

VIII Social Aspects of the Adjustment Program: Strengthening the Social Safety Net

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In addition to maintaining the traditional family-based social arrangement and the formal pension system that operates through the Social Security Corporation for the private sector (see Box 8.1) and the government pension plans, Jordan has strengthened the safety net system for the poorer segments of the population since the 1989 economic crisis. Before 1989, Jordan operated a system of administered prices, primarily involving an overvalued exchange rate. The massive devaluation of the Jordan dinar in 1988–89—although an important component of Jordan’s effort to ensure sustainable long-term growth and eventual improvement in overall living standards—in the short term hurt the poor as well as workers receiving inadequate wage adjustments.

As a result of the economic crisis of the late 1980s, per capita real income and consumption dropped sharply through a slowdown in domestic economic activity and a decline in the inflow of workers’ remittances and official transfers. The poverty profile deteriorated markedly, following sustained improvements during the 1970s and the first half of the 1980s. The actions taken to reduce domestic imbalances—particularly, containment of the public sector wage bill and other current expenditures, exchange rate realignment, and price adjustments—also lowered household income in real terms in the short run.

Poverty Profile

Associated with the economic boom, poverty in Jordan declined steadily during 1980–86, with the share of the population below the poverty line declining from 24 percent in 1980 to less than 3 percent in 1986–87. However, as the economic situation faltered, the poverty situation deteriorated sharply in the late 1980s, worsening further after the 1990 regional crisis (Table 8.1). At the same time, Jordan’s rapid population growth has strained the availability and quality of social services. The strong economic turnaround during 1992–93 is believed to have helped somewhat in reducing the level of unemployment and alleviating poverty.

Poverty and Income Distribution

Available information on per capita output growth and inequality (as measured by the Gini coefficient) suggests that during 1973–80, per capita income increased by 7.9 percent a year while income inequality increased, especially in rural areas; and, during 1980–86, per capita income was flat, but income distribution improved, especially in rural areas. Based on the 1986–87 income and expenditure survey, World Bank estimates indicate that 100 percent of Jordanian households were above the severe poverty or general poverty lines. Using a much higher level of annual per capita income (JD 148) than that of the World Bank to define what he called the “absolute poverty line,” Al-Saquor found that 3 percent of the population fell below this line.¹ The depth of poverty, measured in terms of the poverty gap,² was 1.9 percent for the lowest decile and 4.8 percent for the lowest 20 percent. Based on Al-Saquor (1990), the depth of poverty below the absolute poverty line was 0.3 percent.

Dimensions and Distribution of Poverty, 1991–92

Poverty worsened during the balance of payments crisis and the regional conflict. Regardless of the measure chosen, a comparison of data indicates that poverty was deeper and more widespread and that there was greater inequality among the poor. In 1991, 8.7 percent of the population was estimated to be below the severe poverty line, and 19.8 percent below the general poverty line compared with zero percent in 1986.³ The poverty gap also deteriorated

¹M. Al-Saquor, “The Poverty Line in Jordan,” in *Income Distribution in Jordan*, ed. by K.A. Jaber, M. Buhbe, and M. Smadi (Boulder, Colorado: Westview Press, 1990).

²Based on a concept that reflects the percentage of national income by which the expenditures of the poor would have to be increased to bring them up to the poverty line.

³The expenditure data for 1991 were unreliable because the average expenditures reported in the survey were only 76 percent of those in the national income accounts, compared with 94 percent for the 1992 income and expenditures survey. Accordingly, the 1991 estimates for poverty are likely to be biased upward.

Box 8.1. Social Security Corporation

The Social Security Corporation (SSC) was set up in 1980 to provide social insurance for old-age pensions, survivor pensions, disability pensions, work accidents, and vocational diseases for nongovernment workers. The scheme is mandatory for companies with five employees or more and voluntary for others. About 9,000 companies are enrolled, totaling some 275,000 contributors. Contributions are equivalent to 15 percent of gross wages, of which 10 percent is paid by the employer and 5 percent by the employee. The overall number of beneficiaries is currently about 23,000.

