concept of the Municipal Development Corporation originated in Salt with the Salt Development Corporation, an association of Salt residents and former Saltis who have joined together to raise funds for projects to improve the social, cultural and economic climate of the city. The Corporation has raised considerable funds to build day care centers, a commercial center, sports stadium and cultural complex and to support educational enrichment programs at local schools. Contributions to the Corporation are treated as tax credits on national income tax, so the funding of the Corporation represents a direct transfer of central government revenue to the local enterprise.

Following on the success of Salt, five similar MDC's have been established, but the only one that has an effective role is that of Salt. This appears to be the case because of family ties of numerous prominent Saltis currently living outside Salt, and because of the secondary school

located in Salt, attended by loyal and influential alumni. This means that the potential role of MDC's as important municipal development institutions is probably limited.

The growth of Regional Planning Authorities is too recent to evaluate on the basis of experience. Only in Aqaba has an Authority been established to promote regional development. The fact that the disagreements between the Authority and the local municipal council resulted in the council's dismissal suggests that the creation of such Authorities, if undertaken elsewhere, will further diminish the role of locally-elected municipal councils. Institutional issues with respect to regional authorities are addressed in Chapter 7.

5.3 POTENTIAL ROLE OF MUNICIPALITIES

Current trends send conflicting signals about the role of municipalities vis-a-vis central and regional government levels, as well as with the private sector. On one hand, the GOJ espouses a policy of strengthened local government and more active participation of local populations in local decision making; on the other, there is a continuing pattern of service delivery centralization, and local governments have a limited sphere of responsibility.

The municipal role in urban development may be further diminished if current trends continue:

- -- private municipal development corporations (e.g., Salt) may form a parallel local government, resulting in further weakening of municipal autonomy and authority;
- -- regional authorities (e.g. Aqaba) may usurp municipal planning and land development roles, and this trend may be strengthened by sub-regional planning authorities under consideration by the MOP; and
- -- the Industrial Estates Corporation, established to develop industrial parks, may further erode municipal autonomy in planning and land development.

In light of these developments, it is important to consider the roles that municipalities may play in three major areas:

-- economic development;
-- service delivery; and
-- planning and land development.

The key issue is whether local governments will have the autonomy and the necessary support to perform these functions, or whether other agencies such as development corporations, regional and sub-regional planning authorities and industrial corporations will perform them. At present, it is clear that most municipalities are ill-equipped to provide expanded services and to promote economic development.

Strengthened in their management capacity, and with a clear political mandate for increased autonomy and responsibility, municipalities have the potential to be more active promoters of development. For example, municipalities could more actively promote housing and land development through land use and subdivision planning, and provision/promotion of basic infrastructure such as streets, water, sanitation, drainage and educational facilities. In order to do this, however, municipal governments would need to be able to coordinate and negotiate from a position of authority with national and regional service delivery agencies.

The Urban Development Department (UDD) of the Municipality of Amman is currently performing these land development functions well. Few secondary municipalities have the existing capabilities to successfully emulate the UDD. However, rather than promoting these capabilities in secondary municipalities, the current inclination of the GOJ appears to be elevation of the UDD to a national agency responsible for urban land development throughout the Kingdom.[6]

The prospect of the UDD becoming a national urban land development agency raises the question about centralizing this function versus strengthening municipal governments to carry it out on a decentralized basis. There is strong argument for decentralized urban development since the socioeconomic conditions and potential of each secondary urban area are different. For example, can policies and programs suited to Irbid work

effectively in Ma'an? Given the great differences in local conditions and potential, the UDA Team feels that municipalities need the capacity to appraise their own unique development potentials and to take their own initiatives for promotion of development. However, planning and management capabilities at the local level generally are lacking in order to achieve this potential.

5.4 CHAPTER SUMMARY

- There has been little attention focused on the role of secondary cities and small municipalities until just recently.
- Municipalities are receiving conflicting signals about their appropriate roles. While decentralization is promoted in theory, actual centralization of authority in service delivery and planning is occurring.
- Some studies of municipal administration have indicated a need for reorganization, new management support systems and significant staff upgrading. While this may be true for some parts of Amman Municipality administration, the situation does not appear to be so critical among the smaller municipalities. Indeed, this concern is overshadowed by the more fundamental question about what should be the role of municipal councils in the first place.
- Very little attention is given to the potential roles of municipal government in economic development and land development. The only significant activity in economic development carried out by municipal councils is the development of "profit making" activities supported by CVDB loans; these are considered more as revenue raising for the local councils than as stimulants to economic growth.
- The major issue is one of national policy choice: what role should municipal government play in service delivery, economic development and land development? If local government is to continue to have limited responsibility, then there is little need for municipal strengthening.
- If municipal governments are to become active providers and promoters of development-oriented services and programs, then planning and

management skills need significant upgrading. This mandate would translate into a large agenda for training and technical assistance to local government staff. This, in turn, would require institutional development since no organization currently is equipped to provide these support services to local government.

CHAPTER 5

NOTES

[1]See Chapter 7.5 for discussion of these projects.

[2]Amman Urban Regional Planning Group, Final Report, in 16 volumes, 1982.

[3]Greater Amman Development Planning (1986-2006) Project, Amman Municipality, initiated January 1985.

[4]Peat, Marwick, Mitchell, and Company, Municipality of Amman, Organization and Finance Study, November 1978.

[5]Royal Scientific Society, The Role of Municipalities in Development, 1984.

[6]The World Bank, Staff Appraisal Report: Second Urban Development Project, April 1985.

CHAPTER 6

FINANCING URBAN DEVELOPMENT

6.1 OVERVIEW

Local government expenditures account for a very small proportion of total government spending in Jordan, amounting to about 6 to 7% of the national government's budget. Even with increased investments in infrastructure being funded through loan programs to local government, the share of national government spending remains quite small. This reflects primarily the limited role that local government plays in public service delivery.

Local council budgets are closely monitored by the MMRAE which has to approve all annual budgets. On the other hand, there appears to be little routine analysis of trends in municipal finance by central authority. The major shift in municipal finance that has occurred recently is the greatly expanded lending activity of the Cities and Villages Development Bank. From 1979 to 1982, CVDB annual lending activity increased six fold to over 12 million JD's, accounting for 37% of total municipal government revenues. This has not only greatly increased total municipal revenues, but also has added a considerable debt burden for the future.

The greatly increased availability of loan funds has allowed a continued expansion of physical infrastructure and services. Jordanians now enjoy a high standard and wide coverage of municipal services. Given the fact that maintaining these high standards ultimately depends on continued economic prosperity and goodwill of the oil economies of the region, there is a question about whether the country can really sustain such a policy in the long term.

Despite the heavy reliance on debt financing of municipal services, the GOJ does approach cost recovery in public services in an enlightened manner. There is extensive use of beneficiary charges to recover costs from the service users. Beneficiary charges are employed in water, sewer, electricity, garbage collection, street construction and paving and sidewalk

construction. There are a number of hidden and explicit subsidies, but, on the whole, there is a determined attempt to apply the beneficiary charge principle. Furthermore, the use of loan programs for local capital projects rather than grants, promotes more fiscal responsibility on the part of local governments.

There is a significant private sector component in local service provision. Many of the larger municipal councils use a system of private concessionaires to run municipal markets and slaughterhouses under an open-bidding process. On the other hand, some local councils have taken CVDB loans to develop "profit-making" enterprises, in some cases competing with existing local enterprises.

The following sections describe the system of municipal finance and trends in some detail. The major emphasis is placed on the finances of the municipalities other than Amman Municipality. Amman Municipality is currently the object of two separate studies of its finances, one being conducted by the newly created Office of the Assistant for Finance of the Municipality with assistance of a resident advisor provided by USAID. The other finance study is part of the larger Amman Regional Planning study being conducted by Dar Al-Handasah.

6.2 SOURCES OF REVENUE FOR MUNICIPAL GOVERNMENT

Municipal governments utilize a wide range of revenue sources which may be divided into three major categories:

- -- Centrally collected taxes
  - * formula-based share of nationally collected taxes on motor fuel and import surcharges
  - * local property taxes collected in the jurisdiction by the central government
- -- Locally collected fees, taxes and charges
  - * local license and permit fees
  - * turnover taxes in municipal markets
  - * beneficiary charges for garbage collection, street paving and sidewalk construction

* rents from municipal property (especially markets)
* profits from municipal enterprises
* reimbursement for school construction costs from Ministry of Education (one half of construction costs)

-- Loans and Grants
* loans
* ad hoc grants from central government.

Exhibit 6.1 shows the changing importance of revenue sources of large and small municipalities over the period 1978-1982. The figures in the Exhibit are drawn from a recent study by the Jordanian Royal Scientific Society (RSS) which assembled budget and expenditure data on all municipal councils outside of Amman Municipality. These data are the most complete and up to date and form the basis for much of the analysis in this chapter. However, since this data set omits information on Amman Municipality, some comparisons with Amman Municipality are necessarily omitted also. In interpreting the figures, one should exercise caution. This information is drawn from data files at both the local and central government levels; some of the data sources are inconsistent and there is almost no routine analysis. However, in the aggregate, the data on local government revenue trends are quite revealing.

Exhibit 6.1 shows first that smaller municipalities are more dependent on centrally-collected taxes and loans than larger municipalities. The larger municipalities generate more of their income from locally-collected fees and charges. The increasing share of local revenues of smaller municipalities attributed to loans coupled with their heavy dependence on centrally-collected taxes has placed these municipalities in a vulnerable position. The fiscal wellbeing of this group depends heavily on continued increase in centrally-collected taxes. However, the pool of formula-based share taxes after increaing greatly from 1975 through 1981, has not increased at all from 1982 to 1984 in current JD's (see Exhibit 6.2). This occurrence, coupled with the climbing debt repayment demands, has created severe cash flow problems for a subset of the smaller municipal councils. This has caused the CVDB to reschedule the debt of about 30 municipal councils and lower the debt ceiling for municipal council loans.[1]

Exhibit 6.1
Revenues of Large and Small Municipalities

	Large Municipality Group									
	1978	%	1979	%	1980	%	1981	%	1982	%
Central Taxes	1708	32	1891	30	2929	43	3599	40	3892	35
Locally Collected	1222	23	2025	33	2079	30	2573	29	3402	31
Loans	2091	40	1808	29	1294	19	1632	18	3280	30
Extraordinary	247	5	492	8	528	8	1160	13	524	5
Total	5268	100	6216	100	6830	100	8964	100	11098	100
	Small Municipality Group									
Central Taxes	2153	63	2786	58	3533	63	4854	50	5437	40
Locally Collected	343	10	623	13	795	14	1065	11	1247	9
Loans	717	21	1090	23	1210	22	2983	31	5837	43
Extraordinary	231	7	307	6	87	2	733	8	1052	8
Total	3444	100	4806	100	5625	100	9635	100	13573	100

Source: Royal Scientific Society (RSS), Role of Municipalities in Economic Development, 1984.

