

# BTI 2008 | Jordan Country Report

|                         |      |             |             |   |
|-------------------------|------|-------------|-------------|---|
| <b>Status Index</b>     | 1-10 | <b>5.12</b> | # 80 of 125 |   |
| Democracy               | 1-10 | 3.98        | # 88 of 125 | ➔ |
| Market Economy          | 1-10 | 6.25        | # 51 of 125 | ➔ |
| <b>Management Index</b> | 1-10 | <b>4.81</b> | # 69 of 125 |   |

scale: 1 (lowest) to 10 (highest)    score    rank    trend

This report is part of the Bertelsmann Transformation Index (BTI) 2008. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 125 transformation and developing countries are evaluated.

The BTI is a joint project of the Bertelsmann Stiftung and the Center for Applied Policy Research (C•A•P) at Munich University.

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## Key Indicators

|                          |        |      |                              |      |                      |    |       |
|--------------------------|--------|------|------------------------------|------|----------------------|----|-------|
| Population               | mn.    | 5.5  | HDI                          | 0.76 | GDP p.c.             | \$ | 4,920 |
| Pop. growth <sup>1</sup> | % p.a. | 2.3  | HDI rank of 177              | 86   | Gini Index           |    | 38.8  |
| Life expectancy          | years  | 72   | UN Education Index           | 0.86 | Poverty <sup>3</sup> | %  | 7.0   |
| Urban population         | %      | 82.3 | Gender equality <sup>2</sup> | -    | Aid per capita       | \$ | 123.5 |

Sources: UNDP, Human Development Report 2006 | The World Bank, World Development Indicators 2007 | OECD Development Assistance Committee 2006. Footnotes: (1) Average annual growth rate 1990-2005. (2) Gender Empowerment Measure (GEM). (3) Percentage of population living on less than \$2 a day.

## Executive Summary

During the period under review, political and economic progress in Jordan was once again heavily influenced by developments in neighboring Iraq and the Palestinian territories. The Palestinian elections with Hamas' success stoked fears that Islamist influence would also grow in Jordan. In spring 2006, the government accused Hamas of smuggling arms from Syria through Jordan to the Palestinian territories and warned the movement not to interfere in Jordanian affairs. As a result of these events, the already-chilled relations between the palace and the Muslim Brotherhood suffered another setback. King Abdallah II has endeavored to play a moderating role in the fratricidal war that broke out in 2006 in the Palestinian territories, with the ultimate aim of de-escalating the situation and forging an agreement between Hamas and Fatah. The effects of the war in Iraq on Jordan are two-fold. On the one hand, economic benefits have accrued to Jordan as a result of this war, leading in particular to a blossoming of the real estate and the banking sectors. In addition, numerous foreign aid organizations have settled in Amman instead of Baghdad as a result of the shaky security situation in Iraq. On the other hand, Jordan has to cope with the influx of Iraqi refugees and the danger of a spillover of violence and conflict. Jordan itself became a victim of terrorist violence when bombs exploded in three hotels in Amman in November 2005. The government reacted with a wave of arrests among the Islamist movement including members of the non-violent Muslim Brotherhood. In spring 2006, riots in several Jordanian prisons proved the capability of imprisoned radical Islamist factions to mobilize its supporters and its readiness to defy the regime. In the summer of 2006, the palace released the National Agenda, a document of political and economic reform that had been formulated by a handpicked group of elite members. Parliament had not been involved in designing this document, which defines the main topics of the reform course until the year 2015. The intent of the king was to buy the consent of important elite groups in the country and to create an agreement between leadership, traditional

elites and security forces, including the intelligence apparatus. While the agenda proposed structural changes like the much-awaited amendment of the electoral law, these were once again postponed. Economic growth remained high during the period of observation but slowed down somewhat compared to previous years. Real GDP growth was at 6.7% in 2006 compared to 7.8% in 2005. The increase in oil prices and the Jordanian loss of free Iraqi oil supplies deepened Jordan's trade deficit. The removal of oil subsidies and an increase in tax revenues, on the other hand, contributed to a more effective containment of the public deficit.

## History and Characteristics of Transformation

Jordan embarked on a broad economic and political transformation project at the end of the 1980s. The decline of the oil prices of 1986 forced the government to review its heavy dependency on the petroleum producing economies of the Persian Gulf. Jordanian exports to the oil monarchies decreased as did financial transfers by Jordanian expatriates and Arab economic assistance, the results of which were twofold: first, the state needed international support for structural adjustment programs; second, it felt obliged to turn toward more inclusive political approaches in order to generate support for a more comprehensive reorientation. The uprising in the Palestinian occupied territories after 1987 was perceived by King Hussein as a threat to Jordanian claims on the area. Jordan disengaged from the West Bank in 1988 and emphasized the legitimacy of the Palestine Liberation Organization to represent the Palestinian people. Political liberalization was introduced as a means to contain the public's discontent with economic austerity measures. In 1989, Jordan held its first nation-wide parliamentary elections since 1967. Reforms in economic and political areas followed, the former representing the continuation of structural adjustment programs, and the latter addressing media and political organizations. During the Kuwait war of 1990 – 1991 Jordanian King Hussein tried to straddle an economically grounded pro-Iraqi position, Palestinian sympathy for Saddam Hussein and the requirements of the international donor community, which condemned the Iraqi invasion. The Oslo Declaration of Principles in 1993, according to which Israel and the Palestine Liberation Organization agreed to engage in a peace process, took Jordan by surprise. After this unilateral step on the part of the Palestinians, King Hussein no longer felt obliged to link a peace agreement with Israel to a global settlement of the dispute. The following peace treaty between Amman and Tel Aviv in 1994 brought economic advantages and financial aid, notably from the United States. Politically, the process of liberalization initiated in 1989 slowed down and even began to reverse itself. Large parts of the population were skeptical, but hoped for economic benefits. Although the parliament did ratify the peace treaty, a stable and relentless opposition emerged that was led by the political wing of the Muslim Brotherhood, the Islamic Action Front. In