The benefit formula for old-age pensions is based on the average salary over the last two years of activity, multiplied by 2 percent times the number of years of contributions. Once pensions are paid out, there is no subsequent cost of living adjustment. There is a minimum pension of JD 50 a month. Because the SSC is relatively recent, the average number of contributing years is still limited; therefore, about 90 percent of the recipients take advantage of the minimum pension provision. Old-age pensions are supplemented with family allowances equivalent to 10 percent for the spouse and 5 percent for each dependent child under the age of 26, with a maximum of two. The retirement age is 60 for men and 55 for women. Early retirement, with a small penalty, is allowed from the age of 45 if the applicant has contributed for at least 15 years. For work accidents

and vocational diseases, the benefit is equivalent to 60 percent of the last salary; for survivor pensions, it is 50 percent of the last salary.

For the time being, the financial position of the SSC appears to be strong (see table), largely because it is a new establishment, with a ratio of contributors to beneficiaries of more than 10 to 1. Current arrangements, in particular, regarding early retirement and the minimum pension provision, may appear in the long run to be too generous or may require transfers from the budget to maintain full funding. If the SSC turns out to be only partially funded, changes in demographic trends, in particular, a lower population growth rate and increased life expectancy, will affect the long-term sustainability of the current scheme. With the increase over time in the average number of contributing years, the relative weight of the minimum pension provision should decrease. However, given the absence of cost of living adjustment, pressures to increase the minimum pension amount are likely to remain strong. Another source of concern is related to the return on investment. The SSC scheme is based on a so-called defined-benefit principle; that is, beneficiaries do not share the risk on investment. In this regard, investment in operations owned or controlled by the Government (particularly if the public enterprises are not efficient) may not be judicious.

Assets and Liabilities of the Social Security Corporation

(Millions of Jordan dinars)

| | 1987 | 1988 | 1989 | 1990 | 1991 |
|---|-------|-------|-------|-------|-------|
| Cash | 0.4 | 0.1 | 0.9 | 0.2 | 0.4 |
| Deposits with banks and financial institutions | 49.0 | 61.8 | 88.4 | 135.8 | 163.8 |
| Development and corporate bonds | 25.8 | 31.5 | 29.6 | 29.5 | 40.0 |
| Companies' shares | 14.5 | 30.8 | 50.4 | 49.5 | 52.1 |
| Investment in full ownership of an institution | 24.3 | 24.8 | 25.7 | 24.8 | 25.5 |
| Loans | 82.2 | 94.9 | 97.2 | 104.6 | 128.5 |
| Advances and claims on participants | 13.6 | 17.6 | 19.9 | 21.5 | 19.5 |
| Fixed assets | 3.3 | 3.4 | 3.8 | 5.1 | 7.7 |
| Other assets | 10.0 | 5.3 | 5.3 | 10.5 | 8.7 |
| Assets = Liabilities | 223.1 | 270.2 | 321.2 | 381.5 | 446.2 |
| Balance of net accruing revenues at the beginning of the year | 178.4 | 221.9 | 269.1 | 317.4 | 372.4 |
| Net revenue for the year | 43.5 | 47.2 | 48.3 | 55.0 | 64.3 |
| Creditors | 0.9 | 0.5 | 0.4 | 0.5 | 0.8 |
| Other | 0.3 | 0.6 | 3.4 | 8.6 | 8.7 |

Source: Social Security Corporation.

sharply, widening to between 1.9 percent and 5.0 percent.

Based on the 1992 income and expenditure survey, poverty was somewhat less severe in 1992.