Exhibit 6.2

Pool of Shared Taxes Transferred to Local Councils

Year	Amount (JD's)
1980	9,400,000
1981	10,866,000
1982	13,154,000
1983	13,075,000
1984	13,776,000

Source: Director of Finance, MMRAE.

The problem of lack of growth in centrally-collected taxes will be offset somewhat by forecasted increases in the property tax collections in 1986 caused by property revaluations in tightening of a rather leaky property tax system. The revaluation, the first since 1973, is coupled with a reduction in tax rates to produce about a 100% net increase in new property tax collections for the larger municipalities. Small municipal councils cannot expect such a large increase since property values have not increased as much in those towns.

One aspect of municipal finance that should be of concern to the government is the tremendous variation in revenue yield among different cities. Exhibit 6.3 shows the per capita revenue amounts for the 15 largest secondary cities for 1984. The per capita amounts for centrally-collected taxes are greatest for smaller provincial capitals (Ma'an and Karak), reflecting the fact that the formula used for distributing the share taxes is weighted in favor of those places. In addition, property tax receipts vary greatly from city to city, reflecting both differences in land values and, more importantly, differences in assessment and collection efficiencies. Exhibit 6.4 shows the range of per capita property tax yields from a sample of the larger cities, including Amman. The yields range from JD4.05 in Irbid to JD0.83 in Madaba.

The per capita yields for locally-collected fees, taxes and charges vary greatly across cities. These figures should be interpreted with caution since they may include nonrecurring income such as reimbursement for school construction costs or street paving. Nevertheless, there are indications from interviews with local government officials that there are significant collection problems with local beneficiary charges, particularly with the charges for garbage collection, street and sidewalk paving. Furthermore, the agricultural marketing centers, such as Irbid and Karak, derive considerable income from market rents and agricultural produce turnover taxes.

Exhibit 6.3

Per Capita Revenues for Largest Secondary Cities, 1982

	Central Taxes	Locally Collected	Extraord-inary	Loans	Total
Zarqa	3.68	2.52	0.78	3.41	10.40
Irbid	4.01	5.08	3.29	2.78	15.17
Rusaifa	3.16	1.63	1.26	0.75	6.80
Salt	4.38	2.41	4.32	12.22	23.33
Madaba	5.99	2.36	1.43	9.53	19.30
Ramtha	5.44	1.61	1.19	0.97	9.20
Aqaba	6.49	2.11	0.49	.00	9.10
Wadiseer	21.15	3.44	8.14	10.58	43.31
Sweileh	4.66	3.38	0.86	16.16	25.67
Mafraq	6.09	2.11	1.70	4.50	14.39
Karak	11.94	4.99	4.92	12.91	34.75
Ma'an	17.47	2.92	6.50	4.09	30.98

Source: Computed from RSS Study Tables.

Exhibit 6.4

Property Tax Collections for Selected Cities, 1984

	Total Collected	Per Capita
Amman[a]	2944730	3.79
Irbid[b]	556369	4.05
Madaba[b]	28131	0.83
Ramtha[b]	29937	0.93
Aqaba[b]	67474	2.01
Karak[b]	45077	3.22

Source: [a]Amman Municipality.

[b]Director of Finance, MMRAE.

6.3 MUNICIPAL GOVERNMENT EXPENDITURES

Local government expenditures are divided into four main groupings:

- Recurrent expenditures (primarily personnel costs)
- Ordinary capital expenditures (equipment, vehicles, supplies and land acquisition)
- Capital development expenditures (infrastructure and facilities construction)
- Debt service.

Exhibit 6.5 shows the amount and distribution of expenditures of large and small municipalities for the period 1978-82. The main difference between the two groups is the relatively greater importance of "recurrent" expenditures in the large municipality sample versus the small municipality group. Indeed, for the small municipalities, recurrent expenditures have decreased in relative importance as development expenditures have increased enormously over the period.

In terms of percentage increase over the period, total expenditures of large municipalities have gone up about 160% in current JD's while those of smaller municipalities have gone up 350%. Even after accounting for inflation and population growth in the cities, this constitutes a very large real increase in expenditures. This should translate into a much higher quality of municipal services over the period.

On a per capita basis, expenditures of smaller municipalities now greatly exceed those of larger municipalities (Exhibit 6.6). Per capita expenditures of smaller municipalities totaled about JD 29 in 1982 while those of the larger municipality group totaled about JD 17.50. The difference is all accounted for by the capital development investments which were 2.5 times greater in 1982 for small municipalities than for the larger ones.

The great increase in development expenditures in both large and small municipalities is consistent with national policy to upgrade infrastructure and facilities throughout the country. The fact that development expenditures have increased more rapidly in the smaller cities is evidence that

Exhibit 6.5

Amount and Percentage Distribution of Expenditures for Municipalities

	Large Municipality Group									
	1978	%	1979	%	1980	%	1981	%	1982	%
Recurrent	1568	32	1870	30	2990	32	2683	29	4094	33
Ordinary Capital	449	9	821	13	940	13	1488	16	1583	13
Development Capital	2409	49	2786	45	3272	45	4162	44	4921	40
Debt Service	473	10	667	11	721	10	1059	11	1690	14
Total	4899	100	6144	100	7223	100	9392	100	12288	100
	Small Municipality Group									
Recurrent	733	33	1084	33	1296	33	1884	28	2382	22
Ordinary Capital	227	10	507	15	641	16	1187	18	1434	13
Development Capital	801	35	1106	33	1264	32	2675	40	4940	46
Debt Service	515	22	611	18	735	19	995	15	2024	19
Total	2316	100	3308	100	3936	100	6741	100	10780	100

Source: RSS Study

Exhibit 6.6
Per Capita Expenditures for Large and Small Municipalities

	Large Municipality Group				
	1978	1979	1980	1981	1982
Recurrent	2.62	3.01	3.54	3.99	5.85
Ordinary Capital	0.75	1.32	1.45	2.21	2.26
Development Capital	4.03	4.48	5.06	6.19	7.04
Debt Service	0.79	1.07	1.12	1.57	2.42
Total	8.20	9.88	11.17	13.97	17.57
	Small Municipality Group				
Recurrent	1.95	2.62	3.02	4.22	5.13
Ordinary Capital	0.57	1.23	1.49	2.66	3.09
Development Capital	3.76	5.43	6.95	11.08	16.56
Debt Service	1.30	1.48	1.71	2.23	4.36
Total	7.57	10.76	13.17	20.18	29.13

Source: RSS Study.

the government is making good on its promise to improve services in smaller communities. At the same time, this trend raises some concern that additional revenues will be needed to fund additional operations and maintenance (O&M) costs and to service the debt incurred to construct the facilities.

In order to put expenditure and revenue patterns in perspective, it is useful to construct a flow of funds analysis which shows how specific revenue sources match the different types of expenditures. This is particularly important in situations where central government transfers and loans comprise a significant part of local government budgets. Of particular concern in the analysis is the extent to which local own-source revenues are sufficient to cover the operating costs of local government. Exhibit 6.7 shows a flow of funds table for the large and small municipality groups for 1982.

Exhibit 6.7 shows first that the larger municipalities are not quite covering recurrent expenditures (mainly personnel costs) with own-source revenues and that a part of centrally-collected taxes are needed to cover the balance of recurrent expenditures. Furthermore, centrally-collected taxes are covering all debt service, ordinary capital expenditures and about one quarter of capital investments. Loans cover the remaining three quarters of capital development expenditures.

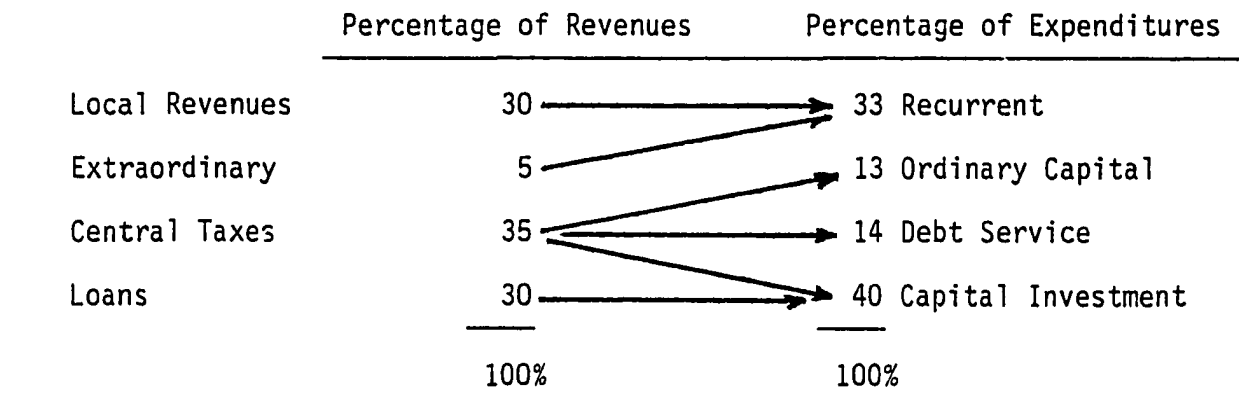
The small municipalities shows quite a different situation. Own-source revenues cover only one half of recurrent expenditures with the balance made up from extraordinary income and central taxes. Central taxes also cover all debt service, capital expenditures and about 20% of capital development. Loans cover the remaining 80% of capital development expenditures. This analysis underscores the dependence of smaller municipalities on central taxes and loans, and, by extension, the limited revenue base.

6.4 PROSPECTS FOR ADDITIONAL RESOURCE MOBILIZATION

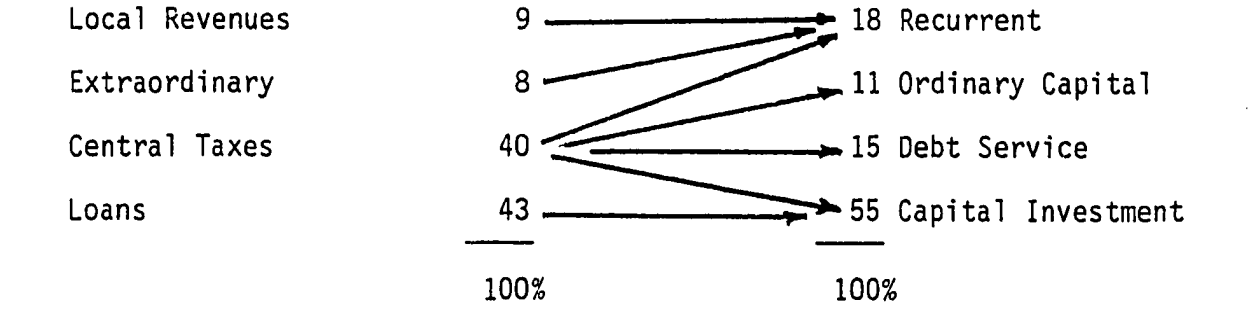
The foregoing flow of funds analysis indicates the limited ability of both large and small municipalities to raise local own source revenues, even to cover basic recurrent expenditures. The very high level of capital

Exhibit 6.7
Flow of Funds Analysis, 1982

Large Secondary Cities



Small Cities



Source: Computed from Exhibits 6.1 and 6.5.

investment, particularly in the smaller towns, will put increased pressure on recurrent and ordinary capital expenditures to operate and maintain the new facilities as well as service the growing debt burden.