order to maintain public order and prevent protest from growing beyond control, the necessity of clinging to the peace treaty forced the regime to halt the process of political liberalization. King Abdullah's succession to the throne in 1999 was accompanied by growing attention to economic reform at the expense of political reform. While continuing to make use of foreign resources, Jordan opted for economic reforms that went beyond the requirements of the initial structural adjustment programs of the 1980s. Developing the domestic economic potential became a policy priority and was considered as important as securing international support and related financial benefits. Policies have been gradually formulated by a new generation of technocrats who have tried to dissociate Jordan's development challenges from the hitherto dominant foreign policy issues related to the Arab-Israeli conflict. Following the bombings in November 2005, rights of intelligence service and security forces were expanded, and pressure on the media and on the opposition increased noticeably. The National Agenda, which was meant as another document of democratic transition, was issued in the summer of 2006. Its political recommendations, however, have yet to be implemented.

## Transformation Status

### I. Democracy

Since King Abdallah's accession to the throne, he has to a large extent concentrated on economic reforms. The democratic transition has not only come to a standstill, but was in parts even reversed. Public freedoms were curtailed and the opposition faced growing repression during the last two years. This applies especially to the Islamists. The long tradition of tolerance and sometimes cooperation between the leadership and the Muslim Brotherhood suffered a heavy blow.

#### 1 | Stateness

In principle, the state's monopoly on the use of force is established nationwide. In the past, however, periodic unrest in the country's southern regions have indicated that the state's authority may be threatened by some segments of society under certain conditions. These segments include tribal elements as well as militant Muslim radicals (salafis). The latest such incident occurred in 2002 in Maan. Since then, the state has been able to regain complete control over the area. But while security has been re-established, the economic and political problems that led to the outbreak of violence have remained largely unresolved. The application of tribal law narrows the jurisdiction of the state's institutions in some fields. The norms of tribal law have also influenced the legislation in other areas, particularly in the framework of gender issues and "honor crimes." Apart from certain gaps on a level of norms between state jurisdiction and tribal law, the latter also serves a mediating role that to some extent works to alleviate the state judiciary's workload.

Monopoly on the use of force

All ethnic and religious groups enjoy equal rights before the law. However, there are restrictions for certain groups among the Palestinian refugees. Their access to Jordanian nationality depends on the date of arrival in Jordan and place of origin. Only Palestinians who fled to Jordan during the war of 1948 and from the occupied West Bank were allowed full Jordanian citizenship. No Palestinian from Gaza can gain Jordanian nationality nor have the refugees of 1967 or later years been granted citizenship. The public debate on national identity and the government's reaction to critical comments on the issue reveal fear and

State identity

resentment toward the Palestinian majority held by the country's Transjordanian/Alawite minority, or "Eastbankers" (i.e., those whose families resided on the east bank of the Jordan river, which – as a part of the larger British mandate for Palestine – came to be called Transjordan following World War I). Discrimination is also practiced indirectly, for instance through the uneven design of the electoral districts that favor East Bank constituencies over those with a Palestinian majority.

Islam is the religion of state. The Hashemite family enjoys a distinct religious prestige because it traces its origins to the house of the Prophet Muhammad. The Christian minority – which constitutes about 3% of the population – can exercise its faith freely and without intervention by the state. The royal court credibly calls for tolerance and respect between the religions and actively supports interfaith dialogue through numerous activities. In 2005 and 2006, institutions close to the royal family organized several international conferences and gatherings on religious issues that were intended to stress the non-violent character of the Islamic religion. However, Shari'ah law, which is applied in Jordan's Personal Status Law, contains several clauses that discriminate against women, particularly in terms of inheritance, marriage, divorce or child custody. Several attempts to reform the Personal Status Law in favor of women's rights have met the resistance of the conservative majority in parliament.

No interference  
of religious  
dogmas

The state has a differentiated administrative structure throughout the country. Legal decisions are widely enforced. However, the fact that these structures are centered in Amman, which functions as the most important site for the allocation and distribution of resources and funds, means that the capital is generally favored over the rural areas. In addition, there are problems resulting from favoritism exerted by the regime and the political elite. Grossly uneven taxation of real estate property inside the capital has been widely reported. This favoritism is related to one's proximity to key political decision makers.

