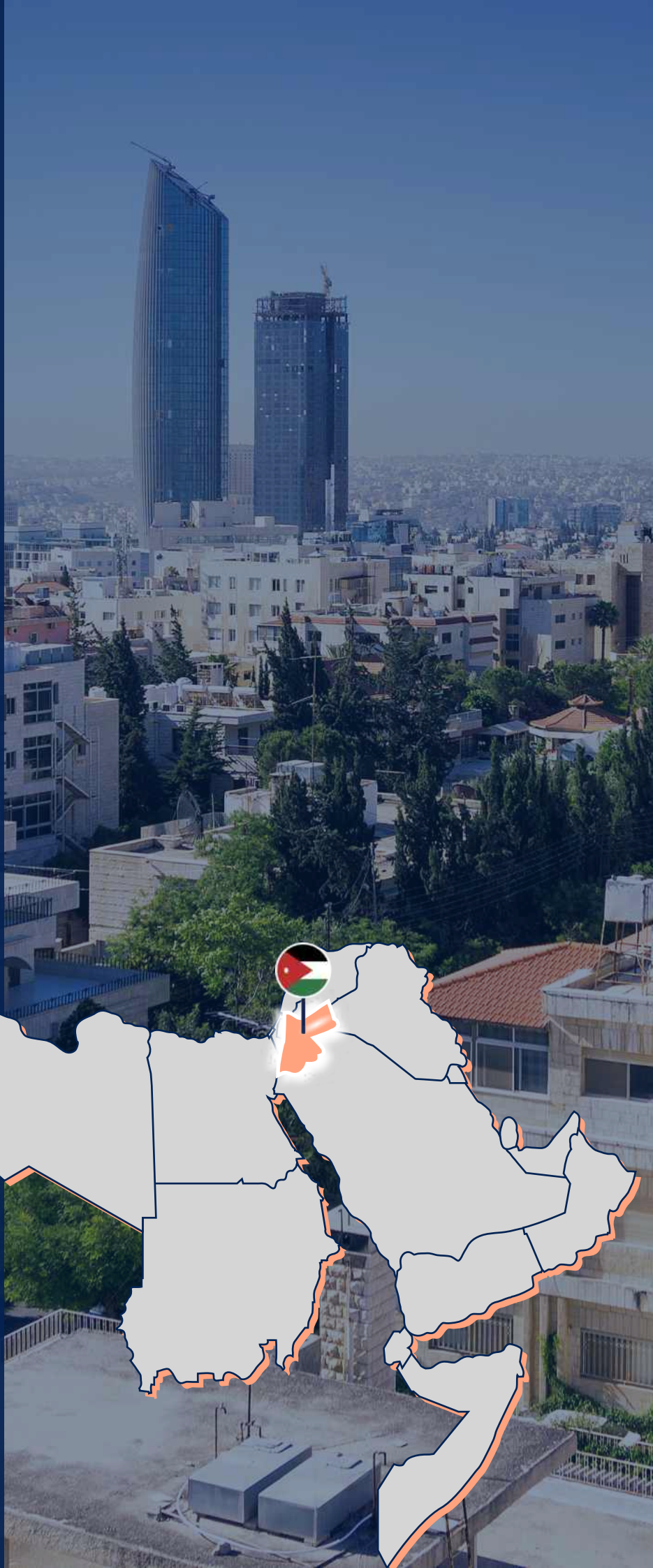
