

Jordan Prosperity Index 2023

June 2023



منتدى الاستراتيجيات الأردني
JORDAN STRATEGY FORUM



مؤشر الازدهار الأردني
Jordan Prosperity Index



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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.

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1. Introduction:

The Jordanian economy has been affected by several crises during the past few years, the most prominent of which are the so-called "Arab Spring", which resulted in the influx of Syrian refugees, and the border closures with Jordan's most important trading partners. The Jordanian economy, like other economies, suffered from the COVID-19 health crisis. In addition, the Jordanian economy has had to live through the repercussion of the Russian-Ukrainian war. These destabilizing circumstances, and others, have weakened economic growth and the trading performance of the Jordanian economy. In addition, the Jordanian economy experience a decline in investment flows, and an escalation in unemployment rates.

To overcome the challenges imposed by the global and regional shocks, many countries around the world have created strategic economic plans and visions. Some of these countries include Saudi Arabia, Qatar, Egypt, and Ireland, Singapore, and many more. As far as Jordan is concerned, His Majesty King Abdullah II bin Al Hussein launched the "Economic Modernization Vision" in June 2022. The produced vision, to be implemented in three phases over 10 years, covers two main strategic pillars and these are "economic growth" and "quality of life".

In the economic growth pillar, "Jordan is expected to create leaps in economic growth to accommodate 1 million young females and males in the labor market over next decade".

In the quality-of-life pillar, "all generations can enjoy a good lifestyle to make Jordan one of the best countries in the region in terms of quality life and prosperity". During the formulation of the Economic Modernization Vision, a national survey was conducted to measure citizen's current satisfaction with their overall quality of life. The results indicate that 40% of the surveyed individuals were satisfied. Therefore, the primary objective of the quality-of-life pillar is to at least double the rate of citizen satisfaction to 80% by 2033.

The Jordan Prosperity Index, which was designed by the Jordan Strategy Forum in 2016, is an effective tool for measuring the level of "well-being" in Jordan. The index is calculated based on a wide range of available international and relevant local indicators. Th Index is also guided by the Legatum Prosperity Index.

2. Jordan Prosperity Index: The Methodology

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).

1. 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:** capture the main aspects / characteristics of the economy.
- **Empowered people:** captures the social wellbeing of people.

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

2. 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

3. 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 is 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.

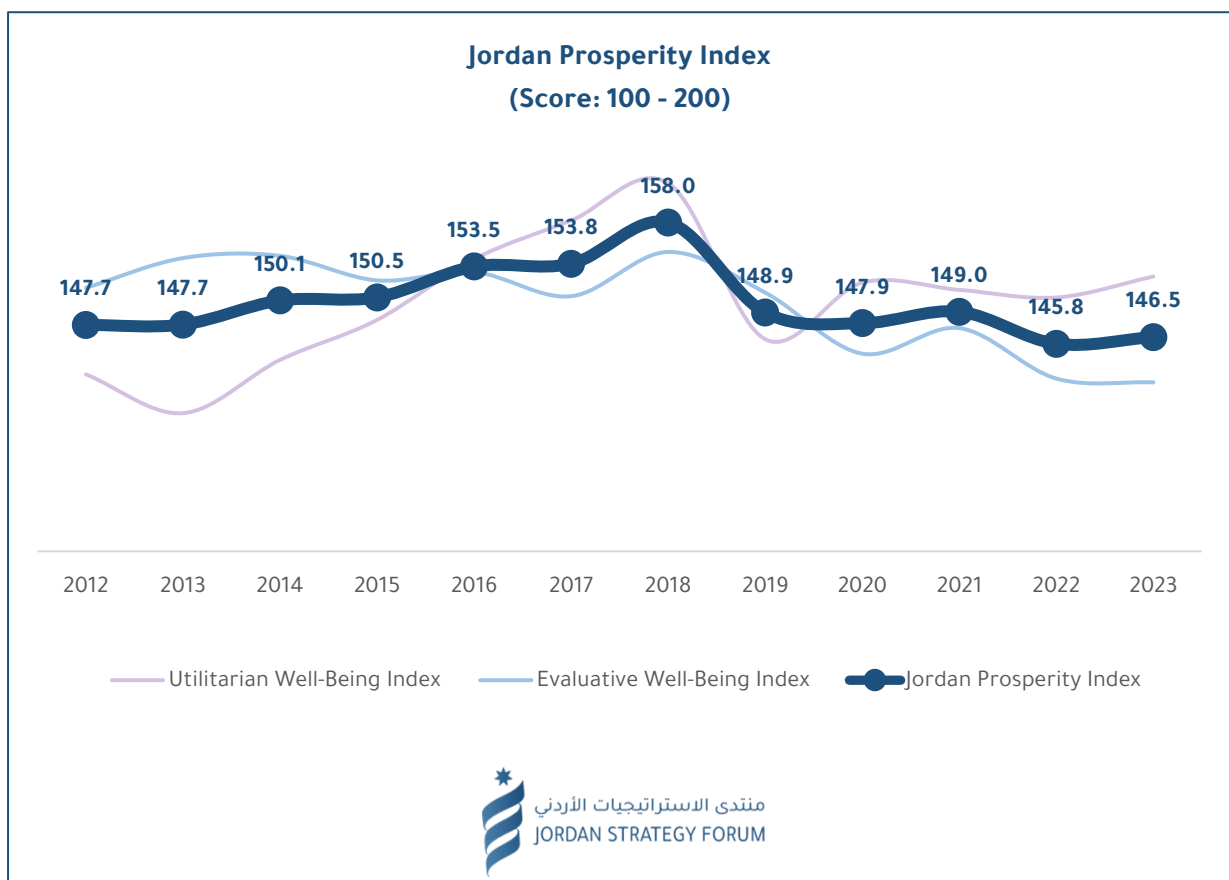
1. Preservation Efforts.
2. Exposure to Air Pollution.
3. Freshwater

