



**ECONOMIC AND SOCIAL COMMISSION  
FOR WESTERN ASIA**

**POVERTY REDUCTION POLICIES IN  
JORDAN AND LEBANON:**

**AN OVERVIEW**

Ramla Khalidi-Beyhum

Eradicating Poverty Studies Series No. 10



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## INTRODUCTION\*

Over the past two decades, income and the incidence of human poverty have increased in most countries of the Arab region in both relative and absolute terms. Increasing numbers of families and larger shares of society have fallen into poverty, unable to satisfy their most basic human needs.

Jordan and Lebanon are no exception. Middle-income countries with relatively well-educated and healthy populations, they have found that despite their efforts, more and more individuals are joining the ranks of the poor. The reasons for the increase in poverty are varied, complex and interlinked. The fight against poverty must adequately address the nature of these causes. Without a full understanding of the reasons behind the impoverishment of certain segments of the population, Governments cannot respond appropriately or design measures that would reduce poverty in the short run and eradicate it in the long term.

Both Jordan and Lebanon have very young age structures. In order to reduce poverty, both countries must maintain economic growth rates and employment creation rates at levels above the population growth rate. Social services and infrastructure must also keep pace with the growing population pressure.

This paper will examine strategies, policies and initiatives put in place by the Governments of Jordan and Lebanon to combat the growing phenomenon of poverty. The paper will also examine economic and sectoral policies that have a direct or indirect impact on poverty. It will make the argument that poverty cannot be reduced in a sustainable manner in the absence of two critical conditions. It must be noted that these are not the only conditions; rather, they have been highlighted within the limited scope of this paper to further the debate on poverty reduction.

The first of these conditions is a pro-poor economic development strategy—a strategy that has as one of its principle aims the enhancement of the quality of human life. Economic growth, an essential condition for poverty reduction, is not sufficient. An expanding economy that creates job opportunities that pay salaries above the poverty line is a requirement for any poverty-reducing development process.

Furthermore, economic growth must be broad-based, inclusive and directly beneficial to the poor, and should take place in the economic sectors where the poor are concentrated and where they can benefit. This largely depends on the development path of the country and the type of macroeconomic policies it implements. The paper

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\* During the time between the submission of this paper (October 1998) and its publication, changes in Government have taken place in both Jordan and Lebanon. The implications for poverty reduction are not yet clear.

will show that the type of growth in both Jordan and Lebanon was not conducive to the reduction of poverty and that poverty reduction does not appear to have been a priority for economic policy makers. It will argue that to a certain degree both Governments failed to direct growth towards sectors where the poor are located. Thus while growth may have been taking place in the Jordanian and Lebanese economies, the poor were excluded from the benefits.

The second critical condition necessary to reduce poverty is good governance. The paper will argue that the absence of good governance has meant that resources allocated to poverty reduction have often been squandered. Among the problems noted are lack of coordination, absence of the rule of law, lack of transparency and accountability, corruption, low human capacity, mismanagement, political interference, lack of participation in the development process by the beneficiaries and inefficient allocation of resources. Using concrete examples of ongoing or past initiatives to combat poverty in Jordan and Lebanon, the paper will argue that these issues of governance have impeded poverty reduction initiatives.

The paper will make the case that in the absence of a long-term vision and a comprehensive strategy to eradicate poverty, it is unlikely that efforts to eradicate poverty, however noble, will succeed. A comprehensive strategy that includes a vision of pro-poor growth and that acts as an overall umbrella for all policies and initiatives aimed at reducing poverty is necessary.

The paper is divided into two sections: the first section examines the Jordanian case and the second, the Lebanese case. It then provides a comparison, drawing out some of the similarities and differences between the two countries. Given the many differences between Jordan and Lebanon, the purpose of the comparison will not be to provide conclusive evidence of why a certain path does or does not work in one country or the other. Rather the comparison between Jordan and Lebanon is part of a larger effort by the Economic and Social Commission for Western Asia (ESCWA) to review and assess the different strategies and approaches to poverty alleviation in four ESCWA-region countries. Finally the paper will put forward recommendations on how efforts to reduce poverty may be improved.

#### *Strategy, policy and programme*

Before proceeding further, it is necessary to define what is meant by "strategy", "policy" and "programme". A strategy refers to an elaborate and systematic plan of action that has a specific aim. In the context of this paper, a "comprehensive national poverty reduction strategy" refers to a broad overall plan formulated by the Government and civil society. The plan provides a general long-term vision of how poverty is to be reduced. It acts as a unifying umbrella for all policies and initiatives to combat poverty and establishes the links between them. The paper also refers to ministerial strategies or strategies put in place by non-governmental organizations (NGOs). While these are plans put in place to achieve an



end such as reducing poverty, they must be differentiated from a national poverty reduction strategy, which should encompass all government efforts to reduce poverty, guiding both economic and social policies.

A policy is a statement of governmental intent against which individual actions and decisions are evaluated. Policies provide guidance for specific decisions and rationalize the course of action of a Government. Programmes are plans or initiatives usually with specific time-bound goals.

#### **Box 1. Tunisia: successfully reducing poverty**

Tunisia has been hailed as an example of a successful model in the rapid reduction of poverty during a time of structural adjustment. Since the 1970s, and thanks to strong overall growth and sound macroeconomic policies, as well as a solid government commitment to upgrading social services for all and to actively pursuing a strategy of poverty reduction, Tunisia has reduced poverty in both relative and absolute terms to low levels compared with neighbouring countries. Estimates by the Tunisian National Institute of Statistics (INS) reveal that the rate of overall poverty has consistently fallen in the last two decades. Poverty fell from 22 per cent in 1975 to 7.7 per cent in 1985 and 6.2 per cent in 1995. Other studies conducted by the World Bank and the International Labour Organization (ILO) confirm the downward trend.

The relative success of Tunisia in reducing overall poverty is the result of several factors that worked together to create an enabling environment for poverty reduction. In the period 1975 to 1995, per capita gross domestic product (GDP) grew by about 50 per cent while income inequality declined. Growth was taking place in labour-intensive export-oriented sectors, creating job opportunities for the poor that paid wages above the poverty line. Prior to and during the period of structural adjustment that began in 1986/87, Tunisia pursued a very active poverty reduction strategy. In addition to its pro-poor macroeconomic policies, it gained rich experience in programmes and initiatives aimed at reducing poverty. The diversified set of programmes pursued by Tunisia includes direct transfers (employment programmes, subsidization of prices of foods and other basic services) and the provision of public services and infrastructure. In general these initiatives were complementary, coordinated and well-managed. Tunisia also made efforts to protect expenditures on the social sectors. From 1986 to 1993, social expenditures per capita increased by 9 per cent in real terms, while overall government expenditure per capita declined by 4 per cent.

## I. POVERTY IN JORDAN

### A. THE PROBLEM OF POVERTY: TRENDS OVER TIME

In the past decade, poverty in Jordan has increased significantly and become more deeply rooted. The Jordanian Ministry of Social Development estimates that in 1987 1.5 per cent of families were living in extreme poverty and 18.7 per cent were poor. Two years later, 1.9 per cent of families were categorized as extremely poor, and 21.2 per cent lived below the poverty line. By 1992, there was a surge in the number of extremely poor families to 6.6 per cent, while the overall percentage of families living in poverty remained almost constant at 21.3 per cent. The latest figures indicate that 8.2 per cent of families are living in extreme poverty and that over a quarter (26 per cent) can be considered poor (see table 1). In one report, the Ministry of Social Development quotes an unspecified United Nations Development Programme (UNDP) source as placing extreme poverty in 1997 at 11 per cent.<sup>1</sup>

TABLE 1. PERCENTAGE OF FAMILIES LIVING IN EXTREME AND OVERALL POVERTY IN JORDAN, 1987-1996

Year	Extremely poor	Poor
1987	1.5	18.7
1989	1.9	21.2
1992	6.6	21.3
1996	8.2	26

*Source:* Data compiled from Jordan, Ministry of Social Development, "Social Development Sector Plan [Social Work] for the Years 1999-2003" (Arabic) (Amman, 1998).

In a recent opinion poll carried out by the Jordanian daily *Al-Arab Al-Yawm* and published 24 October 1998, 17 per cent of those surveyed said they considered themselves to be among the abject poor while another 29 per cent said they considered themselves to belong to the lower class. Fifty per cent said they would categorize themselves as middle class, while only 4 per cent said they were upper class. The poll, which surveyed 583 families in September 1998, found that 20 per cent of respondents had a monthly income of less than 100 Jordanian dinars (JD), 39 per cent of respondents had a monthly income of between JD 100 and 200, 25 per cent had a monthly income of between JD 200 and 300, 9 per cent had a monthly income of between JD 300 and 400, and 7 per cent had a monthly income of JD 500 or more. The poll also found that only 3 per cent considered that there was social justice in the distribution of wealth, while 81 per cent considered that there was no justice. While the opinion poll used a relatively small sample of the population and cannot be

<sup>1</sup> Jordan, Ministry of Social Development, "Social Development Sector Plan [Social Work] for the Years 1999-2003" (Arabic) (Amman, 1998).

considered as scientifically accurate, it nonetheless provides a rough indication of the thinking in Jordanian society.

The poll also found that 69 per cent of Jordanians have considered emigrating. Of the 69 per cent, 23 per cent consider the option occasionally, while 46 per cent are set on emigrating if they find the opportunity. Youth are among the principle categories considering emigration, and the main reason given for wanting to emigrate is economic (42 per cent).

The Jordanian Ministry of Social Development is currently undergoing an effort to calculate a new poverty line based on the Household Expenditure and Income Survey carried out in 1997. The results will support the Government in its economic policy-making and in improving the targeting of some of its programmes. The Ministry is also considering calculating poverty according to the "unsatisfied basic needs" approach, which would be complementary to the poverty line approach and which would be useful for social policy planning.

Regular, comprehensive and close monitoring of poverty and its determinants is critical in the formulation of development strategies and policies aimed at reducing poverty. Both rapid and regular monitoring of the basic parameters of poverty, as well as less frequent detailed analysis of the character and dynamics of poverty, are important to assess the impact of initiatives and policies on poverty.

Overall, in comparison with neighbouring countries, Jordan has a good statistical base; however, poverty monitoring and assessment require more attention and careful surveys. A social survey unit to be created under the Social Safety Net (to be reviewed at greater length in chapter VI) may be able to undertake the role of a national poverty data unit, collecting and processing data and other information concerning poverty measurement. Data of this kind is useful if it is collected regularly, processed quickly and circulated widely.

In addition to poverty rates, unemployment also increased markedly in the last decade. Conservative estimates point to a 15 per cent unemployment rate—and according to the Ministry of Social Development, the rate of unemployment among those who are extremely poor is 34.1 per cent and among those who are poor is 26.8 per cent. The relationship between poverty and employment is complex. Low wages and high unemployment rates among the poor create conditions that are difficult to overcome.

Unemployment is overwhelmingly a problem among the youth and the younger generations. Twenty per cent of the unemployed are between the ages of 16 and 20, and half of all those who are unemployed are between the ages of 21 and 30.<sup>2</sup>

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<sup>2</sup> Ibid.

This means that 70 per cent of all those who are unemployed are below the age of 30. According to a recent study, nearly 54 per cent of those between the ages of 15 and 19 are unemployed, and close to 43 per cent of those between the ages of 20 and 24 are unemployed.<sup>3</sup>

#### B. THE POVERTY PROFILE

Several studies on poverty in Jordan have outlined in detail the characteristics and profile of the poor, for example, the 1992 Household Expenditure and Income Survey and the 1991 Employment, Unemployment and Income Survey. Following is a brief review of some of the findings of these studies:

(a) Household size is strongly linked with poverty. Larger households are more likely to be poor than small households. A household with 12 members is nearly five times more likely to be poor than a household of six members;

(b) The young are most likely to be poor. This is due to a population with a very young age structure and a high dependency ratio. Over 40 per cent of the population in Jordan is below the age of 15. Among the categories identified by the Ministry of Social Affairs as being at high risk of impoverishment, five categories include children and youth: orphans and children from broken homes; children who commit crimes (delinquents); drug addicts; unemployed youth; and young people under the age of 18 who sell narcotics and alcohol;

(c) Education has a strong negative correlation with poverty. Over 40 per cent of the adult poor in Jordan are illiterate;

(d) Poverty is more a problem of low wages than of unemployment, and among the employed, persons in the private sector are more likely to be poor than those working for the Government. Agricultural workers are the most likely to be poor;

(e) There are no significant gender differences with regard to poverty;

(f) Over three quarters of Jordanians live in urban areas, including two thirds of the poor. However, although the majority of the poor live in cities, the *incidence* of poverty is higher in rural areas;

(g) There are wide regional disparities in poverty. A resident of the Governorate of Mafraq, for example, is nearly six times more likely than a resident of Amman to be in the lowest decile.

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<sup>3</sup> Centre for Strategic Studies, University of Jordan. "A study on unemployment in Jordan, 1996: selections from the preliminary results" (1996).

### C. HUMAN DEVELOPMENT INDICATORS

Jordan's total population was estimated at 4.6 million in 1996, up from 1.7 million in 1960. It has an annual population growth rate of 3.5 per cent and a total fertility rate of 5.4. By the year 2000 the population is projected to reach 5.3 million.

Jordan has a very young age structure. In the medium run, there will be a high demand on basic public services and infrastructure including education and health care. In addition, increasing pressure will be placed on the labour market to absorb large numbers of new entrants. Despite the rapid increases in population, Jordan has made impressive improvements in its human development indicators. Life expectancy increased from 46.9 years in 1960 to 68.5 years in 1994. The infant mortality rate declined from 135 per 1000 live births to 33 per 1000 live births during the same period. Close to 97 per cent of the population has access to health services, while 99 per cent has access to safe water and 77 per cent has access to sanitation. The adult literacy rate in 1994 was 85.5 per cent. The combined primary and secondary level gross enrolment ratio was 92 per cent. This ratio drops to 66 per cent for the combined primary, secondary and tertiary levels.<sup>4</sup>

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<sup>4</sup> UNDP, *Human Development Report 1997* (New York: Oxford University Press, 1997).

## II. POVERTY REDUCTION STRATEGIES AND POLICIES IN JORDAN

Until recently, the Government sought to protect the poor through public investment and employment expansion, restrictions on immigration, price and credit controls, cross-subsidies, untargeted subsidies and import restrictions. It is now clear that these interventions sacrificed the economy's long-term growth prospects. While their intentions may have been good, the welfare measures distorted market incentives and discouraged investment, reducing the economy's growth prospects and eventually penalizing the poor. Such measures were sustainable only as long as foreign transfers financed them. Once remittances and foreign grants began to dry up, Jordan found that its domestic economy was unable to support the large welfare budget, and the Government was faced with the difficult step of cutting back on public spending.

### A. GOVERNMENT AWARENESS AND COMMITMENT

The problem of poverty is openly discussed in Jordan. Government officials at all levels acknowledge not only the existence of poverty but that poverty was on the rise in the 1990s. While some officials, for obvious political reasons, downplay the severity of the problem, there is nonetheless clear government awareness that poverty will not disappear unless it is tackled head-on. There is recognition of the economic, social and political dangers of ignoring the problem.

This recognition is matched to a certain degree by the political will to take action. On several occasions, the Government has committed itself to combating and eradicating poverty in the shortest possible time. Jordan's National Report to the World Summit for Social Development in Copenhagen in 1995 clearly expressed this commitment. More recently, in the five-year Economic and Social Development Plan (1999-2003), the Government pledges to bolster its efforts in the fight against poverty. It sets as part of its "social goals" the reduction of overall poverty to less than 15 per cent and the reduction of extreme poverty to less than 5 per cent by the year 2003. The plan also pledges to bring the level of unemployment down to 8 per cent by the end of the five-year period.

In translating these commitments into action, the Government has since the mid-1980s launched several new initiatives. They include cash and in-kind transfers, health-care and food subsidies, credit and infrastructure development as well as employment through income-generating projects. However, the main emphasis and the bulk of resources remained welfare-oriented rather than development-oriented. Such initiatives work to alleviate poverty instead of dealing with its root causes. Several major initiatives will be explored in greater detail in chapter IV.

## B. GOVERNMENT PLANNING AND STRATEGY SETTING

Long-term planning is absent in Jordan. Five-year plans provide some direction for the short and medium run, but long-term direction and vision are often lacking. Officials complain that planning and strategy setting are very weak owing to the weakness in institutional and human capacities and the absence of clear and consistent vision. It is important for Jordan to develop a long-term plan that spells out Jordan's development path and objectives for the next 20 to 30 years. Where will Jordan be in the year 2020? What kind of economy will it have? How will it respond to the challenges of the twenty-first century and globalization? How will Jordanian society change? Such long-term plans provide a broad aim that puts government policies in perspective and provides policy makers with overall targets that are beyond narrow short-term goals.

Jordan also lacks an overall umbrella framework to link and coordinate the various policies and initiatives related to poverty reduction. It does not have a comprehensive national poverty reduction strategy to guide the Government's medium- and long-term economic and social planning. Poverty-related policies formulated by one ministry are often developed independently and without the necessary coordination with other concerned government bodies. This either leads to duplication or conflicting policies and always results in some confusion. Without an overall framework to rationalize and integrate poverty reduction efforts, these efforts are at risk of remaining piecemeal, disjointed and ineffective. A comprehensive national poverty reduction strategy could provide this framework.