Clearly the smaller municipalities will rely on centrally-collected taxes to cover most of the operating expenditures and debt service. These places are less likely to benefit from property tax increases, meaning that the fund of national share taxes will continue to be their major source of operating income. As noted above, the level of this fund has stagnated over the past several years, causing cash flow problems for a set of small municipalities that had borrowed heavily from the CVDB. Although rescheduling the CVDB loans will help somewhat, the flow of funds analysis indicates that these municipalities will have basic financial problems even without escalating debt burdens.

The problem should be addressed on two levels. First, additional resources need to be found since future expenditures will have to rise substantially in order to operate and maintain the existing investments as well as pay off the debt. Second, ways should be found to minimize costs, both in current operating budgets and in incurring of more debt. This second issue is really a national policy issue regarding the level of public investment in smaller secondary cities. If the government wishes to continue the current policy of high levels of infrastructure investment, changes will have to be made in the financing mechanisms. The most direct change would be to adjust the share tax structure and greatly increase the amount of centrally-collected taxes going to local government.

In terms of generating more own-source revenues, there are several areas which should be examined:

- increased cost recovery from service beneficiaries
- improved collection practices
- additional revenues from profit making enterprises.

Increased Cost Recovery

Municipal governments collect user charges for garbage collection, street and sidewalk construction and municipal markets. The garbage

collection fee structure is set by national regulation and varies by type of city: provincial capitals can collect JD 12 per household; subprovincial centers, JD 8 per household; and all other cities, JD 4 per household. The fees are not based on actual cost nor ability to pay.

According to interviews with municipal officials in a sample of ten cities, the current fee structure does not produce enough revenues to cover garbage collection costs. Figures in the RSS study on the role of municipalities indicate an average actual cost per household of about JD 9 for large municipalities and about JD 6 for smaller municipalities.[2] However, there is a considerable amount of variability among individual cities regarding the actual costs incurred.

The fee structure should be revised to eliminate the current discrepancies among types of cities. Individual cities could either set unitary fees based on actual average cost or a standard range could be set. Alternatively, garbage collection could be contracted to the private sector. Contracting garbage collection would be similar to the current practice of contracting concessions ("iltizam") for the municipal markets and slaughterhouses.

Cost recovery for street and sidewalk construction is now limited to 50% recovery from adjoining landowners. There is no reason that this percentage cannot be raised somewhat, although landowners can argue that the benefits are shared by non-landowners as well. This situation has led some to suggest use of the betterment levy which tries to recover costs of public investments from all beneficiaries. Only Amman Municipality has tried to implement the betterment levy. That experience has been problematic; the municipality has had difficulty in collecting betterment levies and in upholding the practice in court. If such a cost recovery practice is to be used more widely in Jordan, the Amman Municipality experience should be studied and new procedures adopted.

Municipal markets are major local revenue sources for urban centers, particularly those in agricultural regions. Municipal governments collect both a turnover tax and market stall rental if the market is owned by the

municipality. Given that there is limited scope for vastly increased agricultural development in Jordan, there is also probably limited scope for greatly increased revenue raising in market fees and taxes.

Collection Procedure Improvements

While there are limited additional sources of revenue for municipal government in Jordan, there is indication that existing collection practices can be improved. The great differences in per capita local revenue collections, coupled with statements made by local officials, suggest that some municipal governments are encountering serious collection problems. This is an issue that requires further study since data on collection amounts and collection efficiencies for individual revenue sources are not available.

From discussion with a sample of local officials, there are problems with collecting garbage fees and street and sidewalk construction and paving charges. Since the extent of the problem appears to vary from city to city, the recommended approach is first to assemble information on collection efficiencies for individual cities. Second, comparisons can be made across cities to see which cities are having problems and, as importantly, which cities are performing very well. These latter cities then can be examined for model practices to be used by the cities with problems.

Additional Revenues from Profit-Making Practices

Many municipal governments have undertaken "profit-making" investments, generally with loans from the CVDB. These investments have been mainly confined to municipal markets and commercial centers. There is some question about the ability of local governments to run such enterprises and the financial viability of the enterprises, particularly the commercial centers. Although the CVDB requires financial feasibility studies on the projects funded with CVDB loans, it is not yet clear that the projects are actually achieving the projected profitability. Furthermore, there is some indication that these enterprises are competing directly with the private sector. That is, they may replace, rather than expand, existing commercial activity.

In one case, a municipality constructed a commercial center for mechanics, welders and carpentry shops. The municipality then forced all existing such establishments to move to the center by refusing to renew licenses in the existing locations. This insured that the center would be profitable, but at a higher cost to the local businesses and with no net increase in economic activity. This case raises again the question about the appropriate role of municipalities in economic development, and how local governments should go about it.

6.5 IMPROVING EXPENDITURE EFFICIENCY IN MUNICIPAL GOVERNMENT

The previous sections have demonstrated that there is limited scope for greatly increasing revenues of local governments. At the same time there is indication that expenditures have risen considerably over the past several years and will continue to rise in the future. This situation forces municipal governments to find ways to improve the productivity of expenditures to moderate the need for ever-increasing revenues.

Improving expenditure efficiency requires, first, the ability to measure service delivery output and costs. Currently, no attempt is made to measure municipal service output or unit costs of service provision. Therefore, the first step is to develop basic data on the costs of running municipal government. This should include the direct costs of providing the services as well as the overall administrative costs.

Garbage collection provides a good example. The costs of garbage collection was assembled by the RSS study for a sample of large secondary cities (see Exhibit 6.8). If we compare the per capita expenditures for the sample cities, we see tremendous variation, ranging from JD 0.90 in Ramtha to JD 4.93 in Karak. One must question whether it costs five times as much to collect garbage in Karak as in Ramtha and/or whether the level of service is five times better. Per capita and unit cost comparisons can be made for most municipal services across municipalities in order to identify low-cost producers. These can then be studied to learn how cost savings can be achieved within other municipalities.

Exhibit 6.8

Garbage Collection Costs (JD) for Selected Cities, 1982

	Total	Per Capita Amount
Zarqa	309700	1.27
Irbid	252745	1.99
Rusaifa	66356	1.18
Salt	94686	2.58
Madaba	41510	1.32
Ramtha	26953	0.90
Aqaba	101000	3.28
Wadiseer	35574	1.28
Mafraq	42516	1.82
Karak	64766	4.93

In addition to examining the costs of providing separate services, we can also examine efficiency in broader categories such as total personnel costs. Since personnel costs are the single largest component of current operating expenditures and since local governments are often overstaffed, this element should be examined closely.

In municipal council budgets, the "recurrent expenditures" line item is composed almost entirely of personnel expenditures. Comparing per capita recurrent expenditures should give us an indication of municipal staffing ratios as well. From Exhibit 6.9, we see that these per capita costs vary greatly across a sample of large secondary cities from JD 1.80 in Rusaifa to JD 8.85 in Ma'an, with an average per capita amount of JD 3.85.

These comparisons do not establish that Ma'an is overstaffed or that Rusaifa is a much more cost-efficient city. Rather, the comparisons suggest where we should start looking for answers about how to control personnel costs. The point is that these cost comparisons should be conducted on a routine basis and used to pinpoint problems and solutions in cost control for municipal governments.

6.6 ABSORPTIVE CAPACITY OF LOCAL GOVERNMENT

Municipal governments have already absorbed considerable investments and the debt that goes with it. The question is, can they absorb more and at what cost? The only absolute limitation on debt absorption is the ability to repay. Exhibit 6.10 presents a forecast of municipal council borrowing through 1987, based on information supplied by the CVDB. The figure also provides an estimate of the debt service generated by that borrowing through 1988 and an estimate of municipal council revenues through 1988, assuming a growth rate of 10% per year after 1982. This growth rate appears reasonable in terms of the current slump in centrally-collected taxes and relatively slow growth in the overall economy. It also represents no actual growth in real per capita terms since the combined effects of a 4% population growth rate (the municipal average) and a 5.5% inflation rate approximates 10%.

Exhibit 6.9

Per Capita Recurrent Expenditures (JD) (Personnel), 1981

Zarqa	3.32
Irbid	5.36
Rusaifa	1.80
Salt	4.96
Madaba	3.31
Ramtha	2.74
Aqaba	4.39
Wadiseer	3.80
Sweileh	3.86
Mafraq	4.15
Karak	6.97
Ma'an	8.85
Weighted Average	3.95

Source: RSS Study

Exhibit 6.10

Debt Service Estimated to Be Incurred by Municipal Councils (Excluding Amman), 1983-88

	Est. Total Revenues (ex. Loans)[a]	Est. Amount of Annual Borrowing[b]	Annual Debt Service on Cumulative Borrowing[c]	% of Revenues
1983	17110	8619	4255	24.9
1984	18821	5635	5482	29.1
1985	20704	7500	6284	30.4
1986	22774	8250	7352	32.3
1987	25051	9000	8527	34.0
1988	27556	N/A	9808	35.6

[a]Using Total Revenues from Exhibit 6.1, increased by 10% per year.

[b]Estimated by multiplying percentage of total CVDB loans assumed by municipal councils (75%) by Total CVDB Loan Activity from Exhibit 7.1.

[c]1983 estimate based on extrapolation on 1978-82 figures (Exhibit 6.5); 1984-88 estimates assume cumulative payments to amortize outstanding balance at 7% per annum with 10-year term.

Note: Debt Service estimates are probably conservative and assume no rescheduling. A check on these estimates using a linear regression model to relate annual borrowing to subsequent year's debt payments (1978-82) projects much higher debt service payments.

Exhibit 6.10 shows that, under the assumptions used, debt repayment rises from about 20% of current revenues (centrally-collected taxes plus local fees, taxes and charges) in 1982 to about 35.6% of current revenues in 1988. This is only debt service and does not include any impact on increased operations and maintenance costs.

Another way to calculate the impact of this debt is to estimate how fast current revenues would have to grow to offset the increased expenditure for debt service. This calculation indicates that current revenues would have to grow almost 15% per annum to permit a stable level of current expenditure. This is not impossible but it does raise questions about from what source the additional revenues will come.

