

## MIDDLE EAST &amp; WEST ASIA

## JORDAN

UNITARY COUNTRY

## BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: UPPER MIDDLE INCOME

LOCAL CURRENCY: JORDANIAN DINAR (JOD)

## POPULATION AND GEOGRAPHY

**Area:** 89 320 km<sup>2</sup>**Population:** 9.702 million inhabitants (2017), an increase of 2.6% per year (2010-2015)**Density:** 109 inhabitants / km<sup>2</sup>**Urban population:** 90.7% of national population (2017)**Urban population growth:** 2.8% (2017 vs 2016)**Capital city:** Amman (19.5% of national population)

## ECONOMIC DATA

**GDP:** 88.9 billion (current PPP international dollars), i.e. 9 153 dollars per inhabitant (2017)**Real GDP growth:** 2.0% (2017 vs 2016)**Unemployment rate:** 15.3% (2016)**Foreign direct investment, net inflows (FDI):** 2 029 (BoP, current USD millions, 2017)**Gross Fixed Capital Formation (GFCF):** 22.3% of GDP (2017)**HDI:** 0.735 (high), rank 95 (2017)**Poverty rate:** 0.1% (2010)

## MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

The Kingdom of Jordan is a unitary parliamentary monarchy with a two-tier subnational government system. According to the 1952 Constitution, executive power is vested in the king and his cabinet, which is chaired by a Prime Minister (head of the government) appointed by the king. The legislative power lies in the bicameral National Assembly, made up of the Senate and the House of Representatives. Members of the Senate are appointed every four years by the king. The House of Representatives consists of 130 members who are directly elected for a four-year term. The judicial power is exercised by the courts.

The concepts of decentralized system and local governance were introduced with the establishment of the Hashemite Kingdom of Jordan. Although the first municipal law in the territory dates back to the Ottoman law of 1877, Jordan remained for decades a highly centralized country where national planning and development processes have been directed by the central government. Moreover, although municipalities were recognized as local government units, they were under direct supervision of the Ministry of the Interior.

The Municipalities Act, firstly introduced in 2007 and later modified in 2015, together with the Decentralization Act of 2015 and the relevant by-laws, make up the current legal framework for decentralization in the country. The Municipalities Act sets out the responsibilities of municipalities, as well as their governing structure and their classification. The Decentralization Act gives concrete expression to the decentralization initiative put forward by the King of Jordan as part of the Jordan Vision 2025, the country's 10-year strategy to promote decentralization and local democracy. The Act provides for the creation of elected governorate councils at the provincial level that enjoy financial and administrative independence (art. 6). Although these reforms have led to significant changes in Jordan's governance framework towards decentralization, important challenges still remain, such as assigning clear mandates to the different subnational levels or enhancing coordination across levels of government.

Along with the adoption of the 2015 Acts, a National Committee for coordinating the progress of decentralization reforms was set up, including the Ministry of the Interior, which represents the central government in governorates and is in charge of implementing the Decentralization Law, and the Ministry of Municipal Affairs, which supervises municipalities and is in charge of implementing the 2015 Municipalities Act.

## TERRITORIAL ORGANISATION

2018	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	100 Municipalities ( <i>Baladiyah</i> ) and the Greater Amman Municipality ( <i>GAM</i> )		Governorates ( <i>Muhafazah</i> )	
	Average municipal size: 96 063 inhabitants			
	101		12	113

**OVERALL DESCRIPTION.** Jordan has two levels of subnational governments, composed of 12 governorates at the regional level, and 100 municipalities and the Greater Amman Municipality at the municipal level. There is also the Special Economic Zone of Aqaba.

**REGIONS.** Before the approval of the Decentralization Act in 2015, the 12 governorates were deconcentrated government units whose head, the governor, was appointed by the King. The 2015 Act established the creation of governorate councils, whose members are partially elected, although the governor and executive council are still appointed. The first local elections to the governorate councils took place in August 2017, with 88% of the councils' members being directly elected and 12% appointed by the central government. Governorates are assigned key functions in the decentralization reforms that Jordan is undergoing and the councils are accountable to both the central government and citizens. Governorates are divided into districts (*Iiwa*) which are in turn subdivided into sub-districts (*qda*). The territorial distribution of population in Jordan reveals a high concentration of population in regions with strong economic activity, i.e. the governorates of Amman, Irbid and Zarqa, which are home to 42%, 19% and 14% of the national population respectively, resulting in wide regional disparities.

The Aqaba Special Economic Zone is a regional hub established by the Jordan government in 2001 with the aim of enhancing economic activity, in particular trade, tourism and investment. The Aqaba Special Economic Zone Authority (ASEZA) is the financially and administratively independent institution responsible for the management and development of the zone. Although it is not an autonomous self-governing body, the territory of Aqaba is administratively independent from the ministry or the governorates: all public services are under the responsibility of ASEZA.

