



Evidence Based Policy Review: The Jordan Compact

Background

Since the start of the war in Syria in 2011, nearly 11 million people have been displaced from their homes, resulting in the largest refugee crisis of our time. While more than six million people have been displaced in Syria, millions have fled to neighboring countries, including Jordan. More than 656,000 Syrian refugees have registered in Jordan, the vast majority living in urban areas in Amman, Mafrq, and Irbid. Refugees in Jordan are eager to rebuild their lives, find work, and support their children to get an education. But despite commitments from the Government of Jordan and the international community, most refugees cannot access public services like health and education, and they still face challenges finding safe, affordable housing and decent jobs.

At the Supporting Syria and the Region Conference in February 2016, the Government of Jordan announced the Jordan Compact—a set of commitments to respond to the Syria crisis and support Jordan’s growth and resilience. The Compact outlines specific strategies to improve access to employment and education for Syrian refugees, and also to encourage investment and economic growth in Jordan. The core components of the Jordan Compact include policy changes, such as reforming the work permit and business formalization processes, expanding access to the EU market, and opening economic activity in refugee camps, as well as specific investments, including in Jordan’s special economic zones and other infrastructure projects.

In response to the Supporting Syria Conference and David Miliband’s subsequent call for “one million jobs for Syrian refugees,” IRC launched the *Million Jobs Challenge* initiative to research evidence and develop innovative solutions to job creation. Because of the protracted nature, scale, and complexity of the Syria crisis, IRC recognizes the need for long-term solutions that tackle the bigger questions of how to generate sustainable employment for displaced populations quickly, with an eye for replication globally. IRC has completed research on business solutions and potential policies to support employment generation for both Syrians and Jordanians. In addition to tracking progress to date on the Jordan Compact, IRC conducted a review of existing evidence for the six core components of the Compact to help evaluate whether there is an evidence base to suggest that the Compact will achieve its expected employment outcomes. This review also serves as a background paper to IRC’s report, “[In Search of Work. Creating Jobs for Syrian Refugees: A Case Study of the Jordan Compact](#),” which advocates for implementation changes that Compact partners, including donors and the Government of Jordan, should make to ensure the Compact has its intended impact on improving the lives and livelihoods of Syrian refugees and Jordanians.

This paper relies primarily on systematic reviews and impact evaluations, examining evidence in relevant lower and middle income country contexts around the world to determine whether we can expect to see outcomes—more job opportunities and rising incomes for vulnerable Syrians and Jordanians—as the Compact is implemented.

This review includes a methodology section, followed by a summary of the evidence behind each component of the Jordan Compact. We also include a list of references for all sources examined.

Methodology:

This technical review focuses on the selected evidence base from high quality impact evaluations and systematic reviews for programs. Recognizing that it can be very difficult to extricate the effect of an intervention on a set of outcomes given there are various external, confounding factors in any context, we focus on studies that have established a valid counterfactual to estimate what would have happened to the outcomes if the intervention did not take place. We include systematic reviews to reduce the risk of data being cherry-picked in order to support a presupposed opinion.

This evidence review is not meant to be exhaustive; rather it intends to review a wide range of evidence sources on the following interventions:

- Special economic zones
- Infrastructure rehabilitation (at the municipal level)
- Work permit policies
- Trade liberalization
- Opening economic activity in refugee camps
- Formalization of existing and new businesses

For this research, we defined these interventions as follows: special economic zones (SEZs) are designated areas in a country with specific policies or rules designed to promote business and investment, job creation, and trade. Infrastructure rehabilitation includes projects on transportation, energy grid, water, and sewerage, which are owned and run by government municipalities. Work permit policies are defined as government policies to allow for legal employment or self-employment, and in this research we focused specifically on work permits for refugees. Trade liberalization is typically a set of policies designed to remove or reduce restrictions to promote free trade among countries. In many camp contexts, refugees are restricted from legal employment or movement, which limits their ability to participate in local economies. Our research examines contexts where refugee camps are either open or restricted to economic activity. Finally, formalizing businesses includes policies and procedures to ensure new or existing businesses are legally registered and operating in the formal economy.