3. The Results:

Based on our findings, we highlight the following observations on Jordan's Prosperity Index as a composite index of the Evaluative and the Utilitarian Well-Being Indicators with 2012 as a starting year. The results are presented as a score between 100 - 200 points.

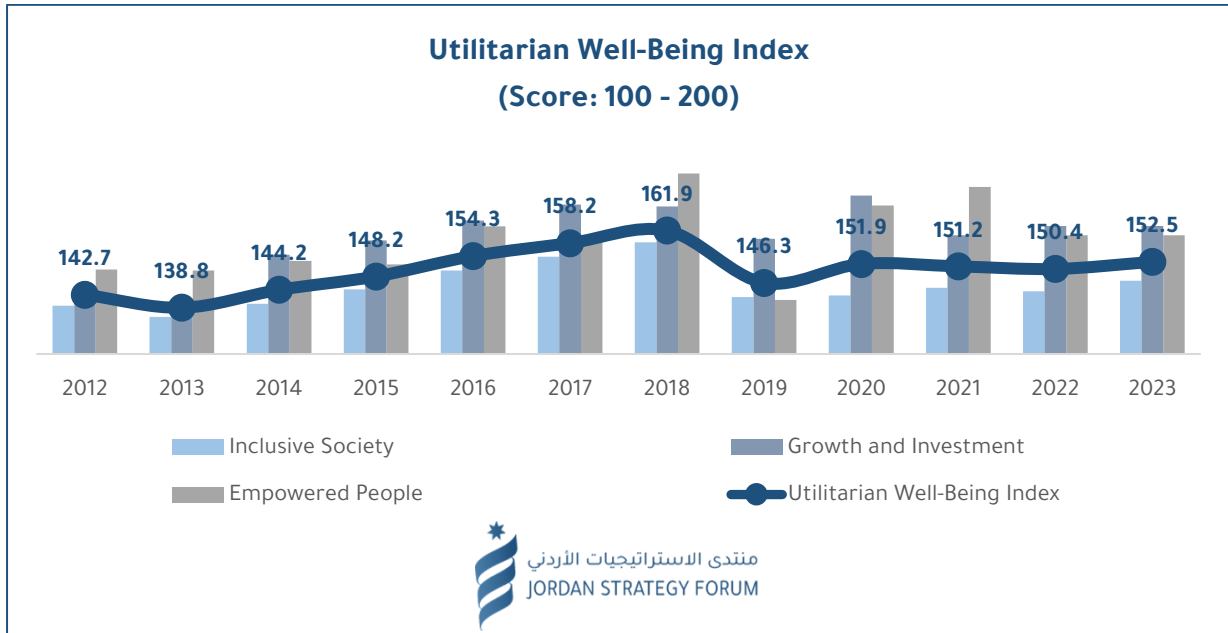
Jordan Prosperity Index:

During the period 2012-2018, the prosperity index maintained its consistent increase. However, since 2019, the index has fallen to its lowest value in 2022. The year 2023 witnessed some marginal improvement in the index.



