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Shared Prosperity Dignified Life

Social Expenditure Monitor for Jordan

Towards making public social expenditure more equitable, efficient and effective

What is the Social Expenditure Monitor?

The Social Expenditure Monitor (SEM) for Jordan, developed by the United Nations Economic and Social Commission for Western Asia (ESCWA) in partnership with Jordanian counterparts, informs budget choices and "smart spending" towards the realization of the Sustainable Development Goals (SDGs).

SEM is built on a framework aligned with the SDGs, covering seven broad dimensions of spending that have a social purpose. It links expenditures in these dimensions to targeted populations and communities.

Main benefits of SEM:

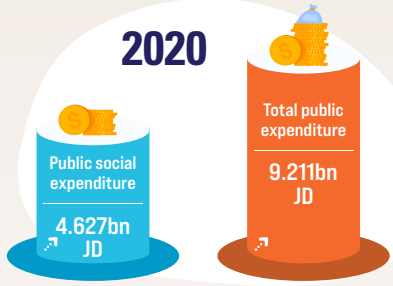
- Improves monitoring and governance of social spending through an assessment of the equity, efficiency and effectiveness of social programmes.
- Helps in saving resources and allocating them to the neediest sectors, thus enhancing macro-fiscal sustainability.
- Captures the Government's social development priorities to support their alignment with the SDGs, and to target its social policy interventions towards inclusive growth and human development.

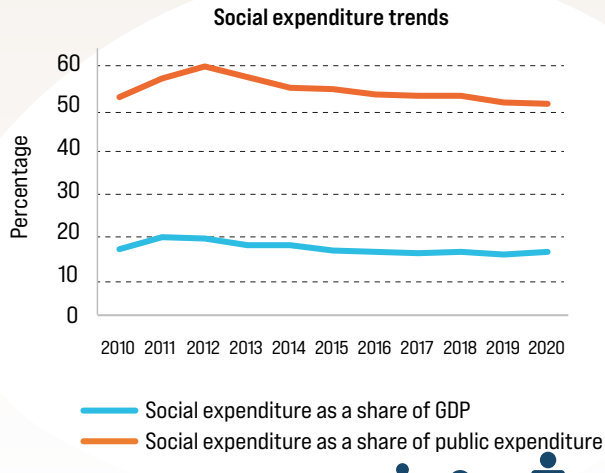
How much does Jordan spend on social policy areas?

In 2020, public social expenditure in Jordan represented 4.627 billion Jordanian dinars, or 50 per cent of the total budget and 15 per cent of GDP.

Between 2012 and 2020:

- Social expenditure as a share of the budget declined from 59 to 50 per cent.
- As a share of GDP, social expenditure also declined from 18 to 15 per cent.





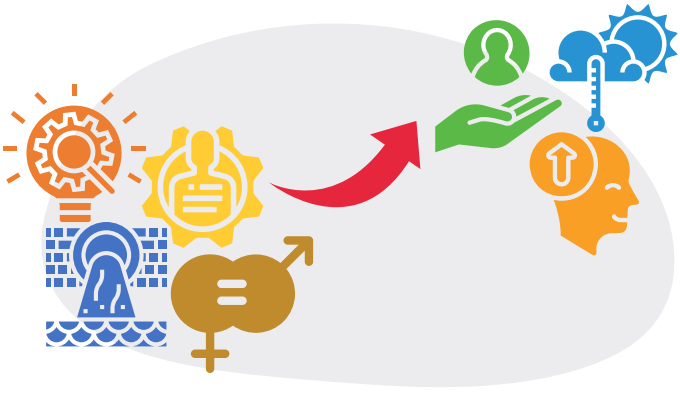
When looking at spending on the various dimensions of the SEM framework, "social protection, subsidies and support to farms" accounts for the largest share, standing at 23 per cent in 2020. However, this represents a 10 percentage points decline from 2012. Spending on the "education" and "health and nutrition" dimensions also comprises significant shares of the budget, at 12 per cent and 9 per cent, respectively, in 2020.

The decline in public social expenditure since 2012 is largely attributable to reductions in subsidies and other support to farms, which represented 14.8 per cent of the budget in 2012 but only 1.4 per cent in 2020. Subsidies on food and energy have decreased significantly since the Government implemented reforms to phase them out and further strengthen the social safety net cash transfer programme, which increased to 2.6 per cent of the budget in 2020 compared with 1.5 per cent in 2012.

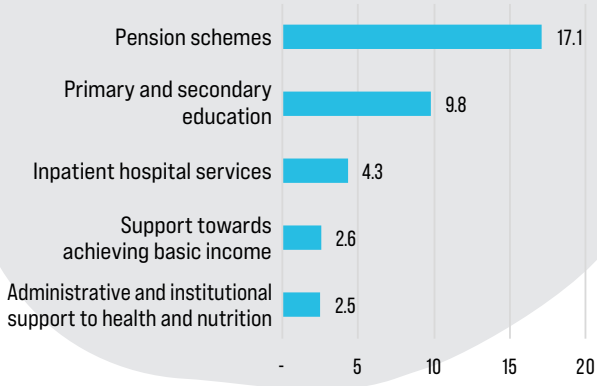
Expenditure on critical areas that improve youth capabilities, such as "labour market interventions and employment generation programmes" and "arts, culture and sports", and on areas that build climate resilience such as "environmental protection", accounts for less than 2 per cent of the public budget.