Basic  
administration

## 2 | Political Participation

General elections are held regularly but in effect have only limited influence over the country's leadership. The next parliamentary elections are due for 2007. According to the Jordanian constitution, the king is the head of state in a hereditary monarchy. He is not elected and can neither be dismissed nor controlled by elected representatives. The constitution grants him the power to rule without the consent of the elected chamber of deputies under certain conditions. He has made wide use of these rights in the past and will most probably continue to do so in the future.

Free and fair  
elections

In contrast to the palace, elected rulers have only restricted powers. The king appoints and dismisses the prime minister, the cabinet and the members of the upper house (Senate). In the case of a dismissal of the prime minister, however, a vote of confidence by parliament is needed. In July 2005, a group of deputies threatened to withhold a vote of confidence for Prime Minister Adnan Badran because of the cabinet's economic reform program. Badran had to reshuffle the cabinet with the consent of the king to gain the needed majority of votes. Parliament has thus restricted influence as it can at times put pressure on the executive branch of government but not on the palace.

Effective power  
to govern

Independent political and civic groups may associate but are painstakingly scrutinized by state institutions, such as ministries. Restrictive laws concerning political parties and social organizations guarantee comprehensive control of these institutions. In 2005, the government threatened to change the law concerning the professional associations, which constitute the most outspoken part of the Jordanian opposition. At the time of this writing, the law which would ban the political activities of the associations had not yet been sent to parliament.

Association /  
assembly rights

Freedom of opinion and of the press exist in principle and are guaranteed by law. This freedom is subject to important restrictions, insofar as it is not allowed to report on the king and the royal family or anything that could damage the state's "reputation and dignity." These taboo areas are structurally ingrained and remain permanently out of the bounds for the media in both law and practice. As a result, self-censorship among journalists is widespread. Censorship of publishing houses is also a factor. Media reporting is distorted and manipulated on a daily basis by substantial forces entrusted with this task in the name of state security. Television and radio broadcasting experience more control than the print media. During the period under review, journalists have been repeatedly detained and questioned because of their publications. In 2006, two journalists were sentenced to jail for reprinting the controversial Danish cartoons of the Prophet Muhammad.

Freedom of  
expression

### 3 | Rule of Law

As the head of state and main body of the executive, the king has a vast share of power. He appoints and dismisses the prime minister and the cabinet, he convenes and dissolves parliament, and during the time when parliament is in recess he rules by royal decree. The separation of powers is therefore restricted and the balance of power is biased in favor of the executive. Nevertheless, there are other political players apart from the crown who can exert influence and power in strategically less crucial issue areas or at certain instances. This is part of a policy of co-optation of important elites.

Separation of  
powers

The judiciary is established as a distinct entity and generally operates relatively independently, though it sometimes remains subject to political control. Its independence ends where the political or economic interests of key figures with large political clout are at stake. In spite of promises made in the early 1990s, Jordan still lacks a constitutional court that would be able to check the constitutionality of disputed government decisions. In effect, therefore, the degree of independence of the judiciary is shaped by the overall systemic context. In 2006, the State Security Court (SSC) that tries all crimes against national security gained additional power under the new anti-terrorism law. The SSC consists of civil and military judges. The defendants have no right to appeal against the verdict of the SSC but the Court of Cassation must look into all verdicts that exceed more than ten years of imprisonment or in case the accused is sentenced to death. Its proceedings are only partly open to the media and the public.

Independent  
judiciary

Corrupt officeholders are not persecuted adequately under the law, but occasionally attract adverse publicity. Institutions that were set up in order to combat corruption never took effect systematically. Clientelism is more problematic in this regard than open corruption, and the negative effects of clientelism are continuously subject to public discussion. However, clientelism is deeply rooted in the tribal structure of society and therefore widespread. A field survey on corruption (including nepotism and favoritism) conducted by the Institute for Strategic Studies at the University of Jordan in 2006 revealed that 65% of the respondents were convinced of the existence of corruption in the public sector and 52% in the private sector.

Prosecution of  
office abuse

Civil rights are guaranteed by law but are sometimes violated if politically convenient. Such violations of public freedoms have increased during the period under observation. Restrictions concern the freedom of assembly, press freedom and freedom of opinion. Human rights organizations complain about arbitrary arrests, incommunicado detention and the use of torture in Jordanian prisons. Members of the Islamist movement are particularly targeted by the security apparatus and are often subject to intimidation through arbitrary detention. During the summer of 2006, two Islamist deputies were detained because they paid a condolence visit to the family of Jordanian-born al-Qaeda official Abu Musab al-Zarqawi, who had been killed in an American military operation in Iraq.

Civil rights

#### 4 | Stability of Democratic Institutions

The administrative system and the system of justice are largely able to fulfill their duties. Democratic institutions such as an elected parliament exist, and are in principle able to fulfill their functions according to the law. However, the executive branch has much more power than the legislative branch, as a result of

Performance of  
democratic  
institutions



structural deficits in the political system. Parliament lacks decision-making power, and the main body of policy-making is the king. As such, the mere existence of relatively free elections and a parliament does not indicate that Jordan can be considered a democratic polity. The authoritarian features of regime composition outweigh its democratic elements. When parliament was dissolved between 2001 and 2003, the cabinet issued more than 200 “temporary laws,” most of which are still in force today. Only some of these temporary laws have been discussed and voted upon in parliament. All members of the Senate are appointed by the king. He wielded this power after the terror attacks in November 2005, dissolving the Senate and appointing new senators and a new prime minister to execute a tightened security regime.