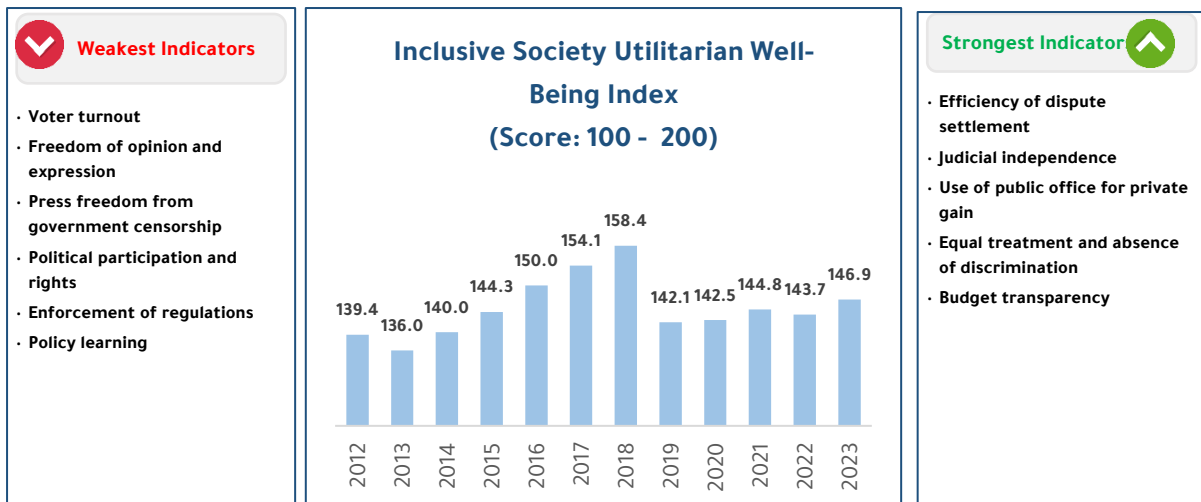
1) The Utilitarian Well-Being:

During the period 2010-2023, the Utilitarian Well-Being index fluctuated between a minimum score of 139 (2013) and a maximum score of 161.9 (2018). However, following the sudden decrease in 2019, this index recovered to 151.9 points in 2020 and closed at 152.5 in 2023.



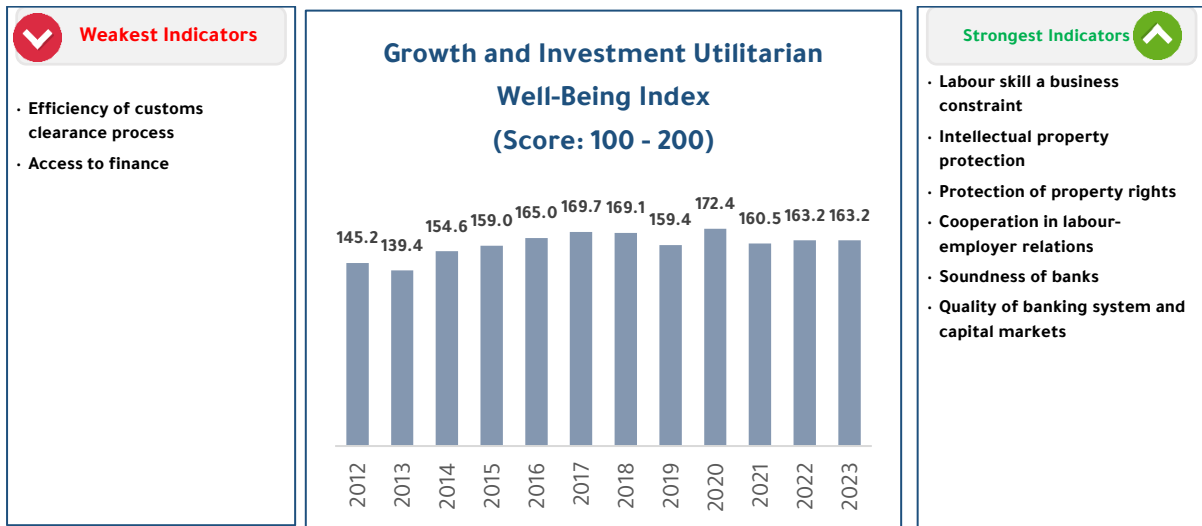
A. Inclusive Society Utilitarian Well-Being Index:

This index fluctuated between a maximum of 158.4 in 2018 and a minimum of 136.0 in 2013. However, we can state that this index has deteriorated during the years 2019-2023. This decline is mainly attributed to the decline in indicators like voter turnout, freedom of opinion and expression, press freedom, political participation and rights, enforcement of regulations, and policy learning.



