

Jordan Prosperity Index 2021

April 2022



منتدى الاستراتيجيات الأردني
JORDAN STRATEGY FORUM



مؤشر الازدهار الأردني
Jordan Prosperity Index



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The Jordan Strategy Forum (JSF) is a not-for-profit organization, which represents a group of Jordanian private sector companies that are active in corporate and social responsibility (CSR) and in promoting Jordan's economic growth. JSF's members are active private sector institutions, who demonstrate a genuine will to be part of a dialogue on economic and social issues that concern Jordanian citizens. The Jordan Strategy Forum promotes a strong Jordanian private sector that is profitable, employs Jordanians, pays taxes and supports comprehensive economic growth in Jordan.

The JSF also offers a rare opportunity and space for the private sector to have evidence-based debate with the public sector and decision-makers with the aim to increase awareness, strengthening the future of the Jordanian economy and applying best practices.

For more information about the Jordan Strategy Forum, please visit our website at www.jsf.org or contact us via email at info@jsf.org. Please visit our Facebook page at [Facebook.com/JordanStrategyForumJSF](https://www.facebook.com/JordanStrategyForumJSF) or our Twitter account [@JSFJordan](https://twitter.com/JSFJordan) for continuous updates about Jordan Strategy Forum.



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1. Introduction:

Prosperity is the ultimate goal that each government around the world seeks to provide to its nation through the optimal allocation and distribution of available resources with the greatest degree of equity. Undeniably, this goal can never be achieved in the presence of inequality. For example, societies with high inequality are characterized by unstable economies that suffer from low productivity and are often prone to financial crises. Inequality is also accompanied by a deteriorating level of education and difficulties in the mobility of members in a society, in addition to its detrimental impact on the interaction of individuals with those around them, as social participation rates decrease and crime rates rise. Inequality also negatively affects the physical and mental health of individuals.

Hence, it is crucial to mention that the needs of a nation are not necessarily materialistic. Indeed, a nation's prosperity is directly linked to a variety of socio-economic factors such as freedom of speech, access to information, civic and social participation, equal treatment and absence of discrimination, and many others.

Relative to the above-mentioned, it is important to make a distinction between what people feel, and what is actually being implemented on the ground. For example, if the government imposes laws for diversity in the workplace, it does not necessarily mean that citizens feel included among their peers. If the government diligently works on removing barriers for investments, and the results are translated on international indices, this does not directly mean that investors' appetite for risk-taking is automatically affected. If the government fully subsidizes all mental health services, this does not directly translate to a decrease in the number of depressive disorders in the country.

The Jordan Strategy Form (JSF), in this effort, has developed a Prosperity Index unique for Jordan. The overall objective is to use local and relevant data that measures "prosperity". However, this does not mean that other indices, such as the Legatum Prosperity Index, are not useful. Indeed they are. This is why, we also report where Jordan lies on this index.

Relevant stakeholders can use the Index as a tool in identifying what specific actions can contribute to greater levels of prosperity. The government can use it in the shaping of its policy agenda priorities. The private sector can use it to identify and convey to the government what they need in terms of rules and regulation to improve the business climate and accelerate their investments. Journalists can also use it in holding the government to account. Finally, researchers can use the Index as a complementary source of data in their research effort.

2. Jordan Prosperity Index: The Methodology

The measurement of national prosperity is never easy. Indeed, a look at the available international indices reveals that one can include a wide array of indicators. Within this context, and based on all the available international indices, especially The Legatum Prosperity Index, we, at the JSF, developed a framework that consists of three blocks: Domains, Pillars, and Elements.

1. The Jordan Prosperity Index classifies prosperity under two schools of thought and explores their features and status discretely:
 - **Utilitarian Well-Being:** The state in which an individual attempts to maximize pleasure and minimize pain. For the purposes of the index, this category addresses intangible factors in the determined elements such as sentiment, interpersonal relations, political liberties, convenience, bureaucratic procedures, and others that contribute to prosperity.
 - **Evaluative Well-Being:** The state in which an individual has access to measurable factors such as income, employment, infrastructure, governance, and others that contribute to prosperity.

For each pillar, a **“Utilitarian Well-Being Index”** (Weight: 43%) and an **“Evaluative Well-Being Index”** (Weight: 57%) are constructed. Following this exercise, the “Jordan Prosperity Index”, is constructed as a composite index of both the Utilitarian and Evaluative Well-Being Indices (for the technical reader, the methodology is explained in the Appendix).

2. **The Domains:** To assess the economic and social well-being of Jordanians, three domains are included in the index and these are “inclusive society”, “growth and investment” and “empowered people”.