### *1. The 1993 poverty reduction strategy*

In the past, Jordan has made some effort to develop such a broad-based strategy. In 1993, an interministerial committee was created and assigned to formulate a poverty reduction strategy for Jordan. The committee, made up of officials from all concerned ministries as well as independent experts, drew up a strategy that addressed the complex nature of poverty in Jordan. This strategy, however, was never formally adopted, although much of its content was included in Jordan's report to the 1995 World Summit for Social Development in Copenhagen.

### *2. The national plan to oversee implementation and progress of the resolutions of the World Summit for Social Development*

Another attempt to develop an overall framework for poverty reduction came as the follow-up to the World Summit for Social Development held in Copenhagen. Jordan formed a national committee made up of various governmental and private bodies to oversee the implementation of summit resolutions. In March 1997, the committee, headed by the Minister of Social Development, presented the Government

with a "national plan".<sup>5</sup> The plan translates the obligations of the Declaration and Plan of Action of the World Summit for Social Development into operative plans and programmes around the three main topics of the summit: Poverty Eradication, Productive Employment, and Enhancement of Social Integration. The national plan lists policies and programmes either proposed or under implementation. Under the section on poverty reduction, the plan lists 105 programmes, of which 71 are identified as ongoing activities and 34 are suggested programmes. The national plan was discussed and approved by the Jordanian Cabinet, but no funds were earmarked for its implementation.

The section of the national plan related to poverty reduction is comprehensive, and there is clear recognition of the complex nature of the poverty problem. The plan lists ongoing and proposed programmes in all areas related to poverty reduction, including economic growth policies, health care, education, infrastructure and income generation. It takes into account the need to reform certain economic and social legislation to support poverty reduction efforts and puts forward several positive recommendations such as the establishment of a national centre for social studies. Overall the plan serves as a good point of reference for all initiatives related to poverty reduction in Jordan.

While the plan has several positive aspects, it may be that it is too ambitious. In the absence of financial backing for the proposed programmes, the likelihood of their implementation recedes. In addition, lack of funding by the Government may point to the low priority given to the implementation of the plan. Thus while the overall plan may appear to provide the needed umbrella for all government initiatives, it lacks the "teeth" required for proper implementation and follow-up.

Another weakness of the plan is that although it was being developed at the same time that the World Bank-supported Social Safety Net was being developed, there appears to have been no formal coordination between the different groups producing the two documents. This lack of coordination is an example of the disjointed and piecemeal approach to poverty reduction prevalent in Jordan.

Other problems with the plan include the fact that some programmes listed under the various policy segments are not particularly relevant. For example under Policy P/1, "Drafting national policies and strategies aiming at alleviating poverty in all its forms", Measure P/1/B, "Promoting economic growth and minimizing imbalances", the plan proposes a programme entitled "Overcoming the negative effects of the structural adjustment programme". However, it is not clear whether this can be classified as a programme or a policy statement. In addition one of the requirements of the "proposed programme" is "saving a minimum of 40 million

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<sup>5</sup> Jordan, Ministry of Social Development, "National plan to oversee implementation and progress of the World Summit for Social Development resolutions" (March 1997).



Jordanian dinars". The plan does not specify how this money is to be saved or where it is to be spent.<sup>6</sup> Furthermore, within each policy segment, the plan includes an eclectic mix of ongoing and proposed programmes which are rarely well-linked. Overall the plan is a step in the right direction. However, unless it is backed both financially and politically, it runs the risk of gathering dust in government archives. In order for the plan to play the catalytic role it is meant to play, it must be fully integrated into government plans and constantly updated and refined.

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<sup>6</sup> Musa Shteivi, "Critical review of poverty reduction policies: the case of Jordan" (Arabic), presented at the Expert Group Meeting on Improving Standards of Living in the Arab Mashreq Countries, held in Cairo, 16-18 November 1997 (E/ESCWA/SD/1997/WG.1/6).

### III. THE ECONOMIC SECTOR OF JORDAN

Countries that have substantially reduced poverty have traditionally achieved moderate to high rates of growth. The impact of growth on poverty is not so straightforward, however. Growth in GDP does not necessarily translate into growth in the income and consumption of the poor. A country could be enjoying high growth rates, while at the same time inequality is increasing and greater numbers of people are joining the ranks of the poor. For growth to be successful in reducing poverty it must be concentrated in the sectors of the economy where the poor are concentrated, and it must not be counterbalanced by large increases in inequality. This underscores the importance of the composition and character of growth, not just its rate. The way in which growth makes a positive impact on the lives of the poor is determined by how it is achieved, who participates, which sectors grow, and what institutional arrangements are in place. In Jordan, several of the prerequisites for pro-poor growth have been missing.

#### A. THE MACROECONOMIC BACKGROUND

During the oil boom of the 1970s and up until the mid-1980s, Jordan enjoyed unprecedented growth in both income and expenditures. Substantial foreign grants and a rapid increase in workers' remittances from the oil-exporting countries of the Gulf fuelled this growth. At home, government investment and employment grew considerably. Between 1973 and 1979 the gross domestic product (GDP) grew at an average of 11.1 per cent, and Jordan invested heavily in its social sectors. As mentioned in chapter I, human development indicators witnessed marked improvement during this time, but by the mid-1980s, economic growth had slowed down, largely owing to the oil glut of the early 1980s. Remittances and grants also started to taper off, and the average GDP growth rate decreased to less than 10 per cent. Despite this downturn, extreme poverty was virtually eliminated by 1986.

With the end of the economic boom in the mid-1980s, foreign savings declined and debt service obligations grew. Unwilling to reduce consumption levels, the Government began running increasingly larger budget deficits and took on additional foreign debt during the second half of the 1980s. The period 1987 to 1988 saw increased commercial short-term borrowing from abroad, as long-term credit became scarce. By 1988, Jordan had exhausted its sources of commercial loans, and new sources were not immediately available. Faced with a fiscal deficit of 24 per cent, the Government turned to domestic fund markets to ease the downturn in the economy. However, borrowing in a heavily regulated market created even more distortions in the financial market and failed to stimulate the economy. Record fiscal deficits and balance-of-payment difficulties caused the price level to rise drastically in 1989. The cost of living increased, and per capita income fell more than 19 per cent from its 1985 level.

### *The Bretton Woods economic reform programme*

In an effort to overcome its growing economic troubles, the Jordanian Government and the International Monetary Fund (IMF) signed a five-year structural adjustment package in 1989. The programme focused on trade and financial liberalization, deregulation, privatization and a rationalization of the Government's role in the economy. In the first year, the IMF noted that the programme was on track and that the results were very encouraging. This success was not to last long. The Gulf war and the ensuing crisis dealt a severe blow to the economy and prevented the completion of the reforms within the original time-frame.

The 1990/1991 Gulf crisis saw the repatriation of some 300,000 Jordanians from Kuwait and the Gulf and led to a 10 per cent increase in the Jordanian population. Unemployment reached record highs of between 25 and 30 per cent. The returnees placed heavy demands on government services, already strained by a decreased budget.

The returnees, who brought with them nearly \$1.6 billion, spent most of this money in the construction industry and on housing expenditures. Very little was placed in productive investment, which has the potential to create long-term employment. At the same time, the Gulf crisis resulted in the overnight loss of export markets to the Gulf and Iraq. Between 1987 and 1991, the population grew by 34 per cent, real domestic output (GDP) fell 11 per cent and real consumption fell about 14 per cent. With 34 per cent more people consuming 14 per cent less, per capita consumption fell about 36 per cent over the four years covered by this period.<sup>7</sup> Jordan found that it was unable to keep its adjustment programme on track. In October 1991, upon the conclusion of the Gulf crisis, the Jordanian Government and the IMF signed a second agreement. The new seven-year agreement, for the period 1991 to 1998, envisaged a reduction of the budget deficit, lower consumption, controlled inflation and reduced borrowing.

In 1992, as a result of the construction boom and the investment flows, GDP grew by 16.1 per cent, while real GDP per capita rose by 10.4 per cent. Growth in GDP remained positive and significant in the following year but was almost halved to 5.8 per cent as the effect of spent savings died down. Between 1993 and 1996 the economy continued to grow steadily at an average of 5.8 per cent.<sup>8</sup>

By 1996, economic activity slowed down to 5.2 per cent, compared with 6.9 per cent in 1995, and is believed to have fallen significantly in 1997. Unofficial estimates have placed average GDP growth for 1997 at around 2.5 per cent.

<sup>7</sup> World Bank, *Jordan: Poverty Assessment* (Washington, D.C.: World Bank, October 1994).

<sup>8</sup> Yusuf Mansur, case-study on Jordan in *Economic Reform Policies and Poverty in Selected ESCWA Member Countries: Egypt, Jordan and Yemen* (E/ESCWA/ED/1997/13).

Government officials point to external factors such as the ongoing Iraq crisis, which cut off Iraqi export markets, and the election of Israeli Prime Minister Benjamin Netanyahu, which dampened hopes for peace in the region.

Jordan's economic reform programme is primarily aimed at removing market distortions and increasing productivity. The structural reforms are expected to lead to growth and eventually to provide medium- to long-term solutions to poverty. In the short run, however, stabilization reduces aggregate demand, growth and investment. Necessary budget cuts tend to burden the poor disproportionately, as they affect the goods and services that the poor consume relatively intensively. The economic reforms also reduce demand for labour in the public sector and result in downward pressure on wages, further exacerbating poverty problems.

The reform programme in Jordan also seeks to address directly many of the piecemeal policies previously used in combating poverty. It has attempted to encourage the growth potential of the economy, its productivity and its competitiveness. These include government employment expansion, the restriction of immigration, price and credit controls, cross-subsidies and import restrictions.

The economic reform programme envisages a greater role for the market and the private sector in the future development of Jordan. In order to revive economic growth and launch the economy of Jordan onto a sustainable employment-generating and poverty-reducing path, the market must be allowed to flourish. Although markets cannot reduce poverty on their own, "successful markets [may] make the economy more efficient and create opportunities for investment and for employment, in a way that is status-blind. This contributes to the overall environment for poverty eradication."<sup>9</sup> To date the privatization track of the reform programme has had slow progress. It is one of the most controversial and publicly feared components of the programme, and its slow implementation may end up hurting the poor.

It must be noted however, that efficiently operating markets are not enough to reduce poverty. The poor must be equipped to take advantage of the opportunities that the new growth strategy creates. The poor must have access to education, health services and other human capacity-building infrastructure to avoid becoming marginalized.

#### B. THE STRUCTURE OF GROWTH

The positive growth witnessed during the early 1990s did not reduce poverty. On the contrary, estimates point to a rise in the ratio and depth of poverty. Between 1989 and 1996, extreme poverty more than quadrupled, increasing from less than 2

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<sup>9</sup> UNDP, *Preventing and Eradicating Poverty: Main Elements of a Strategy to Eradicate Poverty in the Arab States* (New York: UNDP, 1997).

per cent to 8.2 per cent (see table 1). Meanwhile, though unemployment decreased, it still remained high. Official estimates place the unemployment rate in 1996 at around 15 per cent. In addition national accounts data show that between 1992 and 1996 per capita consumption fell 10 per cent and private consumption fell from 75 per cent of GDP to 62 per cent.<sup>10</sup> The World Bank<sup>11</sup> estimated in 1994 that unless the economy were to grow at more than 3 per cent, poverty could not be reduced by growth alone. Even with 5 per cent growth, it would take more than a decade to reach poverty levels comparable to those of the early and mid-1980s.

The persistence of poverty despite growth appears to stem from the sources and nature of the growth. As shown earlier, growth in 1992-1993 was based on the influx of investment related to the residential construction boom to accommodate the 300,000 returnees. These investments did not create long-term employment, and when the boom passed, so did its impact on reducing poverty.

To date, the pattern of growth in Jordan has been narrow and oriented to domestic and regional markets. Exports to major external markets have not been significant. In order to benefit from economies of scale, production must be aimed at a market much larger than the domestic market. Jordan must also expand and diversify beyond regional markets. The shocks of the Iraq-Iran war, the 1990 Gulf crisis and then the 1994 crisis with Iraq have meant that regional export markets, highly significant for the Jordanian producer, were no longer easily accessible. Manufacturing and light industry suffered heavily as a result.

In recent years, the Government has taken slow steps to create an enabling environment for outward-oriented and private sector growth. Recognizing that its young labour force is growing at an average of 4.8 per cent a year, Jordan must create a quarter of million new jobs over the next five years. The country's long-term prospects for sustainable growth and poverty eradication lie in its ability to promote the export of labour-intensive products. Jordan must move more quickly to encourage private investment leading to the creation of new jobs. Private investment must be made the centrepiece of Jordan's growth strategy.

In its new five-year Economic and Social Development Plan (1999-2003), the Government has clearly committed itself to encouraging private investment and export industries. The plan aims at achieving a 6 per cent average growth rate over the five-year period and an 8 per cent growth rate in exports. It aims at promoting growth in the industrial sector and predicts a continued decline in the importance of the construction sector. Agricultural growth is projected at 2.4 per cent per year, while the "mining and quarrying" and manufacturing industries are expected to grow at an

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<sup>10</sup> World Bank, Middle East Department, "Hashemite Kingdom of Jordan, Social Productivity Program: Appraisal Report", unpublished report (1997).

<sup>11</sup> World Bank, *Jordan: Poverty Assessment* (Washington, D.C.: World Bank, October 1994).

average of 8.5 and 7.9 per cent respectively. The services sector is expected to grow at an annual average of 6.1 per cent. Although some progress has been made in improving the overall environment for investment, more remains to be done. Investors have complained of unclear and complicated regulations and corruption as well as bureaucracy and red tape. Without major and constant improvements, Jordan cannot hope to attract foreign capital or keep local capital at home.

At present the structure of growth in Jordan is heavily biased towards the services sector. As a percentage of GDP in 1996, the commodity-producing sectors, including agriculture, industry and construction amounted to 36.6 per cent, while the share of the services sector in GDP was 63.4 per cent (see tables 2 and 3). A high percentage of the labour force is also concentrated in the services sector (see table 4).

TABLE 2. GROWTH RATES OF ECONOMIC SECTORS IN JORDAN,  
AT CONSTANT FACTOR COST  
(Percentage)

	1992	1993	1994	1995	1996
Agriculture, forestry, fishing	17.3	-26.4	-9	4	3
Mining and quarrying	-1.1	-11.4	0.4	18.1	10
Manufacturing	15	3.2	28.6	7	6
Electricity and water	4.4	14.3	4.6	5	5
Construction	55.4	25.6	10.7	5	2
Total commodity-producing sectors	19.2	-1.3	11.8	6.5	4.7
Trade	10.8	26	23.8	9	6
Transport and communications	9.2	4.1	1.4	4	6
Finance, real estate and business services	4.5	14.2	7	4.5	4
Social services	23.7	2	20.6	6.1	4.9
Producers of government services	5.8	8.7	2.9	5.5	4
Non-profit institutions	9.5	-3.6	18	4.2	4.7
Domestic services of households	35.5	4.8	-18.2	2.8	5.4
Total services sectors	8.3	8.8	5.9	5.1	4.7

Source: Central Bank of Jordan, *Annual Report 1996* (Amman, 1997).

TABLE 3. THE RELATIVE CONTRIBUTION TO GDP BY SECTOR,  
AT CONSTANT FACTOR COST  
(Percentage)

	1992	1993	1994	1995	1996
Agriculture, forestry, fishing	11	7.7	6.5	6.4	6.3
Industry	16.1	15.4	17.7	18.2	18.5
Electricity and water	3.1	13.3	3.2	3.2	3.2
Construction	7.2	8.7	8.9	8.8	8.6
Total commodity-producing sectors	37.4	35.1	36.3	36.6	36.6
Trade	3.4	4.1	4.7	4.8	4.9

TABLE 3 (continued)

	1992	1993	1994	1995	1996
Transport and communications	14.6	14.4	13.6	13.4	13.5
Finance, real estate and business services	20.2	22	21.8	21.5	21.4
Producers of government services	21.7	22.5	21.4	21.4	21.3
Other services	2.7	1.9	2.2	2.3	2.3
Total services sectors	62.6	64.9	63.7	63.4	63.4

Source: Central Bank of Jordan, *Annual Report 1996* (Amman, 1997).

TABLE 4. PERCENTAGE OF THE JORDANIAN LABOUR FORCE  
IN EACH SECTOR, 1960 AND 1990

	1960	1990
Agriculture	50	15
Industry	24	23
Services	26	61

Source: UNDP, *Human Development Report 1997* (New York: Oxford University Press, 1997).

Tables 2 and 3 show a rise in the value added of all sectors, although growth rates for 1996 were lower than those of the previous year for most sectors. Based on preliminary estimates of the national accounts, the value added of the agricultural sector increased by 3 per cent at constant prices compared with a 4 per cent increase in 1995. This slow-down was due principally to low rainfall in the 1996 agricultural season. The manufacturing sector continued its modest growth for the second consecutive year in 1996 compared with the exceptional growth that was experienced in 1994. According to preliminary estimates, the value added generated by the industrial sector, both "mining and quarrying" and manufacturing, registered a real growth rate of 6.5 per cent in 1996 compared with 8.4 per cent and 24.3 per cent in 1995 and 1994 respectively. The growth of the construction sector continued to decelerate gradually during 1996. This was consistent with the pattern that began in 1993 after the exceptional growth achieved in 1992. In 1996, the tourism sector maintained the high growth rate exhibited in the previous year. The growth of the value added generated by this sector was 14 per cent compared with 16.9 per cent in 1995.

