Privatization: The Jordanian Success Story

Background

The World Bank Group has been assisting Jordanian privatization since 1995 in collaboration with USAID and other development partners. At present, the World Bank Group manages a substantial trust fund for USAID that supports the Jordan Privatization Program (the Program). The World Bank Group has been actively assisting the Jordanian Government through the Executive Privatization Commission (EPC) in crafting a privatization strategy, designing an institutional framework for implementing the Program, and supporting the implementation of the Program.

The Program primarily covers the Jordanian state-owned enterprises which are concentrated mainly in the Infrastructure Sectors (Transport, Electricity, Water and Telecommunications) and investments by the Jordanian Investment Corporation (JIC), the state-owned investment agency. The Government has substantial share-holdings in a number of small- and mediumsized industrial and service sector companies, including various financial institutions. Recently the Program has started to consider activities in the social sectors.

Outcomes

This Program ranks as one of, if not the most, successful programs in the Middle East region. To date the following has been achieved: (i) a 33 percent sale of the Jordan Cement Factories (JCF); (ii) the granting of four bus concessions in the Greater Amman area [Public Transport Corporation (PTC)]; (iii) the granting of a concession for the Ma’an Spa; (iv) a 49 percent sale of the Jordan Telecommunications Corporation (JTC); (v) a water management contract for the Greater Amman area [Water Authority of Jordan (WAJ)]; (vi) the granting of a concession for Aqaba Railway (ARC); and (vii) the divestiture of Government shares in approximately 44 companies at approximately US$113 million. Total proceeds are in excess of US$900 million. There is a large pipeline of current activities, some of which are just starting and others which are drawing to a close. These transactions include: Royal Jordanian Airlines; Jordan Phosphate Mining Corporation; postal services; Electricity Sector (distribution and generation); Petra Drilling Corporation; Assamara Water Treatment Plant; Royal Jordanian Air Academy; Ministry of Supply agribusiness facilities; Customs Department warehouses; and the Water Authority at Petra. They are scheduled for completion in the later part of this year and next year.

Execution

The Jordanian Government’s privatization strategy has a multi-track approach with appropriate modes for each situation: capital sales, e.g., IPO, divestiture etc.; sales to strategic...
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The Jordan Investment Corporation (JIC)

For non-infrastructure enterprises the “holding company” or “state property fund” approach was used in Jordan in the form of the JIC. In this approach, Government-owned shares in enterprises were held in a corporate entity, which assumed the governance functions on behalf of the Government owner. With the Program, JIC actually evolved from being an investment arm of the Government, to adopting divestiture as its main objective. The key to successful divestiture required that several conditions be met. There needed to be full cooperation between the JIC and the EPC, as the latter provided important technical support and at all times played an oversight role. Management support was critical, but ultimately the commitment and support of the Ministry of Finance was what made the completion of the transactions possible.

In spite of the strategy and the institutional arrangements having been put in place, progress in privatization was initially slow and only began in earnest after August 1998. The main issues slowing down the Program in Jordan included: the question of the absorptive capacity of the Jordanian financial market; public preferences on strategic or foreign ownership; and public perceptions of the impact of privatization on labor and consumer prices. Before privatization could proceed, these issues needed to be addressed and consensus built.

During this difficult period, EPC played a crucial role in moving the privatization agenda forward. The persistence and steadfastness of the leadership of the EPC and JIC (see Box) paid off. The first breakthrough came when some of the impeding issues (such as foreign control and valuation of assets) were innovatively addressed in designing the JCF transaction and the deal was completed in December 1998. The success of this transaction helped to bolster institutional confidence and the Ma’an Spa transaction was completed quickly thereafter. At about the same time the PTC concessions were signed and the WAJ transaction soon followed. One of the country’s largest transactions, JTC, also began to move and was soon in bidding and negotiations. The sale of a 40 percent strategic share for US$508 million was completed in January 2000.

The Lessons

A closer look at how Jordan managed to activate a stagnant privatization program and achieve so much in so short a time holds important lessons for governments as well as privatization practitioners.

*Get Support at the Highest Level:* First and foremost, a major underlying and significant contributing factor to these successes was the emerging and unequivocal support at the highest level. This was an essential element without which the privatization program would not have moved in Jordan. This support also allowed some of the more difficult issues such as labor, valuation, and the “Crown Jewels” issue, to be resolved more easily.

*A First Transaction is Crucial:* A first major transaction needed to be completed successfully in order to get the Program going. In Jordan’s case, this helped to allay many of the apprehensions regarding privatization, provided institutional confidence to pursue other transactions, and demonstrated the benefits of privatization.