- **Inclusive society:** captures the social characteristics of people.
- **Growth and investment:** captures the main aspects / characteristics of the economy.
- **Empowered people:** captures the social wellbeing of people.

Domains	Weights	
	Utilitarian Well-Being	Evaluative Well-Being
Inclusive society	65%	4%
Growth and investment	29%	43%
Empowered people	6%	53%
Total	100%	100%

3. The Pillars: To organize the three domains, we include three pillars of prosperity:

Inclusive Society:	Growth and Investment:	Empowered People:
1. Safety and Security	1. Investment Environment	1. Living Conditions and income
2. Personal Freedom	2. Enterprise Conditions.	2. Health
3. Governance	3. Market Access and Infrastructure	3. Education
4. Social Capital	4. Economic Quality	4. Natural Environment

4. The Elements: To operationalize the three pillars, we constructed a list of elements for each of the 12 pillars. Within this context, it is critically important to note that for each element a list of indicators are determined. Each indicator reflects a policy area that policymakers, as well as others, can influence and change, and hence improve prosperity.



مؤشر الازدهار الأردني
Jordan Prosperity Index

Domains



Inclusive Societies



Growth and Investment



Empowered People



Inclusive Societies



Elements

Safety & Security

Personal Freedom

Governance

Social Capital

Pillars

1. Property Crime.
2. Violent Crime.

1. Absence of Legal Discrimination.
2. Agency.
3. Freedom of Speech & Access to Information.

1. Government Effectiveness.
2. Government Integrity.
3. Political Accountability.
4. Rule of Law.
5. Regulatory Quality.

1. Civic & Social Participation.
2. Institutional Trust.
3. Interpersonal Trust.
4. Personal & Family Relationships.
5. Social Networks.



Growth and Investment



Elements

Investment Environment

Enterprise Conditions

Market Access Infrastructure &

Economic Quality

Pillars

1. Financing Ecosystem.
2. Property Rights.

1. Labor Market Flexibility.
2. Burden of Regulation.
3. Environment of Business Creation.
4. Domestic Market Contestability.

1. Border Administration Communications.
2. Open Market Scale.
3. Resources.
4. Transport

1. Dynamism.
2. Fiscal Sustainability.
3. Labor Force Engagement.
4. Macroeconomic Stability.
5. Productivity & Competitiveness.



Empowered People



Elements

Living Conditions

Health

Education

Natural Environment

Pillars

1. Protection from Harm.
2. Basic Services.
3. Connectedness.
4. Material Resources.

1. Longevity.
2. Mental Health.
3. Physical Health.
4. Behavioral Risk Factors.
5. Care Systems.
6. Preventive Interventions.

1. Adult Skills.
2. Primary Education.
3. Secondary Education.
4. Tertiary Education.

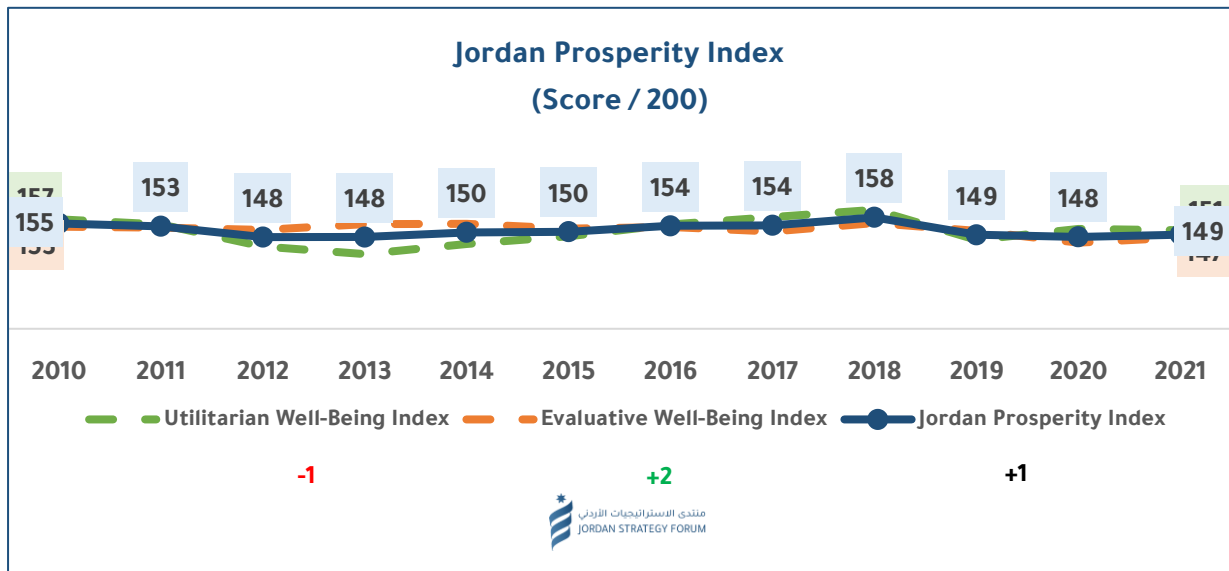
1. Preservation Efforts.
2. Exposure to Air Pollution.
3. Freshwater