However, the extent of improvement was perhaps somewhat less than what appears from the data analysis because of potential weaknesses in the 1991 data. Although poverty appeared to have de-

Table 8.1. Selected Poverty Indicators

| | Poverty Line (Jordan dinars per capita a year at current prices) | Head Count Index ¹ (In percent) | Poverty Gap ² |
|--|--|---|--------------------------|
| Income and expenditure survey, 1986–87 | | | |
| Al-Saquor's absolute poverty line | 148 | 3.0 | 0.3 |
| World Bank | | | |
| Severe poverty line | 59 | — | — |
| General poverty line | 79 | — | — |
| Maximum income | | | |
| Lowest 10 percent | 197 | 10.0 | 1.9 |
| Lowest 20 percent | 246 | 20.0 | 4.8 |
| Income and expenditure survey, 1992 | | | |
| Al-Saquor's absolute poverty line | 261 | 14.9 | 3.7 |
| World Bank | | | |
| Severe poverty line | 104 | 0.5 | 0.1 |
| General poverty line | 139 | 1.8 | 0.4 |
| Maximum income | | | |
| Lowest 10 percent | 223 | 10.0 | 2.3 |
| Lowest 20 percent | 294 | 20.0 | 5.3 |
| Employment, unemployment, returnees, and poverty survey, 1991 | | | |
| World Bank | | | |
| Severe poverty line | 102 | 8.7 | 1.9 |
| General poverty line | 137 | 19.8 | 5.0 |

Sources: World Bank, *Jordan: Poverty Assessment*, Country Sector Study Report No. 12675, Vol. 1 (Washington, 1994); M. Al-Saquor, "The Poverty Line in Jordan," in *Income Distribution in Jordan*, ed. by K.A. Jaber, M. Buhbe, and M. Smadi (Boulder, Colorado: Westview Press, 1990).

¹Measures the percentage of the population for whom per capita expenditures are below the poverty line.

²Measures the depth of poverty—that is, the percentage of national income by which the expenditure of the poor would have to be increased to bring them up to the poverty line.

clined in 1992 more than had been envisaged, all indicators point to a marked deterioration compared with the pre-crisis situation. In particular, based on Al-Saquor's absolute poverty line, the proportion of the population below the absolute poverty line was almost 15 percent, that is, a fivefold increase from the pre-crisis level based on the same measure.

Why Poverty Deteriorated

During the past two decades, Jordan's poverty profile has been directly related to its economic growth performance. As real expenditures per capita declined by 22 percent in real terms (from JD 530 to JD 415 in constant 1986 prices) between 1986 and 1992, real expenditures declined for all groups. For the poorest 20 percent, the decline in real expenditure was 36 percent, whereas for the top 20 percent, the decline was limited to 11 percent. During 1986–92, food prices measured in terms of nominal market prices increased by 78 percent because of the devaluation of the Jordan dinar and the reduction or

elimination of many food subsidies.⁴ For the bottom 20 percent, average food consumption—accounting for about half of their total expenditures—dropped by 36 percent during the corresponding period.

A breakdown in the change in poverty in terms of underlying factors, such as growth and redistribution, indicates that between 1986 and 1992 the head count index (which measures the percentage of the population for whom per capita expenditures are below the poverty line) increased by 11.9 percent, about 70 percent of which could be explained by the decline in economic growth (Table 8.2). However, unlike previous episodes or in other countries in similar circumstances, redistribution of expenditures (an indicator of income)—particularly for the urban areas—partly mitigated the rise in poverty. The rural population suffered a greater deterioration, which was attributable both to a decline in income and expenditure and increasing income inequality near the poverty line. Poverty alleviation policies—which

⁴As noted, a part of the increase was mitigated through the introduction of a food coupon system in 1990.

Table 8.2. Factors Contributing to Change in Poverty
(In percent)

| | Change in Head Count Index | Source of Change | | |
|---|-------------------------------|------------------|----------------|----------|
| | | Growth | Redistribution | Residual |
| World Bank poverty line, 1980–86 ¹ | | | | |
| All Jordan | -23.6 | -14.7 | -15.8 | 6.9 |
| Al-Saquor poverty line, 1986–92 ² | | | | |
| All Jordan | 11.9 | 8.3 | -1.3 | 5.0 |
| Urban sector | 10.4 | 7.1 | -2.1 | 5.4 |
| Rural sector | 17.3 | 12.5 | 1.4 | 3.4 |

Source: World Bank, *Poverty Assessment*.

Note: The negative sign indicates that income distribution around the poverty line became more nearly equal.

¹Defined in Table 8.1. The head count index was 24.5 percent in 1980 and zero in 1986.