*Balance Transparency and Effectiveness:* However, in order to complete the first major transaction, it was necessary to resolve one crucial implementation issue that underlies most privatization programs - where to strike the balance between transparency and effectiveness:

1. (i) in setting up the institutional structure for privatization; (ii) in setting up the decision making process; and, last but not least, (iii) in the design and structure of individual transactions.
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- **Institutional Structure**: The main question here was where to locate the responsibility and authority for privatization. Locating the privatization responsibility at each Sector Ministry would have increased effectiveness (provided there was the will to privatize at the Sector Ministry) for individual transactions, but reduced it on an overall basis as benefits of experience would not easily be shared. Transferring the responsibility for a PE privatization entirely to the EPC could also increase effectiveness, but would meet stiff resistance and could reduce transparency. In Jordan, the responsibility was shared between the EPC and the Sector Ministries, with the EPC providing technical resources and support to the process (thus, bringing the benefit of accumulated experience, for example, in bidding and negotiations), as well as, performing an oversight function. This provided just the right balance of effectiveness and transparency needed for the Jordanian circumstance.

- **Decision Making Process**: A salient feature of Jordan’s privatization approach was that it strove to achieve its objectives through consensus, and thus, with a high priority on transparency. The consensus approach had both a cost and a benefit. The cost was that progress often appeared to be slow with large committees and several approval levels. However, the benefit was that, when progress occurred, it was more sustainable and on a more solid foundation with support from most of the major constituencies in the country.

- **Transaction Design and Structure**: Here too, effectiveness needed to be balanced with transparency. In trying to ensure that the process was transparent, the program sometimes encountered delays and waste. The selection of financial advisors and other consultants might not always have been optimal, and often process undermined speed, for example when ready buyers had to be put on hold until transactions could be advertised. However, the initial investment in transparency paid off in allowing the later stages of transactions to be completed smoothly.

- **Leadership of the Privatization Unit is Key**: The leadership of the EPC has been a key catalyst contributing to the success of the Program. The ability of the EPC to access and influence top decision-makers was crucial in gaining support at the top. Sometimes the EPC was the flag bearer for privatization, especially when progress for one reason or another slowed. At other times, it helped ensure transparency – especially when sector organizations were moving ahead rapidly with privatization on their own. However, the EPC never attempted to dominate the process or be unilateral in its actions, but relied on consensus to mobilize support and resources. These leadership skills have helped the EPC, which started as a protected department within the Office of the Prime Minister, to grow and build within itself the needed technical competencies to better support the privatization process better and with progressively less external help.

**Ensure Commitment in Sector Institutions**: This institutional approach of sharing responsibility for the sake of transparency required the support and commitment of the Sector to ensure effectiveness. This included not just Sector Ministries, but also the Civil Service and Enterprise Management. In every case, wherever and whenever there was not support or interest at the Sector level, privatization inevitably stalled, and conversely, when the Sector had commitment, the privatization process moved forward rapidly.

**Let Privatization Expedite the Regulatory Framework**: Regulatory issues needed to be resolved for privatization to be effective. The issue of a regulatory strategy in the context of privatization was a difficult one. Trying to achieve a perfect regulatory environment before starting to privatize, had the risk of Sector specialists protracting this process to avoid privatization. On the other hand, not having an adequate regulatory framework in place before privatization might not provide adequate protection of consumer (and investor) interest. Jordan chose to proceed in parallel with privatization and setting up of the required regulatory framework. This strategy forced the Sectors to keep up with the privatization pace in putting the regulatory framework together.

**Find Solutions for the Employee Issue**: Finally, Jordan had to solve major labor redundancy issues or privatization would not have been achievable. The approach taken in

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1. Transparency generally includes two aspects: (1) ensuring competition in bidding and pricing to get the best deal for the country, and (2) the avoidance of side deals.
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Jordan was interesting and needs to be explored for other countries. The Jordanian Government tailored its solutions to the labor issue on a case-by-case basis, but with some common underlying threads. First, the Government set up general rules preserving the rights of employees in all privatized enterprises and institutions. Second, in some cases, transition packages -- including generous compensation (with share ownership in some cases), training, and placement assistance helped the workers with the transition. But, in most cases, particularly in the more difficult rural areas where alternative employment opportunities are limited or where skill levels of workers are limited, Jordan decided to privatize first and solve the redundancy problem later. For example, in the case of ARC and PTC, none of the employees were to be laid off, but were absorbed at other Government organizations. The redundancy problem would be resolved after the privatization transaction was completed. The implicit logic seemed to be that if the labor issue prevented privatization, the Government would need to continue to employ these people anyway, so why not privatize. That way, at least the expected privatization-led investment and growth could occur in the Sector and help to alleviate the employment burden down the road.