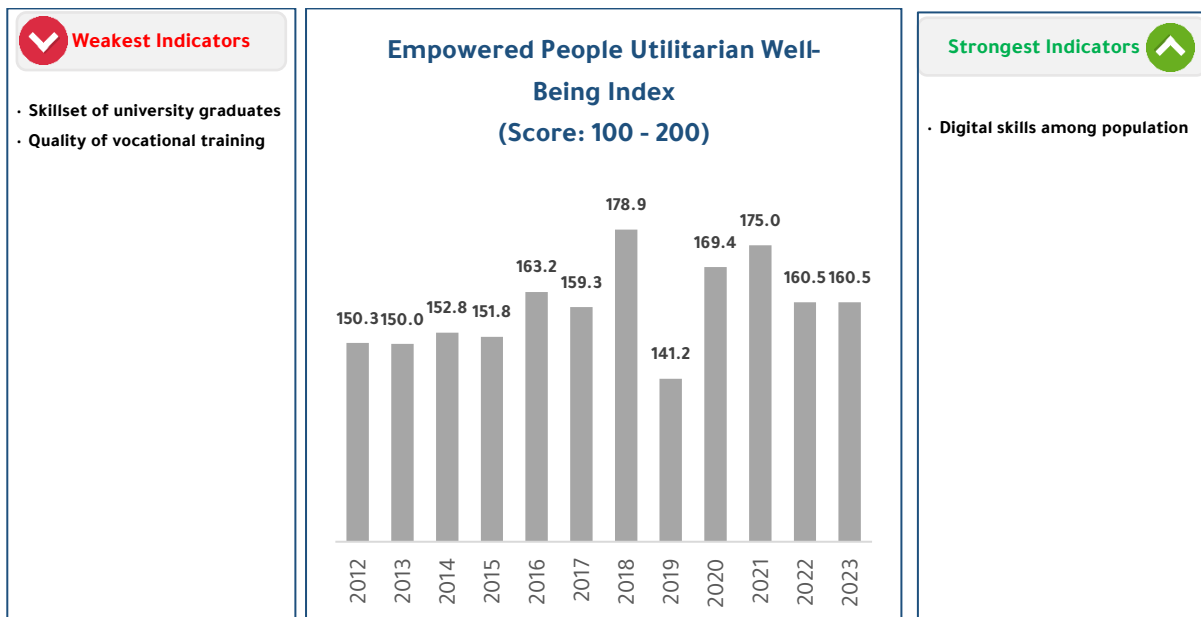
B. Growth and Investment Utilitarian Well-Being Index:

This index fluctuated between a minimum of 139.4 in 2013 and a maximum of 172.4 in 2020. However, we can state that this index has deteriorated during the years 2021-2023. This decline is mainly attributed to the decline in indicators like the efficiency of customs clearance process and access to finance.



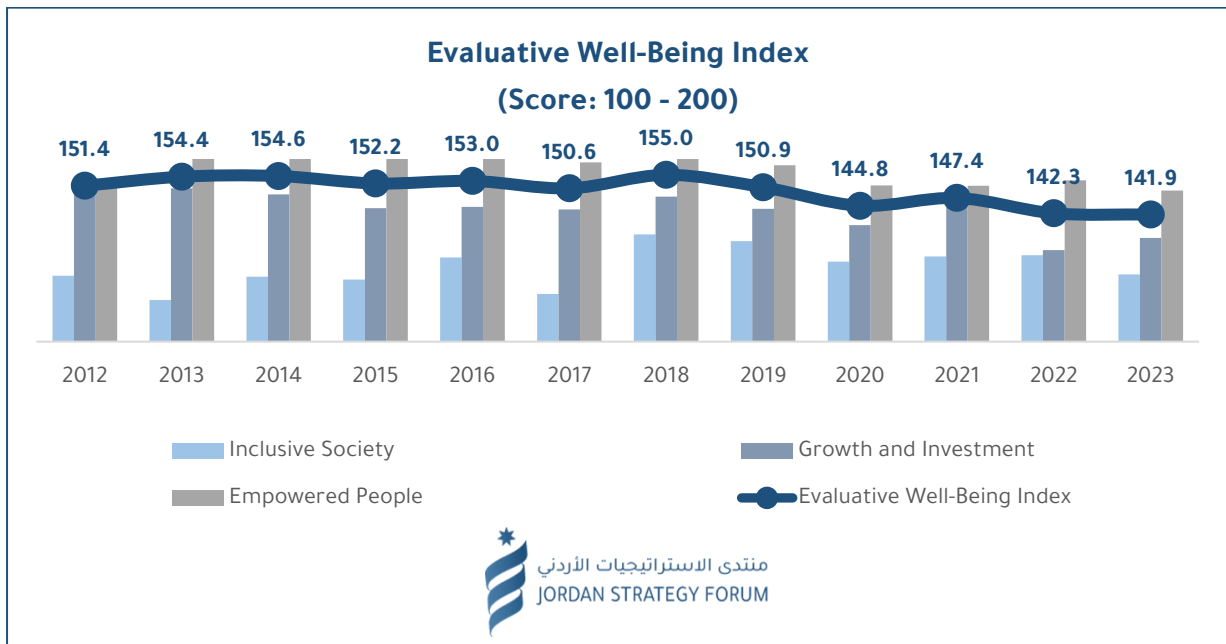
C. Empowered People Utilitarian Well-Being Index:

This index has witnessed a sudden increase from 141 in 2019 to 175 in 2021. However, in 2022 and 2023, the value of this index has fallen significantly. This is largely due to indicators like the skillset of university graduates and the quality of vocational training.