²Defined in Table 8.1. The head count index was 3.0 percent in 1986 and increased to 14.9 percent in 1992.

are more focused on urban areas because of better accessibility—could have contributed to this effect.

Poverty Alleviation Policies

The authorities have been responsive to the social and human resource dimensions of its development strategy. Accordingly, expenditures on education and health have always accounted for a large segment of Jordan's total budgetary outlays. This strategy has paid dividends in terms of marked improvements in literacy, health, and other social indicators. Following the economic crisis in the late 1980s, in addition to maintaining its commitments to health and education sectors, Jordan has also increased its expenditures on welfare programs. A large part of this welfare expenditure has been in the form of subsidized staple commodities. Moreover, programs that provided direct income support to the extremely poor—such as through the newly established National Aid Fund (NAF)—were also introduced at that time (1989).

Temporary Social Safety Net Instruments

The authorities' expenditure on safety net programs primarily consisted of generalized food subsidies, food coupons, transfers through the NAF, and health cards. In 1990, total food subsidies amounted to 3.5 percent of GDP, accounting for almost 10 percent of central government current expenditure. Despite the Government's best intentions, the generalized food subsidy was both expensive and inefficient from a distributional point of view. Accordingly, the authorities reduced the budgetary cost of the welfare

program—particularly the generalized food subsidy—from its peak in 1990 by issuing food coupons directly to the poor. In addition to providing food subsidies, the safety net system alleviates poverty through cash or in-kind assistance. The main programs are cash transfers through the NAF, health care subsidies, employment through projects that generate income, and in-kind grants. The Government is the main provider of food, cash, and health care subsidies, whereas nongovernment organizations (NGOs) and the United Nations Relief Works Agency (UNRWA) are dominant in in-kind assistance and income-generating projects.

Food Subsidy Schemes

To cushion the poor from the effect of the large depreciation of the Jordan dinar in 1988–89, the authorities initially left unchanged the domestic prices of a range of food items sold through the Ministry of Supply. Consequently, budgetary outlays for food subsidies rose to a peak of JD 83.5 million in 1990 (3.1 percent of GDP) (Table 8.3). Until September 1990, no targeting mechanism was in place, and the income distribution effect of general subsidies was not satisfactory.⁵ Moreover, the subsidies represented an open-ended budgetary commitment, which was unsustainable given the rapid population growth

⁵In principle, only inferior goods justify a general subsidy because of demand patterns; most of the benefits are self-targeted to the poor. Ahmad (1991) estimated on the basis of the 1987 income and expenditure survey, that, of the subsidized goods, only flour could be considered an inferior product. Thus, it was likely that until September 1990 the generalized subsidy system made substantially greater transfers to the rich and the middle classes than to the poor.

Table 8.3. Food Subsidies

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|-----------------------|-------------------------------------|-------|-------|-------|-------|-------|-------|
| | <i>In millions of Jordan dinars</i> | | | | | | |
| Wheat | -6.8 | -36.2 | -40.5 | -34.7 | -43.3 | -43.3 | -39.5 |
| Barley | -3.6 | -7.2 | -6.9 | -7.0 | -8.6 | -9.0 | -3.3 |
| Sugar | 0.7 | -15.6 | -27.4 | -2.4 | 1.9 | 2.7 | -0.5 |
| Rice | -0.2 | -7.3 | -11.9 | -5.2 | -5.8 | -6.7 | -4.8 |
| Milk | ... | ... | -4.4 | -3.9 | -6.7 | -4.3 | -3.0 |
| Meat ¹ | 7.3 | -5.6 | -4.8 | — | — | — | — |
| Sorghum ² | ... | ... | 2.2 | -2.8 | — | — | — |
| Maize ² | ... | ... | -4.3 | -7.3 | — | — | — |
| Other | -4.0 | -1.2 | 18.9 | 2.0 | 5.2 | 7.0 | 7.9 |
| Total subsidy (-) | -6.6 | -73.1 | -83.5 | -61.2 | -57.3 | -53.6 | -43.2 |
| | <i>In percent of GDP</i> | | | | | | |
| Total subsidy (-) | -0.3 | -3.1 | -3.1 | -2.1 | -1.6 | -1.4 | -1.0 |
| Generalized subsidies | -0.3 | -3.1 | -3.4 | -1.8 | -1.5 | -1.3 | -1.0 |

Source: Jordanian authorities.