Our primary focus is on the impact of the interventions themselves, rather than discussions of how best to implement them. The primary outcomes examined in the review included:

- Job creation measures
- Working hour measures
- Income, expenditure, consumption measure
- Job and income stability

The review examines outcomes to understand impacts on both individuals and labor markets or local economies. We also aim to examine each of these outcomes disaggregated by sex and other vulnerabilities, such as age and refugee or residency status, when possible. Aggregate economic growth is not included as an outcome of interest because growth indicators, such as gross domestic product, are not a good proxy of whether vulnerable populations are better off as they do not measure equality and cannot tell us whether targeted populations have a safe, decent and stable job or rise in income.

While the primary outcomes listed above are the main focus of the review, we recognize that there are other impacts related to job creation and employment that should also be considered. We therefore also examine whether the interventions have had negative impacts on:

- Worker rights and regulations
- Worker safety
- Workers' ability to maintain a living wage
- Protection issues (e.g., workplace violence)

- Time constraints and the role of unpaid labor

A full reference list of research included in this review is included at the end of this review.

Summary of the Evidence-base for the Jordan Compact's Components

Special economic zones. Some evidence suggests that SEZs can increase job creation; however, the evidence in support of SEZs is mixed and the magnitude of their impact may not be large enough to justify using them as a stand-alone or primary approach to increasing employment.¹ There is evidence suggesting that some labor force outcomes may increase for marginalized groups who work in SEZs, but there is also evidence that SEZs simultaneously entrench existing inequalities related to workers' marginalized status, and in turn may enable exploitative work and wage discrimination. For women specifically, SEZs tend to increase participation in the labor market, but it is unclear whether this increased participation increases or decreases the gender gaps in economic wellbeing outcomes such as wages and income stability, and there are unresolved questions about the quality of the jobs and harms that are associated with them.

Overall, there is strong evidence supporting the existence of harms associated with SEZs, such as risks to health, safety, and human rights.² These harms have been associated with the low bargaining power of marginalized groups like refugees and women and a lack of regulations in SEZs.³ While there is an evidence gap specifically in regards to SEZs' impacts on refugees, the findings for other marginalized groups are potentially indicative of what we would expect to find among refugee populations with low bargaining power. However, it is unclear to what degree these negative impacts might outweigh the potential benefits of SEZs. Still, the evidence suggests that investments in SEZs should be paired with measures to mitigate any potential harms to ensure better outcomes for workers, especially marginalized groups.

Infrastructure rehabilitation. When investing in infrastructure, using a public works program structure can help improve labor force participation while building pathways out of poverty for participants.⁴ However, there is an evidence gap for the impacts of public works programs on refugee populations, and weak evidence suggests that more vulnerable populations are sometimes excluded from the benefits of public works program.⁵ Overall, careful consideration must be given to how a public works program is designed; strong transparency and accountability structures are often needed to reduce fraud and corruption and short-term projects should be linked with longer-term job opportunities to ensure benefits, such as income generation, can be sustained.⁶

Evidence also shows that infrastructure projects should be gender-sensitive; otherwise, they risk reinforcing inequality. Although infrastructure projects tend to skew male, actively incentivizing women to participate through locating job sites closer to homes, setting gender quotas at recruitment stages, providing childcare facilities, and adjusting modalities for pay to allow for more flexible work can lead to women's increased participation in the labor force and control over their resources.⁷

Since different types of infrastructure facilitate different types of economic activities the type of infrastructure invested in during public works programs theoretically can influence the magnitude and distribution of future labor force and economic impacts, but there is a large evidence gap

¹ [Cirera et al. 2013](#)

² [Hewitt and Amin, 2000.](#)

³ [Berik et al. 2004](#)

⁴ [Subbarao et al. 2013](#)

⁵ [Blattman et al 2015](#); [Doocy and Tappis 2015](#)

⁶ [Subbarao et al. 2013](#)

⁷ [Subbarao et al. 2013](#)

regarding these ‘indirect benefits’.⁸ If we look at general impacts of infrastructure (not necessarily tied to public works), there are a few potentially relevant findings. Overall, little is known about what types of infrastructure are most important for urban labor force outcomes. For rural areas, the strongest and most consistent evidence on infrastructure shows that rural road networks can play a role in helping reduce poverty in rural areas and create jobs, and the second strongest and most consistent evidence supports the impact of investments in irrigation infrastructure on rural poverty reduction.⁹ Some initial evidence suggests that rural electrification (e.g., expansion of network and improving reliability) tends to improve agricultural productivity and reduce poverty, but the evidence is very mixed, and the success of these programs—especially market-based interventions—cannot be assumed.¹⁰ Similar to energy interventions and reforms, investments in information technology, even when pursued specifically for the purposes of development, are likely to have mixed results on job creation, job stability, and incomes, and benefits tend to accrue to more well-off populations (even for explicitly ‘pro-poor’ information technology programs).¹¹