3. The Results:

Based on our findings, we highlight the following observations on the Jordan Prosperity Index as a composite index of the Evaluative and the Utilitarian Well-Being Indicators with 2010 as a starting year and the results presented as a score of 100 - 200 points.

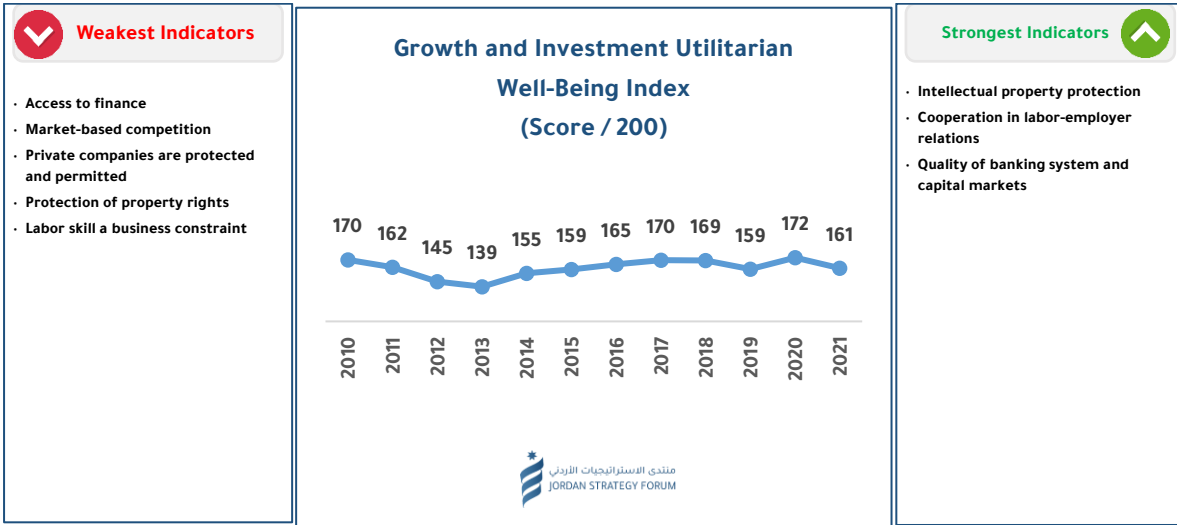
Jordan Prosperity Index:

It is worth noting that the behavior of the Utilitarian Well-Being and Evaluative Well-Being indices are reflected in the Prosperity Index. During the period 2012-2018, the prosperity index showed improvement then dropped significantly in the following two years (2019 and 2020). However, in spite of the slight recovery to 149 points in 2021, the overall score remains modest. Accordingly, it is unfortunate to state that Jordan did not attain the desired level of "prosperity".