The relevant democratic institutions are accepted in principle. However, given the fact that the elected parliament as well as political parties and civic organizations have only limited influence on the decision-making process, more weight is put on informal channels of influence. Clientelistic networks, often overlaid by tribal structures, thus exert significant political influence.

Commitment to democratic institutions

## 5 | Political and Social Integration

In spite of a considerable number of political parties, Jordan’s party system is underdeveloped and weak. It is fragmented into 31 parties, which in turn are characterized by frequent shifts in the forms of divisions and mergers. The only political party with significant popular support to be considered politically relevant is the Islamic Action Front, the political wing of the Muslim Brotherhood. Leftist, communist and nationalist parties lie far behind Islamists in terms of grassroots support and thus have little real importance for the overall political system. The vast majority of the parties that remain are little more than tribal organizations without a political ideology or mission, and are only aiming at securing their influence and favors vis-à-vis the respective clans.

Party system

While Jordan has a relatively well-developed network of civil society organizations, these organizations are mainly concentrated in the capital. Because of the strict laws governing NGOs, their freedom of action is limited. The ministry of social development registers NGOs and controls their activities. Trade unions have only very limited power. The most influential groups politically are the 12 professional associations that are dominated by the Islamists close to the Muslim Brotherhood. These organizations bring together the technocratic and academic components of various professions and have strongly opposed the consecutive national governments. Their main points of criticism are the government’s stance toward the conflict between Israel and the Palestinians, the Jordanian support for the United States in its war in Iraq, and the implementation of the economic restructuring program.

Interest groups

While consent to democracy is very high in principle, many Jordanians are dissatisfied with the country's current political system. A poll conducted in the summer of 2006 by the Center for Strategic Studies at the University of Jordan showed that 89% of the interviewees favored a democratic political system defined by public freedoms, guarantee of equality in civil and political rights, the rotation of power, and transparent accountability of the executive authority over a nondemocratic, authoritarian system, up from 83% in the 2005 poll. There has been also a small rise in the percentage of those who believe Jordan to be a democratic system: 51.7% agree with that conclusion compared to 51% positive respondents in the 2005 poll.

Consent to democratic norms

Although there is a considerable number of civil society organizations, they should not be considered an effective tool of self-organization, as tribe and family still constitute the main reference of social organization in Jordanian society. Engagement in civil society activities is mainly confined to upper middle class members, and mainly restricted to the capital Amman. The Islamist movement is housed by the Association of Islamic Centers, an influential umbrella organization, that runs kindergartens, schools and hospitals throughout the country.

Associational activities

## II. Market Economy

### 6 | Level of Socioeconomic Development

According to poverty ratios, social exclusion is quantitatively and qualitatively measurable and to some degree structurally ingrained. The 2006 Human Development Report places Jordan in its poverty index at 7.6% showing a slight rise from 7.4% two years before. The share of the population living on less than \$1 a day remains low at 2%, but 7% of the population live on only \$2 a day. The gap between rich and poor widened during the period under observation, as the GINI index figure appreciated from 38.8 in 2002 – 2003 compared to 36.4 in 1997, indicating a slight increase in income inequality. The share of income of the poorest 20% of the population was 6.7%, while the richest 20% had a share of 46.7%. The subsistence economy does not play an important role in the Jordanian economy and does not balance these structural shortcomings.

Socioeconomic barriers

| Economic indicators       |          | 2002    | 2003    | 2004    | 2005           |
|---------------------------|----------|---------|---------|---------|----------------|
| GDP                       | \$ mn.   | 9,582   | 10,195  | 11,398  | <b>12,712</b>  |
| Growth of GDP             | %        | 5.8     | 4.2     | 8.4     | <b>7.3</b>     |
| Inflation (CPI)           | %        | 1.8     | 1.6     | 3.4     | <b>3.5</b>     |
| Unemployment              | %        | 16.2    | 15.4    | 12.4    | -              |
| Foreign direct investment | % of GDP | 0.8     | 4.3     | 5.7     | <b>12.1</b>    |
| Export growth             | %        | 19.2    | 3.9     | 20.4    | <b>5.8</b>     |
| Import growth             | %        | 4.9     | 6.9     | 31      | <b>21.2</b>    |
| Current account balance   | \$ mn.   | 537.2   | 1178.6  | -17.9   | <b>-2311.4</b> |
| Public debt               | \$ mn.   | 7,071.7 | 7,172.6 | 7,227.2 | <b>6,877.7</b> |
| External debt             | \$ mn.   | 8,108.2 | 8,337.4 | 8,066.2 | <b>7,696.2</b> |
| External debt service     | % of GNI | 6.1     | 11.2    | 6.1     | <b>4.7</b>     |
| Cash surplus or deficit   | % of GDP | -3.1    | -0.3    | -1.4    | <b>-4.7</b>    |
| Tax Revenue               | % of GDP | 17.5    | 18.2    | 21      | <b>24.2</b>    |
| Government consumption    | % of GDP | 16.3    | 17.3    | 16.2    | <b>15.3</b>    |
| Public expnd. on edu.     | % of GDP | -       | -       | -       | -              |
| Public expnd. on health   | % of GDP | 4.7     | 4.6     | 4.7     | -              |
| R&D expenditure           | % of GDP | -       | -       | -       | -              |
| Military expenditure      | % of GDP | 8.2     | 9.2     | 8.2     | <b>5.3</b>     |