6.7 CHAPTER SUMMARY

Improvements in financial management of municipal government can be made at several levels ranging from the national policy level to operating procedures of local governments. The major recommendations include:

- National Policy Level
  * The GOJ should consider revamping the shared tax system, especially for supporting smaller municipal councils which depend heavily on that source for current operating funds and debt service. This revenue source needs to increase substantially for smaller municipalities and to become a steadier and more predictable source of revenue for all municipal councils.
  * The GOJ should consider adopting a policy to control expenditure growth of municipal governments in line with (a) resource limitations of central government revenues available to local governments and (b) acceptable standards of public service provision and normal costs of providing those services (including administrative costs of local government). This may even include introducing incentives to control costs and/or improve local revenue collection by linking central government transfers (shared taxes and loans) to improvements in these areas.

* The central government should develop capability to monitor revenue and expenditure information across municipalities in order to pinpoint problem areas and administer any incentive system, if adopted. In addition, this type of analysis could supply information to local governments about normal cost ranges for public service provision, revenue yields and collection efficiencies.

* The GOJ should review the policy of encouraging and funding "profit-making" enterprises to be established by municipal governments. A study should be undertaken to determine the success of existing ventures and the impact of such programs on local entrepreneurs and overall economic activity.

- Improvements in Local Procedures

* A program to identify specific collection problems with local fees and charges should be undertaken. This program should begin by examining municipalities with very good and very bad collection efficiencies to determine where improvements can be made most readily. This would be followed by technical assistance to municipal governments to introduce improved collection procedures.

* Changes in the fee structure for garbage collection need to be made to remove the current inequity and raise revenues for the low-fee cities.

* A study should be made of augmenting the partial cost recovery scheme for street and sidewalk construction with a simplified betterment levy. The experience of Amman Municipality with attempts at using the betterment levy should be studied to assess the feasibility of instituting the levy and in its design and implementation.

* In the area of expenditure control, a program should be instituted to develop data on acceptable cost ranges for municipal services and for administrative costs of municipal

government. Municipal governments should consider the contracting out of garbage collection as in the existing system of "iltizam" (concessions) for markets and slaughterhouses.

* In order to introduce improvements in financial management at the municipal level, a training program needs to be established and institutionalized. The program should continue to make use of the university and community college resources in country but more formal linkages need to be established to create a more permanent resource base for local government training.

CHAPTER 6

NOTES

[1] Based on personal interviews with CVDB staff, May 1985.

[2] Computed from RSS Study, Table 20.

CHAPTER 7

INSTITUTIONAL ANALYSIS

7.1 INSTITUTIONAL STRUCTURE

Jordan is well endowed with institutions mandated to deal with urban development, municipal management and finance. Many of these have been mentioned in preceding chapters. To summarize, we may categorize the institutions in terms of:

- Planning and administration
- Service delivery
- Finance
- Training and technical assistance.

Overall, there has been a tendency toward centralization of urban service delivery and an expansion of the number of individual agencies in these fields. At the same time, there continues to be a national policy commitment to geographic decentralization of population and economic growth and a call for more involvement of local communities in development planning. The creation of the CVDB loan program to local governments, by its very nature, places more authority in local government for selecting public investment priorities. At the same time, as shown in the preceding chapter on municipal finance, resources to repay these loans come directly from central government transfers.

It should be emphasized that Jordan has a very reponsive institutional structure. That is, the GOJ has demonstrated that it will create new intitutions and alter existing mandates to meet new challenges. While this approach tends to result in an expanding number of new special-purpose organizations, it shows that the GOJ can move quickly and creatively to address emerging problems.

The following sections describe the major institutions by category. Urban service delivery institutions are omitted from the discussion since they have already been covered in Chapter 5.

7.2 PLANNING AND ADMINISTRATION

The major institutions include national ministries, regional development authorities, and special-purpose development agencies. The major actors at the national ministry level are the Ministry of Planning (MOP) and the Ministry of Municipalities and Rural Affairs and the Environment (MMRAE). The regional planning bodies include the Southern Regional Development Authority in Aqaba and the Jordan Valley Authority. The major special-purpose agency of note is the Urban Development Department of Amman Municipality.

The MOP has recently been created from the National Planning Council (NPC) and is primarily responsible for overall public investment programming, including the preparation of Five-Year Development Plans. The MOP's primary leverage over urban development is through the setting of investment allocations for the sectors and ministries. It translates national policy into long-range budgeting but has limited control over actual spending.

Over the long term, the MOP is creating a power base by building information bases and analytical capacity within its staff. One example of this is the data base being created now in the regional planning unit covering detailed information on public services and private enterprises in every locality in the country. This information base will be critical in evaluating the need for public investments throughout the country in the next plan period.

To increase local participation in national development planning, the MOP is currently conducting a "Subregional Planning Study" to (a) identify appropriate planning districts throughout the country, (b) design a planning process to link public participation in the subregional districts to the Five-Year Planning process, and (c) design pilot projects for subregional development schemes involving local income generating programs. This effort has only just begun so its form and content is not yet clear. It does, however, raise questions about the role that existing local institutions will play in economic development planning.

The MMRAE is the most important institution with respect to urban management and finance. It must approve the creation of local municipal and village councils. It reviews and approves council budgets. It determines the formula for apportioning centrally collected shared taxes to the councils. The Minister of the MMRAE serves as Chairman of the CVDB. All loan requests from local councils to the CVDB are screened first by MMRAE staff. MMRAE staffs 12 regional offices around the country which provide direct technical assistance to local councils. In many cases, MMRAE staff carry out design work for local council projects.

The MMRAE has conducted training courses for council staffs in the past, on more or less an ad hoc basis (the training function is discussed in detail in section 7.5 below). The MMRAE has regional planning responsibilities, but the MOP is taking over an increasing amount of responsibility in this area. The establishment of a regional planning function within MOP makes sense from the standpoint of rationalizing public investment planning, the major overall role of the MOP. On the other hand, it creates more distance between the planning and implementation branches since the MOP has much less direct contact with local governments than MMRAE.

Despite all of the activity in regional planning, and the work of the various planning groups, there is still considerable vagueness about the true division of responsibility. There is no formal link between local municipal and village council budgets (reviewed by the MMRAE) and national investment planning (generated by the individual ministries and reviewed by MOP). Furthermore, the MOP is just now considering how local participation can be incorporated in the national investment planning process. And, it is not clear at all how the special regional planning exercises, such as the current Amman Regional Planning Study being conducted by Dar Al-Handasah, will fit into all of this planning activity.

The creation of special-purpose regional development authorities further complicates the institutional mix. The Jordan Valley Authority (JVA), formerly the Jordan Valley Commission, is responsible for planning and implementing integrated economic and social development projects in the Jordan Valley. The JVA's coverage is comprehensive; it has constructed or

developed dams, irrigated canals, roads, schools, clinics, community centers, housing, markets, agricultural research centers, and processing plants. Once these facilities and programs are developed, the JVA turns them over to the appropriate ministry or local agency. The operations of the JVA have limited relevance for urban development in Jordan since the Valley is almost exclusively an agricultural region with no major urban settlements. However, it demonstrates the manner in which, and the resources with which, the GOJ goes about regional development activities.

The Southern Regional Development Authority in Aqaba was created by Law No. 8 in 1984. Although the Aqaba District only has approximately 4% of Jordan's total population, its special importance as an economic center (port and mining activities) and tourist center was judged to merit a special administrative status for the District.

The Authority has received a large amount of land as a grant from the central government, and its primary function is land development. It is currently undertaking several relatively large projects, primarily in support of tourism -- e.g., sports arenas, camping and recreational areas, and exhibition centers. It plans to sell or lease most of its projects to private firms; these returns provide the Authority with most of its revenues. Dar Al-Handasah is its primary contractor, and the Authority also is receiving assistance from the German government.

The Authority plans land-use in the District, and it has zoning authority. It also provides building licenses, but this is a temporary function that should be transferred to the municipal level of government by the end of 1985. Land development is traditionally a municipal function, and creation of the Authority has created tensions between government levels. In fact, the current Council and Mayor of Aqaba were appointed, following dismissal of the previous, elected officials. This action resulted from the jurisdictional conflicts between municipality and Authority.

The Urban Development Department (UDD) of Amman Municipality is a different type of special-purpose development agency, having been created

to carry out a specific urban neighborhood upgrading program within the municipality. The UDD was created as a quasi-autonomous agency of the municipal government to implement the First Urban Development Project (UDP1) supported largely by World Bank loans. UDD's finances flow directly from the MOP and the Jordan Housing Bank, outside regular municipal channels.

UDD is considered a very successful agency. This success, according to some observers, is due to the financial autonomy, staff competence, and tight focus of UDD's objectives. The UDP1 was designed to upgrade four slum areas with about 1,400 families, and provide municipal services to about 2,800 new residential plots in the Amman area. About 2,100 plots are to be sold to families in the lower 40% of the income distribution, who are unserved by other officials housing programs.

UDP1 provides sites and services with appropriate health, education, and community services. The project includes vocational and commercial training for the urban poor by the Vocational Training Corporation with special emphasis on increasing female participation in the labor force. The project also includes a component for stimulating small-scale enterprise through loans to local enterprises through the Industrial Development Bank's SSIH program (see section 7.3). Funds for all shelter components pass through the Jordan Housing Bank which has responsibility for all mortgages and building loans to individual project beneficiaries.

There is now consideration given to expanding UDD's mandate to work on a national basis. Clearly, UDD has carried out its mission to date successfully. However, the expansion of its role does raise additional issues primarily in terms of the role of municipal governments, as noted in Chapter 5. The main issue is whether there is a need for UDD services in the secondary cities and whether UDD should be the implementing agency for those services. An alternative role might include UDD as a technical assistance agent to local governments, helping them to design and carry out upgrading and low-income shelter programs.

The UDP1 includes several components aimed at stimulating employment opportunities for the target group. Although rather modest in scope, these efforts represent one of the first steps in this area for the GOJ.

In the area of employment, the major GOJ institution is the Ministry of Labor and Social Development (MOLSD). The Ministry has undergone several reorganizations over the past several years. At present, its functions are largely confined to social welfare assistance and vocational training. The Ministry collects information on unemployment, primarily through its field offices which register persons looking for work.

The MOLSD analyzes employment information in an effort to inform national policymaking. However, the existing information base on employment is inadequate as noted in Chapter 3. The Ministry requires significant upgrading of its information and analysis system if it is to perform well in employment policy formulation.

The MOLSD's role in employment generation is minimal. Outside of vocational education, the Ministry is not really involved in direct intervention programs. To be fair to the Ministry, this role really has not been required in the past as unemployment has not been a problem. However, given the forecasted increases in unemployment, the Ministry may have to assume a more aggressive role.