While Jordan has the potential to grow in the services sector, it must place more emphasis on the tradable goods sectors, which also have the potential to create new jobs. Within the tradable goods, the agricultural sector is small relative to other countries and, because of the high cost of water, is unlikely to grow except by switching to higher valued products. The manufacturing sector, however, can grow

provided there is substantial private investment. Jordan should also support the informal sector as a way to promote employment and increase the income of the poor and middle class. It should review laws and regulations that restrict informal activities and encourage NGOs in opening more credit facilities for the poor.



## IV. THE SOCIAL SECTOR OF JORDAN

### A. GOVERNMENT POLICIES AND EXPENDITURES

One indicator of government commitment to poverty reduction is the amount of resources spent on improving the quality of life of the poor. Expenditures on the social safety net and programmes specifically targeting the poor as well as expenditures on basic education and primary health care are indicators of government commitment. In Jordan, although the statistical database is relatively good, there have not been any detailed studies on basic social expenditures. The following section will briefly review the data that are available.

In 1994, the government safety net transfers were worth about JD 24 million. This includes cash transfers, health subsidies and the now-reformed food coupons. The cash transfer programme had the least number of beneficiaries but the highest annual per capita transfer of JD 85. The food coupon programme with some 2.4 million beneficiaries was by far the most costly at JD 15.6 million. Yet on a per capita basis it only transferred an average of JD 6.5 per year. The health card programme with 320,000 beneficiaries was the least costly at JD 1.1 million, transferring JD 3.4 per capita.<sup>12</sup> As a percentage of central government expenditure, social security and welfare make up 15.3 per cent, up from 13.7 per cent in 1980.<sup>13</sup>

#### 1. Health care

The public sector in Jordan is the principle source of primary and hospital care for the poor. Jordan has an impressive network of primary health care centres and public hospitals. An estimated 97 per cent of the population has access to health care. Public expenditure on health care constituted about 7.1 per cent of the general budget in the mid-1990s, up from 3.8 per cent in 1980. However, the disparity between the fees for treatment and the actual cost of providing health services has taxed the budget of the Ministry of Health. To ensure continued services to the poor, Jordan should work to improve efficiency and targeting. The World Bank has suggested that to increase efficiency the Ministry of Health should lower costs by eliminating redundant staff and reducing its role in the direct provision of health care. It should also enhance revenues by increasing and equalizing public insurance premiums and increasing fees and collection rates. To improve targeting, the World Bank suggests that the Ministry of Health increase the poor's share of publicly subsidized services and differentiate subsidies according to user income.<sup>14</sup>

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<sup>12</sup> Mansur, *op. cit.*

<sup>13</sup> UNDP, *Human Development Report 1997* (New York: Oxford University Press, 1997).

<sup>14</sup> World Bank, *Jordan: Poverty Assessment* (Washington, D.C.: World Bank, October 1994).

## 2. Education

In the field of education, Jordan has an impressive record, with 10 years of compulsory education and public schools free to all citizens. An estimated 75 per cent of all students are educated by the public sector. Public spending has grown substantially despite recent budgetary pressures. As a percentage of central government expenditures, Jordan spent 16.3 per cent on education in the mid-1990s, compared with 7.6 per cent in 1980s. Public spending seems to have focused on primary and secondary education; transfers to universities have declined markedly. The amount spent on primary and secondary education, as a percentage of all levels, is around 90 per cent. Overall, the poor have good access to primary and secondary education, although the relatively few drop-outs are concentrated mostly among the poor.

## 3. Patterns in social spending

Although spending on social security appears to have been well protected, its rate of growth can only be described as erratic. In 1992 the growth rate in social security spending was 16.5 per cent. In 1993 it increased to 18.2 per cent, then fell sharply to 11.2 per cent in 1994, before rising again to 15.15 per cent and decreasing to 9.9 per cent in 1996.<sup>15</sup> Surprisingly, the pattern of social spending does not follow the growth rates of the economy. Comparing growth of the real GDP for the same period shows an almost steady growth rate from 1993 to 1996. This is not the case for social spending. A possible reason for this erratic pattern may lie in the almost yearly change in Cabinets. With each Cabinet change and each ministerial change, continuity in policy is disrupted. This is clearly harmful to long-term social policy planning.

## B. POVERTY REDUCTION PROGRAMMES

Jordan's social welfare system is well developed and diverse; it aims to assist the poor through cash and in-kind assistance. The principal programmes are cash transfers, food and health care subsidies, assistance to the vulnerable, in-kind grants, and employment through income-generating projects. The system is supported by both governmental and non-governmental organizations. The programmes have in recent years been Jordan's primary weapon in the fight against poverty. The remainder of this chapter will review the major governmental programmes and some of the initiatives by non-governmental organizations. It will attempt to assess their impact, highlighting some of their strengths and weaknesses, and will try to reach a better understanding of why the programmes failed to reduce poverty.

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<sup>15</sup> Mansur, *op. cit.*

### C. THE NATIONAL AID FUND

The National Aid Fund (NAF) was established in 1986 at a time when poverty was beginning to rise in Jordan. The Fund provides unemployable and chronically poor households with cash transfers. Specifically it targets categories of individuals presumed to be poor, including the disabled, the elderly, orphans, divorcées, abandoned women, and families in special circumstances such as those in which the breadwinner has been arrested and imprisoned. The able-bodied unemployed and the working poor, who form the majority of the poor, are excluded from assistance. NAF also provides grants for family emergencies and the care of disabled children and gives loans for self-employment of the disabled.

NAF is closely linked with the Ministry of Social Development, with the Minister acting as the chairman of the Fund's Board of Directors. The budget, functions and staff of NAF are intermingled with those of the Ministry, creating planning, managerial and financial problems. Since its establishment, the budget of NAF has been steadily increasing. In 1992, the budget was JD 8 million. This was increased to JD 13 million in 1993, JD 16 million in 1995 and JD 22 million in 1997. Monthly assistance to households was set in 1997 at a maximum of JD 70 per household per month. According to a recent study by NAF, the number of poor families receiving assistance in 1997 was 33,599 (or 73,000 individuals), up from 22,382 families in 1992, a 50 per cent increase.<sup>16</sup>

In its draft plan for 1998,<sup>17</sup> NAF estimates that there are 140,000 families that fall under the poverty line and 50,000 that can be classified as extremely poor. Assuming that all cash transfers by NAF are reaching extremely poor families—a major assumption—there remain about 17,000 extremely poor families not covered by NAF and 107,000 poor families that could also benefit from assistance. In the draft plan, NAF claims that it would require four times the currently allocated budget to cover the poverty gap.

It is widely acknowledged that NAF has many deficiencies. In its 1998 draft plan, NAF lists the major challenges and problems that the institution is facing. Among these, the document lists the following:

- (a) Absence of administrative independence;
- (b) Small budget;
- (c) Bureaucratic and centralized structures;

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<sup>16</sup> Kasem al-Moumny, "Poverty in Jordan: reality and characteristics" (Amman: National Aid Fund, 1998).

<sup>17</sup> National Aid Fund, "Draft plan for the National Aid Fund for 1998" (Amman, 1998).

- (d) Absence of a comprehensive strategy to fight poverty and unemployment and the lack of a clear definition of poverty;
- (e) Absence of coordination between agencies working in the field on issues of poverty and unemployment;
- (f) Understaffing and too few qualified staff;
- (g) Weak monitoring and evaluation;
- (h) Weak computerization;
- (i) Scarcity of cars and equipment.

These problems are well known to government officials and NAF staff alike. To address some of these challenges, NAF will be undergoing reforms as part of the newly established Social Safety Net (see chapter VI). This section of the paper will briefly review some of the weaknesses of NAF to provide a better understanding of the problems facing this establishment.

Although it was never designed as a cure-all, critics have complained that NAF does not deal with the core reasons behind poverty. The structure of the assistance in the form of handouts neither promotes sustainable livelihoods nor provides a long-term solution to the poverty problems in Jordan. Indeed, the cash assistance is not meant to eradicate poverty but only to help those in society who are unable to provide for themselves and unable to take advantage of the Government's other poverty-reducing measures.

As noted above, the eligibility criteria of NAF benefits have been very narrowly defined. The NAF by-laws specifically indicate that eligibility for assistance is not based on the level of income, but rather on whether a family or individual fits into one of the predetermined categories listed above. By effectively excluding the working poor and by reducing benefits dinar-for-dinar when beneficiaries do earn an income, the system creates a work disincentive.

The issue of complete autonomy of NAF from the Ministry of Social Development has received a great deal of attention from officials. The law governing the operations of NAF contains inherent contradictions. Thus while one article of the law stipulates that the Fund is a corporate entity that enjoys financial and administrative independence, a second article states that NAF activities are to be conducted by the Ministry of Social Development. Furthermore, the article states that it is the prerogative of the Minister to appoint whom he or she deems appropriate from among the staff of the Ministry for that purpose.<sup>18</sup> This creates ambiguity and has hampered the execution of administrative, planning and financial functions.

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<sup>18</sup> Jordan Social Productivity Program, "Main Report of the National Aid Fund Task Force" (Amman, 1997).

Another problem raised by NAF officials is that the number of staff is not commensurate with the task at hand. This is partly related to the institution's lack of autonomy, as NAF employees are often also staff of the Ministry of Social Development. The low capacity of staff is also emphasized by NAF officials who complain of too few training opportunities. Staff members are often not equipped to carry out their jobs.

One result of the small staff and the weakness of the staff members' skills is poor monitoring. The staff of 400 is unable to monitor the progress of 33,000 families. There is rarely follow-up on families who have received cash assistance, and there are few if any records of whether a family's situation has improved or deteriorated. There is likewise no evaluation of the impact of the overall programme. Exacerbating the situation is weak computerization of data. NAF is only very slowly beginning to create a computerized database of beneficiaries. This inability to monitor beneficiaries has been particularly problematic with regard to a subprogramme within NAF that provides small and micro loans for productive purposes. Estimates of repayment rates for the loans have been as low as 10 per cent, with the maximum figure quoted being 50 per cent.

NAF has also been criticized for being too centralized, too bureaucratic and not participatory. Its by-laws for example, are formulated in a vague manner, making them difficult to understand by the target population. The process of application is highly complicated and requires supporting documentation from a number of government offices. While this system may deter abuse, it may also deter potential target beneficiaries who are either intimidated by the complex procedures or who find the task of collecting all the necessary information too arduous, in particular if they live in remote areas.

Another problem of the by-laws is the exceptional and arbitrary powers it grants to the NAF director. The by-laws allow the director to ignore the by-laws themselves if he sees fit. The highly centralized and personified structure of NAF may undermine the Fund as a sustainable institution and may lead to other abuses including favouritism, corruption and mishandling of cases by the staff.

NAF officials also complain of the absence of coordination between their programme and other programmes in the field, which leads to duplication and inefficiency.

In summary, to improve the functioning and the efficiency of NAF, its dependence on the Ministry of Social Development must be solved, so as to give NAF full autonomy over its administrative, financial and planning affairs. The capacity of the staff should be enhanced through rigorous training, and the data of the Fund must

be computerized as soon as possible. Low-cost follow-up and evaluation schemes in the field must be developed in order to enhance the Fund's targeting. The planning process must be made more participatory to involve target beneficiaries. Procedures for application should be simplified and bureaucratic red tape reduced to a minimum. Coordination between NAF and other agencies should be enhanced through the establishment of a coordinating unit that can clarify the division of labour and set complementary roles for each of the different agencies.

#### D. HEALTH SUBSIDIES

The poor in Jordan are guaranteed health care through lower fee grants to holders of health cards or waivers of fees on a case-by-case basis by the Ministry of Health. The public health facilities in Jordan include the Ministry of Health, the military Royal Medical Services and the University of Jordan. In addition, health care is available from the private sector, the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and a few large NGOs. Civil servants, military personnel and dependants receive low-cost health care at public or military facilities; large companies usually provide employees with some form of health insurance. However, there are groups not covered by any health insurance. These include the unemployed poor, contractual government employees (who are not considered civil servants), workers in the small- and medium-scale formal sector and workers in the informal sector. For the poor without any insurance, the Ministry of Health provides health cards valid for two-year periods. A health card allows the holder and his/her family to use public health facilities at fees equivalent to those paid by civil servants. According to the World Bank, in 1992, up to 70 per cent of poor households (or 75,000 households) were not insured by either government or private health care. Only 60 per cent of these households had health cards. The remaining 40 per cent had neither insurance nor a health card.<sup>19</sup>

#### E. FOOD SUBSIDIES

In October 1997 Jordan implemented a politically sensitive decision to replace a quantity-based food coupon system for rations of rice, sugar and milk with a food subsidy system that entitles households with incomes of less than JD 600 to a cash subsidy of JD 0.72 per person per month. The food coupon system, which was introduced in 1991, had been universal and did not discriminate between the poor and the non-poor. Up to 60 per cent of the population received these coupons, with the average cost being JD 0.54 per person per month. According to the Ministry of Supply, up to 67 per cent of the old subsidy benefited the non-poor. The new system increases the value of the subsidy by about one third, but it remains only about 3.3 per cent of the poverty line consumption level. According to the World Bank, if the same

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<sup>19</sup> World Bank. *Jordan: Poverty Assessment* (Washington D.C.: World Bank, October 1994).

budget were targeted only at the poor, the average value of the subsidy would more than triple to 11 per cent.<sup>20</sup>

In addition to the food cash subsidy, in 1996 Jordan introduced a wheat subsidy compensation to replace a universal wheat and fodder subsidy. The cash subsidy makes available JD 1.28 per month to every Jordanian and JD 2.08 to every NAF recipient. An estimated 65 per cent of those eligible actually receive the subsidy, less than a third of whom are poor.<sup>21</sup> The reform of both the food and wheat subsidy has made them noticeably more efficient and focused. Although major leakage remains in both systems, the Government cannot afford to move any more rapidly in such highly politically charged areas, as underscored by the 1997 riots.

#### F. EMPLOYMENT GENERATION

Employment generation has figured prominently in Jordan's efforts to reduce poverty. However, as mentioned in chapter II, Jordan's economic growth policies have not succeeded in promoting the necessary job creation. Furthermore, a sluggish private sector and weak investment have not provided the promised opportunities in the labour market. In September 1998, Jordan held a national conference on employment. The conference, which received wide attention and media coverage, was aimed at arriving at a consensus to set a strategy for employment creation. The Crown Prince, who opened the high-level conference, stressed the close links between unemployment and poverty and pledged the Government's commitment to fighting both. He said the Government viewed unemployment as a humanitarian issue with political, social and economic ramifications. Senior government officials attending the conference stressed the need to encourage productive investment and private sector initiatives, regulate foreign labour and formulate vocational training programmes that complement market needs. Nevertheless, the Minister of Social Development warned against blaming poverty in Jordan on unemployment. In a recent statement on the occasion of the International Day for the Eradication of Poverty, the Minister said that even if the labour market were able to absorb the entire eligible workforce, the poverty rate would remain more or less the same. The Minister pointed to low wages as being a major problem and said that poor wages, which sometimes averaged JD 50–70 per month, were an obstacle to the eradication of poverty.<sup>22</sup>

Jordan has used vocational training and services for small and micro-enterprises to bolster employment generation. These programmes are mainly targeted at the youth and younger generations, who form the vast majority of the unemployed in Jordan.

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<sup>20</sup> World Bank, Middle East Department, "Hashemite Kingdom of Jordan, Social Productivity Program: Appraisal Report", unpublished report (1997).

<sup>21</sup> Ibid.

<sup>22</sup> *Jordan Times*, 18 October 1998.

### 1. Vocational training

In recent years, Jordan invested heavily in vocational secondary education, seeking to provide new entrants to the labour market with the skills required to find employment. Close to half of tertiary students follow the Ministry of Education's vocational curriculum or attend schools run by the Vocational Training Corporation or community colleges. However, the experience of vocational institutions in preparing students for the job market is not promising. Graduates of vocational schools have higher unemployment rates than general secondary graduates. The unemployment rate among community college graduates for example, was 20 per cent in 1996 compared with a 13 per cent unemployment rate among secondary graduates. The problem lies in the poor quality of the vocational training, the mismatch between what is in the curriculum and what employers require, and the absence of links with potential employers.

### 2. Small and micro enterprise services

Small and micro-enterprises in Jordan employ more than two thirds of the labour force and are considered to be much more cost-effective at creating new jobs than larger firms. According to the 1994 industrial census, the average investment cost needed to create one employment opportunity through small industry is JD 6,500 compared to JD 45,000 for one employment opportunity in large industry. The potential impact of small businesses, therefore, is great. The Government supports these enterprises primarily by providing credit. There are several credit programmes in Jordan, among them those run by the Development and Employment Fund, UNRWA, NAF, the Ministry of Social Development, the Agricultural Credit Corporation, and the Handicrafts and Small-Scale Industries Loan Fund. Several NGOs also provide credit. Although no evaluation is available, the impact of the programmes is believed to be limited. Most of the schemes are small and not sustainable financially. Staff often lack micro-enterprise credit experience and other business management and marketing skills. The projects adopted are rarely studied carefully for financial sustainability. Products may not be competitive, and their marketing opportunities are often very weak. In addition the projects typically have very weak follow-up and monitoring once the loans are disbursed.

### 3. The Development and Employment Fund (DEF)

With growing numbers of new entrants into the labour force and a persistent problem of unemployment, the Jordanian Government established the Development and Employment Fund (DEF) in 1989. DEF began its operations in 1991 with the aim of (a) providing training opportunities for the unemployed and for new entrants to the labour market and (b) providing soft loans for the establishment of small and medium-sized enterprises. In 1997, of the total JD 35 million in small and medium loans disbursed to borrowers in Jordan, DEF gave out JD 20 million.