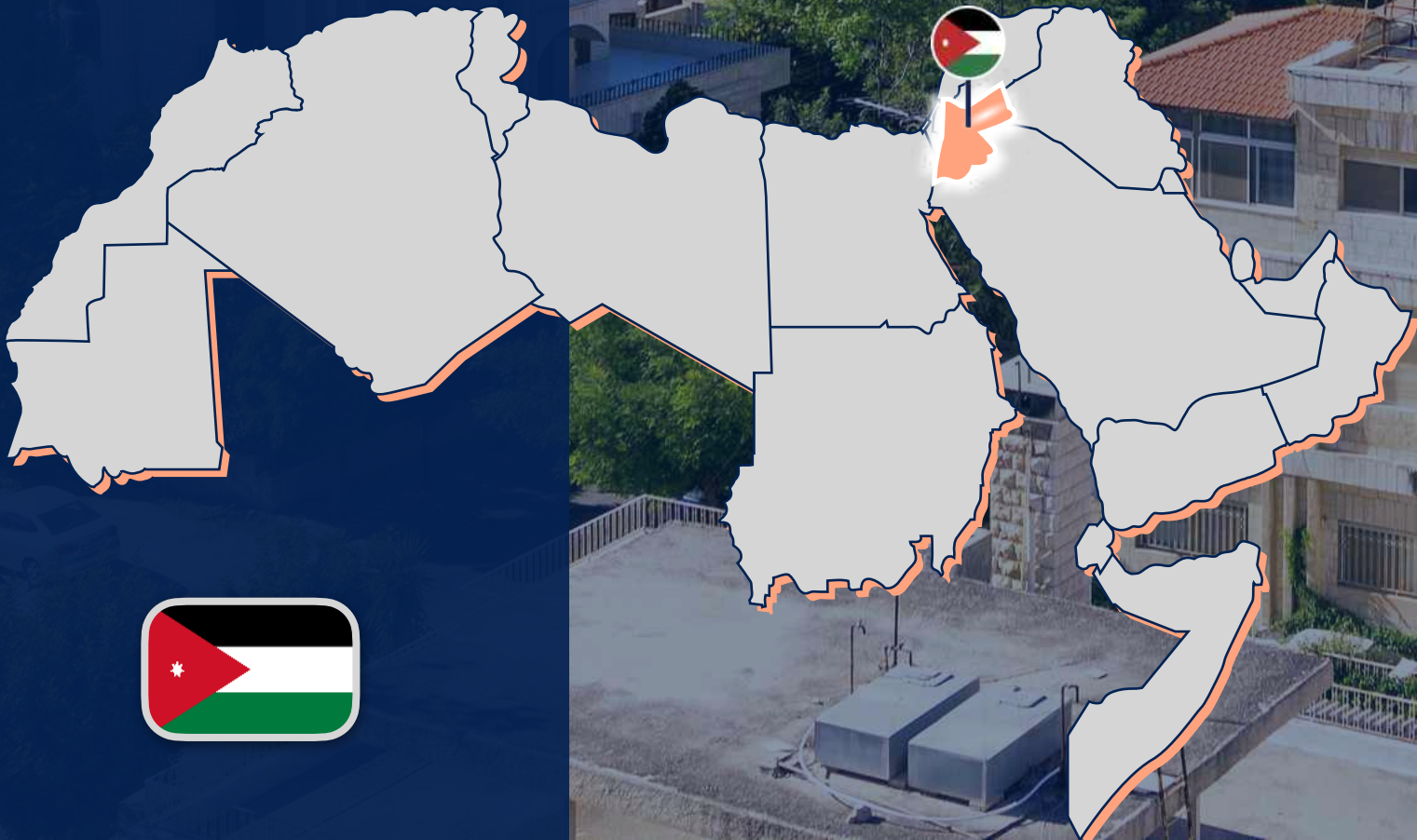


