Macroeconomic Stability and Long-Term Growth: Lessons from Jordan

CID Speaker Series
February 7, 2020

Jordan Team (2018-2019)
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Outline

- About the Project
- What did we learn about Jordan?
- Impact of our Research
- Q&As
Outline

• About the Project
• What did we learn about Jordan?
• Impact of our Research
• Q&As
About the Project: The Challenge

Middle East Media Research Institute
Protests In Jordan Following Austerity Measures – Including ...
Introduction. For years, Jordan has been in economic crisis, with a budget deficit and a large public debt. Most of the revenue for the budget comes from aid in ...
Feb 21, 2018

The Arab Weekly
Jordan price hikes add to instability fears I AW staff I AW
LONDON - Jordan is increasing the prices of fuel and bread as it seeks revenues ... sparked protests during which demonstrators called for the cabinet to resign.
Feb 4, 2018

Al Jazeera America
Jordan's economic crisis threatens political stability
Jordan's debt has now reached $40bn and its debt-to-gross-domestic-product ratio ... "People are protesting in several areas in the country and demanding the ...
Feb 14, 2018

Jordan Times
Syrian refugee population increases slightly last year
AMMAN — The overall number of registered Syrian refugees in Jordan slightly increased from 655,344 in 2016 to 655,624 in 2017, while the number of Syrian ...
Feb 19, 2018
About the Project: The Team

Growth Lab (11)

External faculty, affiliates & consultants (6)

Summer Interns & SYPAs (6)
Outline

• About the Project
• What did we learn about Jordan?
• Impact of our Research
• Q&As
Per capita income has fallen over the last decade

![Graph showing LN(GDP per capita) for Jordan from 1975 to 2020 with key years and growth rates indicated.](image)

- **1982**: \( g = 9.5\% 
- **1991**: \( g = -3.1\% 
- **2000**: \( g = 2.0\% 
- **2008**: \( g = 3.8\% 
- **2015**: \( g = -1.8\% 

Data source: World Development Indicators
Jordan is capable of achieving strong growth

Real GDP Growth: 2000-2008

Note: Comparators here include other middle-income MENA countries, excluding Syria, Iraq, Yemen, Libya, and the West Bank & Gaza. Source: CID calculations based on World Development Indicators
The export boom was not just good luck …

Figure shows exports of Jordan and international demand, fixing the export basket of year 2000 (index 100 = year 2000).
And the bust was not Jordan-specific

Performance of Jordan’s year 2008 export basket and world exports (2008=100)
Exports were hit by global (2008) and regional (2011) shocks

Exports of Goods and Services
(1990 - 2017, current US$)

Source: Central Bank of Jordan
As a result, exports underperformed expectations.

Exports (million US dollars)

3.9 Billion USD (9.7% of GDP)

Sources: Central Bank of Jordan; International Monetary Fund
... growth underperformed expectations

Sources: Central Bank of Jordan; International Monetary Fund

CID Speaker Series: Macroeconomic Stability and Long-Term Growth: Lessons from Jordan
... and tax revenue underperformed expectations

![General Sales Tax Graph](graph.png)

Sources: Central Bank of Jordan; International Monetary Fund
All while energy prices in Jordan skyrocketed

NEPCO’s Cost of Energy Purchased

Sources: NEPCO and Ministry of Energy and Mineral Resources
... forcing Jordan to adjust energy prices...