Pension schemes constitute the largest share of expenditure, at about 17 per cent of the budget.
Both primary and secondary education, and in-patient hospital services, account for 10 per cent and 4 per cent, respectively.
Social assistance programmes, such as cash transfers and anti-poverty programmes, constituted 2.6 per cent of the budget expenditures in 2020.

Significantly underinvested areas include early childhood development, research and development, skill-training programmes, support to artists, sports persons and facilities, wastewater management and sanitation, and gender equality programmes. These areas could benefit from additional spending to improve human capital, climate resilience, inclusive growth and human development.



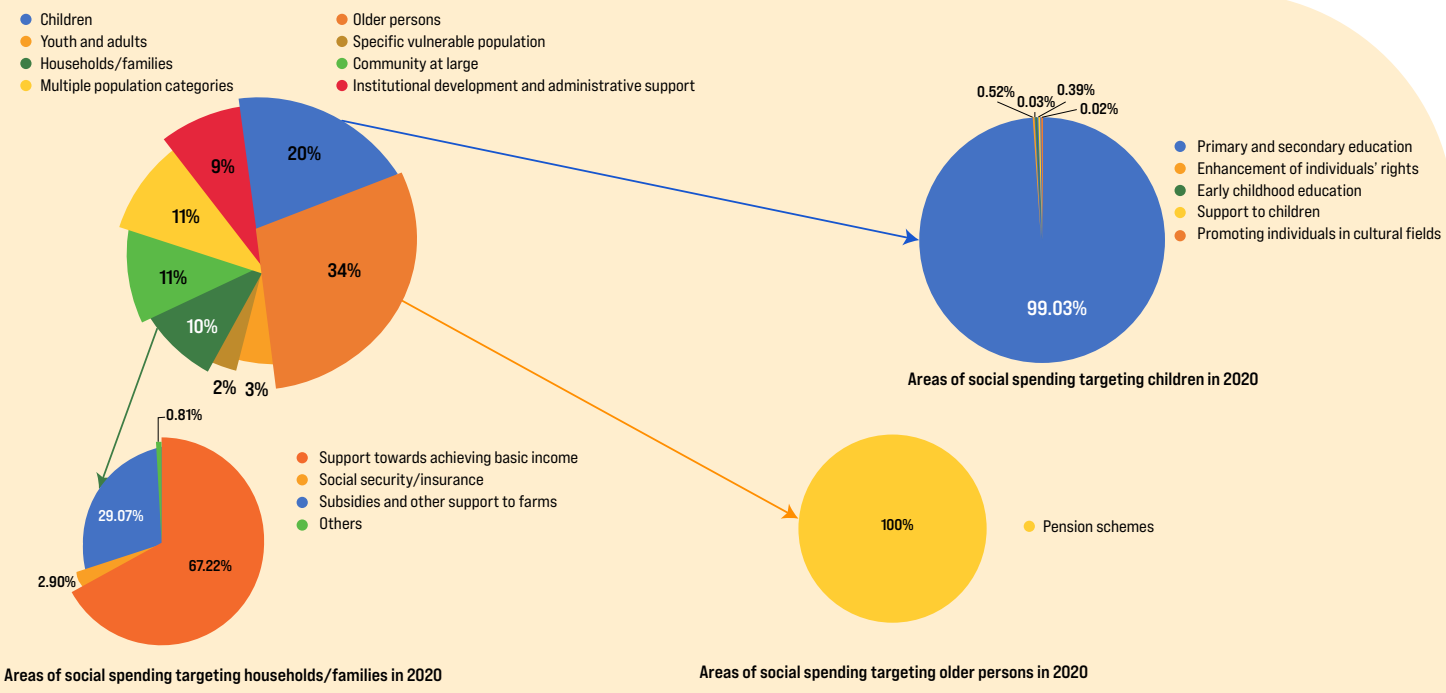
Top five social spending areas (2020)
(share of budget expenditure)



How are expenditures targeted to beneficiaries through social programmes?

In 2020:

- More than one third of social expenditures (34 per cent) was geared to pensions for older persons, about 20 per cent was targeted at programmes for supporting children, and 10 per cent was targeted at programmes for supporting households and families.
- 100 per cent of benefits for older persons came through pensions only. In Jordan, expenditure on pensions is the highest in the Arab region.
- Only 2 per cent of public social expenditure targeted vulnerable populations, such as marginalized persons, those at risk of social exclusion, and persons with disabilities.
- 99 per cent of spending on education targeted children through primary and secondary education services. Early childhood development spending constituted only about 0.4 per cent of total education spending. Children also benefited from other support such as the establishment and equipment of centres for child protection and care, and development of child care programmes.
- More than two thirds of spending on households came from social assistance programmes, including social safety nets, and anti-poverty and local development programmes. An additional 30 per cent was targeted to households through subsidies.
- Programmes on housing support, social security and insurance schemes, and specific programmes supporting families, like services for family protection in rural areas, also benefit households and families, but they remained on the margins of the public budget.