The lack of need for policies and programs to stimulate employment in the past has left the GOJ with an institutional gap in this area. Nowhere is this more evident than in the services sector, particularly in the area of knowledge-based industries. Although the UDA team was not able to make an exhaustive study of current initiatives in this field, the team was struck by the limited attention it seems to be receiving. While there is now attention being focused on strategies to support the manufacturing sector, very little is being done with respect to stimulating knowledge-based industries. This is hard to understand given the Jordanian human resource base and the amount of attention being paid to this area in other countries. Already Saudi Arabia and Kuwait have moved aggressively in the development of computer services. Not only will they compete with Jordan

across the Arab Region, but their development may reduce the demand for Jordanian expertise within those two countries.

The absence of an organized national focus on developing knowledge-based industries is problematic since development in this field requires the coordination of sizable public and private resources and actions. As noted in Chapter 3, successful development requires linking university resources, private enterprise development (including venture capital), government contracting and international marketing. Without a coordinated approach, Jordan will likely lag behind other countries which are devoting considerable resources to this effort.

Another significant gap in institutional coverage is found in the small-scale enterprise area with no institution specifically focused on the needs of this sector. While the Industrial Development Bank does provide credit to small businesses (as discussed in section 7.3 below), there is no technical assistance program and no organized lobby or interest group. Given that small-scale enterprise provides the best hope for additional job growth in secondary cities, the absence of institutional coverage should be of concern to the GOJ.

7.3 URBAN FINANCE INSTITUTIONS

The major institutions involved in financing urban development include:

- The MMRAE
- The Cities and Villages Development Bank
- The Industrial Development Bank
- The Housing Bank.

The MMRAE has been discussed above; its role in financing urban development is through the allocation of the share of national taxes to local councils and its overall supervision of the CVDB.

The CVDB is the primary credit institution for municipal and village councils. It provides long-term (ten to fifteen years) credit for infrastructure investments and profit-making enterprises of local councils. The

interest rate charged to councils varies depending on the type of loan (infrastructure vs. profit-making) and type of council (village vs. municipal). The interest rates charged for infrastructure projects are 7.5% (municipal councils) and 6% (village councils); for profit-making loans, 8.5% (municipal councils) and 7% (village councils). The amount of CVDB loans disbursed over the past several years, and projected for the next three years is shown in Exhibit 7.1. The decline in loans for the past two years is attributed to different factors, variously ranging from a drop off in demand to a lack of loanable funds.[1/] It should be noted that future projections in Exhibit 7.1 shows a rebounding of loan activity.

The CVDB's resources are comprised of paid-up capital, retained profits, Central Bank loans, loans from foreign donors (e.g., World Bank) and deposits of the local councils. The Bank has an excellent collection record since it also handles all local council transfers from the centrally-collected taxes and takes its loan repayments directly from those transfers before the funds are credited to the local council accounts.

When a local council wants a CVDB loan, it makes application through the MMRAE field staff. CVDB maintains no field offices. The MMRAE staff assist local councils in all aspects of loan preparation, including the project design and engineering, if needed. CVDB staff have basically been confined to loan officer roles with limited direct interaction with their clients. This division of responsibility between CVDB staff and MMRAE staff now appears to be breaking down as CVDB has been charged with developing a training program in local government finance and administration. There is some question as to whether CVDB is the appropriate agency for this role and how that role will be integrated with the MMRAE field staff efforts.

The Industrial Development Bank (IDB) was established in 1965 with the mandate to provide term financing for industry and tourism. The IDB administers two types of loan programs, one for large- and medium-sized industries and one for small-scale industries and handicrafts (SSIH) employing less than five workers.

Exhibit 7.1

Total Lending Activity of the Cities and Villages Development Bank, 1979-1987

	JD
1979[a]	2,020,000
1980	6,046,000
1981	10,682,000
1982	12,107,000
1983	11,446,000
1984	7,483,000
1985[b]	10,000,000
1986	11,000,000
1987	12,000,000

Source: [a]1979-84, Director of Finance, MMRAE

[b]1985-87, CVDB staff.

The loans for the large- and medium-sized industries have terms of 9% interest, will finance up to 50% of the project cost, mortgage collateral is used, a debt-to-equity ratio of 1:1 is used, and may be for up to 15 years (average length is 6-8 years). A full-scale feasibility study is performed for these loans above JD 10,000. The total number of loans in this category, approved by the bank since its establishment through 1983, was 858 totalling JD 61million.

The loan program for small-scale industries and handicrafts began in 1975. The loans offered for this program have the same terms as those described above except that the maximum loan amount is JD 4000, the interest rate is 6.5%, reduced from 8% in March 1985; loans have a grace period of up to 9 months and a repayment period of up to 5 years. SSIH loans have a minimal project analysis performed. Almost all of the applicants for SSIH loans are approved. The total number of loans in this category, approved by the bank since the program's inception in 1975 through 1983, was 119 totalling JD 3.09 million.

The IDB is the main source of nonagricultural credit for small entrepreneurs in Jordan other than commercial banks. Yet the IDB is the only one of the specialized credit institutions that deals with the private sector that has no branch offices outside Amman. The IDB claims that branch offices are not necessary since the demand for SSIH loans is very low. The IDB also claims that outreach programs to Kerak and Irbid and its advertising campaigns on television and newspapers had not increased demand for the loans signficantly.[2]

The Jordan Housing Bank (JHB) is not only the dominant force in housing finance in Jordan, but also the leading savings bank in the country with about 62% of all savings deposits held in banks in Jordan in 1983. It holds over 16% of all deposits in the entire banking system. The JHB has achieved its dominant position through agressive marketing, including the opening of over 70 branch banks throughout the country and various promotional strategies to attract savings accounts. There are six types of loans offered by the JHB, as shown in Exhibit 7.2.

Exhibit 7.2

Types of Loans of Jordan Housing Bank

Individual -- (designed especially for low-income persons). Maximum loan amount is JD 7000, 15-year term @ 8.5% interest.

Rural Housing -- (designed for farmers). Maximum loan amount is JD 3000, 15-year term @ 7.5% interest.

Housing Cooperatives -- Maximum loan amount is JD 7000 per housing unit, 15-year term @ 8.5% interest.

Small Commercial -- Maximum amount is JD 15,000, 1.5-year grace period, 10-year term at 9% interest.

(These first four loans will provide up to the maximum amount regardless of the percentage of financing.)

Large Commercial -- (for developers, middle- and high-income persons). Amount of loan is determined by the area of construction regardless of building material. The maximum loan amount is JD 50 per square meter (the average is JD 35 per square meter), has a 2-year grace period and a 10-year term, with an interest rate of 10.25%. The interest rate for nonresidents is more. The maximum amount financed is 75% of the market price for the land and buildings.

In addition to the loan types shown in Exhibit 7.2, the JHB participates in syndicated loans for various private and public projects. It also invests in equity shareholdings with various private and public sector companies and institutions. The JHB made a major investment in the past few years in the construction of the Housing Bank Commercial Center in Amman.

The total amount of loans outstanding with the JHB as of the end of 1983 was JD 198,017,000. The number of loans approved in 1983 was 2341, for a total of JD 42,920,000.

Most loans are disbursed in four or five drawdowns with inspections before each draw. The JHB can foreclose on the land and property to recover its principal in case of default. The collections rate for the Bank for 1982 and 1983 was 99.8%.

The JHB has achieved a commanding position through an agressive branch bank policy to capture the savings of low- to middle-income groups throughout the country. It has pioneered in the use of innovative marketing techniques to obtain deposits.

7.4 TRAINING AND TECHNICAL ASSISTANCE

Training and technical assistance appear to be major weak spots in institutional coverage for the urban sector. There is no structured training program in urban management and few organized resources in this area. The existing institutions do not readily lend themselves to expanding operations in this area. The two leading candidates, the Jordan Institute of Public Administration (JIPA) and the Jordan Institute of Management (JIM), are not well suited to the task. JIPA, which is mandated to provide training for the public sector broadly, is reported to have difficulty in meeting its current mandate.[3] JIM was established by the IDB to provide training to the industrial and commercial sectors. It gears its programs to the larger industries and commercial enterprises and has a quite small training staff of three.

Because of the limited institutional resources for training in urban management, the MMRAE and the CVDB have turned to the Universities to

provide training courses. Currently, the CVDB is contracting with the extension division of Yarmouk University to organize and conduct training seminars for local government officials. While the university can assemble very competent lecturers in municipal management from its faculty and the ranks of the MMRAE and CVDB, it remains an ad hoc program which has no permanent resource base. Furthermore, it is not clear that the funding allocated to this exercise will permit an indepth assessment of true training needs among the municipal councils and allow for adequate time and preparation of training materials.

7.5 ROLE OF DONOR AGENCIES

Major contributions to the urban development of Jordan have been made by donor agencies. The major actor in the urban sector has been the World Bank, which has provided both studies in the sector and loan financing for urban projects. Bank lending activities have covered most of the critical aspects of urban development, including UDP1 and UDP2, seven water and sewerage projects, a loan to the CVDB of $10 million (and a second loan under appraisal) and a $30 million loan to help Amman municipality ameliorate traffic congestion, upgrade municipal management, improve solid waste management, and commence systematic capital investment planning.

USAID has had less direct involvement with urban development and institutions than the World Bank, but has made major contributions in the water supply and sanitation sector with about 60% of the USAID Mission's budgets for FY 1981-1984 devoted to urban projects in this sector. Furthermore, the Mission supported the Amman Urban Regional Planning Group and is currently supporting a regional planning advisory team within the MOP and resident advisors to Amman Municipality in finance and engineering. The Mission is supporting the development of a shelter sector strategy and the funding of low-income housing program through the AID Housing Guarantee program.

USAID has had limited resources to support urban development in Jordan and has marshalled those resources in largely technical assistance type programs. The Mission's posture is largely one of responding to GOJ requests for assistance rather than promoting its own agenda to the GOJ.

This is a reasonable approach given the high calibre of GOJ planners and the responsive nature of GOJ policymaking.

The selection of USAID program targets in the urban sector (water supply and, more recently, low-income housing) are well considered. Additional high priority areas for potential USAID technical assistance involvement include:

- Institutional development and technical assistance in small-scale enterprise particularly aimed at secondary cities
- Support for upgrading national level capability in monitoring and analysis of local government finances and public service standards/ costs.
- Training in municipal management and finance (but only after national policy determination regarding the role of municipal government in economic development, land development and municipal service delivery)
- Support for upgrading employment information and analysis systems
- Support for studies and programs design to stimulate knowledge-based industries

In the area of national policy dialogue, there are several key issues, including:

- The need to shift GOJ focus from its previous labor supply concern to that of stimulating labor demand.
- The apparent lack of attention paid to stimulating employment in the services sector, particularly those sectors that might absorb the forecasted surplus of educated young Jordanians.
- The extent to which the policy of regional dispersal of economic growth may conflict with the need for higher overall economic growth.
- The extent to which the manufacturing sector provides real potential for accelerated growth and at what cost.