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DEF was created as an umbrella organization to provide technical assistance to intermediary organizations and to build their capacity in disbursing and managing loan portfolios. It was also meant to help provide training for trainers. However, it has become involved in direct lending to beneficiaries. This has created a host of problems, not the least of which is that DEF does not have the capacity to monitor and manage these loans. The average loan size given by DEF is JD 5,000 with a ceiling of 15,000. Estimates of repayment rates are not available, but some officials report that repayment does not exceed 60 per cent. Furthermore, given the weak follow-up, once the loans are disbursed, officials are unable to assess whether the loans were used for productive purposes or whether projects were successful. There is some evidence to suggest that in fact, many of the loans are never invested in productive business, and of those that are, up to 50 per cent fail or are unsustainable.

By becoming directly involved in loan operations, DEF has lost the focus of its original vision as an umbrella organization that could provide badly needed technical assistance to intermediary organizations. DEF also suffers from problems of inefficiency and weak human and institutional capacity.

#### G. NON-GOVERNMENTAL ORGANIZATIONS

Non-governmental organizations (NGOs) can play a major role in a Government's poverty reduction efforts. NGOs can serve as vehicles for empowering and mobilizing the poor and promoting their interests. Being grounded in local realities and in closer proximity to beneficiary groups, NGOs have the comparative advantage of fostering participatory approaches. They can often be more efficient, flexible, responsive and cost-effective than Governments in providing social services. A healthy and active NGO sector can be a critical partner to government efforts in the fight against poverty.

There are close to 350 NGOs in Jordan, many of them working in the field of social development, welfare and relief efforts. Three major local NGOs working in this area are the Queen Alia Fund for Social Development, the Noor al-Hussein Foundation and the General Union of Voluntary Societies (GUVS). The NGOs in Jordan provide in-kind assistance and micro and small loans in addition to income-generating projects. Some also provide services in areas such as health, nutrition, agriculture, voting and family planning. Several NGOs run literacy seminars, vocational training and small business management courses.

In the absence of any impact assessment or independent evaluation, it may be said, based on circumstantial evidence, that many of the NGOs have had a positive impact on the lives of their beneficiaries. This impact may be felt not only in increased incomes of the beneficiaries, but often in more subtle ways such as the benefit received from literacy, health-care and family-planning campaigns. The presence of NGOs in a community can also have a positive impact in terms of empowering the poor, a benefit which cannot be measured.

NGOs working in the field of poverty reduction in Jordan are typically concentrated in remote and rural areas. Their presence in urban centres is limited despite the fact that two thirds of the poor live in cities. One reason for this could be that until 10 years ago extreme poverty was predominantly a rural phenomenon. NGOs have not had the flexibility to change their policies and to move some of their activities to urban areas. Another reason for the weak presence of NGO activity in urban centres could be the relative difficulty of establishing themselves and being accepted within urban communities as opposed to rural communities. Urban communities could be more sceptical and less welcoming of the NGOs, which have traditionally used a top-down approach to development. Beneficiaries are often not consulted on the content or design of projects. It was found that many NGOs, despite paying lip-service to empowerment and participatory development, are highly patronizing in their attitude towards beneficiaries in general and the poor in particular. Solutions to social problems are considered the prerogative of the organization, and when projects fail, they are quick to blame the ignorance of the target population.

Coordination, or the lack thereof, is another problem facing the NGO sector. While some coordination exists between NGOs and certain government agencies, in particular the Ministry of Social Development and DEF, formal coordination among the NGOs is almost completely absent. Competition between the NGOs, in particular the larger ones, is fierce. The absence of coordinated initiatives frequently leads to duplication and squandered resources.

The NGOs get their funding partly from the Government, partly from private contributions and partly from foreign donors. It is their dependence on foreign grants that can be problematic, as NGOs rush to cater their programmes and initiatives to the agendas of the donors. The pressure to conform to outside agendas also has the negative impact of increasing inter-NGO competition and precluding specialization by the NGOs. In recent years for example, the major NGOs in Jordan have all developed micro-enterprise schemes, given the relative abundance of resources being earmarked to micro-finance.

As mentioned above, there have not been any independent evaluations of the impact of the NGO sector on development, poverty reduction and collective empowerment. Such an evaluation would be important in order to assess accurately this sector's strengths and weaknesses and recommend measures to improve its effectiveness.

## V. GOVERNANCE AND JORDAN'S POVERTY EFFORTS

Jordan's approach to poverty alleviation has been multifaceted. Its formal social safety net and other governmental and non-governmental programmes have allowed for a certain amount of flexibility in responding to the conditions and needs of the poor. It is clear that Jordan is fully aware of the importance of addressing the problem of poverty and has committed resources to combat it. However, policies and programmes, which have developed in the absence of an overall national strategy, have been piecemeal, un-integrated and ultimately self-defeating. In general, past policies have been geared towards alleviating poverty rather than dealing with its root causes. Without long-term vision, policies have adopted a welfare approach seeking to marginally help those living in poverty rather than looking for ways to empower the poor and allow them to build sustainable livelihoods. The welfare policies eventually distorted the economy and undermined the growth necessary to eliminate poverty.

In addition to the overall problem of approaching poverty alleviation, Jordan's poverty initiatives have also suffered from a host of other problems. The absence of good governance has been a major obstacle to the proper execution of policies and programmes. This chapter will look at some of the common governance problems found in Jordan.

### A. CENTRALIZATION

Many of the governmental and to a lesser degree the non-governmental organizations working in the field of poverty reduction are structured in a highly centralized manner. They often lack the flexibility or the capacity to respond rapidly and effectively to the needs of the poor. Decision-making is usually concentrated in the hands of a few to the exclusion of those working in the field and closest to the target beneficiaries. Exacerbating the situation are highly bureaucratic structures and procedures, which reduce efficiency and sometimes deter target beneficiaries from seeking assistance. Jordan should seek to devolve decision-making and decentralize public institutions while fostering a community-based development approach. Procedures should also be simplified and red tape eliminated.

### B. TRANSPARENCY AND ACCOUNTABILITY

Officials interviewed for this paper complained that several initiatives lacked transparent objectives and that accountability for progress or failure in certain programmes was very weak. Jordan must provide an efficient public administration and an effective system of justice. Businesses and civil society can only thrive in stable legal environments with clear and consistently enforced laws. While the problem of corruption was not reported to be widespread, some programmes and initiatives were open to abuse owing mainly to weak institutional frameworks. Tighter control of these programmes combined with transparent regulations and management may help reduce the problem of corruption.

### C. COORDINATION

Coordination is one of the main issues raised by officials. There is an obvious absence of formal coordination between the many different governmental and non-governmental agencies working in the field of poverty reduction. This applies to intraministerial coordination, interministerial coordination, coordination between government agencies and the non-governmental sector and coordination between the different NGOs. Lack of coordination among the providers of assistance to the poor results in the duplication of efforts or conflicting initiatives. It also gives free reign to fierce competition for resources, turf and visibility.

Between ministries, formal coordination was found to be lacking at almost all levels, from policy-making to information-sharing. It is generally acknowledged that while there is often no intention to exclude, coordination does not occur because there are no mechanisms in place through which it could take place. Barring random, individual efforts, there is no official coordinating structure or body, which can regulate poverty reduction efforts. Even among different sections within one ministry, coordination is usually weak. Thus, one section of the ministry could be working on a project which overlaps with another initiative led by a different section in the same ministry, without any formal linkages.

Limited coordination exists between some government agencies and certain NGOs. This coordination is often confined to a particular common project or programme and does not extend to cover broad coordination. Coordination and cooperation between NGOs is all but absent, as reviewed in the final section of chapter IV. Competition among NGOs is fierce, leaving little room for cooperation or coordination of efforts.

There is an obvious need to improve dialogue and coordination among all agencies responsible for economic and social policies as they relate to poverty reduction. Government ministries, civil society and the private sector should be brought together to coordinate their work and arrive at a division of labour which is in the best interest of the poor in Jordan. Coordination efforts should be regular and consistent. The Ministry of Social Development is the most obvious agency to coordinate efforts in alleviating poverty. However, the Ministry currently lacks the resources, the capacity and the mandate to undertake such a task. Thus, either the Ministry should be empowered to act as coordinator, or an independent body should be created for that purpose.

### D. INSTITUTIONAL AND HUMAN CAPACITY

The problem of weak institutional and human capacity afflicts most of the agencies working in the field of poverty reduction. Institutions are often weak from a structural, administrative, managerial and financial standpoint. Moreover, staff are often ill-equipped and untrained for the tasks at hand. A recent report prepared by the

Ministry of Social Development as a background paper to the five-year Economic and Social Development Plan (1999–2003)<sup>23</sup> blames the failures of many programmes on the lack of individuals with the necessary skills to formulate, implement and monitor the programmes. The report adds that financial problems are not the direct cause in the slow resolution of social problems but rather weak human and institutional capacity. It notes the relatively large sums of money spent on social issues in Jordan by both the Government and the non-governmental sector. These amounted to more than JD 140 million in 1997, yet the impact of the money has not been felt. Training programmes should be created for all staff to provide for continuous upgrading of the skills that respond to the needs of the poor.

#### E. MONITORING AND EVALUATION

As mentioned in chapter IV, the monitoring and follow-up of programmes has been particularly weak, partly as a result of weak institutional and human capacity and partly as a result of insufficient resources. The problems of monitoring and evaluation plague the governmental and non-governmental sectors alike. Once approved and launched, projects are often monitored in general terms and from a distance. Regular and consistent field follow-up is rare. Evaluations of programmes are also blatantly missing. There are no independent evaluative studies on the impact and effectiveness of programmes and measures to fight poverty. The evaluations which do exist are often not substantive. They are frequently carried out by programme managers or individuals responsible for the success of the programmes and who have a vested interest in portraying successful programmes.

#### F. PARTICIPATION AND EMPOWERMENT

In the vast majority of both governmental and non-governmental projects, beneficiaries are excluded from the design, implementation and evaluation phases. A top-down approach to poverty reduction, which is pervasive in Jordan, has meant that the poor are considered only as beneficiaries and not as active participants and actors. This type of approach not only does not empower the poor but also creates a certain dependence on outside assistance. Instead of helping the poor to help themselves, most projects leave the poor on the receiving end of projects they were neither consulted about nor feel any ownership towards.

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<sup>23</sup> Jordan, Ministry of Social Development. "Social Development Sector Plan [Social Work] for the Years 1999-2003" (Arabic) (Amman, 1998).

**Box 2. The search for sustainable human development: the Jordan Badiyah Research and Development Programme**

The Jordan Badiyah Research and Development Programme (BRDP) is a programme that appears to hold great promise. Established in 1992, under the umbrella of the Higher Council for Science and Technology, BRDP is aimed at improving the quality of life of people in Jordan's arid and semi-arid zones through integrated sustainable development.

The Badiyah is a region of arid to semi-arid steppes in the east of Jordan where rainfall averages less than 200 mm per year. The Badiyah covers about 81 per cent of the total area of Jordan but is home to only 5 per cent of the population, who depend mostly on livestock production and marginal agriculture for their livelihoods. The target area of BRDP is located in the north-east of Jordan and covers some 12,000 square kilometres, or 15.4 per cent of the total Jordanian Badiyah. It is one of the harshest areas in Jordan and includes some 35 villages inhabited by about 16,000 people.

The idea behind BRDP is to build a solid technical database for sustainable human development by translating science into progress. By carrying out detailed research and experiments on all aspects of life in the area (human resources, water, livestock, land resources, the ecology, geology, mineral resources and renewable energy) BRDP hopes to build a holistic understanding of the human and physical resource base. Special emphasis is placed on the human element, with extensive studies on employment, health, nutrition, education and disabilities. The objective of the research is to support the development process, seeking to ensure that development is appropriate, beneficial and sustainable. All data collected are placed at the disposal of government policy makers, providing them with the necessary information to make informed and appropriate policy decisions.

Another positive feature of BRDP is its emphasis on the participation of all stakeholders and the empowerment of target beneficiaries. Once data have been collected, they are presented before a technical committee composed of scientists, policy makers and local community representatives. Together the committee searches for solutions to the region's problems.

Unlike many integrated development projects, BRDP has stressed the importance of accurate data collection prior to the formulation of projects—and unlike most projects in Jordan, BRDP is practising the principle of local participation of the beneficiaries, giving them a stake in the success of the project and learning from their vast experience of the region. BRDP hopes to replicate the programme in the rest of the Jordanian Badiyah as well as in arid and semi-arid zones in the region.

## VI. THE SOCIAL SAFETY NET

In response to the growing poverty problem and realizing that current initiatives have not had the desired impact, Jordan announced the launch of the Social Safety Net (SSN) in the first quarter of 1997. The SSN was originally known as the Social Productivity Program, or SPP, before being renamed the Social Safety Net in the second half of 1998. The principle aim of the World Bank-supported programme is to improve the productivity of society at all levels through the accomplishment of three broad-based objectives. The first of these objectives is to increase the incomes of poor Jordanians to the poverty level or above. The second objective is to improve the living conditions of the poor by providing them with access to community infrastructure and services. The third objective is to support the unemployed and underemployed by matching them with employment opportunities that best utilize their skills. The programme was to be implemented in two phases.

The first phase was to commence immediately and last for a three-year period until the year 2000. The budget for this phase was estimated at around JD 178 million or \$250 million (see table 5). During phase I, all programme components were to be launched, with the emphasis on learning from experience. Programmes would be modified and fine-tuned to become as effective and efficient as possible. At the end of the three years, based on the findings of in-depth evaluations, the SSN was to shift into phase II, with programmes successfully piloted in phase I expanding and others declining as the need for them dropped. During this phase, efforts were also to be concentrated on developing the different sectors that could contribute to reducing poverty and unemployment in the long term, such as the health and education sectors, vocational training, technology and information as well as infrastructure. Phase II is expected to extend over seven years, with an estimated budget of close to \$950 million.

TABLE 5. ESTIMATED BUDGET FOR PHASE I OF THE SOCIAL SAFETY NET, 1998-2000

Programme components	Cost (Millions of JDs)	Share (%)
Restructuring NAF	26	16
Capacity-building for small and micro-enterprises	23.9	14.8
Training and employment support	4.2	2.6
Community infrastructure	97.8	60.4
Upgrading health centres	7	4.3
Coordination, follow-up and administration	3	1.9
Subtotal	161.9	100
Contingency (10 per cent)	16.1	
Grand total	178	

Source: Ministry of Planning/PCSU, "Social Productivity Program," 1998.

The SSN is made up of the following four components or subprogrammes:

- (a) Enhancement of social and physical living conditions of the poor by providing and improving community infrastructure;
- (b) Public assistance to the poor through the restructuring and expansion of the National Aid Fund;
- (c) Promotion and capacity-building of small and micro-enterprises;
- (d) Generation of productive employment opportunities through training and employment support.

#### A. COMMUNITY INFRASTRUCTURE

The SSN component addressing community infrastructure is by far the largest of the four subprogrammes, taking over 60 per cent of allocated resources. The idea behind the SSN is believed to have been born following a visit by the World Bank President to refugee camps, where he became convinced of the need to rehabilitate the physical and social infrastructure. The other elements of the SSN were later conceived in order to create a broader-based and more integrated programme. Some sceptics have accused the programme of being an attempt to permanently settle Palestinian refugees in Jordan.

The Community Infrastructure subprogramme is designed to provide physical infrastructure to low-income urban and rural communities. The programme places special emphasis on the participation of local communities, in particular building the capacity of local town and village councils. The three principle activities to be executed under this component are the following:

- (a) Providing and upgrading waste-water and disposal facilities in 14 squatter settlements and 13 refugee camps;
- (b) Providing physical and social infrastructure to low-income municipalities and villages;
- (c) Providing consultancy services to local government and participating agencies on project implementation.

The main shortcoming of this component is that it does not appear to provide resources for the maintenance of the physical infrastructure. Local municipalities are expected to carry out maintenance work in the future, but it is likely they may not have adequate resources.



## B. THE NATIONAL AID FUND

Given the problems facing NAF, Jordan's largest social welfare programme, the SSN calls for an enhancement of the Fund's capacity. The NAF subprogramme consists of two main parts: first, improving the existing cash benefit programme, and second, creating a new family income supplement (FIS) programme to cover all Jordanian poor. The first part will assist more of the poor who should be receiving NAF benefits, by enhancing the capacity of NAF. This will be done through the amendment of NAF laws and by-laws, the recruitment and training of staff, the computerization of data on beneficiaries, the linking of the different agencies that deal with income and employment via computer networks, and the gradual merging of all public assistance programmes such as the health card and the food and wheat subsidy into one direct transfer through NAF. NAF will be provided with managerial help to enhance the effectiveness of its services in reaching the poor. These services include the formulation of annual management plans, programme guidance through staff training strategies, full computerization of facilities, and the creation of a management information system.

The second part, the family income supplement, will introduce for other low-income families currently not supported by NAF an income supplement to cover a part of the gap between the poverty line and their potential household incomes. To avoid creating work disincentives, the FIS will also pilot a limited wage subsidy.

Critics of the subprogramme are sceptical that any amount of restructuring can make the institution efficient. They claim the reforms are a "band-aid" solution to more deeply rooted and complex problems of inefficiency and misallocation of resources, and that the resources allocated to this component are insufficient. They claim that monitoring and follow-up will continue to be very difficult.