Averroes Policy Forum

Jordan White Paper



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Economic Risks

High Public Debt:

As of September 2024, Jordan's government debt accounted for 91.2% of the country's nominal GDP. This substantial debt burden poses significant challenges to the nation's fiscal stability. In response, Jordan entered into a four-year, USD 1.2 billion program with the IMF (MEDC) in January 2024, with USD 451 million expected for disbursement by the end of 2024. The program aims to support fiscal consolidation through measures like curbing spending on fixed assets, which are seen as less politically sensitive than freezing civil servants' salaries, cutting subsidies, or raising taxes.

Persistent Budget Deficit:

Jordan's budgetary challenges have been a longstanding issue since the 1980s. Successive governments have often relied on temporary fixes, such as price increases, instead of comprehensive structural reforms to achieve fiscal stability. This approach has hindered sustainable fiscal management. While external factors like regional instability, the refugee crisis, and limited domestic resources are frequently cited as contributing factors, they are better understood as symptoms of deeper structural deficiencies that require targeted reforms.

High Unemployment rate:

Jordan faces persistently high unemployment, which rose to 21.5% by the end of 2024, according to the World Bank. The issue disproportionately affects young people, university graduates, and women, exacerbating poverty and social inequality. The limited absorption capacity of the labor market, coupled with structural inefficiencies and a mismatch between education and job opportunities, continues to fuel the problem.

Tourism Decline:

The tourism sector, a crucial contributor to Jordan's economy, faced a significant downturn in 2024 due to regional geopolitical instability. Tourism accounted for around 15% of GDP in 2023, but by the first nine months of 2024, the kingdom experienced a 7% drop in tourist arrivals and a 4% decline in tourism revenues year-on-year. This sharp contraction underscores the sector's sensitivity to external shocks and highlights the urgent need for diversification strategies to strengthen Jordan's economic resilience.



Political Risks

The resurgence of the Islamic Party:

Facing U.S. pressure, Jordan struggles to balance cooperation with Israel for vital water and gas supplies while condemning the Gaza conflict. This delicate stance fuels public discontent amid high unemployment, water shortages, and government inefficiency. Capitalizing on this frustration, the Islamic Action Front won 31 of 138 seats in the September 2024 elections to emerge as the leading party. The party continues to leverage public frustration over the King's regional diplomacy. Meanwhile, ongoing electoral reforms are expected to benefit more radical political factions, potentially reshaping the historically fragmented lower house of parliament.

Political Detachment:

Jordanians exhibit a deep-seated detachment from government processes, reflecting the weak social roots of political parties. According to the Arab Barometer, only 3% of respondents viewed political parties as an effective means to influence government, ranking them below methods like contacting officials (21%), online activism (11%), and demonstrations (10%). This highlights the poor standing and limited societal relevance of political parties in Jordan.

Clientelism (zabayinia) is a persistent feature of Jordanian politics. In a 2022 interview with news outlet Rai al-Youm, one former member of parliament stated that clientelism has destroyed Jordan's system of public administration. Likewise, in his first address to parliament in 2023, Member of Parliament Fawaz al-Zoubi commented that paralysis and nepotism remain the twin problems of political life in Jordan. Every electoral cycle has illustrated the importance of patron-client relationships in decision-making from the local level through the national level of government. This status quo has produced stable outcomes bankrolled by overseas aid. As sources of aid dry up, there have been increased numbers of protests, indicative that the predominance of clientelism is no longer as functional as it was.

Declining Trust in Institutions :

Trust in Jordan's parliament has sharply declined, with only 16% of citizens expressing confidence in 2024, down from 55% in 2006. Civil society organizations have similarly seen trust drop to 43% from 59% in 2010. Even religious leaders, traditionally influential, have experienced a decline, with trust falling from 56% in 2010 to 44% in recent surveys. This erosion of trust underscores growing public disillusionment with key societal and political institutions.

Persistent Clientelism:

Clientelism remains entrenched in Jordanian politics, undermining public administration and decision-making at all levels. Former MP Fawaz al-Zoubi highlighted in 2023 that paralysis and nepotism are the nation's key political challenges. Although clientelism has historically ensured stable outcomes backed by foreign aid, dwindling aid sources have sparked growing protests, signaling the system's declining functionality.