- The ability of the country over the long term to afford uniform high standards of municipal services and the methods of financing those services, particularly in the smaller urban centers.

7.6 CHAPTER SUMMARY

- The GOJ has proven to be quite responsive in the development of institutions to deal with urban issues. At the same time, the creation of new institutions has, in some cases, caused overlap and confusion of responsibility.
- Regional planning is the area of most overlap with a multiplicity of agencies within the same levels of government and across different levels.
- The strongest area of institutional coverage is in credit facilities, including credit to municipal government, housing finance, and commercial enterprise credit (especially large enterprises).
- The major gaps in institutional coverage occur in (a) employment generation in general and, specifically in the services sectors, (b) technical assistance to small-scale enterprise, and (c) training and technical assistance to municipal governments.
- Outside donor agencies have been quite active in the urban sector in Jordan, including credit financing for infrastructure and services as well as technical assistance. There are several areas of additional support needed, covering both policy analysis and direct technical assistance.

CHAPTER 7

NOTES

[1]Regional Planning Unit, MOP, "Preliminary Institutional Analysis for the Subregional Planning Study" (mimeo) March, 1985.

[2]Ibid.

[3]R. Greene and C. Wheatley, "Administrative Development in Jordan" (mimeo), USAID/Amman, December 1984.

Annex A

Distribution of Industrial Establishments, Commercial Establishments and Service Establishments Within Major Urban Centers of Jordan, 1984

Table A.1

PERCENTAGE DISTRIBUTION OF INDUSTRIAL ESTABLISHMENTS
WITHIN MAJOR URBAN CENTERS, 1984

Sector / Region	2	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	30	Total
Amman	0.2	1.0	0.2	0.2	3.9	0.7	0.5	0.2	1.0		3.7	21.6	1.1	3.1	3.6		2.5	0.4	0.8	12.7	1.1	21.1		0.6	1.1	0.4	18.1	100.0
Zarqa		4.2	9.3	3.1	1.0				0.2	18.3	0.8	24.8		0.3		0.2	0.3			10.1		15.9			12.9		10.3	100.0
Madaba		5.1	6.9	4.0	2.9		1.1		0.6	22.3		18.3							0.6	16.0		17.1			2.3		2.9	100.0
Salt		2.1	10.0	4.3	2.1					15.0	0.7	22.9		0.7	2.1		0.7			7.9		12.9	0.7	2.9			15.0	100.0
Irbid		3.6	9.5	1.0			0.5		0.1	12.1	0.4	21.4	0.7	0.4	0.3		0.4	0.3	0.1	8.6		28.0		0.3	0.4		11.9	100.0
Ramtha		5.3	9.2	5.3						9.2		25.0	1.3							22.4		18.4		1.3	2.6			100.0
Mafraq		3.7	15.9							1.9		24.3								13.1		25.2			1.9		14.0	100.0
Karak			4.3	3.2	1.1			2.1		28.7		16.0								4.3		28.7					11.7	100.0
Ma'an		4.2	7.0	1.4						11.3	1.4	14.1								23.9		18.3			1.4	1.4	15.5	100.0
Aqaba		4.5	7.6	5.7	0.6			2.6		19.7	2.6	18.4		1.9			0.6	0.6	1.3	8.9	0.6	2.6					21.7	100.0

Source: Unofficial preliminary results of MOP establishment census, 1984

EXPLANATION OF INDUSTRIAL CLASSIFICATIONS

Code	Description
1	Agriculture, Forestry, and Fishing
2	Chemical and Fertilizer Mining
3	Other Mining
4	Grain Milling (Including Grains, Coffee, and Salt)
5	Bakery Products
6	Cocoa, Sugar Confectionary (Sweetshops)
7	Other Food Manufacturing or Processing
8	Prepared Animal Food
9	Beverages
10	Tobacco Products
11	Textile Manufactures
12	Wearing Apparel (Including Tailors and Dress-makers)
13	Shoe and Leather Manufacturing
14	Wood-working and Carpentry (Including Furniture)
15	Paper and Paper Products
16	Printing and Publishing
17	Industrial and Other Chemical Manufacturing
18	Petroleum Refining
19	Rubber and Plastics Manufacturing
20	Pottery and Glass Manufacturing
21	Cement, Lime, and Plaster Production
22	Other Non-metallic Mineral Products (Including Stone-working and Brick-making)
23	Basic Metal Production (Including Ferrous and Non-ferrous Metals)
24	Fabricated Metal Products (Except Machinery)
25	Machinery Manufacture (Except Electrical)
26	Electrical and Transport Equipment
27	Other Manufacturing
28	Electricity (Generators, Provision of Public Service)
29	Water Supply
30	Construction (Including General Contractors, Electricians, Plumbers, Etc.)

Table A.2

PERCENTAGE DISTRIBUTION OF COMMERCIAL ESTABLISHMENTS
WITHIN MAJOR URBAN CENTERS, 1984

	6110	6130	6148/9	6150	6160	6170	6180	6190	63[illegible]	6410	6420	6430	6450	6460	6470	6480	6510	6520	6530	6540	6560	Total
Amman	.9	1.8	1.6	3.5	1.7	1.6	.5	6.1	9.2	13.6		1.0	15.2	2.8		22.3	6.2		1.8	4.9	3.9	100.0
Zarqa								1.2		56.9			15.6	2.5		11.0	2.6		1.8	2.5		100.0
Madaba		1.6	1.0			1.3				59.3	1.0		13.3	1.9		10.8	1.1		1.3	4.0		100.0
Salt								2.0		58.0	1.5		9.8	2.8		15.9	1.7		2.0	4.6		100.0
Irbid								2.9	2.9	43.2	1.6		12.3	3.4		17.0	4.6		1.4	7.1		100.0
Ramtha		7.2	1.9		7.5			9.7		58.0					1.3	5.3	3.1	1.3		2.2		100.0
Mafraq								4.7		51.4	1.6		15.4	1.6		14.2	4.5	1.2	1.4	2.7		100.0
Karak	2.8	1.3	1.3					3.0		44.6			15.3	2.2	3.9	11.9	1.5		1.9	7.5		100.0
Ma'an										68.9			3.2			11.3		2.3		5.4		100.0
Aqaba	1.3	2.4			2.6			2.2		52.2			13.6	1.8		9.2	2.8		1.7	6.0		100.0

Source: Unofficial preliminary results of MOP establishment census, 1984

EXPLANATION OF CLASSIFICATION OF COMMERCIAL ESTABLISHMENTS

Code	Description
6110	Wholesale Distributor of Agricultural Raw Materials
6130	Wholesale Distributor of Building Materials
6150	Wholesale Distributor of Household Goods and Hardware
6160	Wholesale Distributor of Clothing, Shoes, Textiles
6170	Wholesale Distributor of Food, Drink, and Tobacco
6180	Wholesale Distributor of Medicines and Pharmaceuticals
6190	Wholesale Distributor of Other Goods
6210	Dealing in Scrap Metals and Other Materials
6300	Commission Agents
6410	Retail Distribution of Food (Groceries, Butchers, etc.)
6420	Retail Distribution of Tobacco, Newspapers, Liquor
6430	Pharmacies
6450	Retail Distribution of Clothing
6460	Retail Distribution of Shoes and Leather Goods
6470	Retail Distribution of Household Textiles
6480	Retail Distribution of Household Goods and Hardware
6510	Retail Distribution of Motor Vehicle Parts
6520	Filling Stations
6530	Retail Distribution of Books, Stationary, Office Supplies
6540	Retail Distribution of Other Goods
6560	Retail Distribution of Mixed Goods

Table A.3

PERCENTAGE DISTRIBUTION OF SERVICE ESTABLISHMENTS
WITHIN MAJOR URBAN CENTERS, 1984

	4820	6611	6650	6710	6720	6730	7210	7700	8140	8200	8310	8340	8350	8360	8370	8380	8395	9400	9530	9540	9711	9810	9812	9820	9890*
Amman**																									
Zarqa	2.9	31.2	1.1	16.9	1.4	10.0	.4	1.7	.1	.3		.6		.3	.6	1.5	.3	.7	.1			4.7	2.9	15.1	7.1
Madaba	12.0	23.0		17.5	1.0	15.5		1.0	3.0		.5	.5		.5							1.0	5.5	2.5	12.5	4.0
Salt	2.1	28.9		19.0	3.5	6.3	9.9	2.8	3.5	.7		.7											2.8	11.3	7.0
Irbid	2.4	32.9	1.0	32.4		5.5	3.9	1.9	3.2	1.4		.7			.2	.3	3.2				2.0		.2		8.7
Ramtha	1.9	18.5				5.6	2.8		3.7	.9	4.6				.9									9.3	51.9
Mafraq	5.9	30.4		25.9	.7	5.9	.7	1.5	3.7			.7			2.2								1.5	13.3	7.4
Karak	10.1	14.8	.7	12.8	3.4	14.8		2.0	3.4	.7	.7				1.3	2.0	3.4					5.4	4.0	16.8	4.0
Ma'an	16.7	29.2		16.7	1.0	7.3	2.1	3.1	3.1		1.0				4.2							2.1	1.0	7.3	5.2
Aqaba	5.4	29.1	4.4	13.8	.2	7.7	1.7	4.4	2.6	.5	.5	.7			.5		.7				.7	1.4	1.0	4.6	20.2

* All row totals add to approximately 100.0%
** Data for Amman not available

Source: Unofficial preliminary results of MOP establishment census, 1984

EXPLANATION OF CLASSIFICATION OF SERVICES

Code	Description
4820	Specialized Tire Repair
6611	Restaurants, Coffee Shop, Cafeteria
6620	Bar, Publichouse
6650	Hotel
6710	Automotive Repair
6720	Shoe Repair
6730	Other Repairs
7210	Transport Services (Bus, Taxi, Railroad)
7610	Transport Support Services (Including Parking Lots)
7700	Travel Agents
8140	Banks
8200	Insurance Agents
8310	Money Exchange, Other Financial Services
8340	Real Estate Agent
8350	Legal Services
8360	Accountants, Auditors
8370	Technical Services (Architect, Engineer, Surveyors, etc.)
8380	Advertising
8395	Copy Service (Office Services, Typing, Filing, etc.)
9812	Laundry and Dry Cleaning
9820	Barber, Hairdressing, Beauty Salon
9890	Other Personal Services (Including Photographic Studios)

Annex B

Labor Supply Components

Annex B

LABOR SUPPLY COMPONENTS

B.1 POPULATION

The population growth rate in Jordan is one of the highest in the world, with a natural rate of growth of 3.6% per annum. This is due to high fertility and low mortality rates. Total population in the East Bank of Jordan, according to the census of 1979, was 2.13 million (Table B.1). Of this number 59% lived in urban areas, i.e. in cities or agglomerates with 10,000 citizens or more; 48% were women and 96% held Jordanian nationality. Population growth, including in-migration, was 5.0% per annum over the period 1961-79. In 1979, 53.2% of the population were under 15 years of age, compared to 45.6% in 1961.[1] There is no clear government population policy in Jordan, officials believing that parents have the right to decide the number of children they desire. Nevertheless, family planning societies have the right to work freely and offer their services to those who require them in all parts of the country.