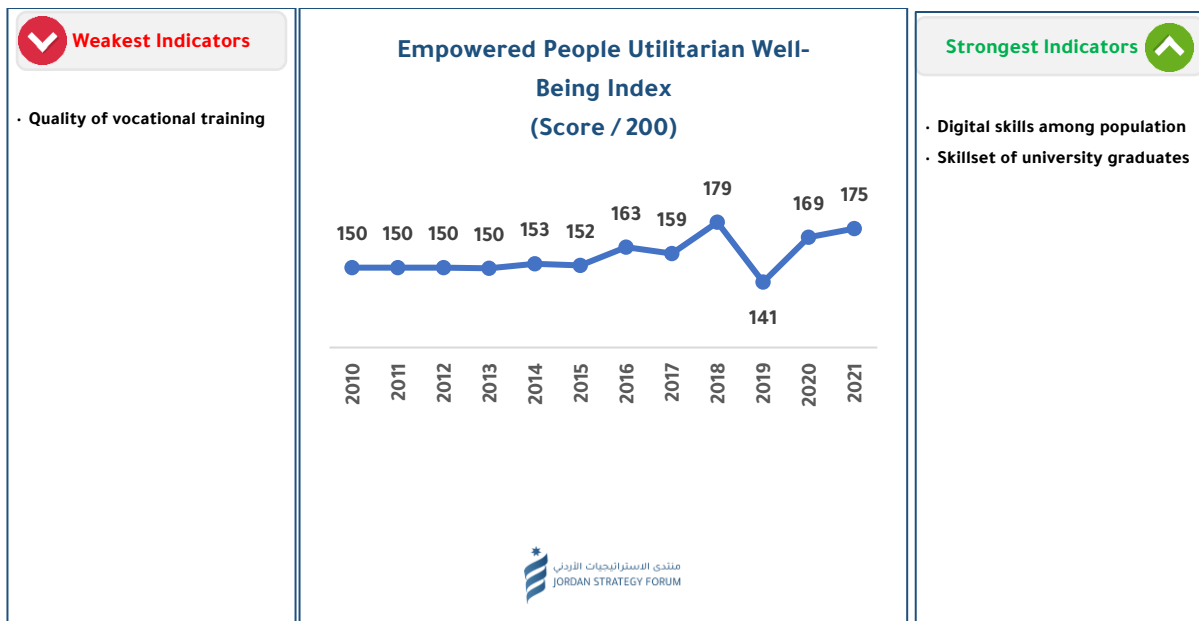
1) The Utilitarian Well-Being:

During the period 2010-2021, the Utilitarian Well-Being fluctuated between a minimum score of 139 (2013) and a maximum score of 162 (2018). However, following the sudden decrease from 162 points in 2018 to 146 points in 2019, the utilitarian well-being index recovered to 152 points in 2020 and slightly decreased to 151 points in 2021 due to the decrease in the Growth and Investment Utilitarian Well-Being Index.



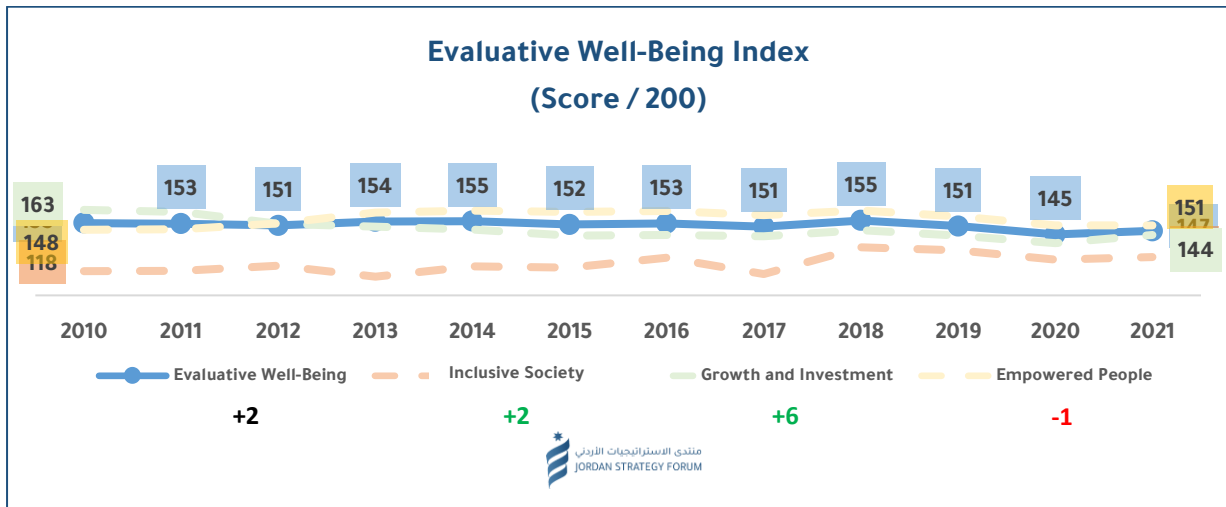
C. Empowered People Utilitarian Well-Being Index:

This index has witnessed a sudden increase from 141 in 2019 to 175 in 2021. This is largely due to the significant jump in the Digital skills among population, Quality of vocational training.



2) The Evaluative Well-Being Index:

During the period 2010-2021, the Evaluative Well-being fluctuated between a minimum score of 145 (2020) and a maximum score of 155 (2014 and 2018). While this index remained relatively constant over time (2010-2018), it has slightly increased from 145 points in 2020 to 147 points in 2021.



A. Inclusive Society Evaluative Well-Being Index:

On average, this index has improved over time despite its decrease to its minimum score of 116 points in 2017. The increase is mainly attributed to the sub-index “Helped another household”.