CID Speaker Series: Macroeconomic Stability and Long-Term Growth: Lessons from Jordan
… impacting Jordan’s energy-intensive manufacturing

Share of Manufacturing Value Added by Energy Intensity, 2010

- **World Avg.**
  - Low: 24%
  - Moderate: 40%
  - High: 36%

- **ISR**
  - Low: 47%
  - Moderate: 33%
  - High: 20%

- **LBN**
  - Low: 22%
  - Moderate: 50%
  - High: 29%

- **MAR**
  - Low: 20%
  - Moderate: 40%
  - High: 41%

- **JOR**
  - Low: 17%
  - Moderate: 37%
  - High: 46%

- **SAU**
  - Low: 17%
  - Moderate: 38%
  - High: 46%

- **IRN**
  - Low: 26%
  - Moderate: 15%
  - High: 58%

- **EGY**
  - Low: 12%
  - Moderate: 23%
  - High: 65%

Source: UNIDO, 2010
Refugee inflows increased Jordan’s population by 50% (2011-17)

Source: World Development Indicators
The response was a world-class fiscal adjustment

Net expenditures
= (total expenditures – interest payments on the external debt) - (total revenues – grants)

<table>
<thead>
<tr>
<th>Country</th>
<th>Period</th>
<th>Net expenditure contraction*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jordan (with NEPCO &amp; WAJ)</td>
<td>11 - 17</td>
<td>13.0</td>
</tr>
<tr>
<td>Greece</td>
<td>10 - 16</td>
<td>10.7</td>
</tr>
<tr>
<td>Jamaica</td>
<td>09 - 15</td>
<td>8.5</td>
</tr>
<tr>
<td>Jordan</td>
<td>11 - 17</td>
<td>8.1</td>
</tr>
<tr>
<td>Portugal</td>
<td>10 - 16</td>
<td>6.1</td>
</tr>
<tr>
<td>Spain</td>
<td>09 - 15</td>
<td>4.6</td>
</tr>
</tbody>
</table>

* In percentage points of GDP

Sources: MOF Monthly Bulletins; WDI

8.1 pp of GDP

Real net expenditures per capita
Net expenditures (% GDP)
With the economy proving extraordinarily resilient

<table>
<thead>
<tr>
<th>Country</th>
<th>Period</th>
<th>Net Expenditure Contraction</th>
<th>CAGR (constant 2010 $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>2010-2016</td>
<td>10.7</td>
<td>-3.3%</td>
</tr>
<tr>
<td>Jamaica</td>
<td>2011-2017</td>
<td>9.8</td>
<td>0.6%</td>
</tr>
<tr>
<td>Jordan</td>
<td>2011-2017</td>
<td>8.1</td>
<td>2.5%</td>
</tr>
<tr>
<td>Portugal</td>
<td>2010-2016</td>
<td>6.1</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Spain</td>
<td>2010-2016</td>
<td>4.6</td>
<td>0.4%</td>
</tr>
</tbody>
</table>
Growth has been in line with that of the region

Real GDP Growth

Note: Comparators here include other middle-income MENA countries, excluding Syria, Iraq, Yemen, Libya, and the West Bank & Gaza.
Source: CID calculations based on World Development Indicators
But given population growth, GDP per capita fell

Note: Comparators here include other middle-income MENA countries, excluding Syria, Iraq, Yemen, Libya, and the West Bank & Gaza.
Source: CID calculations based on World Development Indicators
Despite the large fiscal adjustment, debt-to-GDP rose

Gross Debt-to-GDP Ratio (%)

Sources: Central Bank of Jordan; International Monetary Fund
To reverse this trend, three things are needed:

- Continued fiscal consolidation
- Grants and official lending to keep interest rates low
- Faster growth

Bringing the debt/GDP to a more comfortable level will require:

**Primary balance (including grants) required to bring down the debt from 95% of GDP in 2017 to 77% by 2025**

![Table showing primary balance requirements](source: CID calculations based on Central Bank of Jordan and Ministry of Finance data)
Implications for the Growth Strategy

• It must be driven by exports and export-driven investments
  • There is no space for fiscal stimulus
  • Greater domestic demand without larger exports would lead to a wider external deficit
  • Growth engines must be tradable and globally competitive
• It must leverage the country’s changing factor endowment
• And transform energy from a constraint to an opportunity
Past export growth was led by garments & agriculture

Global Market Share of Goods Exports: Jordan

- Agriculture
- Garments
- Electronics
- Machinery
- Chemicals
- Transportation
Which have relied on low-skill, foreign labor