Sources: The World Bank, World Development Indicators 2007 | UNESCO Institute for Statistics | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security

## 7 | Organization of the Market and Competition

Market competition has a strong institutional framework. However, the country's leadership sometimes uses its political power to favor certain economic actors, as occurred in the summer of 2005, when shares of privatized companies were offered at reduced prices to members of the security forces. The overall business climate has improved considerably during the period under observation, with respect to both the speed and the quality of public service delivery on the one hand and transparency on the other, though large-scale businesses are often

Market-based  
competition

intimately connected to the palace or other political elites, and transactions in which the stakes are high are less likely to be transparent. The IT sector and land ownership in the Jordan valley are examples of this economically irrational concentration on and implicit subsidization of certain privileged entrepreneurs.

The formation of monopolies and oligopolies is regulated in connection with foreign trade policies.

Anti-monopoly policy

Foreign trade is mostly liberalized, and Jordan's integration into the world economy has developed further during the period under observation, though some political interference in the implementation of customs regulation still occurs. In recent years, Jordan has joined free trade agreements, such as the EU-Mediterranean Association Agreement, (EU-AA), the Greater Arab Free Trade Area (GAFTA), and the U.S. Free Trade Area (FTA.) Robust growth rates in recent years demonstrate the ability of Jordan's economy to adapt to difficult economic circumstances. Though GDP growth rates decreased slightly, in recent years from 8.4% in 2004 to 7.2% in 2005, and 6.3% during the first nine months of 2006, the growth rate still proves the success of the economic restructuring arrangements.

Liberalization of foreign trade

The banking system and capital market are well-developed, differentiated, internationally competitive, and in compliance with basic international banking standards. Several recommendations of the 2003 IMF Financial Sector Assessment Program have been implemented in the period under observation. Examples include the introduction of a prompt corrective action framework, guidelines for corporate governance and risk management, and an improvement of off-site surveillance. The Arab Bank dominates the sector, accounting for about 60% of total banking assets. In addition, there are eight other commercial banks, five investment banks, two Islamic banks and eight foreign banks.

Banking system

## 8 | Currency and Price Stability

Controlling inflation and appropriate foreign exchange policy are recognized goals of economic policy. The central bank is capable of fulfilling its duties. The exchange rate is by and large appropriately fixed to the U.S. dollar. The inflation rate rose from 3.4% in 2004 and 2005 to 6.1% in 2006, mainly as a result of to the high oil prices and further reduction of the oil subsidies. Oil prices were raised twice in 2005.

Anti-inflation / forex policy

There is a consistent stability policy in place that is largely capable of resisting domestic lobby groups. The government has continuously expanded its taxation policies. Despite a slight decrease in 2006, the overall goal to disburden the budget prevailed. However, government employment outside the public

Macrostability

enterprise sector, that is, in public administration, is still higher than efficiency measures would allow. Tax revenue was 19.6 % of GDP in 2005 and 18.7% in 2006.

## 9 | Private Property

Property rights and the regulation of the acquisition of property are well-defined and widely respected. While the government has further liberalized certain regulations in recent years, restrictions for foreign property acquisition in sectors such as customs, land transportation and security still remain. Foreign investments may not exceed 50% in construction, wholesale and retail trade, transport, wastewater treatment, food services, travel agent services, import and export services, and advertising. Foreign real estate purchase requires the prime minister's approval.

Property rights

Private companies represent the backbone of the economy, but there are still state companies. The leadership is committed to carrying on with the privatization of state companies, although it is eager to remain in control of certain economic fields. In 2006, it sold 37% of the Jordan Phosphate Mines Company, which produces potash, Jordan's most important natural resource, to an investor from Brunei, leaving the state 65.6% ownership of the company. The government has also declared its willingness to begin privatizing the energy sector and has invited tenders in 2006 for an independent power plant project for East Amman.

Private  
enterprise

## 10 | Welfare Regime

Social networks are partly developed but do not cover all risks for all strata of the population. Considerable portions of the population are still at risk of poverty. Several state-run agencies provide assistance to the needy. The most important program is the National Aid Fund, but it is not well-targeted and only one-third of its transfers go to people below the national poverty line. Seventy-five percent of the working poor are employed, which means that joining the work force does not automatically reduce the risk of being poor, and growth of GDP does not in itself forestall poverty. In 2006, the Social Solidarity Commission was established to restructure aid programs for the poor and formulate new policies.

Social safety nets

The government provides some compensation for gross social differences. Women and disadvantaged groups of society have near-equal access to higher education, and certain groups enjoy some form of state support, such as university applicants with a Bedouin background, for whom an affirmative action policy exists. There is no discrimination on religious grounds, neither in education nor in public office. The leadership has strongly fostered gender equality with respect to

Equal opportunity

education, and nearly half of Jordan's university students are female. However, the percentage of women in the workforce remains low, implying that women do not enter the workforce in numbers corresponding to their success in education. This is in large part due to the traditional and conservative role historically reserved for women in Jordanian society.