**MUNICIPALITIES AND INTER-MUNICIPAL COOPERATION.** The 100 municipalities are administered by a mayor and a municipal council, elected every four years. The Greater Amman Municipality is divided into elected local councils and is governed by a mayor appointed by the prime minister and a capital council composed of a maximum of 15% of members appointed by the central government, the remaining members being the heads of local councils. The Municipalities Act provides that municipalities are classified into 3 subcategories: municipalities of governorate centres and municipalities with more than 100 000 inhabitants, municipalities of district centers and those with a population between 15 and 100 000 inhabitants, and other municipalities that do not fall into either of these two categories.

The Ministry of Municipal Affairs appoints an executive manager at the municipal level with the same power as the elected members of the municipal council. The manager is responsible for following-up the day-to-day administrative work and municipality management along with the Mayor. Since the 2015 reforms, municipalities are allowed to form inter-municipal partnerships to improve the delivery of public services.

In addition, Local Development Units were introduced in 2003 at the governorate and municipal levels to engage local stakeholders in local socioeconomic development. Their role was expanded with the 2015 Acts to act as the general secretariats for both the executive and local councils at the governorate and municipal levels.

## SUBNATIONAL GOVERNMENT RESPONSIBILITIES

Municipal government responsibilities are outlined in the 2015 Municipalities Act. Article 5 details the functions of local councils, which include urban development, planning, upgrading of the public transport system, construction and management of public facilities, among others. However, the lack of municipal power remains a major challenge. The roles of local councils and mayors are often challenged by upper administrative levels. Urban delegates from ministries or private companies provide most urban services; thus, most of the municipalities' functions are limited to the maintenance or supply of part of the basic services.

Governorate government responsibilities mainly focus on public order and safety. Governorates usually serve as the provincial offices through which deconcentrated units of line ministries deliver key services, such as education and health, but also water, electricity and transportation. Appointed governors may act on all local affairs without consulting mayors and municipalities are not involved by the agencies that provide services in urban areas, in particular water and electricity. In addition, mayors need governor's approval for any activity within their jurisdiction.

### MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

	GOVERNORATES	MUNICIPAL LEVEL
<b>1. General public services</b>	Public buildings and facilities	Administration and operation of general services; Public buildings and facilities
<b>2. Public order and safety</b>	Civil Protection; Police department	Municipal police; Traffic signs and lights
<b>3. Economic affairs /transports</b>	Duty Free Zones development; Energy (renewable energy use); Public transport; regional road networks and facilities; Communications / IT; Tourism	Road networks and facilities (local); Regulating public markets
<b>4. Environmental protection</b>	Sewerage (waste water management)	Parks & green areas; Solid Waste management; Street cleaning; Sewerage (waste water management)
<b>5. Housing and community amenities</b>	Drinking water distribution	Street Paving; Public lighting; Drinking water distribution; Urban and land use planning and management; Slaughterhouses
<b>6. Health</b>	Hospital services; Primary healthcare (medical centres)	Primary and preventive healthcare (medical centres); Food quality control
<b>7. Recreation, culture &amp; religion</b>	Cultural activities (planning and management); Cultural heritage (archaeological site management)	Museum; Libraries
<b>8. Education</b>		Manage lands for schools' construction
<b>9. Social protection</b>		

## SUBNATIONAL GOVERNMENT FINANCE

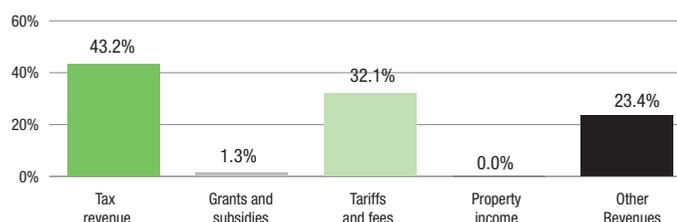
Scope of fiscal data: municipalities.	SNA 2008	Availability of fiscal data: <b>Medium</b>	Quality/reliability of fiscal data : <b>Medium</b>
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**GENERAL INTRODUCTION.** Following the changes introduced by the 2015 Decentralization Act, fiscal decentralization to the governorate councils is currently an ongoing process. The central government has adopted a phased approach to the implementation of the Decentralization Law, based on four main elements of fiscal decentralization at the governorate level: allocation of expenditure assignment in accordance with the functions transferred; funding capacity to raise their own revenue and borrow; budget planning for their defined priorities; and budget execution and audit. Municipalities will have their own resources in accordance with the competences assigned to them but must coordinate their action with the Ministry of Municipal Affairs. In 2017, the Fiscal Decentralization Unit was created within the Ministry of Finance to oversee the fiscal decentralization process.



## SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY

2016	DOLLARS PPP / INH.	% GDP	% GENERAL GOVERNMENT REVENUE (SAME REVENUE CATEGORY)	% SNG REVENUE
<b>Total revenue</b>	<b>219</b>	<b>2.4%</b>	<b>6.7%</b>	
Tax revenue	94	1.0%	6.5%	43.2%
Grants and subsidies	3	0.0%		1.3%
Tariffs and fees	70	0.8%		32.1%
Property income	0	0.0%		0.0%
Other revenues	51	0.6%		23.4%



**OVERALL DESCRIPTION.** The financial resources of municipal governments are listed in article 16 of the 2015 Municipalities Act. They consist of taxes and fees, revenue from investment projects, own revenue, and grants and donations. In 2016, municipalities' revenues came from local taxation on fuel and property, fees and charges, and transfers from the central government. Municipalities have some control over certain fees (e.g. waste collection, building permits), which represented around 32% of local revenues, but local governments still face challenges regarding fees enforcement and collection. Central government transfers represent a significant share of municipal budgets, although they are accounted under categories other than grants and subsidies. Governorates still lack real autonomy to manage their own budget since they are deprived of the possibility of collecting direct revenues in the form of taxes or duties. Governorates receive their revenues in the form of transfers from the central level as well as donations and grants from international donors that require prior approval of the Ministry of the Interior.

**TAX REVENUE.** In Jordan, taxes are determined and collected by the central government on behalf of the local government. The central government also plays a role in determining the amount transferred to municipalities through the Ministry of Municipal Affairs.

Municipalities can collect two different taxes: fuel tax and property tax. As specified in the 2015 Municipalities Act, the central government must transfer to the municipalities 50% of the fees and taxes levied on oil products imported or produced in the country (art. 20).

These revenues are distributed on the basis of several allocation criteria defined by the Cabinet: the category of the municipality; the municipal size; the percentage of municipal contribution to revenue allocation; location and geographical nature; municipal needs in terms of development projects; constraints on municipal resources; responsibilities that do not fall within the local domain; and the distinction in the exercise of its functions and responsibilities. The property tax is levied at 15% on the estimated annual rental value of the property.

The Ministry of Finance considers that 24% of municipal revenue came from tax on fuel and 19.1% from land and construction taxes in 2016.

**GRANTS AND SUBSIDIES.** Municipalities are heavily dependent on central government transfers, which have increased steadily, in particular since 2014. Transfers correspond to two sources of revenue that by law belong to the local government, namely local government's 40% share of registration of motor vehicles and 8% of revenues from the sale of oil products. The distribution among municipalities is done based on a formula approved by the council of ministers that takes into account population, distance from the regional centre, unemployment and poverty rates. These transfers are mainly used for the salaries of municipal employees.

**OTHER REVENUES.** Municipalities also obtain revenue from sources such as customs taxation and fines. Article 21 of the Municipalities Act specifies that 40% of the fees collected under the Traffic Law for vehicle ownership licenses must be transferred to municipalities. The Greater Amman Municipality also receives additional funds through income from the sale of land and property leases.

## SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
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### Total outstanding debt

Financial debt\*

\* Currency and deposits, loans and bonds

**FISCAL RULES.** Each municipality's annual budget has to be approved by the Ministry of Municipal Affairs and the Ministry of Finance. Municipal expenditure cannot exceed revenues in the budget. Since 2010, the Cities and Villages Development Bank (CVDB), created in 1985 to assist municipalities in providing public services and managing local and international funding, has the mandate to prepare municipality accounts. Additionally, as specified in the Municipalities Act, the municipal council accounts must be audited by the Ministry of Municipal Affairs and are inspected by the Audit Bureau.

Ongoing actions to support the decentralization process include the preparation of regulations, such as rules of procedure and fiscal rules to govern the actions of the governorate councils, and the elaboration of manuals for capacity building and budget preparation and execution at the local level.

**DEBT.** Municipal councils require the approval of the Ministry of Municipal Affairs to borrow from any entity. When the loan is to be guaranteed by central government, they also need the approval of the Cabinet. Municipalities may finance capital expenditure by borrowing from the Cities and Villages Development Bank (CVDB), which acts as a fiscal intermediary for grant administration and a lending agency in the municipal sector. The bank provides loans and technical and administrative expertise for infrastructure projects such as roads, parks, solid waste equipment. Interest rates for such projects are 5%, and 6% for productive projects, with a maturity of 12 years and a 2-year grace period.



Lead responsible: UCLG  
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**Socio-economic indicators:** World Bank // UNDP // UN DESA // ILO.

**Fiscal data:** Ministry of Finance // AECOM International Development Europe (2017) PEFA Assessment 2016; Department of Statistics of Jordan.

**Other sources of information:** A. Al-Majaly, A. Khater (2017) Jordan's Municipality and Decentralization elections 2017 // EuropeAid (2010) Building development capacities of Jordanian capacities // Baladiaty, The quest for decentralizing government in the Hashemite Kingdom of Jordan: some preliminary findings of a situation analysis. // Ministry of Finance (2017) Fiscal decentralization in Jordan: strengthening the role of governorates in improving public services // OECD (2017) Jordan: Towards a new partnership with citizens: Jordan's decentralization reform // M. Ababsa (2013) Municipalities and Issue of Local Governance, in Atlas of Jordan, Presses de l'Ifpo, Institut français du Proche-Orient // M. Serageldin, M. Larsen, Vigier, B. Summers. (2016) Habitat III Regional Report for the Arab Region // World Bank (2005) Analysis of the municipal sector, Annex B // The World Bank (2018) Jordan Urban and Municipal Program for Balanced and Inclusive Growth, Program Information Document.