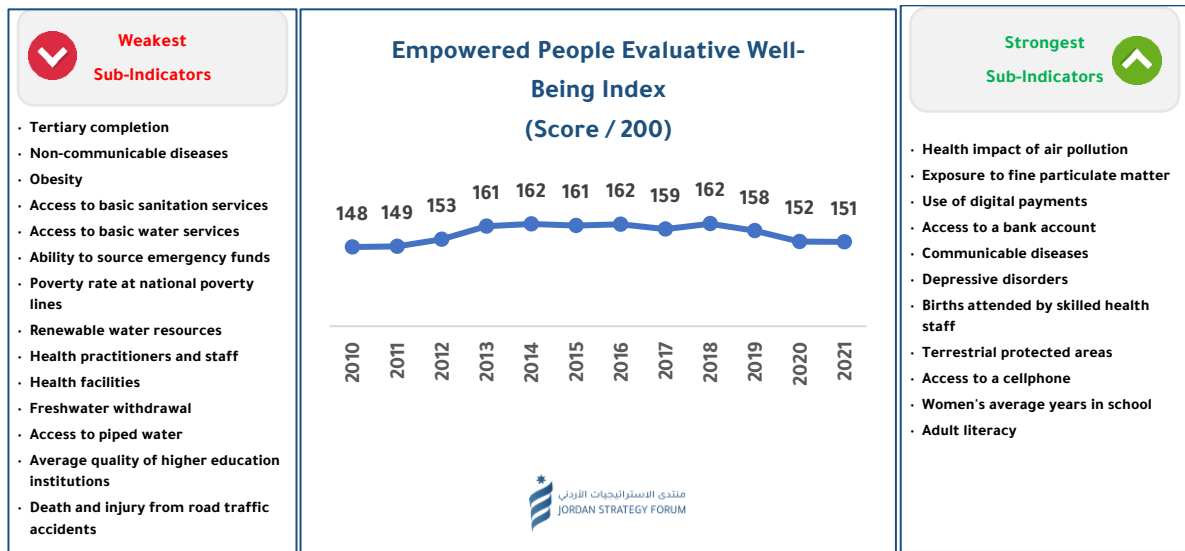
B. Growth and Investment Evaluative Well-Being Index:

Despite the improvement of the index in 2021, the index has deteriorated over time. This drop is attributed to Jordan’s deterioration in some indicators (Unemployment, Youth unemployment, Labor force participation, Patent applications, New Business Density, etc.) or the lack of improvement in measures like Female labor force participation, Government debt, GDP per capita growth, Road density, and Logistics performance. On the bright side, Venture capital availability, Internet usage, Waged and salaried workers, and Labor productivity have significantly improved.



C. Empowered People Evaluative Well-Being Index:

This index has witnessed a gradual decrease between 2018 and 2021. The decline is mainly due to the deterioration of several sub-indices such as Tertiary completion, Access to basic sanitation services, Freshwater withdrawal, Renewable water resources, Health practitioners and staff, Non-communicable diseases, and many others.



4. Jordan Strategy Forum Recommendations:

Within the context of the above-mentioned observations, the JSF provides a number of recommendations whose objective is to enhance the performance of Jordan on the Utilitarian Well-Being Index and the Evaluative Well-Being Index.

Utilitarian Well-Being Index:

- A. It is of great importance to expedite in the digitization of government services due to the vital role of digitization in improving the effectiveness and integrity of the government, this would help enhance the organizational quality and positively reflect on public trust in institutions.
- B. It is necessary to maintain an appropriate regulatory framework that promotes private sector development. This includes competition and tax policies. The main objective is to attain equality in income and opportunity and social justice. This would help in maximizing the productive capacity of the workforce and maintaining a supportive and investment-attractive business environment.
- C. It is of great importance to educate youth through allocating specific programs within universities across the kingdom in order to raise awareness on political participation and the requirements to achieve national priorities. This would reflect positively on refining the characteristics of leadership in youth and enhance the level of civic participation.
- D. All relevant stakeholders should adopt the Environmental, Social and Governance Standards (ESG) in line with international trends. This would address the sustainability and societal impact of investing in companies or businesses.