## C. SMALL AND MICRO ENTERPRISES

Recognizing the importance of small and micro-enterprises in the creation of job opportunities, this third component of the SSN aims at strengthening the sector in both urban and rural areas using micro-finance best practices. This will be done through the improvement of existing business support services and credit facilities and through the encouragement of greater interaction between small and micro entrepreneurs and the providers of these services. Non-governmental organizations are expected to work closely with the Government in providing support services and advice to micro-enterprises on issues pertaining to income-generating activities, sources of credit, credit instruments and financial intermediaries. Private commercial banks will be encouraged to target small enterprises for investment and capital loans granted on commercial terms.

The absence of linkages between this subprogramme and the Development and Employment Fund (DEF) must be noted. Despite the fact that the track record of

DEF, in terms of repayment rates and successful projects, is not ideal, the Fund nonetheless is the largest provider of small loans in Jordan and cannot be ignored. DEF should be integrated into this project and if necessary reformed in the process.

#### D. TRAINING AND EMPLOYMENT SUPPORT

Under this final component of the SSN, a training and unemployment support fund will be established to support the poor and unemployed to provide them with the skills that meet the needs of the Jordanian labour market. Specifically the fund will do the following:

(a) Provide the in-service training and related support services necessary for the unemployed to secure employment. The training, designed to be demand-driven, is to be identified by employers. In-service training can be provided by employers themselves or by private or public institutions;

(b) Grant establishments with five or more employees a wage subsidy to hire unemployed poor Jordanians. This scheme will target the unemployed registered at the Ministry of Social Development and Jordanian welfare agencies. The wage subsidy will target the young unemployed; participants must be below the age of 30.

In addition, the subprogramme will seek to improve the Labour Market Information System by providing staff training, technical assistance and computerization. A national registry of the unemployed and workers affected by privatization will also be developed.

#### E. IMPLEMENTING UNITS

To facilitate the operations of the SSN, a Programme Coordination and Support Unit has been set up at the Ministry of Planning. The Unit will provide technical assistance, monitor the implementation of the programme, provide necessary intra-agency and intra-governmental coordination, serve as a contact point with donors and follow up on resource mobilization efforts. The SSN also calls for the creation of a social survey unit (SSU) to measure and monitor poverty. The SSU will allow managers to take readings of the effectiveness of their programmes at frequent intervals and at very low cost. It will also allow living standards and incomes to be monitored on a frequent basis.

#### F. CONCLUSIONS

The Social Safety Net with its four components has effectively become Jordan's national poverty eradication plan. Significant financial and human resources back the programme. It has been integrated into Jordan's upcoming five-year Economic and Social Development Plan (1999-2003) and appears to have become the country's principle weapon in the fight against poverty, taking precedent over all other

initiatives. The SSN aspires to act as the umbrella for all activities and measures to combat poverty in Jordan by establishing missing linkages. SSN officials say the programme will build on existing initiatives and will not create new layers in the already complex picture of poverty reduction in Jordan. They claim to be flexible, open, interactive and focused. Indeed, in order to succeed, the SSN must have all these qualities and must be able to link existing programmes and the formal social welfare system with the new programmes in a way which meets the needs of the poor. It must also strengthen linkages within the programme itself. In order to have a perceptible impact, greater effort must be made to target the same beneficiaries through the different programme components. Doing this requires time, effort, tolerance, central execution and, possibly most important, strong political will and commitment.

The preceding sections have outlined some of the potential problems of the programme, which have to be carefully addressed. Overall, the programme, if executed in a participatory and transparent manner, has the potential to have an impact on poverty and unemployment. However, the programme is not a substitute for a national poverty reduction strategy. Even if the SSN succeeds in all its aims, it still cannot replace a comprehensive pro-poor poverty reduction strategy which has long-term vision and which provides direction for all economic and social policies in Jordan.

## VII. POVERTY IN LEBANON

### A. THE PROBLEM OF POVERTY: TRENDS OVER TIME

Poverty in Lebanon has always been a highly charged and politically sensitive issue. To date, there are no official estimates of poverty and little data with which to assess the extent of the problem. Measuring trends of poverty over time is even more difficult, given the incompatibility of data sets and different methodologies.

One of the first official documents dealing with social and developmental issues in Lebanon was a study carried out in 1960 by the French-based International Institute for Research and Training for Standardized Development (IRFED). The study, commissioned by the reformist administration of President Fouad Shehab, revealed vast regional differences as well as wide gaps between the different social strata. The study estimated that half the population lived in poverty and close to 9 per cent were extremely poor, or "destitute". At the same time 4 per cent of the population were classified as rich, holding 32 per cent of the national income (see table 6).

TABLE 6. SOCIAL DIVISION OF INCOME IN LEBANON, 1960

Category	Average annual family income (in Lebanese pounds)	Percentage of the population	Share of GDP (percentage)
Destitute	1 000	8.8	1.5
Poor	2 000	41.2	16.3
Middle income	3 500	32	22.2
Well-off	11 000	14	28
Rich	40 000	4	32

*Source:* Boutros Labaki, "The new social map of Lebanon," lecture given in Arabic at the Arab Cultural Centre, 6 February 1998.

During the 1960s, serious attempts were made to redress some of the flagrant social divisions and to redistribute wealth. The Government established the National Social Security Fund, the Central Administration for Statistics, and the Office of Social Development, which later became the Ministry of Social Affairs. It also gave priority to building physical and social infrastructure, including the expansion of the road and electricity network to remote rural areas, and the development of public schools and health care facilities. The Government's efforts were aided by an economic boom in the country in the 1960s and early 1970s. Several studies of the period reveal a drop in poverty and population growth among the middle class. In 1974, the percentage of the population living in poverty was estimated at around 22 per cent, down from 50 per cent, while the middle class expanded from 32 per cent to 57 per cent of the population. Income inequality, although slightly improved,

remained skewed, with the top 20 per cent of the population controlling 55 per cent of the national wealth, while the bottom 20 per cent controlled only 4 per cent of the national wealth.

Between 1975 and 1990 Lebanon was consumed by a costly and protracted conflict which experts agree is the single most important cause of impoverishment during this period. The conflict resulted in grave human and material losses. At least 65,000 people lost their lives and thousands of others were permanently disabled. Hundreds of thousands of people were either displaced or emigrated. The United Nations estimates material losses at \$25 billion. Stunted growth, inflation and massive destruction caused the ranks of the poor to grow. A study published by ESCWA in 1996<sup>24</sup> estimated that in 1994 28 per cent of the population lived in poverty and 7.25 per cent were extremely poor.

#### *Calculating unsatisfied basic needs*

In 1997, in an effort to work around the absence of reliable data on household income and expenditure, UNDP supported the Government of Lebanon in developing an alternative measure of poverty. Instead of calculating poverty using the poverty line method, which required data on household income, a team of experts developed the unsatisfied basic needs method in the Lebanese context. The method measured poverty based on the extent to which the population is deprived of one or more basic needs, and used data collected within the framework of the 1996 Population and Housing Database Survey. Unlike the poverty line method, which identifies households that do not earn an adequate income, the unsatisfied basic needs method is suitable for identifying households that are deprived of the satisfaction of basic needs. Households are not classified as poor and non-poor but rather are divided into five categories denoting living conditions according to the degree of satisfaction of basic needs covered by the study, namely: very low, low, intermediate, high and very high.

Partly owing to the sensitivity of the issue and partly because it took some time to formulate programmes to respond to the needs uncovered by the survey, the Government held off on making the results of the study public for one year, until October 1998. The Government's reluctance to adopt the results and confront the statistics may be interpreted as a reflection of its general hands-off approach to social development.

The study found that 7.09 per cent of families had a very low satisfaction of basic needs, 25 per cent had a low level, 41.6 per cent were classified as intermediate, 21.9 per cent were classified as high and 4.51 per cent were classified as very high. In other words, 32 per cent of families (35 per cent of individuals) are among the

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<sup>24</sup> Antoine Haddad, "Poverty in Lebanon", ESCWA Poverty Eradication Series No. 2 (E/ESCWA/SD/1995/8/Add.2).

disadvantaged, with the degree of satisfaction of their basic needs being below socially acceptable standards.

With regard to the profile of poverty, the results confirmed many of the results of the earlier ESCWA study. It found significant differences between regions, with rural remote regions being the most disadvantaged. In the cazas<sup>25</sup> of Bint Jubayl, al-Hirmil, Akkar and Marjayoun, the proportion of families with low or very low levels of unsatisfied basic needs exceeds 60 per cent. The study also found that youth and the elderly are disproportionately represented among the disadvantaged and that female-headed households are more likely to be disadvantaged than male-headed households. Low wages and unemployment are also correlated with low satisfaction of basic needs. Agricultural workers and unskilled labour are among the social categories most disadvantaged.

On announcing the results of the study, the Ministry of Social Affairs also signed a preparatory assistance project with UNDP. The primary objective of the project is to develop a national programme of action to improve living conditions in Lebanon. It will seek to put forward concrete and comprehensive recommendations related to all sectors. The formulation of such a plan of action will be a major step towards a poverty reduction strategy and, if its recommendations are implemented, would greatly enhance the Government's efforts in poverty reduction.

The project also aims to issue a unified report on the state of social development in the different sectors, based on a number of national surveys and sectoral studies that have already been prepared. In addition, the project will execute targeted interventions in disadvantaged areas.

#### B. THE POVERTY PROFILE

Using the studies and data which are available, it is possible to identify some general characteristics of the poor in Lebanon.

(a) *Regional differences:* Poverty tends to be severest in rural areas. Two thirds of the extremely poor live in rural areas and represent more than a quarter of the population in those areas. In urban centres there are around 750,000 poor, 100,000 of whom are extremely poor.

Discrepancies are also noted between different regions, with Ba'labakk, al-Hirmil, Akkar and areas of South Lebanon notably more deprived than Beirut and Mount Lebanon. According to the 1996 PAPCHILD survey, child mortality rates in

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<sup>25</sup> An administrative division in Lebanon larger than a municipality and smaller than a governorate.

North Lebanon, for example, are more than three times higher than rates for the capital (see table 7).

TABLE 7. CHILD MORTALITY IN LEBANON, BY REGION  
(Per 1,000 live births)

	Neonatal	Under 1 year	Under 5 years
Beirut	12	15.9	15.9
Mount Lebanon	14	17.9	22.4
North Lebanon	30.4	42.7	51.5
South Lebanon	29.4	35.9	35.9
Bekaa	15.7	31.4	35.2
Nabatieh	7.5	7.5	7.5
Lebanon	20	28	32

Source: Adib Nehme, "Lebanon: two years after Copenhagen", 1997 (forthcoming in *Social Watch*, a report published by the Canadian Consortium for International Social Development in Ontario).

(b) *Employment*: Unemployment is believed to be highly correlated with poverty, with the ratio of the unemployed among the poor much higher than among the general population. Low wages and type of employment are also major contributing factors to the spread of poverty. Three quarters of families whose primary breadwinner works in agriculture are poor, and 40 per cent of those are extremely poor. The urban poor tend to belong to families whose main breadwinner works either in government administration or in industry.

(c) *Household size*: The size of a poor family in Lebanon is believed to be higher than the national average of 4.7 members. In 1996, Haddad estimated the average size of a poor family to be between 6.5 and 7 members, and while these estimates may be slightly inflated,<sup>26</sup> the overall conclusion that household size and poverty are correlated appears to hold. As a result of the large household size and the higher fertility rates among the poor, the dependency ratio of poor households is estimated at around 4, while on the national level it is believed to be 3.3.<sup>27</sup> Not surprisingly, children and youth are overrepresented among the poor.

(d) *Education*: A high correlation is noted between level of education and poverty. The poor tend to be illiterate or have low educational status. Those who are highly educated are not significantly represented among the poor. Children of poor families generally attend lower-quality public schools or private institutes run by

<sup>26</sup> In Akkar, one of the most socially and economically deprived regions in the country, the average family size is 5.95.

<sup>27</sup> Haddad, op. cit.

NGOs or religious institutions. The drop-out rates among the poor are much higher than among the non-poor, creating a vicious cycle.

(e) *Health care*: Most poor families do not have effective health coverage and their access to primary and secondary health care facilities is limited because of the high costs.

(f) *Environment*: The poor tend to live in overcrowded urban centres or in small dwellings with a higher ratio of persons per room than the rest of the population.

### C. HUMAN DEVELOPMENT INDICATORS

The Lebanese population is relatively young, with those under the age of 25 accounting for nearly half the total. The youth (those aged between 15 and 24) constitute some 20 per cent of the population. The natural average annual rate of increase in the population was estimated at 3.1 per cent in the few years before the war, at 2.2 per cent in 1982 and at 1.6 per cent in the mid-1990s. The total resident population, including residents of refugee camps, is now estimated at around 4 million,<sup>28</sup> with close to 90 per cent living in urban areas.<sup>29</sup>

Life expectancy is up slightly, from 64 years in 1970 to 69 years in the early 1990s. The infant mortality rate fell from 65 per 1000 live births to 28 per 1000 live births during the same period.

The literacy rate in 1996 was calculated at around 86.7 per cent, with male literacy at 90.8 per cent and female literacy at 82.2 per cent. The gender gap in illiteracy appears to be on the decline, with very similar rates of illiteracy among males and females of the younger generation (see table 8).

TABLE 8. ILLITERACY RATE IN LEBANON, BY GENDER AND AGE GROUP, 1996  
(Percentage)

Age	Male	Female
10-14	2.0	2.2
15-19	3.6	3.6
20-24	4.1	4.8
25-29	4.6	7.0
30-34	5.5	8.5
35-39	5.8	11.5
40-44	6.9	16.8
45+	22.1	46.0

Source: UNDP, *A Profile of Sustainable Human Development in Lebanon* (Beirut: UNDP, 1997).

<sup>28</sup> Lebanon, Central Administration for Statistics, *Household Living Conditions in 1997* (Arabic and French) (February 1998).

<sup>29</sup> UNDP, *Human Development Report 1997* (New York: Oxford University Press, 1997).



### VIII. POVERTY REDUCTION STRATEGIES IN LEBANON

Poverty is a politically charged issue in Lebanon. Most officials are loath even to mention the term. Part of the reason for this is the absence of an official national definition of poverty, which means there is no official basis on which to measure the problem. Of course, the reason for not having a definition is the Government's reluctance to deal with the problem head-on; it prefers to tackle the issue in an indirect manner. This goes back to the nature of the poverty problem and the nature of politics in Lebanon, where poverty is a politically charged issue often utilized by opposition groups against the Government and around which public opinion can be easily mobilized. Poverty has therefore become a taboo subject in official circles, something which can only serve to hamper efforts to combat the problem.

The Government's attitude towards poverty has led to weak political commitment and dispersed and piecemeal efforts to tackle the problem. Without recognition of poverty and its extent, there can be no national strategy to combat it, and it is therefore not possible to speak of official Lebanese policies to deal with poverty. According to Lebanon's national report to the World Summit for Social Development in Copenhagen in 1995, this is because

"Lebanon has a liberal economic system, where the role of the state is limited to formulating the legal, institutional, and infrastructural framework necessary for economic growth. The state also provides some intervention in the social and developmental sphere through a number of public institutions and ministries, in particular the Ministry of Social Affairs. Therefore plans to combat poverty and unemployment do not appear as independent stand-alone plans, but form part of the overall comprehensive framework of the reconstruction and development plans, which place priority on ensuring the demands of economic growth. This policy considers that improving wages, and fighting unemployment and poverty are natural by-products of this growth. Economic growth is the key to the official social policy."<sup>30</sup>

Thus the Government's approach to poverty reduction has been to consider the solution of social problems as a by-product and an automatic result of the economic reforms that it is pursuing, which are based mainly on currency stabilization and reconstruction of the physical infrastructure. Poverty is not viewed as a problem which merits specific action. It may therefore not be surprising that there has not been any real follow-up to the national and international recommendations and plan of

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<sup>30</sup> Lebanon, Ministry of Social Affairs, Comprehensive National Report submitted to the World Summit for Social Development, Copenhagen, March 1995, p. 109.

action put forward by the Copenhagen Summit. A functioning committee to follow up on these matters is not yet operative, and interest among the NGOs and the media appears to have waned.

Not only are policy formulation and basic planning on poverty reduction absent, but Lebanon has no comprehensive modern social safety net. While there are several governmental and non-governmental initiatives and programmes aimed at vulnerable groups such as orphans, widows and the disabled, there is no official social safety net specifically designed to help the poor. In general, concern with poverty is limited to welfare action and services provided in traditional forms that do not encourage participation and empowerment.

In the past two years, the Government has come under mounting pressure to take action and to address seriously issues of poverty and social disparity. Civil society institutions and organizations, including NGOs, the media and labour unions, have intensified their campaign, demanding government action to resolve these problems. In a statement in November 1996, following general elections, the Government explicitly pledged for the first time that socio-economic issues would be given priority. Since then it has continued to reiterate its commitment to balanced development and to addressing social ills. But to date, little has changed in the methods adopted by the Government to deal with social disparity and poverty. While more resources may have been earmarked to the "social sector", the programmes envisaged and the way in which resources are allocated have been inappropriate. They point to a lack of understanding of the complex nature of the problem.

## IX. THE ECONOMIC SECTOR OF LEBANON

Economic growth is critical for the reduction of poverty, but the structure of this growth is as important. In order to have an impact on poverty, growth must be broad-based, inclusive and must be concentrated in sectors where the poor are concentrated. It must also create jobs with wages above the poverty line and must not be counterbalanced by increased inequality. In short, economic growth must be pro-poor.

In Lebanon, economic growth has not always been consistent with the aim of poverty reduction. In recent years, following the cessation of the conflict, growth has been concentrated in sectors which do not have the potential to absorb large numbers of the labour force or which do not provide wages above the poverty line. Government policy has tended to marginalize the agricultural and industrial sectors in favour of the services sector, while its tight monetary policy and fiscal policy have hurt the poorest segments of society.