¹Subsidies for meat were eliminated in 1990.

²Subsidies for sorghum and maize were eliminated in 1992.

and the fiscal adjustment required under the authorities' stabilization program.

To contain or reduce the growing budgetary costs of the general food subsidy scheme, a scheme was introduced in September 1990 to ration sugar, rice, and powdered milk through food coupons; it has remained in effect since then. The food coupon system aims at ensuring the availability of fixed quantities of these food items at reasonable prices for all Jordanians. Arrangements were also made to ensure the availability of additional quantities of these commodities at a price generally higher than the full cost. By introducing the rationing scheme, the authorities essentially limited the open-ended budgetary commitment implied by a generalized subsidy. Under the food coupon system and through the implicit cross-subsidization scheme, subsidies on milk, sugar, and rice were reduced from JD 43.8 million in 1990 to JD 8.3 million in 1994, notwithstanding a significant increase in the population, particularly after the 1990 regional crisis.⁶ Other operations of the Ministry of Supply resulted in budgetary savings because the prices of products were generally maintained above their import costs. In 1994, when means testing was introduced for food coupons, households with a member earning more than JD 500 were excluded from the benefits.

⁶A large part of these budgetary savings, however, reflected declining import prices for sugar and rice (these prices declined by about 30 percent and 20 percent, respectively, over 1990–92).

Although the general subsidy on wheat was costly and there was scope for achieving better results, the program was maintained partly because of its distributional impact. According to the 1987 household income and expenditure survey, wheat and bread were the main food expenditure items, accounting for about 15 percent of expenditure for the poorest 20 percent of the population, compared with only 2 percent for the richest 20 percent. Thus, even with similar savings in nominal terms, the relative gains to the poor households were much higher. Some modest price adjustments were made in 1993 to contain the budgetary costs of the wheat subsidy.

National Aid Fund

Since its establishment in 1987, the NAF—an autonomous government agency—has steadily increased its operations to provide direct income support for extremely poor families with financial support from the Government. In 1994, the NAF provided direct income support to about 31,000 extremely poor households with 147,000 persons (3.5 percent of the population) at or below the poverty level. In that year, the NAF budget amounted to JD 12.7 million, which was divided among three major categories: cash transfers (JD 11.1 million), the rehabilitation program (JD 1.0 million), and administration (JD 0.4 million). Despite the continued fiscal adjustment, the authorities increased the budgetary support to the NAF from JD 8 million to JD 10 million in 1993 and to JD 12.7 million in

1994. This increased budgetary support allowed for a significant broadening of NAF operations by providing an additional JD 10 a month for each family and an increase in the number of families covered under the program by 8,000, to 31,000.⁷ Currently, an average of JD 6.3 a month for each person is being transferred to the beneficiaries; this compares with the absolute poverty level of JD 11.5 a month for each person.

Health Care Subsidies

The Ministry of Health gives cards to the poor, granting them lower fees for health care, and also waves fees on a case-by-case basis. People with incomes below JD 200 a month are eligible for health cards, and disabled persons are eligible irrespective of income. About 50,000 health cards—valid for two years—were issued during 1991–92; the total number of beneficiaries was estimated to be 322,000 in 1992. The amount of income transferred (subsidies beyond the general subsidy of the Ministry of Health) was rather modest, at JD 3.5 a person a year, and the total estimated transfer on this account was also modest (JD 1.1 million).

Other Welfare Programs

Other income transfer programs, funded by private contributions and UNRWA, also provide income support to a large number of households. Under an UNRWA program for special hardship cases, more than 30,000 individuals qualified to receive predominantly in-kind assistance equivalent to a monthly transfer of JD 9.2 a person. The Zakat Fund—financed through private contributions but administered by the ministry charged with religious charities and institutions (Aw'qaf)—supports 3,000 households on a regular basis (with an average monthly transfer of JD 7.7 to each household in 1991).

