Statement by Balmiki Prasad Singh  
Date of Meeting: December 16, 1999

**Jordan: Country Assistance Strategy**

1. We welcome the opportunity to discuss the Country Assistance Strategy for Jordan and commend the staff for this thoughtful document.

2. It is very heartening to note that Government of Jordan has accorded economic development tasks top priority. The Government has done reasonably well in improving the foreign exchange reserves position and bringing the debt service to a more sustainable level. This has provided a solid foundation for the reforms in Jordan’s economy.

3. However, the external debt position still remains fragile. The annual debt repayment of USD 800 million is quite high for a country like Jordan with a population of less than 5 million. It is really a matter of concern and the Staff have rightly identified it as one of the major risks. In this connection, we welcome the priority given to agricultural exports in the lending program for the year 2000. This is again an example of how trade is closely linked to poverty reduction issues.

4. Another area of concern is the growing Budget deficit. There is, however, understandable dilemma as the Government is unable to afford to reduce the public expenditure on vital social infrastructure like health and education, as this will have adverse effects on the poor and their future. It is estimated that a 10 percent uniform reduction in expenditure will increase the number of poor by 35 percent. Under such conditions, the only viable option available to the Government is to take effective steps to increase tax revenue. **We are disappointed to note that this document is silent on tax**

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5. The problems facing Jordan are unique and complex in terms of its size and its natural resources. Unfortunately, its economic development depends on political factors operating in the region. Since the so-called “peace dividend” is still a mirage, Jordan has to look for comprehensive measures internally to improve its economy. In this connection Jordan’s concentration on developing the human capital is a wise decision. It is also a welcome feature on the part of the Bank in designing a number of lending instruments on human resource development. But, we would like to caution that the success depends on providing relevant education with emphasis on quality. The education has to be innovative, technology oriented and market driven so that workers from Jordan can prove themselves in a competitive job market.

6. Since water resources is limited in Jordan and is a major factor for economic development, the Bank in collaboration with other partners and Government should explore various technologies in developing renewable water resources and harnessing the scarce rain water in a more efficient way.

7. We support the two guarantee programs, i.e., Disi-Amman Water Conveyor and First Independent Power Producer - proposed by the Staff as a part of the country program. This will go a long way in developing private sector investment in Jordan. However, this should be considered as part of the country lending program since they are contingent liabilities and are likely to be revoked, even if things go wrong slightly. We also appreciate IFC’s strong role in supporting private sector investment in Jordan.

8. To sum up, we commend the Staff members for this excellent, candid and analytical report and extend our support for the same.