### A. THE MACROECONOMIC BACKGROUND

From the 1950s until the eve of the conflict that began in 1974, Lebanon enjoyed an economic boom with relatively high growth rates, estimated at around 5 per cent annually. Growth was increasingly concentrated in the services sector, with banking and tourism being the major contributors to GDP. Despite this growth, however, structural discrepancies remained.

There is no doubt that the outbreak of the conflict in 1975 interrupted the course of development. In addition to the human and material losses mentioned earlier, the war affected every productive sector of the economy. Tourism, banking, trade, industry and agriculture all incurred substantial losses. The conflict led to a sharp decrease in production, productivity and real wages. Unemployment rose and real income declined by about two thirds. By the end of the conflict, per capita income had fallen to less than \$1,000. Meanwhile, there was an estimated two thirds decline in GDP between 1975 and 1990.<sup>31</sup>

Hyperinflation was one of the most direct reasons for the impoverishment of hundreds of thousands of families whose livelihood depended on wages in Lebanese pounds (LL). Unbridled inflation reached record levels in the late 1980s, exceeding 400 per cent in 1987.

With the end of the conflict, economic prospects began to look up. In 1990, the Government revived the Council for Development and Reconstruction, entrusting it with the task of preparing a national reconstruction strategy and implementing a

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<sup>31</sup> UNDP, *A Profile of Sustainable Human Development in Lebanon* (Beirut: UNDP, 1997).

recovery programme. The Government, which saw that the private sector should lead the process of economic recovery, concentrated on achieving economic and monetary stability and gave priority to the restoration and upgrading of physical infrastructure and facilities.

With the arrival of the new Government of Prime Minister Rafiq al-Hariri in the fall of 1992, confidence in the economy was at a high point, and growth picked up (see table 9). By the end of 1994, the Government had achieved monetary stabilization, controlled inflation and increased production. Foreign and Lebanese capital returned to Lebanon but was invested primarily in construction and real estate as well as in treasury bonds and SOLIDERE shares. By the end of 1995, the rise in the budget deficit and high interest rates, combined with the low demand for construction, led to a relative slow-down in growth. Nonetheless, the recovery brought per capita income from less than \$1,000 in 1990 to an estimated \$2,600 in 1995.<sup>32</sup>

TABLE 9. REAL GDP GROWTH RATES IN LEBANON, 1992-1997  
(Percentage)

Year	Real GDP growth rates
1992	4.5
1993	7.0
1994	8.0
1995	6.5
1996	4.0
1997	4.0

Sources: Boutros Labaki, "An economic policy which brings together the requirements of growth and the needs of justice," *An-Nahar* newspaper, 19 June 1996; and Ministry of Finance, 1998.

In 1996, economic activity declined further, and the annual growth rate fell to 4 per cent, down from 6.5 per cent in 1995. According to the Ministry of Finance, growth was maintained at 4 per cent in 1997, with some improvement anticipated for 1998. Other sources, including Bank Audi, estimated growth in 1997 to have dropped to 3.5 per cent. Only tourism and the financial sector were able to maintain steady growth levels during the period, with the financial sector geared towards substantial public and private borrowing.

<sup>32</sup> Ibid.

### *Horizon 2000*

In 1994, the Government adopted an ambitious 10-year reconstruction plan known as Horizon 2000. The plan aims to rebuild and expand infrastructure to underpin private-sector-led recovery. The plan's focus on infrastructure comes at the expense of agriculture, industry and new social programmes. Resources allocated to the social sectors have been concentrated on physical infrastructure and rehabilitation rather than on qualitative improvement of social services. Nevertheless, Horizon 2000 appears to have been too optimistic. It predicted an annual GDP growth rate of around 8 to 9 per cent for the decade and the elimination of the budget deficit before the year 2000. It aimed at doubling per capita incomes during the period 1995 to 2007 as well as improving general living conditions, in particular in the fields of education, health services and the environment. The plan, originally estimated to cost \$13.8 billion and later scaled up, was designed to be financed by foreign and domestic loans in the initial phase and later from government budget surpluses.

#### B. STRUCTURE OF GROWTH

Economic growth in Lebanon has traditionally been concentrated in the services sector. Even before the outbreak of conflict, the services sector dominated the economy. Today, the pattern remains unchanged. Economic growth in the 1990s has been generated primarily in the sectors of real estate and construction, finance, banking and trade, with the benefits accruing to a narrow segment of the population mostly concentrated in the capital region and its suburbs. In 1992, commerce, nonfinancial and financial services accounted for nearly 54 per cent of GDP, broken down into commerce at 28 per cent, nonfinancial services at 17.5 per cent and financial services at 8 per cent. Meanwhile, agriculture accounted for 12.6 per cent of output and manufacturing for 18.5 per cent, while the construction sector contributed some 10 per cent.<sup>33</sup>

Investment has, not surprisingly, been skewed in favour of the services sector. In the Horizon 2000 plan, for example, only 4.8 per cent of the budget is allocated to agriculture and 3.4 per cent to industry, while more than a quarter of total investment expenditure is earmarked for transport.<sup>34</sup> Again this is an indication of government policy to concentrate on rebuilding infrastructure to pave the way for the private sector to lead growth.

So far, however, private sector investments have been very selective and have been biased towards the services industry. Examining bank credits by region and by economic sector reveals the disequilibrium in the allocation of resources. Thus, while

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<sup>33</sup> Economist Intelligence Unit, *Lebanon Country Profile, 1997-1998* (1998).

<sup>34</sup> Haddad, *op. cit.*

investments most likely to succeed are in the areas of textiles and leather, agro-industry, electrical and electronics, wood, paper and metals, chemicals, plastics and ceramics.

The free trade and industrial zones being promoted by the Investment Development Authority of Lebanon (IDAL) can potentially boost industrial capacity and promote investment in the sector. Industrial zones on a build, operate and transfer (BOT) basis cover 20 million square metres and are situated in strategic locations in different areas of the country.

### C. MONETARY AND FISCAL POLICIES

Since the end of the conflict, the Government has stressed the importance of economic stabilization and has pursued a very tight monetary policy. Although recently reduced, owing to lower than expected growth in 1996 and 1997, real interest rates remained very high in the first half of the 1990s. The benefits of such a policy include the curbing of the rate of inflation, an improvement in the rate of exchange and a de-dollarization of deposits. However, high interest rates have also had the undesired effect of depriving the private sector of necessary funds for capital investment by attracting capital to the banking system through the issuing of high-interest treasury bonds. Thus the rent component within the national revenue has increased at the expense of productive capital. This has had the effect of dampening growth and slowing down job creation. The poor and the unemployed, as well as new entrants to the labour market, mostly youth, are particularly hard hit.

The budget deficit is one of the Government's most serious problems. In 1997, the deficit stood at an estimated 58 per cent. It is believed to have improved in the first quarter of 1998. To date, the Government has largely relied on the issuing of domestic debt to finance the deficit. The rate of growth of both domestic and foreign debt is cause for some concern, in particular since the debt is mostly due to high levels of consumption, reconstruction expenses and the covering of public sector wages. By 1998 the national debt soared to \$16 billion and accounted for more than 43 per cent of budgetary spending. Thus it is not the high debt which is worrying but the fact that the debt is not used for productive investment.

With regard to taxation, the Government has adopted a policy which appears to contradict all efforts to redress inequality. In a measure taken to attract foreign investment and to improve the collection of taxes, the Government revised income tax (on salaries and company profits) down from progressive rates of up to 40 per cent to a flat rate of less than 10 per cent. The government has argued that the flat rate of 10 per cent encourages foreign investment, and that should it attempt to raise income taxes any higher, the rate of tax evasion would rise and revenues would drop. According to the Government, the tax reform led to an increase of 46 per cent from 1996 to 1997 in the collection of income tax, with the tax collected from salaries and wages representing only 10 per cent of the total while 90 per cent came from company

profits. Critics, however, claim that despite this measure only very large firms and wage earners pay taxes correctly and that the margin for evasion is still very high among small and medium entrepreneurs. Furthermore, they claim that lower taxes do not automatically lead to investment in productive sectors but, coupled with high interest rates, may encourage those with capital to place their money in banks.

At the same time that the Government lowered direct taxation, it raised indirect taxes, many in the form of tariffs. Indirect taxes strike at the consumption of individuals, as opposed to direct taxes, which come from an individual's earning potential. Overall the tax policy seems to favour holders of capital, while it raises the share of the average citizen, specifically the wage earner, in the financing of public expenditure.

#### D. LABOUR AND WAGE POLICIES

As pointed out in chapter VII, unemployment is correlated with the incidence of poverty in Lebanon. The unemployed are more likely to be poor than those who have a job.

The size of the labour force in Lebanon grew rapidly between 1987 and 1995, from around 900,000 to 1.1 million. This is due partly to a slow-down in the rate of emigration and a continuous rise in the number of persons seeking employment every year, to about 40,000. Male participation rates are over three times those of females at 77.3 per cent versus 21.7 per cent.<sup>37</sup>

The services sector is by far the largest employer, followed by the industrial sector, construction, and agriculture (see table 12).

TABLE 12. DISTRIBUTION OF THE LEBANESE LABOUR FORCE BY SECTOR  
(Percentage)

Year	Agriculture	Industry	Construction	Services
1970	19	18.8	6.5	55.7
1987	12	17.3	5.4	65.3
1996	9.3	26.7		64.1

Sources: UNDP, *A Profile of Sustainable Human Development in Lebanon* (Beirut: UNDP, 1997); and Lebanon, Central Administration for Statistics, *Household Living Conditions in 1997* (February 1998).

In general it may be said that the pattern of economic growth since the 1960s and early 1970s has been characterized by a weak capacity for absorbing labour. Furthermore, the educational system was not delivering the type of education

<sup>37</sup> Lebanon, Central Administration for Statistics, *Household Living Conditions in 1997* (Arabic and French) (February 1998).

necessary to enhance growth prospects. The conflict exacerbated these conditions, but unemployment was kept somewhat in check until the late 1980s owing to high rates of emigration.

Unemployment in 1970 was estimated at around 8 per cent. This level was maintained until 1982, when unemployment was said to have risen (see table 13). Estimates have ranged between 10 and 40 per cent. In 1987, unemployment was said to be over 10 per cent, while Lebanon's national report to the 1994 International Conference on Population and Development reported that unemployment had reached 20 per cent in 1991. The Ministry of Social Affairs estimates that unemployment in 1996 was between 8 and 9 per cent, while the International Labour Organization claims the figure is closer to 14 per cent and may be as high as 16 per cent.<sup>38</sup> According to the 1997 Household Living Conditions survey, the overall rate of unemployment is between 8 per cent and 8.9 per cent. The rate of unemployment among men is 9 per cent while the rate among women is 7.2 per cent.

TABLE 13. ESTIMATES OF UNEMPLOYMENT RATES IN LEBANON,  
SELECTED YEARS  
(Percentage)

Year	Unemployment rate
1970-1982	8
1982-1987	10-40
1987	10.1
1991	20
1996	8-9 (Ministry of Social Affairs estimate)
1997	14-16 (ILO estimate)
	8-8.9 (Household Living Conditions survey)

Source: Nicolas Shammass, "A study of the labour market: results of the survey investigation at institutions" (Arabic), for the National Institute for Employment in cooperation with the International Labour Organization and UNDP (1997).

Youth are particularly hard hit by unemployment and the labour situation. The 1997 Household Living Conditions Survey estimated unemployment among those between the ages of 15 and 20 at 28.6 per cent and for those between the ages of 20 and 24 at 17.8 per cent.

A 1997 labour market survey carried out by the National Employment Bureau in collaboration with the ILO and UNDP uncovered several other characteristics of

<sup>38</sup> Nicolas Shammass, "A study of the labour market: results of the survey investigation at institutions" (Arabic), for the National Institute for Employment in cooperation with the International Labour Organization and UNDP (1997).



unemployment. The researchers interviewed over 4,000 individuals who had claimed they were unemployed when questioned for the national Population and Housing Database Survey (1994-1996). What follows are some of the study's most relevant findings.

(a) Unemployment is the result of sluggish growth. Half of those unemployed lost their job either because the business they were in shut down or because of downsizing;

(b) The average time spent unemployed is 13.5 months, while the average for first-time entrants to the labour market is 16 months;

(c) Youth are disproportionately overrepresented. Of the sample of 4,000 unemployed, 63.4 per cent were below the age of 30;

(d) Youth and the young generally earn much lower wages;

(e) Women find more difficulty finding a job, even though the women in the survey were on average more educated than the men;

(f) The educational level of the unemployed is not low. Illiterate individuals made up only 6.5 per cent of the total unemployed, while university graduates made up 10 per cent;

(g) Enrolment levels in vocational training institutes are low relative to other developing countries, and the quality of education does not match market requirements;

(h) There are major regional differences, with the highest rate of unemployment in Mount Lebanon at 33.9 per cent, followed by the governorates of Beirut, the Beka'a, North Lebanon, South Lebanon and Nabatiyyeh respectively at 18.2 per cent, 15.7 per cent, 15.5 per cent, 10.4 per cent and 6.3 per cent. This finding contradicts results of the Household Living Conditions Survey, which found unemployment to be highest in rural areas. This discrepancy may be due to the sample of population chosen for the study, which may not be representative of Lebanon.

To date, Lebanon lacks a clear, comprehensive and integrated employment policy. The Ministry of Labour is currently working on a comprehensive framework to improve the labour situation. This framework, which involves all ministries that have a direct impact on labour policy (including the ministries of health, education and social services), has yet to be approved and funded. The labour market is therefore largely unregulated, and large numbers of foreign unskilled workers dominate certain sectors, such as construction. Foreign workers generally accept lower wages and tougher working conditions than the Lebanese. While on the one hand this has

increased the productivity and profitability of businesses employing this labour, many argue that an unregulated market has denied the Lebanese the opportunity to compete on an equal footing.

The Government must play a more active role in setting employment policy and regulating the market. It should also adopt measures that encourage small and medium-sized enterprises, which have the capacity to create job opportunities at a lower cost than large enterprises.

An estimated 62.7 per cent of the total workforce in Lebanon are wage earners. This segment of the population suffered disproportionately as a result of the conflict and the high inflation levels that hit the country in the 1980s. It is estimated that the purchasing power of the minimum wage fell by 80 per cent from 1984 to 1992, while that of the medium wage dropped by 85 per cent during the same period.<sup>39</sup> Since 1992, however, the economic recovery of the country has meant higher per capita incomes. Per capita incomes increased from less than \$1,000 in 1990 to an estimated \$3,500 in 1996.

The minimum wage in Lebanon is LL 300,000 or the equivalent of around \$200. This level is less than two thirds of the extreme poverty line, which in 1993 was estimated at around \$306. Today the poverty line has undoubtedly risen. Thus the minimum wage is not sufficient to cover the most basic needs of an average family of five, even if we consider that on average 1.5 people work in an average family.

The Government, which has carried out periodic wage correction reviews since 1992, must adopt a wage policy that balances between economic growth and the capacity of the government coffers on the one hand and between maintaining an acceptable standard of living for the poor on the other.

TABLE 14. DISTRIBUTION OF FAMILIES ACCORDING TO MONTHLY INCOME  
(Percentage)

Income bracket (in thousands of Lebanese pounds)	Beirut	Beirut suburbs	Mount Lebanon without suburbs	North Lebanon	South Lebanon	Nabatia	Bekaa	Lebanon
< 300	4.1	2.8	3.6	8.5	10.4	7	7.5	5.8
300-500	10.3	9.6	7.8	17	22.8	14.5	13	13
500-800	15.9	21.5	15.5	23.3	24.5	25.4	22.4	21
800-1 200	18.9	22.4	19.3	21.5	18	24	24.1	21.1
1 200-1 600	14.7	15.2	14.2	11.5	10	13.4	13.3	13.4

<sup>39</sup> Lebanon, Ministry of Social Affairs, Comprehensive National Report submitted to the World Summit for Social Development, Copenhagen, March 1995.

Income bra  
(in thousan  
Lebanese p.

1 600-2 400  
2 400-3 200  
3 200-5 000  
> 5 000  
Unknown

San  
French) (Febru.

TABLE 14 (continued)

Income bracket (in thousands of Lebanese pounds)	Beirut	Beirut suburbs	Mount Lebanon without suburbs	North Lebanon	South Lebanon	Nabatia	Bekaa	Lebanon
1 600-2 400	14.9	12.2	16.2	10.6	6.8	9.7	11.9	12.1
2 400-3 200	7.3	7.2	9.9	3.7	3.4	3.6	3.9	5.9
3 200-5 000	6.3	5	8.2	2.1	2	1.6	2.6	4.3
> 5 000	6.7	3.8	5	1.5	1.6	0.6	1.3	3.1
Unknown	0.8	0.3	0.2	0.3	0.4	0.2		0.3

Source: Lebanon, Central Administration for Statistics, *Household Living Conditions in 1997* (Arabic and French) (February 1998).