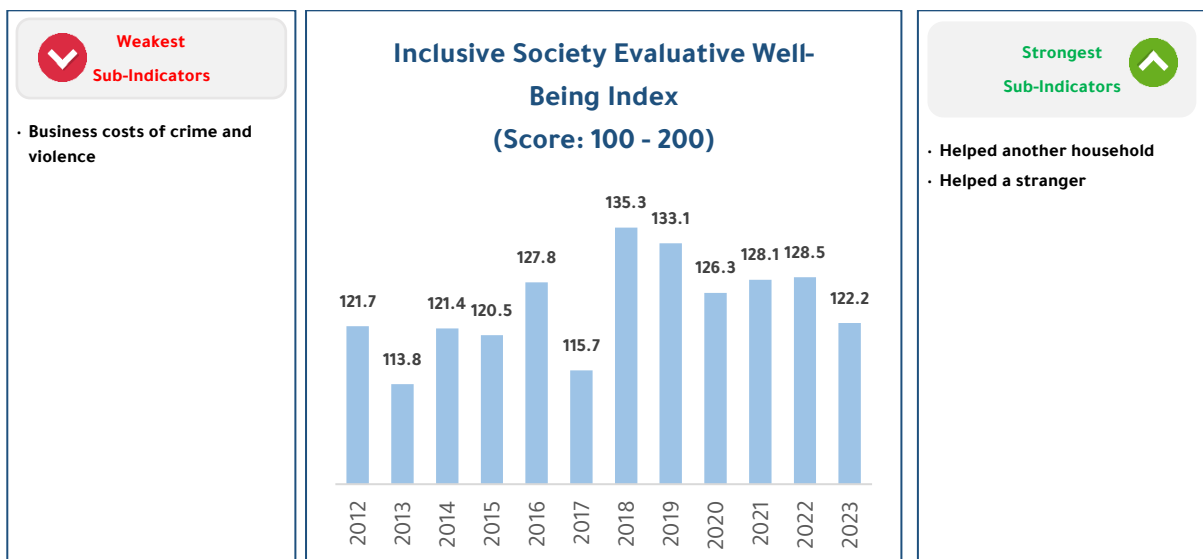
2) The Evaluative Well-Being Index:

During the period 2012-2018, the Evaluative Well-Being index remained relatively stable. Since 2019, however, this index has fallen in a consistent manner. score of 144.8 in 2020 and a maximum score of 155.0 in 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.



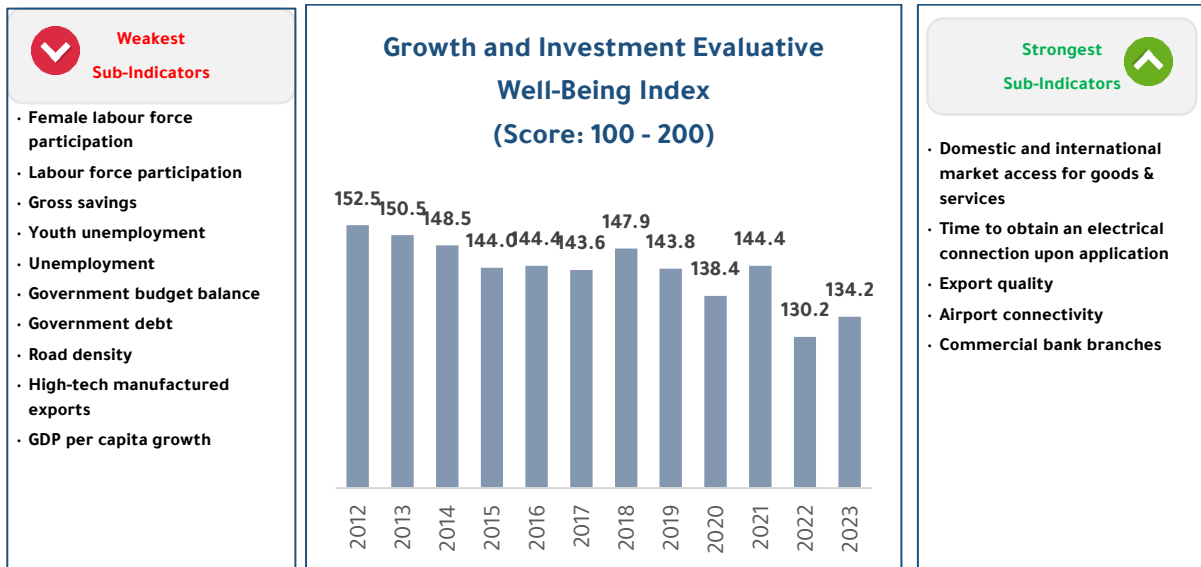
A. Inclusive Society Evaluative Well-Being Index:

Since its peak value in 2018, the Inclusive Society Evaluative Well-Being Index has fallen, and in 2023, its value is equal to 122.2. This fall is largely due to the business costs of crime and violence.



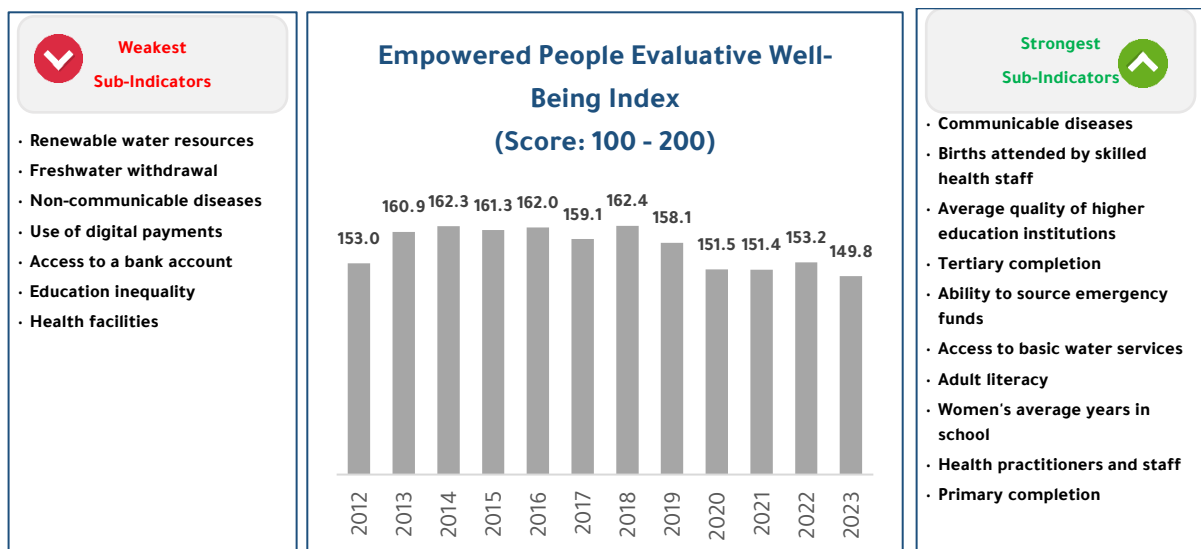
B. Growth and Investment Evaluative Well-Being Index:

The score of this index has deteriorated over time. This drop is attributed to Jordan's deterioration in some indicators including the overall and female force participation rates, gross savings, youth unemployment, government budget balance, public debt, road density, high-technology manufactured exports, and GDP per capita growth.



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 renewable water resources, freshwater withdrawal, non-communicable diseases, use of digital payments, access to a bank account, education inequality, and health facilities.



4. Jordan Strategy Forum Recommendations:

Based on Jordan's performance in each area of the prosperity index, recommendations of the three modernization paths (political, administrative, and economic), and the Forum's studies and related working papers published during the two years (2022 and 2023), the Jordan Strategy Forum outlines a number of recommendations to improve Jordan's prosperity index in its Utilitarian Well-Being Index and the Evaluative Well-Being Index.

Utilitarian Well-Being Index:

- A. The JSF stresses the urgent need for increasing financial inclusion. This can be done by reducing the minimum age for opening a separate bank account to 16 years, encouraging companies to transfer their wages and salaries to bank accounts, encouraging merchants to provide electronic payment channels, expanding financial education of school and university students, and raising awareness about the use of electronic payment methods.
- B. Consolidate the efforts between state institutions, private sector and civil society to attract foreign investments, preserve existing investments and encourage the establishment of others, enable the private sector to expand their businesses, and accelerate the implementation of the strategic projects in partnership with the private sector.
- C. In line with the recommendations of the Royal Commission for the Modernization of the Political System, all stakeholders should work on expanding youth participation in political activities by allocating specific times within all university programs. The aim of such education is to educate young people about political participation and the requirements for achieving Jordan's national priorities, and to pave the way for the establishment of coherent parliamentary blocs capable of performing their supervisory and legislative responsibilities.