Environnemental Risks

Water Scarcity Crisis:

Jordan faces severe water scarcity, ranking as the second most water-stressed country globally, with only 100 cubic meters of water per person annually—far below the UN's "absolute scarcity" threshold of 500 cubic meters. Climate change, population growth, and mismanagement in agriculture and industry exacerbate the crisis. Forecasts predict a 30% decline in water reserves by 2035 and a potential 30% drop in rainfall by 2100, according to Stanford's Jordan Water Project. Current solutions remain largely temporary, underscoring the urgent need for long-term sustainable strategies.

Dead Sea Decline:

Over the past three decades, the Dead Sea's water level has dropped by more than 30 meters, resulting in the formation of sinkholes that have rendered once-fertile areas of the Ghor region hazardous. The long-proposed Red-to-Dead Project, intended to transport water from the Red Sea to replenish the Dead Sea, remains stalled, exacerbating the environmental challenges facing the area.

Loss of biodiversity:

Jordan boasts rich biodiversity due to its unique geographic location at the crossroads of Asia, Africa, and Europe, as well as its diverse landscapes and biogeographical regions. However, rapid population growth and urbanization, particularly in the central mountainous areas, have led to habitat degradation. The Al-Azraq oasis exemplifies this issue, where the overpumping of water has contributed to the deterioration of wetlands. Human activity has been the main cause of decreasing biodiversity in Jordan. This includes agricultural practices that increase pesticide and fertilizer use that is harmful to local flora and fauna, burning of fossil fuels, overhunting, urbanization, and general pollution. These practices have contributed to the destruction of ecosystems and the harming of plants and animals. The lack of diversity in these ecosystems has decreased their resilience, making them more susceptible to extinction.

Desertification:

Desertification is a major environmental challenge in Jordan, with around 81% of the country already affected and an additional 16% at risk. Factors such as declining rainfall, rising temperatures, mining, and overgrazing exacerbate the issue. These processes lead to soil erosion, water and air degradation, and increased salinity, particularly in areas like Al-Azraq and the Jordan Valley with intensive agriculture. The consequences include loss of plant and animal life, shrinking agricultural land, water shortages, and heightened salinity, all of which threaten Jordan's ecological and economic stability.



Geopolitical Risks

Israel-Gaza War Impact:

Jordan faces heightened domestic and regional pressures due to the ongoing Israel-Gaza war. With a population predominantly of Palestinian descent, the conflict has intensified sensitivities toward Jordan's relations with Israel. Former U.S. President Donald Trump's proposal to resettle Palestinians from Gaza to Egypt and Jordan has been met with strong opposition from both countries and Palestinian leadership. Jordan firmly rejects such displacement, citing sovereignty concerns and the potential negative implications for the Palestinian cause. The situation has further strained Jordan's geopolitical standing and fueled public unrest.

Impact of Russia-Ukraine War:

The Russia-Ukraine war has underscored Jordan's urgent need to bolster food security. Rising shipping costs, transportation insurance, and global demand have severely impacted wheat imports. Mahmoud Al-Oran, Secretary-General of the Jordanian Farmers Union, called for attaining 50% wheat self-sufficiency – a significant increase from the current levels, which would require over a 45% growth in domestic production.

Fall of Bashar Assad Regime:

Jordan faces challenges from Syria's Islamist transitional regime and threats from HTS and other groups near its 380-kilometer border. Foreign Minister Ayman al-Safadi emphasized the importance of tackling terrorism, and drug trafficking, and fostering stability. Analysts warn that HTS's failure could revive conflict, impacting Jordan's security. Additionally, concerns persist about HTS's Islamist ideology influencing movements like Jordan's Muslim Brotherhood, which could fuel internal tensions. Jordan seeks collaboration with Syria on security and reconstruction to navigate these regional challenges.

Refugee Crisis:

Jordan hosts one of the highest numbers of refugees per capita globally, second only to Lebanon. According to late 2022 UNHCR data, over 760,000 registered refugees reside in the kingdom, including 674,000 from Syria and 86,000 from Iraq, Palestine, Yemen, and Libya. The true number is likely higher due to unregistered refugees, placing significant pressure on Jordan's resources and infrastructure.