The Jordanian Country Assistance Strategy (CAS) document is balanced and complements the previous CAS well. The macroeconomic fundamentals are good and growth projections are positive. Internal and external vulnerabilities seem to be well understood. The government is committed to addressing the challenges facing the country in the medium to long term. We support the CAS and concur that the triggers for moving between lending scenarios are reasonable. We have a few general comments.

We note that the economic situation that resulted in a decline by 2.0 percent in per capita income between 1996 and 1998 have changed in favor of the Kingdom of Jordan. Disappointing growth trends of the past three years were compounded by the Asian crisis. A budget deficit of 10.3 percent of GDP in 1998 is clearly unsustainable. The Central Bank of Jordan’s decision to increase interest rates to support the exchange rate and maintain international reserves ensured that reserves do not reach the lowest critical point. The recently negotiated IMF’s Extended Arrangements and Compensatory and Contingency Financing Facility reflect that the government is on track with structural reforms.

The firming of oil prices in 1999 could indicate an improvement in trade and employment opportunities. This is a particularly positive feature given the impact of oil on the Jordanian economy. Exports to neighboring economies and workers’ remittances will improve the current account position. Trade prospects with the European Union (EU) and entry into the WTO further expand trade possibilities for the country. The positive political developments in the Middle East region also improves Jordan’s economic prospects. Despite projections of drought, an increase in food prices, and low foreign direct investment the conditions for renewed economic confidence in Jordan are unquestionable.

The four objectives of the assistance strategy are in line with the government strategy.
We found Annex B1 very useful in mapping out the partnerships, needs and priorities and proposed Bank actions. It seems that the quality of the Bank’s intervention should be measured by the level of implementation of proposed policies in the public sector expenditure and increased efficiency in water management. We expect that the IFC involvement in promoting investment in infrastructure and telecommunications will also address concerns on the regulatory environment.

The CAS document has three specific questions for Board consideration:

- Is the level of proposed lending appropriate?
  Given the performance of the Bank portfolio in the last CAS we believe that the proposed lending is appropriate to the presented scenarios. Table 2 envisages a growth rate of 4.4 percent by 2002 in the base case scenario. The high case scenario envisages a growth rate of 5.0 percent by 2002. This is not significantly different. What does this imply in terms of the differences between the base and the high case scenario?

- Is the mix of assistance consistent with the development problems identified?
  The Bank in partnership with other institutions is tackling the identified development challenges. It is our opinion that the Bank should focus on a few issues in keeping with the principle of selectivity. However, we have a question on the instruments. How appropriate is the use of partial guarantees in this case?

- Is the proposed program of assistance adequately focussed?
  We believe that it is. In the social sectors, we believe that the country would benefit by inclusion of more women in the work force. The Bank has developed a sound body of knowledge on gender issues. We would encourage Bank’s active role in offering advice to the country in this regard.

In conclusion, we thank staff and management for a candid document. We wish the people of the Kingdom of Jordan all success.