Jordan’s Exports (million USD)

<table>
<thead>
<tr>
<th></th>
<th>1996</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>113</td>
<td>1,360</td>
</tr>
<tr>
<td>Garments</td>
<td>41</td>
<td>1,570</td>
</tr>
</tbody>
</table>

Sources: UN COMTRADE data; Employment and Unemployment Survey (2017); Better Work Annual Report (2018)
Economic complexity has fallen over two decades
But the country is increasingly high-skilled

The Changing Jordanian Labor Force

- Less than high school
  - Current: 661,698
  - 10-Year Projection: 625,019

- High school
  - Current: 92,339
  - 10-Year Projection: 365,830

- University and above
  - Current: 188,079
  - 10-Year Projection: 354,013

Source: Projections based on Jordan Labor Market Panel Survey (2016) and World Development Indicators
Result: High unemployment and emigration

Jordanian Unemployment Rate by Education Level

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than high school</td>
<td>15.9</td>
<td>34</td>
</tr>
<tr>
<td>High school</td>
<td>10.4</td>
<td>36.5</td>
</tr>
<tr>
<td>University</td>
<td>17.4</td>
<td>34.4</td>
</tr>
</tbody>
</table>

Jordanian Managers in Saudi Arabia as a Share of Jordanian Managers in Jordan

- Share: 83%

Jordanian Managers Median Monthly Earnings (Saudi Arabia / Jordan)

- Median Earnings: 4x

Sources: Jordan Labor Market Panel Survey (2016); EUS (2017)
Solution: Skill-intensive exports that hire women

Circle sizes proportional to number of jobs

Source: Employment and Unemployment Survey, 2017
Exploring services required an Industry Space

Jordan’s Position in the Industry Space

Source: Growth Lab construction using Dun & Bradstreet (2015)
A process to identify promising export activities
Results naturally grouped into 8 export themes

1. Business, IT and professional services
2. Education services
3. Healthcare services
4. Tourism services
5. Creative industries
6. Transport services
7. Construction
8. Agriculture

CID Speaker Series: Macroeconomic Stability and Long-Term Growth: Lessons from Jordan
### Growth and Diversification Export Themes (I)

#### Business, IT and Professional Services

<table>
<thead>
<tr>
<th>Industry</th>
<th>RCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer maintenance &amp; repair</td>
<td>0.07</td>
</tr>
<tr>
<td>Legal services</td>
<td>0.13</td>
</tr>
<tr>
<td>Accounting and auditing</td>
<td>0.20</td>
</tr>
<tr>
<td>Management consulting</td>
<td>0.33</td>
</tr>
<tr>
<td>Insurance agents and brokers</td>
<td>0.36</td>
</tr>
<tr>
<td>Computer programming</td>
<td>0.60</td>
</tr>
<tr>
<td>Office of holding companies</td>
<td>0.61</td>
</tr>
<tr>
<td>Engineering services</td>
<td>0.68</td>
</tr>
</tbody>
</table>

#### Education Services

<table>
<thead>
<tr>
<th>Industry</th>
<th>RCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vocational schools</td>
<td>0.25</td>
</tr>
<tr>
<td>Technical institutes</td>
<td>0.26</td>
</tr>
<tr>
<td>Schools and educational services</td>
<td>1.42</td>
</tr>
<tr>
<td>Colleges and universities</td>
<td>3.46</td>
</tr>
</tbody>
</table>

#### Healthcare Services

<table>
<thead>
<tr>
<th>Industry</th>
<th>RCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clinics of dentists</td>
<td>0.01</td>
</tr>
<tr>
<td>Clinics of doctors of medicine</td>
<td>0.02</td>
</tr>
<tr>
<td>Medical laboratories</td>
<td>0.55</td>
</tr>
<tr>
<td>General medical-surgical hospital</td>
<td>0.68</td>
</tr>
<tr>
<td>Specialty hospitals</td>
<td>1.14</td>
</tr>
</tbody>
</table>