Evaluative Well-Being Index:

- E. It is necessary to support all efforts in preserving the natural environment. This would positively affect the public health of citizens.
- F. It is crucial to introduce technologies to vocational training institutions, as this would not only enhance the quality of vocational training, but would also provide trainees with a wide range of skills. It also helps in rationalizing costs by reducing waste of resources and minimizing the time needed for task completion.
- G. All relevant stakeholders should exploit trade agreements such as the trade agreement with the European Union and other trade agreements at the international level, this will positively affect the Jordanian trade balance.
- H. It is of great importance to facilitate access to finance in order to encourage new businesses, and maintain their density. In line with enhancing the required skills for the labor market, this would result in the reduction of unemployment rate.

5. Regional Comparison:

In order to properly assess the prosperity of Jordan, it is worth comparing Jordan with other regions and countries on the Legatum Prosperity Index. Regions include the Middle East and North Africa, Western and Eastern Europe. Moreover, Jordan was also compared to Saudi Arabia as it was used listed among the most improved countries on the Legatum Prosperity Index since 2011. Within this context, it is useful to note that the findings of our Index are similar to the results of the Legatum Prosperity Index.

Below, we outline a number of observations based on the mentioned above with scores presented out of 100 points.

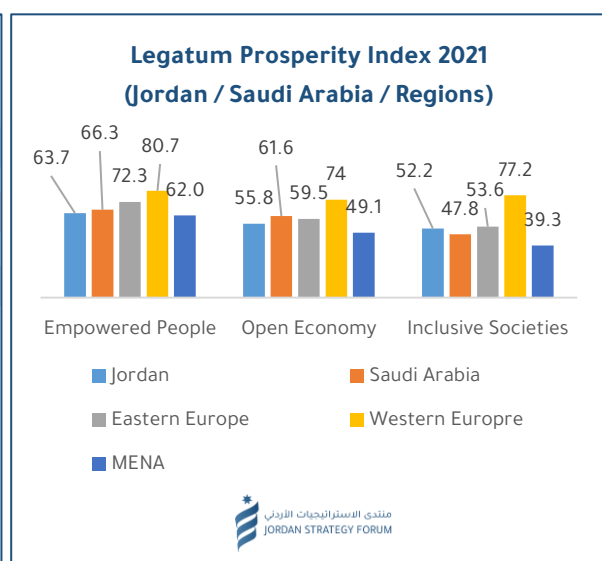
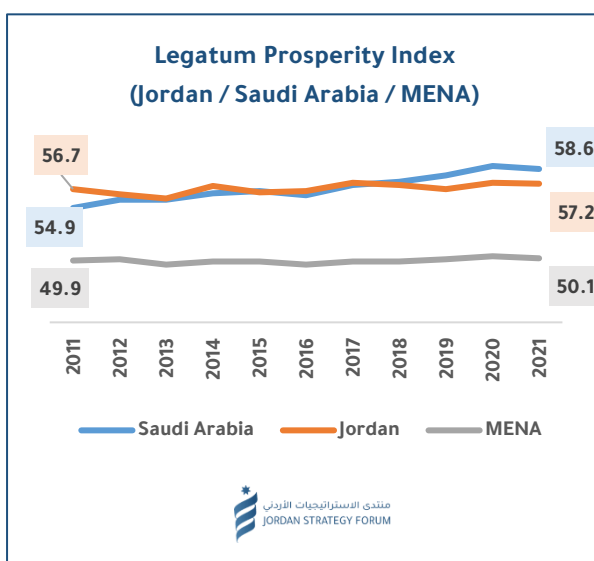
First, despite that the score of Saudi Arabia (54.9) was below the score of Jordan (56.7) in 2011, Saudi Arabia had managed to enhance it's performance and achieved a score of 58.6 while Jordan scored 57.2 in 2021.

Second, it is encouraging to state that the score of Jordan has always been above the score of the MENA region throughout the period 2011-2021.

Third, it is important to note that Western and Eastern Europe were among the best performing regions on the index. In fact, it is interesting to note that these two regions constitute countries that have reformed and developed their public sector's, which in turn has positively affected the levels of their prosperity.

Fourth, despite that Saudi Arabia outperformed Jordan in the domains of empowered people and open economy, Jordan outperformed Saudi Arabia in the domain of inclusive societies.

Fifth, it is encouraging to note that Jordan's standing indicates a good potential to attain further prosperity through enhancements in the domains of empowered people and open economy.



6. Appendix A

Background

Back in 1937, Simon Kuznets, a Russian-American economist, presented the original formulation of Gross Domestic Product (GDP) in his report (National Income, 1929-1935) to the U.S. Congress. The idea was to capture the economic performance of any nation in a single figure.

At the 1944 Bretton Woods Conference, both the World Bank (WB) and the International Monetary Fund (IMF) were established. Since then, GDP has become the standard tool for measuring the size of economies. The IMF defines GDP as the “monetary value of final goods and services - that are bought by the final user - produced in a country in a given period of time”.