## 11 | Economic Performance

Per capita GDP grew considerably during the period under observation. It grew in 2005, but did not match with real GDP rate. Per capita GDP rose from 2.1% in 2004 to 2.3% in 2005 while the real GDP growth rate was 8.4% in 2004 and 7.2% in 2005. Poverty and unemployment thus remain the most challenging problems concerning Jordan's economic development despite distinct macroeconomic progress in recent years.

Output strength

## 12 | Sustainability

Environmentally compatible growth is taken into account at the institutional level but is generally subordinated to economic concerns. In December 2002, the government established a ministry of environment. Air and water pollution cause difficulties in regions with a high concentration of industrial enterprise, including the industrial zones in Zarqa and Ruseifa, the Gulf of Aqaba, and the Jordan valley. Inappropriate agricultural use in conjunction with extensive water use has contributed to a drastic decline of water resources. This is not only due to Israeli water usage but to a large extent to the misuse of the river Jordan's water reservoir by a small number of influential Jordanian families with close ties to the regime. The scarcity of water is one of the main problems of Jordan's economic and demographic development and therefore wastewater management is of high priority. The implementation of the Euro-Mediterranean Association Agreement between the European Union and Jordan requires among other conditions the adoption of measures regarding the environmental sector.

Environmental policy

Jordan ranks high internationally and in the Arab World in terms of access to education. In 2005, the country's literacy rate was 99.6%. The ratio of primary education enrolment was 92.8% in 2004 while the secondary education enrolment rate was 82.1%. The Ministry of Education receives 4.1% of GDP each year, which goes towards the administration and financing of primary and secondary education. State and private institutions for education and training as well as research and development are strong. Private schools outperform state-run schools in primary and secondary education, and state-run universities provide better services than private ones. Demand for higher education at the country's eight state-run and 10 private universities has grown steadily in recent decades, as

Education policy / R&D

university enrolment rates rose from 22.9% of the population in 1991 to 35% in 2004. Jordan made considerable progress in educational reform since the start of its project “Education Reform for Knowledge Economy” (ErfKE) in 2002. The project included a redirection of the learning strategy from a teacher-centered approach to a more learner-oriented one with participative elements. This included a revision of all curricula and core competencies for all subjects, which has been accomplished for half of the grades at the beginning of 2006, a comprehensive training program for teachers of all grades, the construction of 160 new schools and a reform of early childhood education. As a result of Jordan’s educational endeavors, it now ranks first among all Arab states in science and second in math.

## Transformation Management

### I. Level of Difficulty

Structural constraints on governance are high, especially with respect to economic conditions. Jordan's domestic market is small, the country is landlocked with the exception of the small port of Aqaba, and it struggles with scarce water resources. The actors in power – the king, the prime minister and the cabinet – agree on the need to restructure the economy and integrate it into the global market. The government can generally co-opt opposition that stems from parts of the business elite.

Structural  
constraints

Traditions of civil society are weak but the number of civil society organizations has multiplied since the political liberalization of the 1990s. However, there are legal constraints for NGOs prohibiting them from an engaging in politics. The need to compete for both national and international funding renders them vulnerable to disparate influences. Some of the most important organizations conducting welfare and development projects among the poorer segments of society are connected to the royal family. Often described as “Royal NGOs,” these organizations are not true NGOs insofar as they are not independent of the state, but co-opted. In addition, the considerable influence of tribal structures, or what in the Jordanian context has long been seen as civil society, hampers the full development of what is considered by the BTI as true civil society.

Civil society  
traditions

While religious tensions are nearly nonexistent, society is partly divided between native Transjordanians and Palestinians, the latter of which constitutes the majority of the population. This divide represents the faultlines of a significant divide along which the population is polarized, prompting latent conflict that affects various areas of everyday life. Following the civil war in 1970 with the PLO, Transjordanians have been systematically favored as regards any recruitment for the public service and the army, while Palestinians have been more successful in establishing themselves in the private economy. However, reliable empirical data on the share of Palestinians in the private sector, the administration, and the army is not available. Current election laws discriminate against Palestinians and result in an unequal share of seats in parliament in favor of the Transjordanians. This cleavage has widened in the past years, but public

Conflict intensity



discussion about the problem is completely taboo. In November 2006, civilian and military prosecution opened an investigation against the former head of the Royal Court, Adnan Abu Odeh, charging him of insulting the king. In an interview with the Arab satellite channel al-Jazeera, Odeh touched upon the issue of a Palestinian-Transjordanian divide and stated that Palestinians formed about 60% of the population and that they were under-represented by current electoral laws. He also criticized King Abdallah's position on the Palestinian issue. Charges were dropped soon after, but the affair revealed the regime's unease with any criticism connected to the official view on national identity.