#### Tourism Services

<table>
<thead>
<tr>
<th>Industry</th>
<th>RCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodging houses</td>
<td>0.18</td>
</tr>
<tr>
<td>Rooming and boarding houses</td>
<td>0.31</td>
</tr>
<tr>
<td>Museums and art galleries</td>
<td>0.33</td>
</tr>
<tr>
<td>Hotels and motels</td>
<td>0.84</td>
</tr>
<tr>
<td>Travel agencies</td>
<td>1.18</td>
</tr>
<tr>
<td>Passenger car rental</td>
<td>1.49</td>
</tr>
</tbody>
</table>
### Creative industries

<table>
<thead>
<tr>
<th>Industry</th>
<th>RCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial photography</td>
<td>0.00</td>
</tr>
<tr>
<td>Theatrical productions</td>
<td>0.02</td>
</tr>
<tr>
<td>Commercial art and graphic des</td>
<td>0.06</td>
</tr>
<tr>
<td>Advertising agencies</td>
<td>0.11</td>
</tr>
<tr>
<td>TV broadcasting stations</td>
<td>0.41</td>
</tr>
<tr>
<td>Motion pictures and video tape</td>
<td>0.41</td>
</tr>
<tr>
<td>Newspaper publishing/printing</td>
<td>1.22</td>
</tr>
<tr>
<td>Radio broadcasting stations</td>
<td>4.72</td>
</tr>
</tbody>
</table>

### Construction

<table>
<thead>
<tr>
<th>Industry</th>
<th>RCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water, sewage, pipelines</td>
<td>1.10</td>
</tr>
<tr>
<td>Public building and furniture</td>
<td>1.20</td>
</tr>
<tr>
<td>Highway and street construction</td>
<td>1.32</td>
</tr>
<tr>
<td>Heavy construction</td>
<td>1.32</td>
</tr>
<tr>
<td>Flat glass</td>
<td>1.34</td>
</tr>
<tr>
<td>Special trade contractors</td>
<td>1.38</td>
</tr>
<tr>
<td>Structural metal work</td>
<td>1.44</td>
</tr>
<tr>
<td>Cold-rolled steel sheets and bars</td>
<td>1.58</td>
</tr>
<tr>
<td>Wood furniture for offices</td>
<td>1.92</td>
</tr>
<tr>
<td>Elevators and moving stairways</td>
<td>1.96</td>
</tr>
<tr>
<td>Ready-mixed concrete</td>
<td>1.98</td>
</tr>
<tr>
<td>Prefabricated wood buildings and components</td>
<td>3.26</td>
</tr>
<tr>
<td>Wood kitchen cabinets</td>
<td>3.42</td>
</tr>
</tbody>
</table>

### Transport Services

<table>
<thead>
<tr>
<th>Industry</th>
<th>RCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refrigerated warehousing</td>
<td>1.04</td>
</tr>
<tr>
<td>Truck trailers</td>
<td>1.68</td>
</tr>
<tr>
<td>Air transportation</td>
<td>3.40</td>
</tr>
<tr>
<td>Airports and flying fields</td>
<td>3.55</td>
</tr>
</tbody>
</table>
### Agriculture

<table>
<thead>
<tr>
<th>Industry</th>
<th>RCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vegetables and melons</td>
<td>0.00</td>
</tr>
<tr>
<td>Sheep and goats</td>
<td>0.07</td>
</tr>
<tr>
<td>Dairy farms</td>
<td>0.11</td>
</tr>
<tr>
<td>General farms</td>
<td>0.14</td>
</tr>
<tr>
<td>Poultry and eggs</td>
<td>0.23</td>
</tr>
<tr>
<td>Natural and processed cheese</td>
<td>0.25</td>
</tr>
<tr>
<td>Bread and other bakery products</td>
<td>0.44</td>
</tr>
<tr>
<td>Sausages and other products</td>
<td>2.42</td>
</tr>
</tbody>
</table>