The concept of GDP is probably the best-recognized measure of economic performance. It provides policy-makers with a convenient benchmark. Indeed, because of the implicit link between economic growth and some elements of well-being such as employment, level of income, and level of consumption, GDP is used as a proxy measure / indicator of human development and well-being. However, the relationship between economic growth (measured by GDP) and other dimensions of human development and well-being is not straightforward. Indeed, Kuznets himself was aware of this.

“The welfare of a nation can scarcely be inferred from a measure of national income. If the GDP is up, why is America down? Distinctions must be kept in mind between quantity and quality of growth, between costs and returns, and between the short and long run. Goals for more growth should specify more growth of what and for what” (Kuznets, 1934).

To measure progress, wealth and well-being effectively, one needs clear and appealing indices like GDP. However, they should be more inclusive than GDP. Within this context, it is useful to note that at the World Economic Forum Annual Meeting at Davos (20 - 23 January 2016), Laggard (Former Managing Director of the IMF), Joseph Stiglitz (Nobel Laureate in Economics), and Brynjolfsson (Professor of Economics at MIT) stressed “GDP is a poor way of assessing the health of our economies and we urgently need to find a new measure”.

The implications of GDP being not a good measure of well-being have far reaching consequences. Indeed, “what we measure informs what we do. And if we’re measuring the wrong thing, we’re going to do the wrong thing” (Joseph Stiglitz). Below, we outline a number of observations:

- 1. GDP Treats all Production Equally:** GDP makes no distinction between producing, for example, nuclear bombs and hospital beds.

2. **GDP Deals in Aggregates:** In an age of inequality, GDP has nothing to say about income distribution.
3. **GDP Ignores Changes in Standards of Living:** The calculation of GDP relies on prices only. For example, improvements in infrastructure, such as transport, makes life easier, and hence, enhances the quality of life in general.
4. **GDP Doesn't Include Negative Impact on Nature:** GDP does not take into account the value of matters like clean air and environment, and sustainable means of production.
5. **GDP does not Include Household Production:** GDP does not take into account household production. The production of housewives is out of the calculation.
6. **GDP Ignores Leisure Time:** Two economies have equal GDP size. However, if in one economy the workday averages 12 hours and in the other 10 hours, who is to say that they are equal?

Coming-up with a measure of GDP was an ingenious idea. Indeed, GDP is a useful concept and a valuable policy tool. However, policy-makers, as well as other stakeholders, need other measures to have a more complete picture. Indices that complement GDP and incorporate social and environmental costs or benefits will always be welcome. Within this context, it is heartening to realize that for so long, many international organizations, think tanks, non-profit organizations, as well as academia, have worked on developing indices that measure the wellbeing of societies. Below, we outline some of them.

- A. **The Human Development Index (HDI):** Conceived by the United Nations Development Programmed (UNDP), the HDI is a summary measure of average achievement in three dimensions of human development: Health, Education, and Standard of Living.
- B. **The Human Capital Index (HCI):** Conceived by the World Bank, the HCI measures the productivity as a future worker of a child born using three measures:
 1. Whether children survive from birth to school age (age 5).
 2. A measure of expected years of quality-adjusted school.
 3. Two broad measures of health - stunting rates (impaired growth and development that children suffer from poor nutrition, infection, and inadequate psychosocial stimulation) and adult survival rates.

- C. The Social Progress Index (SPI):** Conceived by the Social Progress Imperative (a not for profit organization), the SPI measures the well-being of a society by observing social and environmental outcomes directly and not economic factors. The factors include wellness (including health, shelter and sanitation), equality, inclusion, sustainability and personal freedom and safety.
- D. The Legatum Prosperity Index (LPI):** Conceived by the Legatum Institute (a division of the private investment firm Legatum), the LPI consists of three domains (inclusive societies, growth and investment, and empowered people), twelve prosperity pillars (safety and security, personal freedom, governance, social capital, investment environment, enterprise conditions, market access and infrastructure, economic quality, living conditions, health, education, and natural environment). The twelve pillar involve 294 indicators.
- E. The Better Life Index (BLI):** Conceived by the OECD, the BLI ranks and compares the well-being across countries, based on 12 issues seen to be essential, in the areas of material living conditions and quality of life. These issues are income and wealth, work and job quality, health, knowledge and skills, subjective wellbeing, safety, work-life balance, social connections, civic engagement, natural capital, social capital, and human capital.
- F. The Oxford Poverty and Human Development Initiative (OPHI):** Conceived by the University of Oxford, the OPHI measures acute multidimensional poverty across countries by capturing the acute deprivations in health, education, and living standards that a person faces simultaneously.

