Statement by Wan Abdul Aziz Wan Abdullah  
Date of Meeting: December 16, 1999

JORDAN: Country Assistance Strategy

We welcome the opportunity of discussing this CAS for Jordan and would like to thank staff for preparing a well-written document explicating the challenges and opportunities faced by the country as well as the strategies to deal with them. It is encouraging to note that while there are still some problems, the Jordanian economy has relatively good fundamentals that could contribute to the achievement of satisfactory and sustainable economic growth. The favorable developments recently taking place in the region also augur well for the country. Therefore, the Bank’s assistance to Jordan under these circumstances could be highly productive and we fully support this CAS for Jordan.

As has been shown by the experience during the first half of the 1990s, a combination of significant stabilization and adjustment measures and supportive external factors had brought impressive results to the Jordanian economy enabling it to grow by 7.6% per year during the period. However, the lack of progress in the peace process, declining oil prices and the impact of the Asian crisis have induced a setback causing the growth rate to decline in the last few years which may have increased the poverty level.

The recent improvements in these external factors together with the presence of the new Government which has shown strong commitment to continue reform measures have the potential to bring the economy back to its previous level of growth performance. This objective would be more likely achieved if pressing internal problems such as high population growth, the lack of education among the poor and females, and more importantly inefficient public sector can be addressed effectively and efficiently. Especially pressing is the need to enhance efficiency in fiscal management which would entail the reduction of a budget deficit of 3 percent over the next two years. This would make Jordan less vulnerable to adverse effects of external factors, while benefiting more from favorable circumstances. We would like staff to comment on the current initiatives taken by the authorities to mitigate these problems, especially in the areas of fiscal
management and public administration. What are some of the constraints and impediments faced; and what is the prospect for both the medium term and as well as the longer term? What is important for Jordan now and in the future is to maintain stability with economic growth.

We find the CAS which focuses on growth with equity to be in line with the economic growth strategy which will rely on private investment, exports and tourism. The existence of an efficient and capable public sector is crucial to facilitate the development of these three main sources of growth. We, therefore, strongly support the CAS programs which center on the reform of the public sector to enhance its professionalism, transparency and accountability. The full participatory process of this CAS would make it more likely to succeed, as what has been achieved by the last CAS and current portfolio.

Privatization is one of the key focus to the development of private sector. We are pleased that considerable progress has been achieved in this regard and encourage more active participation of IFC and MIGA, in providing investment, technical assistance and guarantees, whenever possible to enhance the effectiveness of the privatization program. Lessons learned from successful privatization programs of other countries should be used to provide policy guidance to the formulation of similar programs in Jordan. We also note with approval the Bank's plan to assist in water resources management, which we hope would result in efficient water utilization and thus support sustainable growth in Jordan. We would like to get assurance from staff whether IFC and MIGA intend to intensify their activities in providing further assistance and support to Jordan, and if so, in what areas/sectors.

Regarding the proposed lending, based on the past performance and future prospect of the country, we agree that the base case scenario is the more likely one to prevail. Therefore, we can support the proposed lending of US$300 million plus US$200 million in guarantees subject to performance.

Finally, we wish the Jordanian Government success in the implementation of the CAS.