



C O U N T R Y B R I E F



Middle East & North Africa Region (MENA) - Jordan

Education Reform for Knowledge Economy

The World Bank approved a \$120 million loan in May 2003 to support the Government of Jordan transform its education system at the early childhood, basic and secondary levels and produce graduates with the skills necessary to compete in the knowledge economy.

The integrated education reform program will seek to boost the science and math scores of Jordanian students in international exams, provide access to safe and adequate schools, provide online learning portals for primary and secondary students and increase enrollment in the second level of kindergarten.

Although Jordan made remarkable progress in providing access to education at all levels, it faces significant challenges as it continues to strive for economic and social development in the information age. A resource-poor country, it has focused on cultivating a skilled labor force to build a competitive edge in the global knowledge economy. Its current education system, however, relies on traditional, rote-learning pedagogy instead of analytical and problem-solving skills and team work demanded by the new global economy. The result has been a mismatch between the skills of the graduates and the labor market needs.

Jordan is responding to this challenge by making education a priority investment, and calling for a sweeping reform of the education system. Its new policy agenda tackles the gaps in the government's capacity to transform the education system, the mismatch between the skills taught at school and those needed in the knowledge economy, unsafe and overcrowded conditions at school and the unequal opportunities in early childhood education.

DEVELOPMENT PROGRESS

The Hashemite Kingdom of Jordan, with 5.5 million inhabitants, is notably resource-poor, with limited agricultural land, no oil resources, and considerably scarce water. Its only natural resources are potash and phosphate. The population is urbanized at around 80 percent, and is one of the youngest among lower-middle income countries, with 38 percent under the age of 14. Although demographic growth, currently at around 2.6 percent per year, is slowing, total population is expected to reach almost 7 million by 2015. Notwithstanding the difficult regional political environment and the lack of resources, Jordan has achieved above-average development outcomes compared to other lower middle-income countries. This favorable situation can be credited to sound development policies, high capital inflows over the last four years in particular, and to one of the world's highest levels of unilateral transfers, in the form of workers' remittances and public grants, together amounting to around 22 percent of GDP. Jordan's GNI per capita in 2007 was \$2,918.

Jordan's economy has shown strong performance in recent years and real growth—averaging 7 percent during the 2004-07 period—continues to be robust at 6 percent in 2007. However, Jordan remains vulnerable to possible adverse external events, such as the evolution of world oil and food prices, the level of foreign grants, the regional security situation, and the flows of short-term external capital. Growth is broad based, led by manufacturing, construction, real estate and services sectors; total factor productivity increased by 2.5 percent annually since 2000, well above historical norms. High growth helped boost public revenues, but the economy has also shown signs of increasing vulnerability as pressures for higher public expenditures and the inflationary impact of rising fuel and food prices became increasingly tangible since 2007. On the fiscal side, higher revenues and the gradual elimination in oil subsidies helped control the budget deficit before grants. Nevertheless, the deficit remained high, at around 8 percent of GDP, and the public debt slightly increased to 79.7 percent of GDP. Jordan's current account deficit remains high, reaching about 17.5 percent of GDP by the end of 2007. So far, this has been offset by remittances, public transfers from abroad and swelling capital inflows. With continued strong FDI inflows, Central Bank reserves have significantly increased, reaching highs of US\$7.5 billion (equivalent to 5.8 months of imports, GNFS).

In terms of human development, Jordan is above average with respect to lower middle-income countries. These positive results are based on consistent levels of spending—more than 25 percent of GDP—on human development (education, health, pensions, social safety nets). In addition, Jordan ensures a high level of gender parity in access to basic public services. In education, the Government launched in 2003 a comprehensive cutting-edge modernization program, aimed at overhauling the basic education system to align with the needs of a knowledge-based economy. School enrollment rates at each level of education are close to other countries at Jordan's income level. In terms of quality, Jordan ranks above international averages in science, but still below average in math. Population pressures and increasing income levels are placing demands for further expansion of education and health services. The remaining agenda

aims to expand access to higher quality education and to match skills to productive jobs created in a competitive economy.

Current Challenges

Over the last 10 years, Jordan has been very active in reforming its economy. It ranks as one of the best reformers compared to other middle income-countries. Structural reforms have been especially active in liberalizing the private investment regime, opening the trade regime, establishing modern regulation and institutions for private sector development, and privatization. Further improvement in the business environment in Jordan, both on the public and private sector sides, is important to unlock the country's growth potential. The process of structural reforms has been accompanied by a fiscal consolidation that has steadily reduced government debt from above 200 percent of GDP in the early 1990s, to 79.7 percent by the end of 2007. Continued implementation of the fiscal consolidation program and structural reforms along with a supportive regional and external environment are critical for sustaining good economic performance in the period ahead.

In the last three years, reflecting a transition from the reforms of the 1990s, the country has shifted towards more complex institutional reforms, often leading the way in the MENA region with respect to second generation reforms. Continued effort to upgrade public institutions and governance systems is important to help increase competitiveness, efficiency and productivity.

Using the demographic opportunity of a very young population to transform Jordan from a small lower-middle income and vulnerable country into a modern knowledge-based economy is at the core of King Adballah II's vision for the country. The long-term vision implies a bold modernization of the country's economic, institutional and political infrastructure, based on the enhancement of its human capital, and the elimination of poverty. Education, improving the business environment, and attacking deep poverty are at the core of this vision, and the Government is well aware that this also requires a modern and efficient administration, and a more open and participative polity. This vision has been translated into a strategic plan and operational policy with a series of broad-based consultations under a National Agenda providing a ten-year integrated development plan.

The Government has set up the necessary administrative mechanisms to start implementing the National Agenda. Among the top development priorities of the Government are investment in human resources and institution building, upgrading critical infrastructure, fighting poverty and improving social services; and among the top political reform priorities are expanding freedoms and participation in society, removing remaining gender discrimination, and enhancing the independence and fairness of the judiciary. The major challenges in terms of the quality of public policy in the years to come will be that of policy coordination and budget alignment, on which the speed and effectiveness of implementation will depend. Addressing the inefficient use and pricing of water will be critical to meet coming needs.

World Bank Assistance

The Bank's program in Jordan is guided by the joint 2006-2010 Bank/IFC Country Assistance Strategy (CAS). The CAS focuses on poverty reduction and job creation, in the context of an increasingly volatile fiscal, economic and socio-political situation. The CAS (endorsed by the Board in May 2006) deploys a program of (i) analytic and advisory services and technical assistance directed at building institutional capacity; (ii) financial instruments including IBRD loans; and (iii) Bank guarantees (for private investments in infrastructure). Implementation is underway with six projects and one guarantee in the areas of education, social protection, regional development, and transportation, as well as a strong program of analytical and advisory services.

The CAS is organized in four cross-sectoral clusters:

- Strengthening the investment environment for a skill-intensive and knowledge-based economy;
- Supporting local development through increased access to services and economic opportunities;
- Reforming social protection and expanding inclusion; and
- Restructuring public expenditures and supporting public sector reform.

The Bank has excellent relations with Jordan and has supported the country's economic reform program, especially in education, social protection, privatization, and public expenditure. The GoJ has sought Bank assistance on key policy issues and requested critical lending in specific areas, resulting in a clear, country-owned integrated policy framework financed by various partners.

All dollar figures are in US dollar equivalents. **September 2008**

For more information, please contact:

In Washington: Dina El Naggar, Phone: 1 (202) 473-3245; Fax: 1 (202) 522-0003;
Email: delnagg@worldbank.org