The Sustainable Economic Development Assessment (SEDA): Conceived by The Boston Consulting Group SEDA ranks and compares well-being across countries in the areas income, economic stability, employment, health, education, infrastructure, equality, civil society, governance, and the environment.

No one should underestimate the importance of having indices that measure the wellbeing of societies. Such indices, over time, measure whether a nation is fulfilling the potential of its citizens, in terms of, not only their productive capacity, but also their collective wellbeing. In addition, it is critically important to understand whether prosperity is improving or weakening over time. Even more important, it is useful to understand why prosperity is improving or weakening over time.

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However, this does not mean that other indices, such as the Legatum Prosperity Index, are not useful. Indeed they are. This is why, we also report where Jordan lies on this index.

Relevant stakeholders can use the Index as a tool in identifying what specific actions can contribute to greater levels of prosperity. The government can use it in the shaping of its policy agenda priorities. The private sector can use it to identify and convey to the government what they need in terms of rules and regulation to improve the business climate and accelerate their investments. Journalists can also use it in holding the government to account. Finally, researchers can use the Index as a complementary source of data in their research effort.

7. Appendix B

Methodology

The methodology of this index follows the same mathematical basis of JSF's "Jordan Investor Confidence Index" (JICI). The score of the JPI ranges from 100 to 200. A score of 100 represents the worst performance in a certain category from 2009 to 2019, and a score of 200 represents the best performance in a category in the same period. The original data set is compiled by the Legatum Institute, whose variables originate from multiple international indices and indicators that are reported by donor agencies (World Bank, UN, IMF, etc.) International Institutions and think tanks (Gallup Institute, QS Ranking, etc.) and departments of statistics of many countries.

Variables of the original dataset were modified by JSF based on relevance to the Jordanian context, in addition to the change in performance over time. For the latter, variables with a standard deviation of zero were automatically dropped since they do not possess any mathematical significance, given that the best performance from 2009 to 2019 equals the worst performance. For variables with incomplete datasets, Multiple Imputations by Chained Equations (MICE) were used to resolve inconsistencies, which inherently gives these variables the least weight possible.

The following steps were followed to calculate the Jordan Prosperity Index:

- 1) Z-Scores:** For each variable X , the Z-Score is calculated using the following equation:

$$Z_{score} = \frac{x - \mu}{\sigma}$$

Where

x : Value in variable X in the desired year

μ : Arithmetic mean of all values in X

σ : Standard Deviation of all values X

- 2) Feature Scaling:** In order to restrict scores between 100 and 200 (i.e., min-max normalization), each of the Z-Scores calculated in the previous step are subjected to the following equation:

$$Scaled\ Score = \left[\left(\frac{Z_{score} - \min}{\max - \min} \right) * 100 \right] + 100$$

- 3) Weights:** The initial weights are provided by the Legatum institute based on reliability, theoretical, and empirical significance to the pillar. For the purposes of mathematical consistency (*tested by Cronbach's Alpha and other numerical methods*), weights are given a value of 0.5, 1 or 1.5, such that the sum of all weights is equal to the number of variables. The weight of each sub-index also takes the number of variables under it into account.
- 4) Weighted Average:** Given the weights calculated in step 3, in addition to the scores calculated in step 2, the weighted average is calculated per sub-index.
- 5) Aggregation of the JPI:** A Hedonic Well-Being Index and an Evaluative Well-Being Index are calculated by a weighted average of all hedonic and evaluative sub-indices, respectively. Finally, the JPI is calculated by taking the simple average of the Hedonic Well-Being Index and the Evaluative Well-Being Index.



Overall Index

149/200

Evaluative
Well-Being
Index
147/200

Utilitarian
Well-Being
Index
151/200

128/200


Inclusive Societies

145/200

144/200


Growth and Investment

161/200

151/200


Empowered People

175/200

Jordan Strategy Forum Recommendations to Improve the Performance of Jordan

Evaluative Well-Being Index



Support all efforts in preserving the natural environment, as this would positively affect the public health of citizens.



Introduce technologies to vocational training institutions in order to improve the quality of training.



Exploit trade agreements at the international level, as this would positively affect the Jordanian trade balance.

Utilitarian Well-Being Index



Expedite in the digitization of government services.



Maintain an appropriate regulatory framework that promotes private sector development.



Educate youth across the kingdom and raise their awareness on the importance of political and civic participation..



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