In 1981, according to the Palestine Central Statistical office, 26% of Palestinians lived in the East Bank of Jordan and 19% in the West Bank, out of a total of 4.4 million Palestinians. Around 500,000 Palestinians have left the West Bank since the 1967 war and currently account for around 50% of the Jordan East Bank population.[2]

The population of Jordan is concentrated in the Governorate of Amman which has 55% of the total (Table B.2), followed by the Governorates of Irbid (28.6%), Balqa (7.0%) Karak (6.0%) and Ma'an (3.5%). The Governate of Amman is the most urbanized of all; 81% of the population is urban followed, in terms of urbanization, by Ma'an (60.1%), Irbid (31.4%), Karak (28.6%) and Balqa (24.0%).

The population is projected to grow at the rate of 3.62% per annum over the period 1980 to 2000 (Table B.3). These are the most recent projections of the Department of Statistics, but only take into account the natural rate of increase of the population. We discuss the effects of international migration on this rate of increase in the next Section.

Table B.1

Population of East Bank of Jordan by Sex and Citizenship, 1979

	Male	Female	Total	%
Rural				
Total	450812	415520	886332	40.6
Jordanian	429907	405814	835721	
Non-Jordanian	20905	9706	30611	
Urban				
Total	665029	601636	1266665	59.4
Jordanian	626650	581656	1208306	
Non-Jordanian	38370	19980	58359	
Total East Bank				
Total	1115841	1017156	2132997	100.0
Jordanian	1056557	987470	2044027	
Non-Jordanian	59284	29686	88970	

Source: Population and Housing Census, 1979, Department of Statistics, Amman, Jordan, p. 23.

Urban areas include all cities with 10,000+ citizens.

Table B.2

Population Living in East Bank by Citizenship, Sex, and Governorates, 1979

	Jordanian			Non-Jordanian			Total			
	Male	Female	Total	Male	Female	Total	Male	Female	Total	%
Amman	558956	534599	1093555	37837	20547	58384	596793	555146	1151939	54.9
Irbid	298497	288833	587330	8546	6338	14884	307043	295171	602214	28.6
Balqa	71723	69371	141094	3976	1336	5312	75699	70707	146406	7.0
Karak	62707	59719	122426	2401	225	2626	65108	59944	125052	6.0
Ma'an	35426	31220	66646	6522	1240	7762	41948	32460	74408	3.5
East Bank	1027309	983742	2011051	59282	29686	88968	1086591	1013428	2100019	

Source: Department of Statistics, Housing and Population Census 1979, Governorates Main Results, June 1984.

Table B.3

Male Population Projected by the Component Method in Midyears 1980-2000

Age Group	1980	1985	1990	1995	2000
0-4	210413	238290	277650	334814	394541
5-9	190172	206611	233984	273899	330291
10-14	162480	189286	205648	233156	272930
15-19	122889	161668	188340	204842	232242
20-24	83409	122005	160506	187289	203699
25-29	60944	82680	120939	159416	186017
30-34	54160	60322	81836	119957	158122
35-39	51713	53484	59569	81008	118743
40-44	45597	50863	52605	58758	79905
45-49	36589	44524	49666	51550	57580
50-54	27914	35305	42961	48138	49964
55-59	20018	26438	33438	40927	45859
60-64	14458	18431	24341	31039	37990
65-69	10899	12728	16225	21683	27649
70+	20463	20273	21720	26162	33523
Total	1112118	1322908	1569428	1872638	2229055

Female Population Projected by the Component Method in Midyears 1980-2000

Age Group	1980	1985	1990	1995	2000
0-4	200167	229094	266934	328165	378670
5-9	177822	197709	226281	264620	325320
10-14	149969	177349	197183	225869	264138
15-19	113490	149557	176861	196802	225433
20-24	77843	113104	148968	176366	196251
25-29	57992	77448	112529	148423	175721
30-34	52588	57641	76979	112029	147761
35-39	48743	52206	57222	76559	111417
40-44	42091	48281	51721	56801	75996
45-49	33465	41547	47657	51173	56209
50-54	24735	32837	40767	46914	50375
55-59	18291	24048	31925	39813	45816
60-64	13511	17496	23002	30746	38342
65-69	10081	12519	16212	21547	28801
70+	18603	20394	23573	29645	38479
Total	1039291	1251230	1497805	1805472	2158732

Source: A. Khalifa, United Nations Project, Department of Statistics, Jordan.

B.2 Migration

(i) Jordanian Emigration

International migration, both outmigration to (mainly) the Gulf States and immigration from (mainly) Egypt and the West Bank, is very important in Jordan. It also makes life extremely difficult for planners because future flows are extremely hard to predict. This is because, according to the Ministry of Labor in Jordan, 312,000 holders of Jordanian passports were working abroad at the end of 1983 - 85% of them in the Gulf States and 55% of these in Saudi Arabia. A further 500,000 or so dependents are living abroad with the migrant workers. It is also estimated that around 60,000 Jordanian students are abroad. As the Arab economies decline some return migration is expected, but the numbers are difficult to predict.

Not much is known about the characteristics of the "stock" of Jordanians abroad. We do, however, know something about the "flow" of worker migrants. Over the period 1979 to 1984, 58,000 Jordanians emigrated, with 43,400 going to Saudi Arabia. The numbers emigrating slackened from 1979 to 1982 when they fell from 16,804 to 5592 but have increased to around 8000 per year in 1983 and 1984. Of the emigrants to Saudi Arabia, approximately the same number enter the private sector as enter the public sector.[3]

The worker emigrants from Jordan come from all walks of life (Table B.4) and all levels of education. Some change over time can be noted, for example, in 1979 only 9% of emigrants were from the professional and technical classes while 70% came from the pool of unqualified workers. Yet, by 1984, the number of professionals emigrating increased to 22.7% and those of unqualified workers fell to 55% of total emigrant workers. Nevertheless, 65% of emigrant workers (in 1983) had secondary education or higher with 32% having community college or university education. These figures illustrate that the graduates who have been generated by the rapid increase in higher education in Jordan over the past 10 years (when 51 community colleges were started from almost zero) have found a ready market for their skills in the Gulf States, particularly Saudi Arabia. Again, what the future may bring is unclear, yet the preponderance of Jordanians in skilled

Table B.4

Emigrant Jordanian Labor by Occupation Level, 1979-1984

Occupation Level	1979		1980		1981		1982		1983		1984	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Professionals & Technical	1538	9.15	1016	8.33	1694	24.71	1493	26.7	2334	27.2	1784	22.7
Administrative	338	2.01	613	5.03	503	7.34	341	6.1	635	7.4	251	3.2
Clerical	2055	12.23	828	6.79	1081	15.76	464	8.3	609	7.1	573	7.3
Sales	402	2.39	163	1.34	161	2.35	168	3.0	369	4.3	291	3.7
Service	225	1.34	589	4.83	205	2.99	397	7.1	232	2.7	322	4.1
Agricultural	460	2.74	352	2.89	253	3.69	156	2.8	343	4.0	291	3.7
Production & Unqualified	11786	70.14	8630	70.79	2959	43.16	2573	46.0	4059	47.3	4345	55.3
Total	16804	100.0	12191	100.0	6856	100.0	5592	100.0	8581	100.0	7857	100.0

Source: Ibrahim, I., et al., calculated from the Ministry of Labor, Annual Report, various issues.

and professional jobs abroad has led some commentators (See GDI Report) to believe that the demand for skilled Jordanians is unlikely to fall much in the future and hence unlikely that "the number of Jordanian migrant workers will decline in the near future."

(ii) Net international migration

We can approximate the net international rate by comparing those registered leaving and entering the country (Table B.5 covers all legal movements across the frontier including West to East Bank), and then assuming that the difference is the net number of those who stay or those who emigrate. Such a method should include all those who migrate for at least one year. The result of this exercise (Table B.5) shows a variable pattern. From 1979 to 1981, more Jordanians returned than left but this pattern changed significantly in 1982 and 1983 when 71,000 and 54,500 more Jordanians left the country than arrived. The second largest flow was that of Egyptians and in 1982, 136,000 stayed. The average net migration rate for Egyptians and Jordanians was an inflow of 27,300 over the period 1979 to 1983. Other net immigration was substantial - mainly Syrians, Saudis and Lebanese. Because these nationalities are not known to reside in large numbers in Jordan we have excluded them from our calculation of net immigrants which we assume to be 27,300 per annum. This figure, allowed to decline at the assumed rate of 10% per year, was the estimate of net (in-) migration used in conjunction with the natural rate of population given in Table B.3 to give us population projectons to the year 1990. Subsequently, we shall use these figures to estimate labor supply projections to the year 1990.

(iii) Non-Jordanian immigration

This is composed largely of unskilled Egyptians (plus some Turks, Indians, Pakistanis, etc.) who migrate to Jordan and occupy, in the main, jobs of a menial nature. According to Ministry of Labor estimates, there were 130,000 such immigrant workers out of a total labor force of around 500,000 in 1983 (see section 3.2.4 for more details of sector of activity). Future numbers of foreign workers are difficult to estimate, particularly because prospects of rising unemployment is causing the GOJ to reflect on

Table B.5
Arrivals and Departures by Nationality ('000)

	1979	1980	1981	1982	1983
Arrivals					
Jordanians	737.2	643.7	749.7	648.4	680.6
Egyptians	243.7	332.8	346.0	919.8	756.8
Other	1072.5	1291.4	1233.1	1155.7	987.5
Total	2053.4	2267.9	2328.8	2723.9	2424.9
Departures					
Jordanians	719.9	642.9	695.7	719.6	735.1
Egyptians	188.0	292.2	401.3	783.2	744.4
Other	1101.8	1127.8	1193.1	1106.3	969.7
Total	2009.7	2062.9	2290.1	2609.1	2449.2
Net (Arrivals - Departures)					
Jordanians	17.3	0.8	54.0	-71.2	-54.5
Egyptians	55.7	40.6	-55.3	136.6	12.4
Other	-29.3	163.6	40.0	49.4	18.8
Total (excluding Other)	73.0	41.4	-1.3	65.4	-42.1

Average per year of total (excluding Other) = 27.3

Source: Department of Statistics, Yearbook 1983.

their, to date, liberal immigration policy. On the other hand, because the jobs that the foreign workers occupy are of a menial nature, coupled with the high expectations of Jordanian workers and their increasingly higher levels of education, we do not expect much substitution of foreign unskilled workers by Jordanians. Hence the numbers of foreign workers, we believe, will not reduce significantly in the medium term (up to 1990-1995). On the other hand, as immigrant foreign workers begin to settle in Jordan with their families, there is every likelihood that future generations will compete with Jordanians for jobs. Lest this process be seen entirely as a negative phenomenon, upwardly mobile immigrants often (e.g. the United States) provide a powerful boost to an economy.