The Benefits

The Government of Jordan was in a situation in which many of its public enterprises had losses and future development of the economy was hampered by lack of funds for necessary infrastructure development. Cumulative losses in the Transport and Water Sectors alone were by end-1998 more than 20 percent of GDP. The Program is now: helping to clean up financial balance sheets of the PEs and making Government assets liquid; mobilizing foreign and domestic private investment – both directly in the privatized companies, as well as related spin-offs; creating new jobs; and benefiting consumers in terms of better services.

Privatization proceeds so far have reached more than US$900 million or 12 percent of GDP. Of course, making assets liquid does not in itself change the net worth of the Government, and as such, should not affect public expenditure decisions directly. According to the new Privatization Law, privatization proceeds are invested in a separate fund to be used to repay loans owed by the privatized firms to the Government, and finance economic and social development projects.

Privatization is yielding additional direct fiscal benefits for the Government. In the case of ARC, the Government was immediately relieved of some US$6.9 million in losses for which it had to provide fiscal support. These losses, in the unlikely event that they continued under private management, were now the responsibility of the private operator. Similarly, in the case of PTC, the Government will no longer have to make up the US$2.1 million of annual losses. In addition, the US$0.8 million in annual franchise fees from the new operators will now flow directly to the Government’s budget. Net profit of JCF has increased by 50 percent in the first year alone, contributing an additional estimated US$3.5 million in tax revenues. Finally, privatization proceeds have strengthened the international reserves position (at one point fragile) of the Central Bank. Reserves are now at an all time high of US$2.6 billion, or eight months of imports. This has contributed to a significant reduction in interest rates, which may stimulate growth.

Investments directly related to privatization, both current and prospects for the next four years, are very promising. It is estimated that there has been approximately US$500 million of these investments. Most of the investments relate to the Tourism and Telecommunication Sectors. In the Telecommunication Sector, it is anticipated there will be close to US$400 million of new investment.

The ARC Project will result in overall investments of US$120 million in railway tracks for the new Shidiya Phosphate Mine and for the Port of Aqaba. Even more significant, the ARC Management Contract and investment for the new tracks is expected to pave the way for a separate US$600 million Fertilizer Production and Export Project led by Norsk Hydro. The private operators of the four bus route franchises have collectively invested about US$12 million in new buses. In the Power Sector, the IPP is expected to invest a total of US$300 million.

The WAJ transaction enabled Jordan to obtain a US$55 million World Bank investment loan. Furthermore, a new water treatment plant costing US$150 million will be funded (50 percent by the private sector on a BOT basis and the rest through donor grants). Also in
the Water Sector, the 320km conveyor of fossil water from Disi to Amman, at a cost of US$700 million would be financed on a BOT basis.

These privatization-related investments, totaling more than US$2.1 billion, averaging seven percent of GDP per year during the next four years, become important factors for the revival of the Jordanian economy.

Jobs are being created due to the new Private Sector investments and opportunities. Although it is still early to assess the impact of the Program on employment, preliminary evidence indicates that already more than 6,000 jobs have been created on a net basis relative to a labor force of about one million. As indicated above, according to the strategy, no one has lost their jobs involuntarily, but the Program may have generated pockets of hidden unemployment.

The employees of the old enterprises have either been retained in the new privatized organizations or transferred or absorbed in other agencies, either into vacant positions or merely in pending outplacement opportunities. Nevertheless, the experience clearly shows that opening up sectors such as Telecommunication to Private Sector competition can produce new jobs quickly.

Consumer benefits are being reaped from the Program. The wait for a telephone line has been reduced from years to weeks, and phone rates, though still high according to international standards, have been reduced significantly. The PTC transaction has yielded immediate results. With private investment, buses are more frequent and ridership has increased dramatically from 60,000 to 100,000, while the fares have remained the same (see Box). On a more qualitative level, the buses are new, clean inside, and less polluting. This has been a boon to the average working person whose commute has been significantly reduced, in some cases from two hours each way every day to under half an hour, and has enabled them to seek employment opportunities in locations which were previously difficult to reach except by car or taxi.