## II. Management Performance

### 14 | Steering Capability

The political leadership pursues the long-term aim of economic reform to establish solid growth and stability but not democratic reform. The leadership seeks to build a market economy but at the same time favors parts of the elite, allowing them to build monopolies to the disadvantage of free competition. Democratic reforms are subordinated to economic reform. The opposition has long agreed on the necessity of such political reforms as an amendment of the electoral law, the establishment of a Constitutional Court, and increased power to the parliament. While several national documents like the "Jordan First" initiative of 2002 and the "National Agenda" of 2006 acknowledge these demands, they have never become a priority for the leadership. The country is vulnerable to developments in the region. The deterioration of the situation in the Palestinian territories and in Iraq has repercussions for Jordan. The great influx of Iraqi refugees – estimated to number between 600,000 to 1,000,000 – and fears of a Palestinian expulsion from the West Bank to Jordan complicate long-term policy-making. In addition, the country depends heavily on foreign funding, with the United States being the most important partner.

Prioritization

The government aims at a full implementation of a market economy and has made impressive progress in that respect. However, it has realized little progress in terms of democratic development. Repeated recommendations by the opposition, Jordanian and foreign think tanks, as well as independent academics as regards a new electoral law and a shift in the balance of power reducing the influence of the king have been systematically ignored. The reforms that have been implemented are largely cosmetic and do not structurally alter the political system.

Implementation

The political leadership gives lip service to mistakes and failed policies, but change is rare. In general, the government enforces its policies without leaving much room for compromise. The political system does not provide for institutionalized forms of conflict resolution. Street demonstrations as an outlet for political frustrations are strictly controlled and sometimes prohibited or disbanded. The leadership does not aim for broad and institutionalized consensus-building, but relies instead on co-opting the country's key elites to assert its aims.

Policy learning

## 15 | Resource Efficiency

The government uses most available resources efficiently. However, there are still important shortcomings in the recruitment of employees for public service. Transjordanians are favored over Palestinians and tribal relationship is often more important than qualification. The administration is in large part centralized. Municipalities have lost influence over their affairs due to legal changes in 2003. Only 50% of the members of the municipal councils are elected while the other half is appointed by the government. In January 2007, the government announced its intent to hold municipal elections in mid-2007 and introduced a draft law that would provide for the direct elections of all mayors and all members of the councils, effectively reversing the controversial clause of 2003, which allowed the government to appoint half of the members of the councils. This would take effect throughout the country, except in Amman where half of the members and the mayor would still be appointed by the government. The new law would also allocate 20% of the seats to women and reduce the voting age from 19 to 18. At the time of this writing, the law had yet to be passed through parliament.

Efficient use of assets

The government tries to coordinate conflicting objectives and interests, but it has only limited power. Conflicting positions and views often concern Jordan's relations with regional and international partners and the effects of the economic restructuring program. While parts of the population – namely, the technocrat academics and the deputies in the parliament – favor a protected economy, strong inter-Arab ties, and a dissolution from its Western allies, the government pursues a policy of full integration into the world market and strong ties with its U.S. and European partners. This disagreement often leads to tensions. In addition, most governments are short-lived and do not have the time to implement long-term coherent policies. Between 2005 and 2007, Jordan had three prime ministers with five different cabinets.

Policy coordination

Some integrity measures, such as the auditing of state spending and control of party financing, were implemented in the period under observation. Citizen and media access to information from government agencies is not always guaranteed.

Anti-corruption policy

While several corruption cases involving officeholders were pursued, these cases did not end in conviction. According to a worldwide corruption survey, corruption in Jordan is on the increase: Jordan ranks 40th out of 163 in Transparency International's Corruption Perception Index 2006 based on 7 surveys, as compared to 2005, when it ranked 37th out of 158 countries based on 10 surveys. However, Jordan's performance with respect to corruption is remarkably good when compared to other Middle Eastern countries. On the other hand, the phenomenon of favoritism and clientelism ("wasta") is prevalent throughout society and has negative effects that are comparable to those of corruption.

## 16 | Consensus-Building

The major political actors have differing views on scope and direction of economic reform. The leadership is committed to a free market economy, however, it favors certain elites through the allocation of privileges. Parts of the business and technocratic elite seek a protected economy to avoid free competition. They therefore attack the government for its economic reform course. Such opposition to economic reform and austerity measures is often manifest in parliament discussions. The leadership has mostly been able to co-opt the critics and buy consent by giving favors to the conservative tribal majority in the lower house. The leadership verbally admits its commitment to democratic reform but fails to implement important legal changes that would foster the democratic transition process. The less influential parts of society call for democratic reform while the regime and its close allies strive to foster economic development.

Consensus on goals

There is no clear-cut division between reformers and anti-democratic actors, but the security apparatus with the intelligence service may be singled out as a powerful force opting against more democratic freedoms. It has considerable influence on the king. Security concerns have become even more important after bomb attacks on three hotels in Amman in November 2005, which killed 60 people, and were alleged to have been committed by al-Qaeda. Shortly thereafter, the king dismissed the cabinet and the prime minister and dissolved the upper house in order to be able to appoint new senators. The new cabinet, headed by Marouf al-Bakhit, issued an anti-terror law that has been subject to much criticism by the opposition and international human rights organizations. It empowers the State Security Court public prosecutor to order surveillance of a suspect's home and all forms of a suspect's communication, to prevent him from traveling, and to monitor his financial transactions. According to Amnesty International, the new law does not conform to international human rights law. The parliament approved the new law in August 2006.