Work permits. There is an evidence gap for the impacts of work permits for refugee populations. There is also an evidence gap regarding whether the work refugees participate in after receiving work permits is additive (increases total number of jobs available, rather than displacing local labor) or not. Some promising research (not from impact evaluations or systematic reviews) suggests that in the Jordanian context work done by refugees is additive.¹²

Labor regulations, such as minimum wage, unionization and employee protection legislation, have mixed results on informal and formal employment. High-level policy, such as ratifying conventions from the International Labor Organization (ILO), also do not have consistent, positive impacts on employment as ensuring implementation of such policies can be difficult.

In addition, when designing work permit or labor regulations, it is important to consider how vulnerable communities choose to support themselves. For example, evidence shows that most poor households in low-income countries rely on portfolios of work rather than single jobs for income generation.¹³ This could have important implications for the design of work permit policies.

Trade liberalization. Trade liberalization policies, which are designed to remove or reduce restrictions to promote free trade among countries, have shown to have substantial impacts on poverty reduction. However, evidence is context-specific (primarily in sub-Saharan Africa) and there is limited evidence showing such policies support job creation. Findings show that there is evidence on fiscal policy (e.g. increases in infrastructure or other government spending) affecting poverty reduction, but there is a gap in evidence on the impact of labor market reforms, privatization, and land reforms.¹⁴ Tax simplification, which can be a related component of trade liberalization policies, has also shown to improve business outcomes, such as performance, ability to create jobs, labor productivity, and ability to invest in some countries, but the impact has been very small-scale.¹⁵ It is not clear to what extent trade liberalization policies alone would foster job creation or increase incomes.

Opening economic activity in refugee camps. There is an evidence gap specifically on the impacts of opening up economic activities in refugee camps on labor market outcomes. In Kenya,

⁸ [Subbarao et al. 2013](#)

⁹ [Knox et al. 2013](#)

¹⁰ [Knox et al. 2013](#); [Bensch et al. 2016](#); [Thillairajan et al. 2013](#)

¹¹ [Knox et al. 2013](#); [Thillairajan et al. 2013](#); [Geldof et al. 2011](#)

¹² [Stave and Hillesund, 2015.](#)

¹³ [Blattman et al 2015](#)

¹⁴ [Anderson et al. 2016](#)

¹⁵ [Piza et al. 2014](#)

Somali refugees living in urban Nairobi are successful entrepreneurs living independently, despite the government's call for refugees to relocate to camps or their countries of origin.¹⁶

Business formalization. Evidence on the simplification of business formalization is mixed. While simplifying tax registrations has shown to encourage businesses to formalize, the effects on business performance is unclear. In addition, although simplifying procedures for business registration in some countries has reduced time required and compliance costs for registration, the impact on firm performance has not yet been studied.¹⁷ Some evidence suggests that simpler business registration may not affect small enterprises as much as larger firms. In Kenya, evidence shows that women face additional barriers to business formalization, and efforts to improve the process may disproportionately benefit them.¹⁸

Conclusion

The Jordan Compact has established a framework for responding to the Syria crisis, and has made important strides towards policy changes that could lead to better outcomes for refugees and Jordanians. The portfolio of interventions included in the Jordan Compact offer a broad strategy for supporting job creation and economic growth. However, overall, evidence on the key components of the Compact, including special economic zones, work permits, trade liberalization, opening economic activities in refugee camps, and business formalization, is mixed and therefore it is unclear whether and to what extent they will lead to significant changes on the ground. Our review of the evidence base therefore indicates the need for more rigorous testing and analysis of these interventions in protracted displacement settings. It also suggests broadening the scope of interventions to include those that have stronger evidence for effectiveness. Further, the findings suggest that Compact partners should consider piloting interventions before scaling them up to ensure that they result in safe and decent jobs and stable incomes for refugees and Jordanians and a sufficient return on investments. Given scarce resources dedicated to generating livelihood opportunities in protracted displacement settings, it is critical that solutions pursued are based on the evidence we have and generate new evidence where gaps exist.

¹⁶ [Campbell 2005](#)

¹⁷ [White et al. 2015](#)

¹⁸ [Ellis et al. 2007](#)

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