Evaluative Well-Being Index:

- D. Focused dialogue sessions must be held with producers and exporters to discuss opportunities for developing the industrial structure in Jordan. The use of high technologies in developing the exported commodities, and the identification of new manufactured goods to export can only reduce Jordan's export concentration and reliance on few commodities like phosphates, potash, and clothing.
- E. The JSF emphasizes the importance of adhering to decent work regulations that respect the rights of workers and guarantee their social protection. The approach to higher education must be changed to keep pace with the requirements of the present and the labor market. Education must succeed in promoting analytical and critical thinking. In

addition, it is necessary to improve the quality of vocational training and introducing technology to the relevant institutions while improving the technical and teaching skills of the trainers.

- F. Fiscal policy must serve the economic planning process in the long term, especially in light of Jordan's social and economic challenges, the most prominent of which are modest economic growth rates and high unemployment rates. Accordingly, a public spending policy that stimulates and encourages growth rates must be followed during periods of recession or economic slowdown.

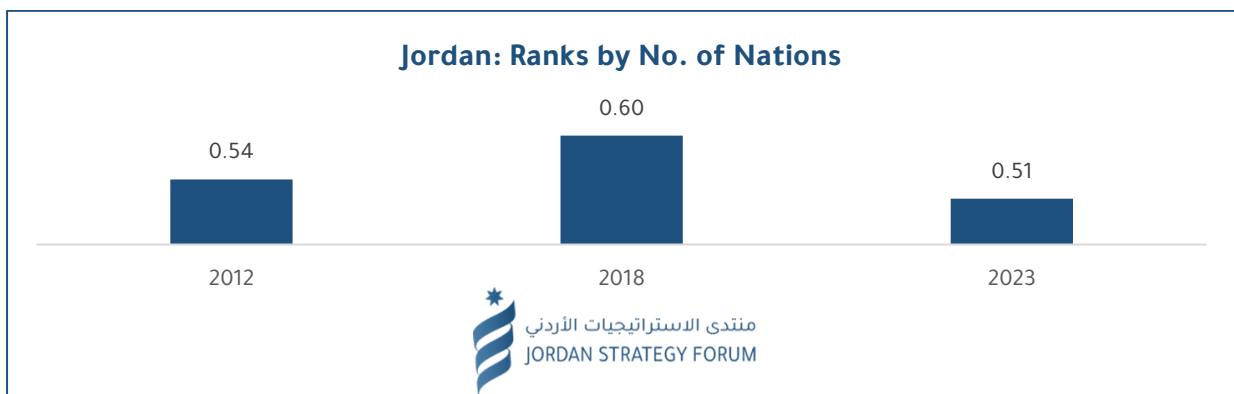
- G. It is critically important to make the business models of the water and energy sectors more efficient and effective.

5. Regional and Global Comparisons:

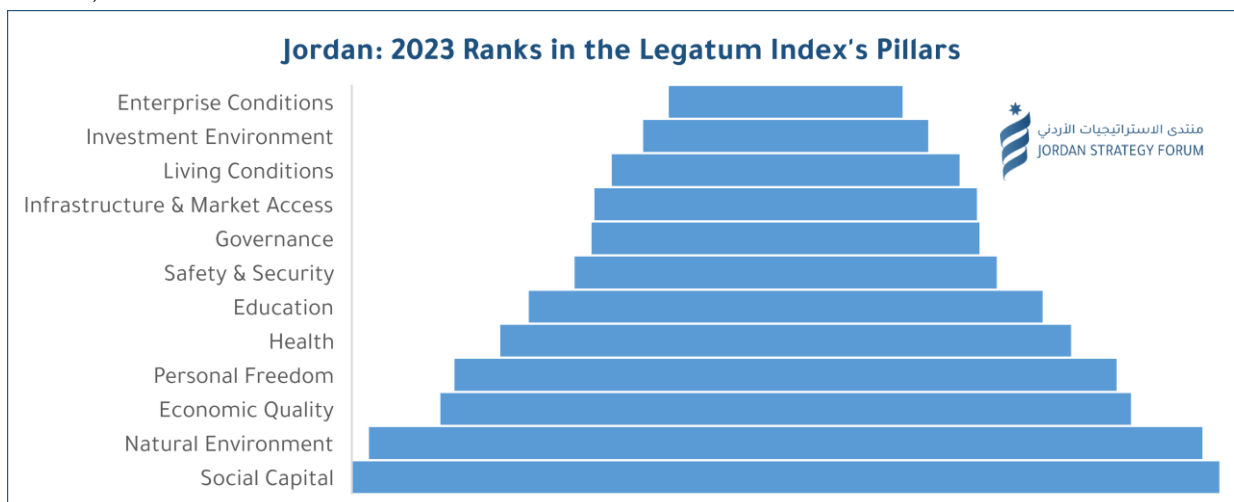
The Economic Modernization Vision has adopted a set of international indices to track Jordan's performance and achievements. Among these indices is the Legatum Prosperity Index. In the Vision's document, it is stated that improving Jordan's score and ranking in the Legatum Prosperity Index is one of the goals of the quality-of-life pillar.