How efficiently does Jordan spend? What are the potential benefits of enhanced efficiency?

Efficiency scores assess the performance of social expenditures in terms of achievements in key development outcomes, such as human development, proxied by the score of the inequality-adjusted Human Development Index (IHDI) of Jordan.

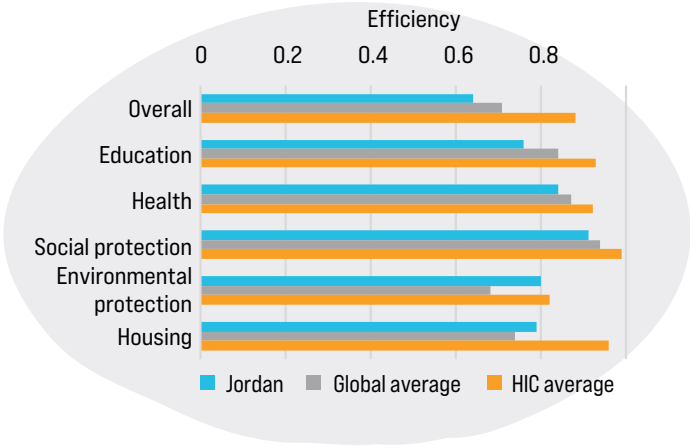
Jordan records an overall social expenditure efficiency score of 0.64, on a scale of 0 to 1. The global average is 0.71, the average for high-income countries (HIC) is 0.88, which indicates that there is significant potential for Jordan to improve its social spending efficiency.

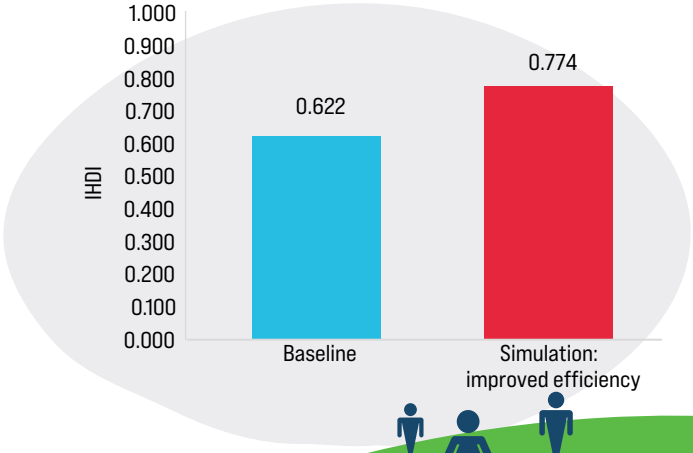
Significant opportunities for improvement lie in the performances of expenditure on education, health and social protection, since efficiency scores in these areas are even farther from global averages. In environmental protection and housing, Jordan performs well compared with the rest of the world.

Governance indicators are strongly correlated with efficiency, suggesting that better fiscal transparency and accuracy, budgeting and monitoring of resource use, and targeting of policies to vulnerable populations can lead to improved outcomes even with the same level of expenditures.

By improving social expenditure efficiency to the average efficiency of high-income countries, Jordan could raise its IHDI from 0.622 to 0.774, and its ranking in the Index from seventy-second to thirty-eighth of 152 countries.

Alternatively, improvements in efficiency could free up 1.1 billion Jordanian dinars in the form of reduced social expenditures. These savings could be allocated towards other key national priorities or underinvested social development priorities.





SEM as a tool to improve equity, efficiency and effectiveness of budgets

How can SEM support budgeting to improve targeting of needy populations?

Targeting budget lines to needy populations is key to improving efficiency and effectiveness of social expenditures, including at times of emergencies, such as when tackling the adverse effects of the COVID-19 pandemic, the war in Ukraine, or climate-related disasters. Jordan has introduced results-oriented budgeting since 2002, but allocating expenditures to needy populations and services has remained a challenge due to the absence of a clear targeting framework for tagging budget lines. SEM, with its clear targeting framework, can support improving allocations to the needy population, and accelerate the effectiveness of results-oriented budgeting.

How can SEM support budgeting to improve equity?

Rebalancing resource allocations is key to improving equity in outcomes. SEM helps in monitoring and assessing flows of resources to people and services at the national level, which can also be done at the subnational levels if data are available. Reprioritizing resources can help improve outcomes in areas that have been underinvested in over time, thus increasing equity.

How can SEM support budgeting to improve efficiency?

SEM helps in tracking efficiency by connecting expenditures to outcomes. It enables expenditure performance assessments against benchmarks, and informs policy reforms that redirect resources to underinvested social areas. SEM can also support consolidating programmes across several line ministries.

How can SEM make a transformational impact in budget allocations?

SEM provides better-disaggregated data in critical areas of budget tracking, including for gender-responsive budgeting and climate-related expenditures. Consequently, it can help channel expenditure towards investments in human capital, drivers of greater productivity, and correctors of inequity. By assessing expenditure performance, SEM also helps determine areas of reform towards achieving the SDGs in accordance with macro-fiscal objectives.

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