Permanent Social Safety Net Arrangements

In addition to setting up the temporary arrangements, the authorities have also alleviated poverty and contributed to human resource development through a number of permanent programs. Through these, education, health, pensions, and social security are available to all eligible residents without means tests. Traditionally, the authorities' contributions to these programs have been high, and priorities for social sectors have been maintained.

⁷The NAF's monthly assistance to households amounts to JD 25 for the head of the household, and JD 5 for the spouse and each additional dependent (up to four, because there is a ceiling of JD 50 a family).

Public Education System

Like in most other countries, poverty in Jordan is inversely related to the rise in the level of people's education. Illiterates account for 22 percent of the population 21 and older, representing about 42 percent of the lowest 10 percent.⁸ Because the likelihood of being poor decreases with education, and given that Jordan has achieved remarkable progress in reducing illiteracy and establishing good educational standards, the prospect for further poverty reduction through education is good.⁹ In spite of the economic crisis during the late 1980s, growth in the number of teachers was more than twice the increase in enrollment over the last decade; the number of classrooms increased by 50 percent during the 1980s, and every village with ten or more children of school age has a school. Accordingly, the illiteracy rate has declined from 54 percent in 1965 to less than 20 percent currently, and the absolute number of illiterate adults has decreased despite the high rates of population growth. Overall, Jordan maintains a high-quality comprehensive public education system that is cost-effective (Table 8.4).

Virtually universal primary school enrollments suggest that public spending on education has reached the poor. Public education costs are 95 percent subsidized, and poor students (about 15 percent) are not required to pay school fees. Reflecting these developments, the poorest 20 percent of the population spent about 0.8 percent of total expenditure on education, compared with 3.5 percent for nonpoor households (1986 income and expenditure survey).

Public Health System

Although Jordan does not have a formal public health insurance system, health indicators suggest that the coverage of the current health system is quite comprehensive (Table 8.5). All military and civil employees and their dependents pay a small monthly premium and are covered under government health insurance plans.¹⁰ The insurance plan covers free treatment at public hospitals and very low fees in primary health care facilities. Only the eligible poor and disabled receive the benefits free of charge. All other households have access to pri-

⁸At the other end, people with vocational or secondary educations or higher represent only 11 percent of the lowest 10 percent while comprising 34 percent of the population 21 and older.

⁹More than 70 percent of the poor and very poor heads of households are older than 40 and grew up before primary education was universal.

¹⁰For military personnel and their dependents, the premium is 1.1 percent of the basic salary with a ceiling of JD 1.5 a month; for civil servants, the premium is 2 percent of the basic salary with a ceiling of JD 8 a month.

Table 8.4. Selected Countries: Expenditure on Education*(In percent, unless otherwise indicated)*

| | Educational Quality | | | Spending on Education (1990) | | Unit Cost of Primary Education (1990) ¹ |
|-----------------------|------------------------------------|---|------------------------------------|------------------------------------|--------------|--|
| | Illiteracy rate, ages 15–19 (1990) | Students advancing to final year of primary school (1987) | Ratio of pupils to teachers (1989) | Share of total government spending | Share of GDP | |
| Algeria | 12 | 90 | 28 | ... | ... | 212 |
| Egypt | 36 | 95 | 24 | 13.4 | 4.9 | 138 |
| Iran, Islamic Rep. of | 21 | 87 | 24 | 21.7 | 3.8 | 142 |
| Jordan | 3 | 96 | 28 | 14.8 | 5.4 | 150 |
| Morocco | 21 | 67 | 26 | 17.0 | 4.8 | 175 |
| Syria | 18 | 89 | 26 | 7.4 | 2.2 | 157 |
| Tunisia | 5 | 72 | 30 | 17.0 | 5.1 | 178 |
| Yemen (1987) | ... | 31 | 45 | 15.5 | 6.0 | 181 |

Sources: World Bank, *Social Indicators of Development* (Washington, 1992); and IMF, *Government Finance Statistics* (Washington, 1992).¹In U.S. dollars.

mary health care centers and are charged subsidized fees somewhat higher than those public sector employees are charged.