(iv) West to East Bank migration

No information is available to assess the magnitude of these flows. However, as mentioned previously, there are 833,000 Palestinians in the West Bank and 1.15 million in the East Bank. Further, the Ministry of Occupied Territorial Affairs recently (May, 1985) announced that residents of the occupied West Bank will soon have the opportunity to work and reside temporarily in the East Bank, although this is for certain occupations where scarcity currently exists (e.g. teachers) and settling is not allowed. The existing regulations prohibit West Bankers from residing more than 1 month in the East Bank without a previously obtained labor contract.

(v) Internal rural to urban migration

This occurs in three main ways. First, as the countryside becomes urbanized, migration from rural to urban areas occurs without physical movement. Second, seasonal migrants leave the rural areas in the off-season for agriculture (May/June to October/November) and start small-scale activities in the towns or stay with relatives - this mainly applies in the highlands of Jordan which are largely rainfed. Seasonal migration is clearly less for irrigated areas, especially in the Jordan Valley. Third, migrants leave the rural areas and move permanently to the town. This phenomenon is widespread in Third World countries, especially for young people. No information is available on rural-to- urban migration in Jordan, although there is a growing movement among government planners to discourage rural-to-urban migration.

B.3 LABOR FORCE PARTICIPATION

Labor force participation rates in Jordan are (in general) low by international standards - total labor force particpation rate in Jordan is 20%. This is due to many factors, among them:

- the population distribution by age where more than 50% of the Jordanian population are less than 15 years of age
- school enrollment rates are high for both males and females
- low female labor force participation rates.

Female labor force participation rates in Jordan, although showing an increasing general trend during the 1976-1983 period, are very low by international standards. The female labor force participation rate was 6.7% in the 1979 census, and 7.8% in the 1982/83 manpower survey (Table B.6).

The general government policy towards female participation in the labor force since the late 70's has been to encourage the female population in Jordan to participate in the labor force. Government policies to encourage the female population in Jordan to participate in the labor force are:

- removing all types of sex discrimination
- giving the female workers the right to have a 40 days maternity leave.
- encouraging firms to have childcare and nurseries for working mothers
- encouraging the female population to participate in certain jobs such as nursing.

Participation rates are higher in rural areas for men than in urban areas, whereas the reverse is true for women. Participation rates are higher for younger women than older (Table B.6) and, unsurprisingly, higher for both sexes the higher the level of education. Thus with increasing education in Jordan coupled with a growing desire to work among young women, one can expect a rapid rise in the participation of females in the labor force in the future. Accordingly, for our female labor force participation projections, we have assumed an increase of +0.3 in the crude rate (i.e. percentage number of females working divided by total female population).

Table B.6

Labor Force Participation Rates by Age, Sex, and Place of Residence in the East Bank of Jordan, 1982-1983

Age Groups	East Bank		Rural		Urban		Amman, Zarka and Irbid Cities		Other Urban		Census 1979 East Bank	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
15-19	30.0	3.8	30.7	3.1	29.9	4.1	28.9	4.5	31.6	3.4	37.2	3.4
20-24	68.2	19.5	75.4	15.2	65.8	21.1	63.8	20.7	69.5	21.9	85.9	15.7
25-29	88.6	15.3	92.0	9.2	87.3	17.8	86.5	18.3	88.7	17.0	97.0	13.5
30-34	94.8	10.4	94.9	5.1	94.7	12.8	94.8	14.2	94.6	10.2	98.9	8.7
35-39	96.1	5.6	95.4	3.0	96.4	6.7	96.2	7.0	99.2	6.1	98.6	5.2
40-44	94.1	3.9	94.6	1.0	93.9	5.0	94.3	5.2	93.1	4.7	97.3	3.3
45-49	91.1	2.7	89.7	1.0	91.7	3.3	91.2	3.2	92.5	3.6	96.0	2.4
50-54	85.3	2.2	86.7	2.6	84.8	2.1	83.6	1.7	87.1	2.8	93.0	2.0
55-59	76.5	2.0	76.8	1.2	76.3	2.2	76.4	2.1	76.2	2.6	88.0	1.8
60-64	57.3	1.2	64.9	1.3	54.0	1.2	52.6	1.2	56.4	1.2	76.6	1.1
65+	30.8	0.7	36.8	1.1	27.4	0.5	27.1	0.6	27.8	0.5	38.9	0.5
Total	67.0	7.8	68.7	5.3	66.2	8.8	65.6	9.1	67.1	8.4	77.7	6.7

Source: Manpower Survey 1982-1983, The Second Round, Department of Statistics, Amman, Jordan, Table No. 301

Source: Census 1979

The census figure of 1979 gave 3.3% and the 82/83 Manpower Survey 4.1% for the crude participation rate for females.

B.4 EDUCATION AND SKILL LEVELS OF LABOR FORCE

Around 33% of employed persons have secondary education or higher, with 16% of the total engaged in professional and administrative positions and 18% of the total illiterate (82/83 Manpower survey). In the year 1983/1984, there were 24,036 students enrolled in the three universities of Jordan and 32,174 in the community colleges, of which 39.2% and 45.2% were women, respectively.[4]

Between 1986 and 1990, 274,839 are expected to leave the education system (Tables B.8 and B.9). This includes Jordanians studying outside the country as well as dropouts from the education system inside the country. The majority of these students (70.4%) will have secondary or less-than-secondary education; the rest will be equally divided between university and community college graduates. Applying the labor force particpation rates, given in Table B.7, suggests that 125,359 of these students will enter the labor force over the period 1986 to 1990. The labor force aged 15 and over in Jordan East Bank was, in 1979, composed of 33% illiterates and 85% with less than secondary education (Table B.7). The composition of the labor force, in terms of education levels, is, therefore, undergoing a rapid change, with only 3% expected to leave the education system in the future with less than secondary education. There will be a rapid increase in the numbers in the labor force with secondary education and more. This has given rise to concerns that there will be an excess supply of educated labor in Jordan in the future.

What is the composition of the higher education graduates? Twenty-six percent of new entrants from the education system over the period 1986-90 will be either from the community colleges or the universities. Enrollment figures for 1983/1984 for all students (except post graduates) showed that in the community colleges the majority are enrolled in the commercial professions (31.8% and 33.8%, respectively) (Table B.10). In the universities, the majority are enrolled in the faculty of Arts and Social Sciences

(27.9%), followed by Economics and Administration (19.9%), Natural Sciences (19.8%) and Engineering and Technology (11.7%).

Table B.7

East Bank Jordanian Population and Labor Force, 15 Years and Over by Educational Level, 1979

Highest Level of Education Without Qualification	Male	Female	Participation Rates (1976) Male	Participation Rates (1976) Female	Education % of Total Male	Education % of Total Female
Illiterate	92336	232770	21.0	0.7	18.9	48.3
Literate	88818	51872	54.3	2.9	18.2	10.8
With Qualification						
Elementary	113016	79412	54.3	2.9	23.1	16.5
Preparatory	101236	69066	33.5	5.1	20.7	14.3
Secondary	53906	32171	75.4	45.9	11.0	6.7
Post Secondary	16304	12160	95.9	83.3	3.3	2.5
University	20361	4586	97.1	85.8	4.2	1.0
Post University	1106	188	98.5	63.6	0.2	--
M.S.	1229	135	98.5	63.6	0.3	--
Ph.D.	657	37	97.6	33.3	0.1	--
Unspecified	166	34	--	--	--	--
Total	489135	482431			100.0	100.0

Source: Statistical Yearbook, 1983 (Census Results).

Table B.8

Total Expected Labor Supply by Education Level, 1986-90 (East Bank)

Education Level	Output of Education System	Expected Leaving of Foreign Workers	Expected Leaving of Jordanians	Net Output of Education System
Less than Secondary	61229	46552	9005	5672 (3.2%)
Secondary	141175	14089	7965	119121 (67.2%)
Community College	35098	7263	1900	25935 (14.6%)
University	34910	3777	5780	25353 (14.3%)
Post-graduate	2427	944	350	1133 (0.6%)
Total	274839	72625	25000	177214 (100%)

Source: Ministry of Labor and Planning estimates (preliminary). (Addition to labor force = 125,359, using Table B.11 participation rates applied to last column.)

Table B.9

The Jordanian Manpower Supply as Output of Education System (Inside and Ouside the Country), 1986-1990

	1986	1987	1988	1989	1990	Total
Illiterate	7848	431	--	--	--	8279
Read and Write	4821	2299	2205	1118	--	10443
Elementary	5189	3787	3831	1983	1948	16738
Preparatory	7127	5217	5134	5147	3144	25769
Secondary	24430	26867	28027	30043	31802	141175
Community Colleges	5906	6481	7056	7495	8160	35098
University	6216	6495	6888	7411	7900	34910
Higher	432	452	479	515	549	2427
Total	61969	52029	53620	53718	53503	274839

Source: Ministry of Labor and Planning, Preliminary Estimates.

Table B.10

Number of Students Enrolled in the Community Colleges in Jordan by Sex and Type of Professional Specialization for 1983-1984

Profession	Female	Total	Percent
Social	566	925	2.8
Hotel	14	153	0.5
Agriculture	48	183	0.6
Para-Medical	746	1548	4.8
Communication & Transportation	525	5781	18.0
Engineering	18	130	0.4
Computer	562	2565	8.0
Commercial	2860	10004	31.1
Education	9210	10885	33.8
Total	14543 (45.2%)	32174	100.0

Source: Annual Statistical Report on Higher Education (1983-1984), 8th issue, 1984.

ANNEX B

NOTES

[1]Source: Five year plan for economic and social development, 1981-85, National Planning Council, Jordan.

[2]Source: B. Claus and M. Hofman, German Development Institute Report, Sept., 1984 (henceforth GDI report).

[3]Ibrahim, I. et al., Supply and Demand of Manpower in Jordan: 1986-1990, 1985 (unpublished study).

[4]In 1983/84. Source: The Annual Statistical Report on Higher Education in Jordan, 8th issue, 1984 (Al Safadi Printing Press).