To assess the level of progress in Jordan's prosperity, the JSF, in this publication, assesses the relative performance of Jordan in the Legatum Prosperity Index. Below, we outline a few observations about Jordan's performance on the Legatum Index.

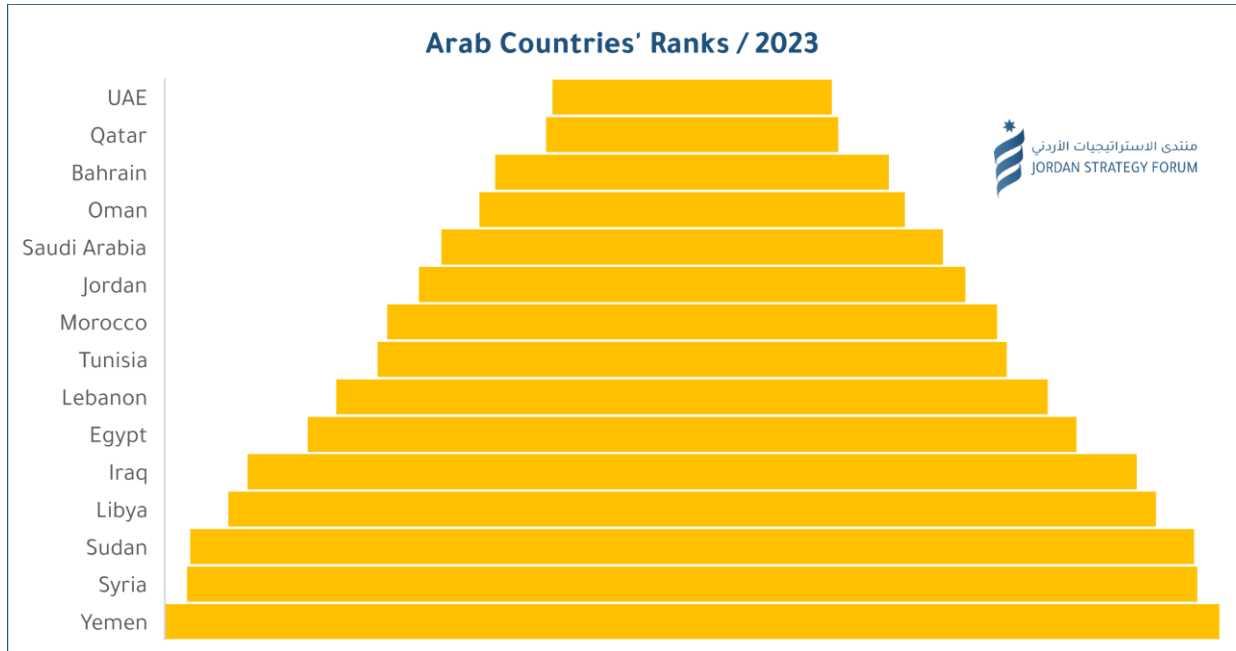
First, in 2012, 2018, and 2023, the rankings of Jordan were 77th (out of 142 nations), 90th (out of 149 nations), and 86th (out of 167 nations). By dividing rank by number of nations, the reported scores in 2012 (0.54), 2018 (0.60), and 2023 (0.51) means that the rank of Jordan deteriorated during the period 2012-2018 and improved during the period 2018-2023.



Second, the rankings in the 12 pillars of the Legatum Prosperity Index show that Jordan is particularly weak in social capital, natural environment, economic quality, personal freedom, health, and in education.



Third, Denmark, Sweden, and Norway are the top three countries in the Legatum Index. While the United Arab Emirates (UAE) tops the Arab countries, the rank of Jordan, relative to the rest of the Arab countries, is way above the average.



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 policymakers 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, policymakers, 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 pillars 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.

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.

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

146.5/200

Evaluative
Well-Being
Index

141.9/200

Utilitarian
Well-Being
Index

152.5/200

122.2/200


Inclusive Societies

146.9/200

134.2/200


Growth and Investment

163.2/200

149.8/200


Empowered People

160.5/200

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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