### Agriculture

<table>
<thead>
<tr>
<th>Industry</th>
<th>RCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dried and dehydrated food</td>
<td>3.09</td>
</tr>
<tr>
<td>Meat packing plants</td>
<td>3.55</td>
</tr>
<tr>
<td>Livestock services</td>
<td>4.33</td>
</tr>
<tr>
<td>Ice cream and frozen desserts</td>
<td>4.97</td>
</tr>
<tr>
<td>Poultry slaughtering/processing</td>
<td>9.13</td>
</tr>
<tr>
<td>Crop harvesting</td>
<td>12.98</td>
</tr>
<tr>
<td>Chocolate and coca products</td>
<td>13.23</td>
</tr>
</tbody>
</table>
Strategic industries’ location in the Industry Space

Two necessary dimensions for strategy

**Investment Promotion:**
An active approach to attracting business investment targeted to diversify Jordan’s exports and provide more good jobs.

**Productivity Taskforces:**
Improving public-private problem solving to help Jordan’s most promising industries grow.
Moving from high-level to high-definition strategy

Vegetables & Melons

Viability Factors

RCA Jordan
Availability of Inputs
Electricity Intensity
Water Intensity
RCA Peers

Vegetables & Melons

Attractiveness Factors

Female Employment Potential
Export Propensity
High Skill Employment Potential
FDI World
FDI Region

CID Speaker Series: Macroeconomic Stability and Long-Term Growth: Lessons from Jordan
Moving from high-level to high-definition strategy

Productive Development Strategy for Jordan: Results from Economic Complexity Analysis

The following tool displays the results of the complexity analysis inclusive of services applied to the Jordanian economy and undertaken by the Center for International Development at Harvard University. The objective of the analysis is the identification of export themes with the highest potential to drive growth in Jordan while supporting increasing wage levels and delivering positive spillovers to the non-tradable economy. The methodology used to identify and prioritize high potential industries is summarized here. In addition to the key results of the complexity analysis, this tool presents recent trends in foreign direct investments and an overview of the presence of the identified industries in the Jordanian labor market.

Select an industry
vegetables and melons

OVERVIEW

Within the export themes that were identified as having the highest potential to drive growth, specific industries were prioritized through the analysis of key factors that influence their viability and attractiveness. Some of these factors are specific to Jordan, as the identification process seeks to capitalize on the country’s competitive advantages and avoid the main restrictions it faces. Viability and Attractiveness scores were calculated by aggregating five factors for each category, and were ultimately used to define prioritization phases for each industry.

INDUSTRY POTENTIAL

This industry is in Phase 3 of prioritization. With an RCA of 0.26, the industry does not have a real comparative advantage in the country. The industry has below median viability in comparison with the other 119 analyzed industries. Its below average ranking is explained by the low score in the Water Intensity and RCA in Jordan categories. The industry has below median attractiveness in comparison with the other 119 analyzed industries. Its below average ranking is explained by the low score in the High Skill Employment Potential and Female Employment Potential categories.

Attractiveness Factors

- Female Employment Potential: the factor weights the potential the sector has of employing women, considering its current behavior in other economies.
- High Skill Employment Potential: the factor weights the potential the sector has of employing high skilled workers, considering its current behavior in other economies.
- FDI in the World: a measure of global FDI flows is considered a proxy for world demand for each industry.
- FDI in the Region: Moreover, a measure of regional FDI flows weights the region’s current FDI landscape for the industries of interest.
- Export Proximity: The factor measures the probability of a firm in the industry has of exporting a good or a service.