Other Safety Net Arrangements

The Social Security Corporation (SSC) provides retirement pensions and medical expenses for work-related injuries. The SSC is financed through taxes on private, formal sector employment, with contributions by enterprises and employees. The scheme is mandatory for companies with five employees or more and voluntary for others. About 9,000 companies are currently covering some 275,000 contributors (about one-third of the labor force). Contributions amount to 15 percent of gross wages, of which 10 percent is paid by the employer and the remainder by the employee. The total number of beneficiaries is currently estimated to be about 23,000 (see Box 8.1).

Overview of Recent Developments and Medium-Term Strategy

While pursuing stabilization and structural reform programs involving large price adjustments, the authorities have launched new programs and strengthened existing ones to protect the vulnerable segments of the population; they have also maintained the quality and availability of education and health care services for all Jordanians. In the first two years (1989–90), however, in the absence of a comprehensive strategy for a social safety net, the program was not well targeted and the costs were not sustainable. To address this problem and improve basic social assistance, the authorities expanded the operations of the NAF, introduced a coupon system for several food items, raised certain prices, and introduced cross-subsidization; through these initiatives, they have succeeded in significantly reducing the cost of the safety

Table 8.5. Health Indicators, 1991*(Per 10,000 population)*

| | Jordan | Arab Nations | Developing Countries | Industrial Countries |
|------------------|--------|--------------|----------------------|----------------------|
| Doctors | 17.1 | 8 | 7 | 27 |
| Nurses, midwives | 8.7 | 11 | 11 | 70 |
| Dentists | 3.8 | 3 | 2 | 9 |
| Pharmacists | 5.7 | 4 | 2 | 8 |

Source: World Bank, *Poverty Assessment*.

net program in recent years while improving the targeting of benefits. In particular, the total budgetary cost of the authorities' food subsidy program declined from a peak of 3.5 percent of GDP in 1990 to 1.4 percent of GDP in 1993. Following further price adjustments in 1994, the cost declined further in 1994 to about 1 percent of GDP; most of the decline was on account of the generalized subsidy on wheat.

In addition to contributing significantly to a sustained reduction in the fiscal deficit, this consolidation of the subsidy program made it possible to increase the budgetary transfers to the NAF for direct income support for the poor. NAF expenditure accounted for 23 percent of total targeted safety net transfers in 1992, and this ratio increased further in 1993. Both benefits and coverage have been expanded significantly since 1993. By providing per capita benefits of JD 75 a year, this program succeeded in bringing about 3.5 percent of the population (who were below the absolute poverty line) close to the poverty line. The food coupon system served the majority of the population, although individual benefits were relatively low (totaling JD 6.5 a year). It is believed that the low- and middle-income households—who either do not qualify or avoid means-tested transfer programs—receive benefit transfers only through food coupons and the generalized subsidies. The health card system provides fairly comprehensive health care coverage to more than 8 percent of the population, at a reasonable cost (JD 3.5 a person a year).

In addition to maintaining good social infrastructure through expenditure programs on education and health, Jordan has succeeded in establishing a wide network of welfare programs ranging from generalized subsidies to targeted means-tested income support programs. The poverty reduction effect of the generalized subsidy program, however, is believed to be rather limited. In contrast, targeted programs under the NAF and the health card have benefited a sizable segment of the poorest households. A redistribution of the resources away from generalized subsidies to the targeted programs could further improve the efficacy of the authorities' welfare program.

Sustainability of the cost of the authorities' safety net program—currently at about 1.6 percent of GDP—needs to be addressed in a medium-term context. Notwithstanding the remarkable progress achieved in recent years, continued efforts are necessary to further consolidate and sustain the resulting gains. The recent reduction in the level of wheat and other subsidies was partly attributable to a decline in international commodity prices, which may reverse over time. High population growth (at a rate of more than 3 percent a year) would also continue to exert pressures on food subsidies and other expenditure programs, such as pensions, education, and physical infrastructure. The authorities' ongoing medium-term adjustment and reform program may imply short-term costs to certain socioeconomic groups that would then have to be addressed.

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