## X. THE SOCIAL SECTOR OF LEBANON

The formal structures for the delivery of social services in Lebanon are slowly recovering, following years of conflict during which many government administrations were unable to function normally. Although there is no formal social safety net in Lebanon, most government agencies involved in the social sectors are reinventing a role for themselves. The ministries most notable in this field are the ministries of Social Affairs, Public Health and Education, while the Ministry of the Displaced provides support to a vulnerable segment of the population. In the absence of a formal social safety net, the Ministry of Social Affairs provides the most relevant structure for poverty reduction. Established in 1963 as the Office of Social Development, it became a full-fledged ministry 30 years later. The Ministry of Social Development has a wide range of responsibilities, including caring for less privileged and vulnerable groups, attending to urgent needs in rural areas and running health and comprehensive service centres throughout the country. However, the Ministry has a limited mandate and a small share of the government budget. It must be noted, furthermore, that the policies of the ministries listed above as they relate to poverty reduction are rarely coordinated, in the absence of an overall framework for poverty reduction. Policies and initiatives related to poverty are usually formulated independently within each ministry without the necessary coordination, leading to piecemeal and disjointed efforts.

Other government agencies, including the Council for the South and the High Relief Agency, provide a wide range of services including direct cash payment and infrastructure works. Employment-based institutions such as the National Social Security Fund, the Cooperative of Public Sector Employees, and the security/military sector insurance scheme provide benefits ranging from family allowances for spouses and children, sickness and maternity allowances, education grants, social allowances and end-of-service indemnities.

Civil society and non-governmental organizations in particular played a critical role during the years of conflict, often filling the vacuum left by the absence of formal government. Non-governmental organizations mushroomed during the war years. In addition to international non-governmental groups, national, local and community-based groups were established to cater for specific needs. Many of these groups had a religious or confessional background, serving the needs of target communities. The NGOs provided emergency assistance and relief, health care, education and rehabilitation, among other services. Their role in providing social support cannot be underestimated. Today, these groups are continuing to redefine their role, from relief providers to development agents, and are finding their comparative advantage.

## A. GOVERNMENT EXPENDITURES

Government expenditures provide a good measure of government commitment to poverty reduction. A look at the government budgets from 1993 to 1998 shows that public health and social affairs receive very small budgets relative to the security sectors. Thus, while the Defence and Interior ministries were allocated 30 per cent of the ministerial budget for 1995, the combined share of the ministries of Public Health and Social Affairs was less than 7 per cent.

In the 10-year Horizon 2000 plan, "social infrastructure" and "socio-economic services" absorb nearly half of planned expenditures (see table 15). However, most of this expenditure is to be spent on rehabilitating physical infrastructure. For example, the plan awards around \$12 billion dollars to the education sector, divided into eight projects, only one of which deals with the qualitative aspects of education; the rest are concentrated on projects for the reconstruction of the physical infrastructure.

TABLE 15. SECTORAL DISTRIBUTION OF EXPENDITURES IN HORIZON 2000

Sector	Share
Physical infrastructure (electricity, communications, roads and highways)	37
Social infrastructure (education, youth and sports, vocational and technical training, higher education, health, social affairs, housing, the displaced)	25
Socio-economic services (water, effluents, solid wastes, environment, public transport and railways)	22
Productive sectors (agriculture and irrigation, industry and petroleum, airport, ports, free zones, tourism, private sector services)	8
Government apparatus (government buildings, security forces, information and public administration)	8

Source: UNDP, *A Profile of Sustainable Human Development in Lebanon* (Beirut: UNDP, 1997).

While there is no doubt that physical infrastructure for social services is critical and must be in place, the question is one of priority. Critics argue that too much emphasis has been placed on this aspect and too little on qualitative aspects. Furthermore, the question remains as to whether the resources within each sector are being allocated appropriately—whether mismanagement, corruption, the absence of coordination and weak capacities are leading to a squandering of these resources.

An examination of the geographic allocation of expenditures in the 10-year horizon 2000 plan reveals an attempt by the Government to redress some of the regional imbalances. The Beirut suburbs, also known as the "misery belt", are allocated 20 per cent of the budget, followed by South Lebanon, North Lebanon, Mount Lebanon, the Bekaa and Beirut (see table 16).

TABLE 16. HORIZON 2000 EXPECTED EXPENDITURES PER REGION

Region	Percentage of Horizon 2000 budget
Beirut suburbs	20
South Lebanon	19
North Lebanon	18
Mount Lebanon	15
Bekaa	14
Beirut	14

Source: Boutros Labaki, "The new social map of Lebanon," lecture given in Arabic at the Arab Cultural Centre, 6 February 1998.

#### B. HEALTH CARE

The health-care system in Lebanon can be said to be inverted, with the vast majority of resources going to fund curative health services. Although Lebanon has one of the highest expenditures on health care in the world (in 1995, it is estimated that health expenditures made up between 8 and 12 per cent of GDP), private health and sophisticated tertiary care absorb the vast majority of the budget (see table 17). This type of structure is highly distorted, directing resources away from primary and preventative health care, which could benefit a much broader segment of the population, including the poor.

TABLE 17. DISTRIBUTION OF MINISTRY OF HEALTH EXPENDITURE, 1993-1997

Area of expenditure	1993	1994	1995	1996	1997
Hospitalization expenses	83.9	75.8	72.2	76.9	77.8
Salaries and wages	7.5	8.3	7.2	7.4	5.7
Medicines and immunizations	4.3	5.4	6.9	6.9	8.1
Activities and other programmes	1.1	3	2.9	2.2	4.6
Other expenses	3.3	7.5	10.8	6.5	3.7

Source: Ministry of Public Health general budget.

Expenditures of the Ministry of Public Health on private hospitals soared from \$14 million in 1991 to \$60 million in 1994 and up to \$100 million in 1996. This is mostly due to the fact that public hospitals have not kept up with private hospitals and lack the capacity to handle the existing number of cases. Of the total 164 general hospitals in the country in 1996, only 25 were government-run, and many of those were substandard.

Adding to the distorted financial structure, there is a very high number of physicians, estimated at between 8,000 and 9,000, while the country suffers from a

severe shortage of nurses and midwives. According to the UNDP,<sup>40</sup> there are only 1,500 nurses in Lebanon, more than half of whom lack the recommended qualifications. This shortage is particularly critical in health-care centres, dispensaries and other primary health-care centres.

With regard to health-care coverage, most estimates reveal that a large proportion of the population is without health insurance (see table 18). According to the latest survey on Living Conditions, 1997, only 42 per cent of the population are insured, meaning, of course, that 58 per cent are not.

TABLE 18. HEALTH COVERAGE BY INSTITUTION, 1996  
(Percentage of population)<sup>41</sup>

Institution	Living Conditions Survey estimates	UNDP estimates	World Bank estimates	WHO estimates
National Social Security Fund (NSSF)	15.2	27.3-32.2	28	39
Cooperative of Public-Sector Employees (CPSE)	13.1	5-5.3	9	--
Security/military sector insurance		9.7-11.3	11	12.2
Insurance companies	10.6	7	8	17.1
Mixed insurance	2.9	--	--	--
Total	41.8	49-55.8	56	68.3

Sources: Lebanon, Central Administration for Statistics, *Household Living Conditions in 1997* (Arabic and French) (February 1998); and UNDP, *A Profile of Sustainable Human Development in Lebanon* (Beirut: UNDP, 1997).

All uninsured persons can, in theory, obtain free health care services through the Ministry of Public Health's network of health centres. They are also entitled to 80 per cent of the cost of hospitalization and 100 per cent of other services including cancer chemotherapy, renal dialysis and open-heart surgery. While the policy of providing hospitalization to all those who are uninsured serves to create a certain degree of equality, the system is open to abuse. There are many reports of loopholes and of ineligible individuals being treated at the expense of the Ministry. In addition there is no mechanism to target poor or needy individuals eligible for Ministry

<sup>40</sup> UNDP, *A Profile of Sustainable Human Development in Lebanon* (Beirut: UNDP, 1997).

<sup>41</sup> Table 19 lists the estimates of those insured according to the Living Conditions Survey, UNDP, World Bank and the World Health Organization (WHO). The large discrepancy between the numbers, in particular between those cited by the Living Conditions Survey and UNDP, WHO and the World Bank may be due to methodology. Thus while the survey relied on questionnaires, the other three provide an estimate of those benefiting from insurance divided by an estimate of the overall population.

coverage. As a result, a large proportion of the resources is actually spent on the non-poor.

Despite the large amounts being spent by the Ministry, the bulk of the cost of health care is paid directly by individuals. Households pay double the government share of the total cost of health care (a household contribution of 62 per cent versus government contribution of 31 per cent). It is estimated that out-of-pocket payments for hospitalization, laboratory services, ambulatory care and medications make up 34 per cent, 74 per cent, 76 per cent and 79 per cent respectively.

Another problem in the health-care system is the large number of public and private institutions offering health-care coverage. These include the Ministry of Public Health, the National Social Security Fund, the Cooperative of Public-Sector Employees, security/military sector insurance scheme and private companies. With regard to the provision of health care, there are over 700 health-care centres and dispensaries throughout the country, most of which are managed by NGOs, while others are run by either the Ministry of Public Health or the Ministry of Social Affairs. This is in addition to public and private general hospitals. The large number of institutions and centres of responsibility and the weak coordination mechanisms between them often lead to overlap, confusion and inefficient allocation of resources.

Aware of the need to bolster primary health-care facilities in order to reach a larger segment of the population, in particular the poor, the Ministry of Public Health elaborated a national strategy for primary health care in 1993. The strategy is based on building the capacity of the existing network of health-care centres distributed throughout the country. It also emphasises working with local groups and NGOs to build stronger partnerships for the development of the health sector. The centres are to provide quality preventative and curative care. In September 1996, with support from the World Bank, 30 centres were chosen to launch the programme, which is to be expanded to include 100 centres eventually.

Of the initial 30 centres, 20 are run by NGOs. According to the cooperation agreement between the health centres and the Ministry, the Ministry will rehabilitate and train human resources, fund awareness campaigns and other projects that have no monetary return, and provide necessary equipment and material as well as essential medicines. In return, the centres will carry out programmes and services and provide the necessary infrastructure, administration and logistical support. Each centre also agrees to abide by the predetermined fee schedule and to provide a quarterly report detailing the centre's activities, achievements, obstacles and expenses, as well as to make available all documents related to administration and finance.

The Ministry of Health today sees its role as one where it should build the capacity of public hospitals and health-care facilities while at the same time regulating the private sector. The problem is clearly not the lack of resources but rather the inability to spend resources efficiently and effectively. This is partly due to the weak



stitutional capacity of public sector facilities, problems of coordination, and mismanagement.

### C. EDUCATION

Universal basic education is still not compulsory in Lebanon. In 1998 a law was passed to make primary education compulsory, but the law is still awaiting legislation to make it effective. In 1996, the enrolment rate of children aged 6 to 9 was about 84 per cent, while the rate of those aged 10 to 14 was 93 per cent. UNICEF has reported that in some areas of the country, including North Lebanon, between 10 and 15 per cent of children aged 10 to 14 are employed and up to 20 per cent of them are illiterate.<sup>42</sup> This rate is significantly higher than the national illiteracy rate for this age group of 1.6 per cent.<sup>43</sup>

During the conflict, the role of private schools gained prominence. In 1997 more than half the student population attended private schools, while only about 35 per cent attended public schools. The dominance of private education came as a result of the deteriorating quality of education at Government-run schools. The cost has been very high, however, in particular for low-income families. In 1997, the average annual fees in public schools were LL 147,000 or around \$100, while the cost of private education was twelve times more at around LL 1.82 million or approximately \$1,200. Households either have to put aside sizeable amounts for private education or they have to settle for lower-quality public education. Low-income groups often cannot afford private education and must settle for public schools.

Pupil-teacher ratios in public schools are 8:1 or less than half the ratio in private schools of 17:1. The apparent discrepancy is explained partly by the uneven distribution of teachers in schools and partly by a bloated and overstaffed public education system in which many teachers are reported to be earning salaries even though they are not actually working.

Exacerbating the problems in the sector is a declining share of education in the government budget. The combined budgets of the Ministry of Education, Youth and Sports, the Ministry for Vocational and Technical Education and the Ministry of Higher Education in 1995 amounted to 8.3 per cent of the total government budget. This is much lower than the share of these ministries in 1992 (12.5 per cent), in 1990 (11 per cent), in 1986 (16.9 per cent) and on the eve of the outbreak of conflict (16 to 20 per cent). As a result of this shrinking budget, initiatives and programmes are very

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<sup>42</sup> Office of the United Nations Resident Coordinator and the Council for Development and Reconstruction, *Development Cooperation: Lebanon*, 1997 report (September 1997).

<sup>43</sup> Lebanon, Central Administration for Statistics, *Household Living Conditions in 1997* (Arabic and French) (February 1998).

limited. In 1995, 91.7 per cent of the total education budget went to cover salaries and wages.

Technical training in Lebanon fares no better than the academic curricula. There are relatively few technical and professional training centres, and the sector suffers from low enrolment rates. In 1995, only 13 per cent of the total number of students were enrolled in technical institutes, over three quarters of them in private facilities. The quality of education in many of these institutes is said to be poor, and out of touch with the needs and demands of the labour market. According to the UNDP *Profile of Sustainable Human Development in Lebanon*, females made up three quarters of the student body in such institutes and were enrolled in traditional courses such as sewing, flower arranging and hairdressing. The demand for these skills in the labour market is not clear but is assumed to be low. There are as yet no reliable statistics on the rate of employment of vocational school graduates.

The Government must give priority to the education sector and in particular must work on improving the quality of public education in both academic and technical curricula. Attention must be paid to streamlining the sector and enhancing the capacity of public school teachers. Public schools should be extended to all regions of Lebanon with special priority given to poor neighbourhoods.

#### D. THE NATIONAL SOCIAL SECURITY FUND

The National Social Security Fund is the principal institution in Lebanon providing social security. Established in 1963, the NSSF was originally designed to offer social security, health insurance and end-of-service indemnity to all Lebanese. Twenty-five years later, the benefits of the NSSF are still restricted to private sector employees, university students and taxi drivers. Under the NSSF law, fishermen, agricultural workers, construction workers, artisans and physicians are to be covered under a second implementation phase, but Parliament has not yet passed the legislation necessary to expand the coverage.

The NSSF suffers from a host of technical, administrative, managerial and operational problems. In recent years the percentage of the labour force covered by NSSF schemes has been declining. In 1974, 38 per cent of the labour force was registered with the NSSF. By 1996, this figure had dropped to around 28 per cent, despite the fact that the number of registered institutions had increased. The principal reason for the decline appears to be incomplete coverage. Many employers do not declare all employees and do not register them with the Fund. Other employers, discouraged by the inefficiency of the Fund or under pressure from their employees, have signed up their employees with private insurance companies.

The bulk of benefits paid by the NSSF, 41 per cent, goes towards covering the costs of health care. The rest is divided among family allowances and end-of-service indemnities. The health benefits provided by the NSSF include 90 per cent of any

hospital bill, 80 per cent of out-patient consultations and 100 per cent of maternity deliveries. The majority of health-care funds go to private hospitals.

Another major problem of the NSSF is its very high administrative cost, which takes up a quarter of the Fund's total revenues. The administrative costs of similar institutions in developed countries make up about 7 to 8 per cent of the total revenues. According to Maan Barazi,<sup>44</sup> waste owing to inefficiency, corruption and misallocation of resources is equal to about half the total revenues, or around LL 80 billion, (\$58 million). Abuse of the NSSF is also reported, with cases of overbilling and double coverage by the Fund and private insurance companies.

Overall, the problems of the NSSF are highly complex and intertwined with issues of politics and political patronage. Although aware of these problems, the Government has so far been unable to address them properly, owing partly to the absence of the necessary mechanisms and partly to the weakness of political will.

In order to be efficient, the NSSF must undergo major reform. It should also seek to expand its coverage to include the most vulnerable in society, including the unemployable poor, the elderly, the disabled and the widowed. Priority must be given to the poor, and careful targeting must be enforced.

#### E. NON-GOVERNMENTAL ORGANIZATIONS

Non-governmental organizations in Lebanon play a very special and critical role in development. As mentioned above in this chapter, international and local NGOs gained prominence during the years of conflict for their work in providing relief and assistance and for filling part of the gap left by a dysfunctional Government. They have also been important vehicles for the mobilization of public opinion and for the representation of the interests of local communities.

Since the end of the conflict, the vast majority of NGOs have been trying to invent a peacetime role for themselves. To be successful they are forced to shift from activities geared towards relief to activities aimed at sustainable development and from short-term achievements to medium- and long-term goals. The transition for most NGOs has not been a smooth one. Such a shift not only requires a change in the policy of the organization; staff and volunteers must also be trained and equipped to handle the new types of programmes and the new ways of working. In 1994, for example, the Amel Association commissioned a study of the organization, which led to the preparation of a five-year strategic plan of operation. The report concluded that the organization must undergo changes and shift its work to development issues.

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<sup>44</sup> Maan Barazi, "The General Labour Union, employers and the Government face to face," *Al-Nashar* newspaper, 11 August 1997.

NGOs have also had to change the nature of their relationship with the Government. During the years of conflict, NGOs were filling in for the Government, taking charge and making decisions. Today they must work to support government efforts in a partnership based on coordination and complementarity. They must also work with the private sector and must enhance relations among themselves. The Ministry of Public Health's primary-health-care (PHC) strategy mentioned above provides one example where the Government is entrusting NGOs to manage PHC centres and placing resources aimed at enhancing their capacity. Efforts to coordinate their work, however, both with the Government and among themselves are not always a simple matter. The absence of coordination often leads to duplication and inefficient use of scarce resources as well as fierce competition among the NGOs. Political interference and turf wars are also common problems of the NGO community.

NGOs have the potential to play a highly positive role in promoting the interests of the poor and lobbying the Government for policy changes and programme priorities. However, the sector must organize itself, first by redirecting efforts and methodologies of work away from relief and towards sustainable development and second by coordinating its work both with the Government and within the NGO sector in order to achieve comparative advantage and enhance its performance.