Top Global FDI Companies

1. Hanwha Food World (MNC), South Korea
2. Bigger Energy, India
3. Al Bader International Development, Dubai
4. Weir Group, UK
5. Chegg Group, China
6. Chinese Highspeed Group, China
7. Green Dot Marine, United States
8. Heidelberg, United States
9. Nekki & Company, France

Top FDI Investors in MENA

1. Hanwha Food World (MNC), South Korea
2. Flynn Oil Marine, Australia
3. Al Bader International Development, Dubai
4. Weir Group, UK
5. Hanwha Green Energy, South Korea
6. Crown Resorts, Australia
7. China Aviation Capital, Singapore
8. Tinto, Australia
9. United Development, United States
10. China National Offshore Oil, China
Jordan has untapped potential to attract more FDI

Note: At least 600 companies have invested in the region but not in Jordan since 2008 in related activities, creating ~90k direct jobs.

Source: CID analysis of fDi Markets
High-skill Jordanians and high-skill foreigners

Substitutes?

Complements?
...But high-skill firms faced high-skill restrictions

Note: Wage premium calculated through a Mincer regression that controls for education levels, experience, gender, and industry fixed effects. Estimate and 95% confidence interval are shown.

Source: Own calculations using Employment and Unemployment Survey, 2017
High-skill Jordanians and high-skill foreigners

Substitutes?

Complements?
Jordan’s Most Abundant Natural Resource

SOLAR RESOURCE MAP

PHOTOVOLTAIC POWER POTENTIAL
MIDDLE EAST AND NORTH AFRICA

Long term average of PVOUT, period from 1994 (1999 in the East) to 2015

Daily totals: 3.6 4.0 4.4 4.8 5.2 5.6 kWh/kWp
Yearly totals: 1314 1461 1607 1753 1899 2045 kWh/kWp

This map is published by the World Bank Group, funded by ESMAP, and prepared by Solargis. For more information and terms of use, please visit http://globalsolaratlas.info.
Energy opportunity: from constraint to advantage

<table>
<thead>
<tr>
<th>Main Fuel Source</th>
<th>Piped NG Egypt</th>
<th>Light and Heavy Fuel Oil</th>
<th>LNG</th>
<th>Piped NG Noble &amp; Egypt</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Solar Rounds:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>R1 (2014):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>R2 (2015):</strong> 7.0 cents/kWh</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>R3 (2018):</strong> 2.81 cents/kWh</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Share of total fuel sources</strong></td>
<td>90%</td>
<td>81%</td>
<td>86%</td>
<td>95%</td>
</tr>
<tr>
<td><strong>Cost of energy (cents/kWh sold)</strong></td>
<td>5.8</td>
<td>18.0</td>
<td>9.1</td>
<td>7.4</td>
</tr>
</tbody>
</table>

Note: Solar rounds dates refer to PPA signing dates
Elements of the Growth Strategy

Source: Employment and Unemployment Survey, 2017
Elements of the Growth Strategy

PUBLIC ADMINISTRATION

FISCAL CONSTRAINT TO GROWTH

NON-TRADABLES

BALANCE OF PAYMENTS

CONSTRAINT TO GROWTH

TRADABLES
Elements of the Growth Strategy

**(TRADABLES)**

- **Jordanian**
  - LOW SKILL
  - HIGH SKILL

- **Non-Jordanian**
Elements of the Growth Strategy

**TRADABLES**

- **LOW SKILL**
  - Jordanian
  - Non-Jordanian

- **HIGH SKILL**
  - Jordanian
  - Non-Jordanian

**Underlying Constraints**

- Regional Markets & Trade Routes
- Water Scarcity
- High Cost Electricity
- Urban Mobility Costs (Affecting all Tradable goods)

**Pipeline of highly educated labor (esp. women)**

- Largely constrained

- And also by…
Elements of the Growth Strategy

**TRADABLES**

- Jordanian
  - Low Skill
  - Refugees & migrant workers
- Non-Jordanian
  - High Skill

**High-skill immigration reform**

- Pipeline of highly educated labor (esp. women)

**Export Themes**

- Business, IT & Prof. Services
- Education Services
- Healthcare Services
- Creative Industries
- Tourism Services
- Transportation Services
- Construction Services
- Agriculture and Food Processing

