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JORDAN: Country Assistance Strategy

We welcome this CAS for the Hashemite Kingdom of Jordan. Although the Jordanian Government has implemented much of the structural reform agenda agreed with the Bank and the Fund, the economic situation began to deteriorate in 1996, with a decline in per capita income per annum during 1996-98. The stagnation was a consequence of several negative external and domestic causes that were not within the control of the Jordanian authorities:

- The lack of progress in the peace process and regional tensions affected negatively the investment environment.
- The declining oil prices diminished the neighboring countries’ income and consequently reduced their demand for exports from Jordan. A similar situation occurred with the expatriate workers’ income and their capital transfers to the country.
- Finally, the long illness of HM King Hussein and his death paralyzed the Government for a long period of time.

We commend the authorities’ commitment and the measures taken since the new Government assumed in March 1999: a more determined effort in privatization, passage of some key economic laws, further reduction in tariffs, major steps towards fulfilling requirements of accession to the WTO, and improvement in revenue collections.

At the same time, we welcome the recently finalized comprehensive National Development Plan (1999-2003) of the government. The Plan recognizes the private sector as the “prime partner for economic development” and proposes specific strategic goals and programs. Among the latest, for example, privatization, restructuring the role of public sector in the economy, and improving infrastructure with special emphasis in the water sector.
Development Strategy

Jordan is a small country with scarce natural resource endowments, but it is increasing its trade and financial opening. With appropriate policies it can have an excellent growth potential. We would like staff to clarify some aspects of its global development strategy:

- What are the export sector prospects? Does Jordan have a comparative advantage in tourism?
- The balanced current account of the balance of payments reflects almost null external savings. How would it be possible to attract more capitals to increase the domestic investment rate?
- Shortage of water is the most critical environmental constraint to development. We welcome the comprehensive strategy to manage water demand and supply. On this matter, the government has been working closely with the Bank and the donor community.

Human Development and Social Protection

We are concerned with some issues in this sector:

- Needs in this area are abundant (education, health, welfare, unemployment) and the resources scarce. What are the priorities and goals to be reached?
- It is clear that the public work programs aimed at the unemployed should consider a training component with the aim to give them higher wages in the long run. What is the scope of the Bank financed Training and Employment Support Program? What is the percentage of unemployed labor force benefited with this type of program?

Public Sector Reforms

The public administration reform could be one of the key elements oriented to reduce the fiscal deficit (from 7.8 percent in 1999 to 3.9 percent in 2002). It concerns us whether this reform has a strong political and social support and, therefore, if it will be possible to carry it out during the next years.

Economic Prospects

- Among the risks Jordan economy faces is its external vulnerability to volatile oil prices. It would be very helpful, to realize the importance of this variable, to prepare a sensitivity analysis about this parameter in relation to variables such as economic growth rate, balance of payments, and others.

Conclusion
We congratulate the staff for an objective and clear document, which presents the major risks and outstanding issues.

We encourage the government to continue developing its structural reform agenda. At this stage it is important to have clear the priorities and the risks involved in its development. Finally, we wish the best to the Jordan authorities in its task to carry out this important and difficult reform agenda.