Anti-democratic veto actors

The political leadership neither effectively reduces existing divisions in society, nor does it exploit or promote them actively. The leadership tries to reduce open and violent conflict between different groups with a mixture of repression and favoritism. It is eager to maintain its monopoly on the use of force.

Cleavage / conflict management

The political leadership frequently ignores organized actors of civil society and formulates its policies autonomously. Instead, it seeks the approval of selected actors who are invited to discuss reform issues without being given any real power. In 2005, a 26-member committee was introduced to draft a National Agenda, formulating the main topics of the reform course until 2015. It was established by royal decree without parliamentary consultation or approval. The king's intent was to buy the consent of important elite groups in Jordan, and to create an agreement between political elites, traditional elites and security forces, including the intelligence apparatus. Headed by former Foreign Minister Marwan Mu'asher, the committee was comprised exclusively of representatives of the elite segments of Jordanian society with a wealthy background such as former ministers, loyal politicians, heads of tribes and businessmen. Opposition figures from the technocratic or academic elite were not invited to participate. The final document included comprehensive suggestions for political reform. These suggestions were shelved in the summer of 2006 while proposed structural changes like the much-awaited amendment of the electoral law were once again postponed.

Civil society participation

The political leadership does not address past acts of injustice and has not initiated any process of reconciliation. This is mainly due to the fact that the Hashemite monarchy has been heading the state since its foundation until present. Cabinets come and go in rather short intervals but are always selected by the king. Possible injustices, committed against political opponents or political prisoners, are neither discussed publicly, nor are victims compensated.

Reconciliation

## 17 | International Cooperation

The political leadership is forced by economic constraints and the requirements of the international donor community to adjust its economic policy. It widely utilizes international assistance for reform. This is, however, confined to economic reform and does not include recommendations for political changes. The international community on the other side does not react with sanctions to this political intransigence. The United States is the most important partner for aid and assistance. This alliance has become even closer since the start of the war in Iraq.

Effective use of support

The leadership acts as a reliable partner. It has fulfilled all obligations that had been imposed by international donor agencies and proves a firm partner for its

Credibility

political allies. In contrast to previous times, Jordan has been steadfast in its position toward the Western military intervention in Iraq. It supports the United States and it is very likely that Jordan allowed the United States to establish military bases in the country. It has also been reported that Jordan allowed the United States to run secret detention camps in the country during the U.S.-led “war on terror” to interrogate detainees from the region. Jordan’s intelligence service probably provided the crucial information which enabled the United States to kill the Jordanian al-Qaeda official Abu Musab al-Zarqawi, who had operated in Iraq.

Jordan plays an active role within the limitations given by the political situation in the region. It is a remarkable driving force behind regional and international initiatives for good governance. Nevertheless, cooperation with regional partners is difficult because of the current turmoil in Iraq (to the east), the Palestinian territories (to the west) and at the Israel-Lebanese border. Jordan has further improved its ties with the Gulf countries and has thus been able to temporarily solve its energy crisis after Iraq stopped its free delivery of oil after the fall of Saddam Hussein in 2003. Relations with Syria suffered a blow in the spring of 2006 when Hamas activists allegedly smuggled weapons from Syria into Jordan. On the other hand, Jordan is not very credible internationally as regards its commitment to substantially increasing key freedoms, participation and accountability at home.

Regional cooperation

## Strategic Outlook

While economic progress somewhat slowed in 2006, Jordan has maintained an overall positive level of development. In this regard, therefore, we can remain cautiously optimistic. However, targeting unemployment and poverty will be the government's main challenges during the upcoming years. Unemployment is on the rise and data show that employment alone does not guarantee a living wage in the lower income strata. The economy therefore requires not only further growth, but has also to create more qualified and better-paying jobs. The government has made a focused effort during the period under observation to reform the education system and seems likely to continue to do so in the future. This will contribute to the necessary improvement of the educational level of the population. However, due to its geographical location in a troublesome region, Jordan's political and economic development is vulnerable to unforeseen events and changes that cannot be influenced by a single actor alone. While poverty alone does not produce political unrest, the widening of the gap between poor and rich could lead to domestic instability. To address this, dissenting voices require the kind of educated leadership that often comes from excluded parts of the middle class and the petty bourgeoisie. The government therefore should resume contacts with estranged parts of the opposition, mainly the Islamists, because they represent important voices within the elite and speak for some of society's poorest. The government should establish new channels of communication with such elements of the opposition, and allow for more participation in the decision-making process to avoid violent street protests. Furthermore, Jordan needs to implement the long-demanded legal reforms needed in election law to guarantee fair representation. The National Agenda provides a document that contains suggestions for political reform. The leadership should take these suggestions into account instead of shelving the document. However, it is not very likely that the leadership will decide to democratize much in the near future. On the contrary, developments during recent years – with increasing violence characterizing the situation both in neighboring Iraq and the Palestinian territories – have fostered the leadership's conviction that increasing democratic freedoms pose incalculable risks for the stability of the state. National and municipal elections are due for 2007, but only the king has the power to set the final date.