## XI. GOVERNANCE AND LEBANON'S POVERTY EFFORTS

As is the case in Jordan, good governance is critical in efforts to reduce poverty in Lebanon. This chapter will review some of the main governance problems that hinder sustainable human development.

### A. CENTRALIZATION AND PARTICIPATION

Centralization and the concentration of power and decision-making at the highest levels is one problem. Most government ministries and agencies have a very hierarchical structure with control resting in the hands of one or two persons. Non-governmental organizations are not immune and many also suffer from highly centralized structures.

Delegation of real authority and the empowerment of junior staff are absent, leading to institutions that are often out of touch with the realities on the ground. In addition such centralized structures are inefficient and rigid; they lack the flexibility to deal with changing needs.

With regard to community participation, the recent 1998 municipal elections, the first in 35 years, are a positive but small step forward. While it is still too early to tell, the election of municipal officials is probably not sufficient to ensure real and effective community participation. The lobbying power of the community and the poor in particular remains very weak, and elected officials may not always be attuned to the needs of their constituents, in particular the poor.

### B. STRATEGY AND POLICY SETTING

Lebanon does not have an overall strategy to combat poverty. The Government's attitude towards poverty reduction has been to promote economic growth by stabilizing the economy and rehabilitating the infrastructure. It is assumed that if these two conditions are met, then private sector-led growth will flourish and eventually lead to a reduction in poverty. This has clearly not taken place as yet. Furthermore, in the absence of a clear and comprehensive strategy to reduce poverty, the available sectoral policies such as those related to health and education, which are assumed to affect the poor, are rarely explicit in their stated aims to reduce poverty. In addition, there are no effective coordination mechanisms between the different ministries as they formulate their policies and plans, which may end up being complementary. Other government policies, which have an indirect impact on the poor, can be contradictory. The agricultural policy, for example, which stresses greater protectionism, appears to be in conflict with the overall government economic policy of laissez faire, greater liberalization and export-oriented growth.

Both medium- and long-term social planning are absent. With the exception of the 10-year plan, which is concentrated on the development of the country's

infrastructure, Lebanon does not have a clear goal with regard to its social infrastructure or a general plan outlining the general policy direction to achieve social development. This creates lack of clarity and leads to piecemeal initiatives that are not integrated or comprehensive.

#### C. POLITICAL CONSIDERATIONS

The political structure of Lebanon often affects economic and social decisions. Political considerations and sensitivities may override professional considerations. Thus an official may be appointed to a senior post because of his affiliation or background and not for his merit or skills. While back-door politics undoubtedly plays a role in all countries, the situation in the Government in Lebanon appears to be more pronounced.

Development practitioners also complain that political interference and considerations are prevalent in all aspects of development, from policy setting, to allocation of resources, to micro decisions in small-scale projects. Decisions on where to establish a certain project or allocate resources are heavily coloured by politics instead of being made based on the needs of the different regions. This tends to exacerbate existing imbalances and works against the poorest segments.

#### D. CORRUPTION

Corruption in public agencies is another area that requires increased attention by the Government. While figures on the cost and extent of corruption are not available, interviews with officials and citizens confirm the existence of the problem. During the years of conflict, officials and employees took bribes with impunity; today, the practice of taking bribes has continued. Senior government officials have acknowledged the problem, but the solution has remained elusive. In May 1998, the Prime Minister complained of administrative problems in government circles, which hamper work and create grave inefficiencies. In October of the same year, the Minister of Justice proposed a draft law to stiffen the punishment for unlawful accumulation of wealth by officials. The move came shortly after the election of the new President of the Republic, who pledged to work towards building a State that is just and free of corruption. The reform of the administration and the application of anti-corruption laws will require strong political commitment and perseverance.

Corruption is not limited to government agencies and can be seen within non-governmental organizations and in the private sector. Bribes may be seen as a kind of tax, which makes various services available to those willing and able to pay. The poor have no resources to pay such costs and are often the ones with the most to lose from a corrupt system that distorts the allocation of resources.

Corruption also restricts investment and holds back economic growth, further harming the poor. Investors interested in investing capital in Lebanon may be

lightened by the existence of corruption, which places hidden costs on the investor. Investors have to pay extra costs for a given project in Lebanon by paying off corrupt intermediaries, they may decide to take their capital elsewhere.

#### E. COORDINATION

As is the case in Jordan, formal coordination in Lebanon between government agencies, between government agencies and civil society and within civil society is weak. There are few mechanisms through which such coordination can take place. In the health sector, for example, the multiplicity of agencies providing health insurance has led to abuse, duplication and waste of scarce resources. In addition, the health sector has several parties providing health-care services, including the Ministry of Public Health, the Ministry of Social Affairs, international NGOs and local NGOs.

Coordination between NGOs has also been problematic, with infighting, jealousies and turf wars. Many NGOs involved in social work also have political or confessional allegiances and work only within specific areas or with certain groups. The personalities of the heads of these organizations are often an important factor; owing to the highly centralized nature of these groups, coordination between organizations often boils down to personal contacts.

#### F. INSTITUTIONAL AND HUMAN CAPACITY

The civil service in Lebanon is known to be bloated and overstaffed, often with underqualified personnel. Administrative reform is critical, and building the capacity of civil servants in all sectors is a commonly mentioned demand. The case of public school teachers is one example where there are too many educators, many of whom are not adequately trained or prepared. This situation leads to inefficiency, mismanagement and misallocation of resources. Slow downsizing of some government agencies and building the capacity of staff are critical in order to meet future challenges and demand.

Government agencies often also lack necessary equipment. In recent years, most government bodies have begun to computerize their databases and train staff on the use of these. However, much more needs to be done to bring the institutions and the staff up to par.

The capacity of many NGOs is also lacking. Most staff and volunteers are still geared towards the provision of relief and welfare and not towards sustainable development. Attitudes and techniques often create dependence by the population instead of enabling beneficiaries to help themselves and build sustainable livelihoods.

## XII. A COMPARATIVE REVIEW AND CONCLUSIONS

The experiences of Jordan and Lebanon in reducing poverty in recent years provide a good deal of information and insight. This chapter will review some of the most salient issues, whether experienced similarly by the two countries or differently because of the use of different approaches. The aim of this chapter is to draw some lessons about poverty reduction.

Jordan and Lebanon, both middle-income countries in the ESCWA region, have seen a rise in the number of poor and in the depth of poverty in recent years. According to a 1997 study by ESCWA using the same methodology to measure poverty in each country, 19 per cent of the population of Lebanon lives below the poverty line while in Jordan 24 per cent of the population lives below the poverty line.

More interesting than the figures are the many similarities in the profile of poverty. Both countries have vast regional differences, with the poorest areas being the most remote. Jordan and Lebanon both have extremely high urbanization rates, and both have the highest number of their poor living in urban centres. In both cases, however, the incidence and depth of poverty in rural areas is much more severe.

In both countries, poverty is correlated with a larger household size and a higher dependency ratio, with children and youth overrepresented among the poor. Education and poverty are also closely linked, with a much higher rate of poverty in both Lebanon and Jordan among those who are illiterate than among individuals with a secondary education or higher.

Unemployment is closely related to poverty and is estimated at around 15 per cent in both Jordan and Lebanon. Low wages also play a major role in the impoverishment of large segments of the population who are wage earners.

Both Jordan and Lebanon have been able to achieve relatively high human development indicators compared with neighbouring Arab countries (see table 19).

TABLE 19. SELECTED HUMAN DEVELOPMENT INDICATORS FOR JORDAN AND LEBANON

	Jordan	Lebanon
Life expectancy	68.5 years	69 years
Infant mortality rate	33/1 000	28/1 000
Literacy rate	85.5 %	86.7 %
Population with access to health services	97 %	95 %
Population with access to safe water	98 %	94 %
Population with access to sanitation	77 %	63 %

Sources: UNDP, *Human Development Report 1997* (New York: Oxford University Press, 1997); and UNDP, *A Profile of Sustainable Human Development in Lebanon* (Beirut: UNDP, 1997).

The two countries also have young age structures. In Jordan the population growth rate is 3.5 per cent, while in Lebanon it is estimated at 1.6 per cent. In the



medium run, this will lead to increased pressure on basic public services and on infrastructure, including health and education. The labour market will also be under pressure to absorb increasing numbers of new entrants.

The similarities in the extent and profile of poverty between Jordan and Lebanon do not, however, extend to the government attitude towards the problem. In recent years, in particular in the 1990s, the Jordanian Government has openly acknowledged that the country suffers from a poverty problem and has increasingly sought to find ways to resolve it. It has carried out several surveys and studies to measure the extent of poverty and has made the results public. It has launched several initiatives—the largest and most recent being the Social Safety Net—to try to address some of the causes of rising poverty rates. In its upcoming five-year plan, the Government clearly gives priority to poverty reduction and has set out goals for the reduction of poverty by the year 2003.

While Jordan has not yet adopted a comprehensive national poverty reduction strategy, some attempts have been made to formulate an overall framework. The Government has committed some resources, although these are insufficient, to follow up on the recommendations of the World Summit for Social Development held in Copenhagen, and a national plan has been drawn up. Although the plan has several deficiencies and lacks “teeth” for implementation, the process of putting together the plan has been useful in furthering the thinking on existing and potential initiatives and how they are linked together to address the complex problem of poverty.

Lebanon, on the other hand, has been slow to acknowledge the existence of social disparities. Poverty is seen as a social ill that will disappear given economic growth in the economy. While some work has been done (most notably by the Ministry of Social Affairs) to measure the extent of the problem and identify its causes, it has taken time and a great deal of effort to make this information public and to acknowledge the problem officially. In its reluctance to deal with poverty head-on, the Government has kept poverty a highly charged and sensitive topic, for which it has come under increasing pressure. The newly approved project to formulate a national programme of action to improve living conditions is a step in the right direction. The recommendations of the plan of action should be taken seriously by the Government and should be incorporated into the development strategies of all the relevant ministries.

With regard to economic issues, Jordan and Lebanon share some similarities but are for the most part different in their make-up. In recent years, both countries have seen a downturn in economic growth, with GDP rates between 2 and 4 per cent. This slow-down has undoubtedly had a negative impact on poverty reduction in both countries. In addition, the structure of growth in the two economies has not been pro-poor: growth has not taken place in the sectors where the poor are concentrated and has tended to benefit a narrow segment of the population. Growth in the construction sector in both economies is short-lived, more so in Jordan, where it was associated

with accommodating returnees from the Gulf. The services sector has dominated growth in both countries and is the primary employer, accounting for 61 per cent of the labour force in Jordan and over 63 per cent of the labour force in Lebanon. Agriculture and industry have not been given adequate attention in either country, although agriculture in Lebanon has a much higher potential for growth than in water-poor Jordan.

Despite these similarities, the make-up of the economies of the two countries is very different. While Jordan is still dealing with reforms imposed by the IMF and the World Bank to correct structural imbalances in the economy and to liberalize trade, Lebanon has always had a *laissez-faire* liberal economy and has not had to undergo the same degree of reforms. Moreover, while privatization in Jordan has been slow and is viewed with a great deal of scepticism, the Lebanese Government expects the private sector to lead the country's economic growth. The private sector in Lebanon is by far more advanced than that in Jordan and has the potential to create thousands of new jobs every year.

On the social front, Jordan has for years maintained a welfare approach to development, with a strong central role for the Government. The Government has provided support to the poor through public investment and employment expansion, restrictions on immigration, price and credit controls, cross-subsidies, untariffed subsidies and import restrictions. These measures, while they had their benefits as long as foreign transfers financed them, distorted market incentives and discouraged investment, reducing the prospects for economic growth and eventually penalizing the poor. Lebanon, on the other hand, has traditionally kept a *laissez-faire* approach to social issues. Even before the outbreak of the conflict in the mid-1970s, the Government's intervention in the social sector was limited.

Partly as a result of these different approaches, Jordan today has a well-developed social welfare system, which aims to protect the poorest segments in society. Lebanon, meanwhile, does not have a formal social safety net, with the closest thing to such a structure being the piecemeal initiatives carried out by the Ministry of Social Affairs.

Looking at specific sectors, it is clear that Jordan has recognized the long-term benefits of directing resources to the broadest base in society. In the health-care sector, for example, Jordan has concentrated its resources on primary health care and has developed a large network of PHC centres and public hospitals. It has also put in place a health card system to benefit the poorest. Lebanon, partly as a result of the years of conflict, suffers from a weak public health structure. In contrast to Jordan, the vast amount of resources goes to pay bills at private hospitals, and the proportion of the budget allocated to primary health care is only around 8 per cent.

The education sector is also skewed in Lebanon, with around 35 per cent of students attending public schools compared with 75 per cent in Jordan. The public

school system in Lebanon suffered severely as a result of the conflict, leading many families to send their children to private schools. Poor families, of course, often do not have that luxury. While the quality of public education in both countries has been questioned, providing the general public, but in particular the poor, with access to education is critical.

Vocational institutes in both countries have had mixed results. While there are no figures available for Lebanon, in Jordan the unemployment rate among vocational school graduates is higher than among secondary school graduates. Jordan and Lebanon must improve vocational training centres and forge better links between the skills taught and the requirements of the labour market.

The role of civil society in development and in the fight against poverty is critical. The non-governmental sector in Lebanon is extremely active, with hundreds of NGOs representing various segments of society and a wide array of interests. Although it has its share of administrative and institutional problems, this sector contributes greatly to the fight against poverty and has the potential to become a very important partner to the Government in the development process. In addition to working in the field, Lebanese NGOs also act as an important lobbying force carrying forward the concerns and needs of communities and mobilizing for action. While it could be significantly stronger, civil society in Lebanon acts as a type of check for the Government, in particular where there are governance problems. As a lobbying group, civil society has the potential to act as an important force for change.

In contrast, NGOs in Jordan are much fewer and are not as influential. The major organizations in Jordan are closely linked to the State and to the royal family and cannot be said to be purely "non-governmental". In both Jordan and Lebanon, however, there is an urgent need to build the capacity of these organizations and to coordinate the work being carried out in order to reduce duplication and allocate resources more efficiently.

With regard to governance issues, Jordan and Lebanon suffer from a host of similar problems. Although one country may suffer more from a certain issue or other, it is very difficult to quantify or assess the extent. Both countries, for example, suffer from weak policy-making mechanisms and strategy setting. This is partly due to weak institutional and human capacity. However, Jordan appears to be better off than Lebanon in that it has been able to put in place several medium-term plans and to integrate initiatives related to poverty reduction. There is undoubtedly more coherence in Jordanian government policy with regard to poverty reduction, although much more still needs to be done.

Coordination is another major problem suffered by both countries. The absence of coordination between the different stakeholders in major policy matters, as well as in micro issues, leads to duplication, waste, increased competition and sometimes conflicting initiatives. The creation of mechanisms to provide for formal

coordination of poverty-related initiatives between government agencies, as well as between government agencies and NGOs and among NGOs is critical. Without mechanisms to regulate work and create the necessary linkages, efforts to eradicate poverty will continue to be incoherent and disjointed.

Weak institutional and human capacity is another problem that plagues both countries and leads to inefficiency and mismanagement. Institutions must be upgraded and staff trained and equipped to deal with new developmental challenges. Strengthening the capacity of both governmental bodies and non-governmental organizations is a long and difficult task, but it is essential to ensure the effective management and working of poverty-related initiatives.

The misallocation of resources is one area where Lebanon appears to suffer more directly. While significant resources are being spent on the "social sectors", they have thus far had little impact on reducing poverty. Setting priorities and targeting the poorest segments of the population are essential. This area includes concentrating resources on primary health care versus tertiary care and on primary and secondary public education as opposed to higher education. The misallocation of resources leads to a great deal of "leakage", with the non-poor often benefiting more than, and sometimes at the expense of, the poor.

Corruption and bribery are enemies of sustainable human development. The rule of law must be strictly enforced, with clear, transparent codes and regulations in place. Corruption hurts the poor the most and weakens prospects for economic growth by keeping investors away. Great attention and even stronger political determination are required to resolve this problem.

This paper has attempted to review some of the obstacles to poverty reduction in Jordan and Lebanon. It has argued that in both cases, economic growth has not been a sufficient condition for the reduction of poverty. The structure of growth in neither economy has been favourable to the poor. In Jordan and Lebanon, growth often bypasses the poorest segments, who are unable to take advantage of the opportunities presented. Both Lebanon and Jordan must strive to make growth more broad-based and inclusive. In Jordan, the private sector must be brought in to support the Government and create the job opportunities that can help the poor help themselves. In both Lebanon and Jordan, the Governments must re-examine their priorities and provide further support and incentives to the sectors that have the potential for broad-based, pro-poor growth. Labour-intensive, high value added products bound for export should be further encouraged.

Lebanon must re-examine its monetary and fiscal policies and try to strike a balance between economic growth and supporting the poorest and most vulnerable segments of society. Lebanon must also review its health and education policies and try to redress some of the imbalances in these areas. Resources should be better allocated. Jordan, on the other hand, should strengthen and build the capacity of the

non-governmental sector. It should seek to enter into partnership with community-based groups and other non-governmental organizations.

Both Jordan and Lebanon must concentrate on developing a long-term vision and a comprehensive strategy for poverty reduction that incorporates both economic and social policies. Such a strategy could provide policy makers with the necessary guidelines and overall targets and could create a coherent and integrated approach to the highly complex and multidimensional problem of poverty. In the absence of such a strategy, government policies continue to run the risk of being incoherent, uncoordinated and piecemeal.

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