**Underlying Constraints**

- Energy Strategy
- Regional Markets & Trade Routes
- Water Scarcity
- High Cost Electricity
- Urban Mobility Costs (Affecting all tradable goods)

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**Foreign Direct Investment**

**Productivity Taskforces**
Elements of the Growth Strategy

TRADEABLES

- Jordanian
- Non-Jordanian
  - Low Skill
  - High Skill

More Themes

- Pipeline of highly educated labor (esp. women)
- High-skill immigration reform

Export Themes

- Business, IT & Prof. Services
- Education Services
- Healthcare Services
- Creative Industries
- Tourism Services
- Transportation Services
- Construction Services
- Agriculture and Food Processing

Underlying Constraints

- Regional Markets & Trade Routes
- Water Scarcity
- Low Cost Electricity
- Energy Strategy
- Urban Mobility Costs (Affecting all tradable goods)

Sovereign Wealth Fund

Productivity Taskforces

Foreign Direct Investment
Elements of the Growth Strategy

- **PUBLIC ADMINISTRATION**
  - **FISCAL CONSTRAINT TO GROWTH**

- **NON-TRADABLES**
  - INCREASED DEMAND; JOB & WAGE GROWTH (INCLUDING FOR REFUGEES)

- **TRADABLES**
  - GROWTH ACROSS THE EXPORT THEMES; MORE JOBS, BETTER WAGES FOR JORDANIANS
Elements of the Growth Strategy

- **FISCAL SUSTAINABILITY & BETTER PUBLIC SERVICES**
  - **PUBLIC ADMINISTRATION**
  - **TAX REVENUE**
  - **NON-TRADABLES**: INCREASED DEMAND; JOB & WAGE GROWTH (INCLUDING FOR REFUGEES)
  - **TRADABLES**: GROWTH ACROSS THE EXPORT THEMES; MORE JOBS, BETTER WAGES FOR JORDANIANS
Outline

• About the Project
• What did we learn about Jordan?
• Impact of our Research
• Q&As
Our work influenced Jordan through four channels

- Ministry of Labor (PDIA)
- Investment Promotion & Productivity Taskforces
  - Fiscal policy and debt sustainability

- London Conference (Feb. ‘19)
- World Bank DPF (May ’19)
- IMF 4-year (Jan ‘20)

- Jordan: The Elements of a Growth Strategy
- Female Labor in Jordan: A Systematic Approach to the Exclusion Puzzle
- A Roadmap for Investment Promotion and Export Diversification: The Case of Jordan

- High-Skill Immigration
- Energy Supply
- Female Labor Inclusion
- Sovereign Wealth Fund
“As you will hear today, our economic strategy prioritizes service sectors, that benefit directly from Jordan’s highly valued human capital… these sectors are right for growth, and provide the better paying jobs can meet the pressing needs of Jordanians workers…

“We are also aggressively shifting to greener energy, by leveraging Jordan’s comparative advantages in solar and wind…

“We are actively working with the international community to ensure the fiscal space that is needed for economic growth. Access to concessional finance is essential…

“You will hear today about ready-to-invest opportunities, streamed by our project pipeline, a Jordan-led effort in partnership with the IFC to develop bankable opportunities with the legal and financing structuring that investors expect…
“We have a vision, it’s about renaissance… it’s about renewable energy, and **moving away** from traditional, fossil fuels and exploiting our comparative advantages in renewables…

“Jordan has made hard choices over the previous years, **decreasing our public expenditure** by 8% of GDP, among the biggest shifts… even when compared to Spain, and Portugal and Greece… and in spite of that we continued growing… we had to do it to create a stable macroeconomic environment…

“We really have a tremendous comparative advantage in business services, **companies pay five times more** for Jordanian talent working in Saudi Arabia and the Gulf…
Influence of the project continues

Omar Al Razzaz: Jordan's youth at the centre of reform efforts

Jordanian prime minister discusses progress so far and the kingdom's regional concerns in interview with The National

Thanks!