City water is a very scarce commodity in Jordan delivered once or twice a week. Leakage and illegal connections left 55 percent of water usage unaccounted for. Broken meters and “private arrangements” resulted in inequitable access and cost-sharing. Many households were forced to buy water from truck suppliers at much higher prices. Water is now flowing again on a more regular basis. Street flooding from water mains, once a common sight in Amman, is now rarely seen.

**Conclusion**

Privatization of major infrastructure PEs is complicated, requires broad-based consensus, and takes time to do transparently. Transactions cannot be micro-managed from outside, nor can strict deadlines be set in advance. The IDF Grant and Technical Assistance provided by the Bank and donors has been instrumental in getting the Program started and underway. But the honors go to the Government and people of Jordan for steadfastly dealing with the overwhelmingly complex issues one-by-one and making the Program a grand success. The EPC is a major anchor and driving force behind this success. Now funded through the Government budget, the sustainability of the four-year old program is further secured by the expertise and enthusiasm harnessed in the EPC.
Recent Economic Developments

Resilient Growth

Real GDP growth (at market prices) reached 3.9 percent in 2000, after languishing at or below three percent in the preceding four years. Importantly, the Jordanian economy showed some resilience to regional shocks as GDP growth rates recovered to a four percent average for the first two quarters of 2001, after dipping to 3.5 percent in the last quarter of 2000. The Intifada in West Bank and Gaza, now running for a year, affected Jordan directly through reduced arrivals of non-Arab tourists, reduced export of construction material, vegetables and fruits to West Bank and Gaza and Israel. However, a surge in exports from Qualifying Industrial Zones (QIZs)\(^1\) to United States markets, pick-up in construction activity, and revival of industrial production and broad-based service sectors, have helped Jordan pick up growth momentum. All indicators - exports, imports, industrial production, private sector credit - up to the second quarter of 2001 point to increasing strength of the economy. The welcome upsurge in the economy, despite recent adverse neighborhood effects, could partly be due to the result of ongoing structural reform efforts (tax, tariff, trade and fiscal reforms, and privatization) and partly be due to a response to monetary policy stimulus. The global events following the September 11 terrorist strikes have the potential to adversely affect the prospects for the rest of the current year and beyond through diminished exports, tourism and private capital flows.

Inflation Picking Up But Still Moderate

Inflation in Jordan is moderate averaging only 2.8 percent in the last five years, helped partly by the unchanged exchange rate between the Dinár and the US Dollar since 1996. The US Dollar’s strong appreciation against the European currencies - an area from which a third of Jordanian imports are sourced - and Jordan’s import tariff cuts have helped in keeping imported input costs low. Inflation, as measured by Amman Consumer Price Index, which was declining through the year and only averaged 0.7 percent (annual rate) in 2000, began to climb during the start of 2001. The broadening of the 13 percent General Sales Tax (phase two) base to trading sectors implemented from January 2001, and upward revisions to petroleum prices announced in July-August 2001, are behind the moderate increase in inflation, as shown in Figure 2. Petroleum product price increases announced in July and August have not been fully reflected in the indices available up to July which registered an increase of 2.8 percent compared to the previous year.

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\(^1\) Exports from QIZs are allowed to enter the United States duty-free and quota-free, as long as they meet specific local content requirements from Israel, Jordan and West Bank and Gaza.

\[\text{Figure 1. GDP Growth Rate (in percent, annual rate, year on year)}\]

\[\text{Figure 2. Inflation (in percent, year on year)}\]

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Source: Department of Statistics, Jordan.
Note: GDP is measured in constant 1995 market prices.
### Merchandise Exports Surge After Five Years Of Stagnation

After remaining flat at around US$1.8 billion for five years, exports jumped by 16 percent in the first half of 2001. Stellar performance in apparel, clothing and pharmaceutical products helped overcome the drag of mineral exports as shown in Table 1. Much of this surge in clothing exports is led by exports from QIZs.

#### Table 1: Analysis of Export Surge in the First Half of 2001

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Weight (%)</th>
<th>Growth (%)</th>
<th>Contribution (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>100.0</td>
<td>15.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Clothes</td>
<td>7.0</td>
<td>172.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Medical and Pharmacy Products</td>
<td>10.3</td>
<td>15.0</td>
<td>10.7</td>
</tr>
<tr>
<td>Vegetables</td>
<td>5.5</td>
<td>29.5</td>
<td>9.9</td>
</tr>
<tr>
<td>Cement</td>
<td>1.5</td>
<td>78.9</td>
<td>6.3</td>
</tr>
<tr>
<td>Potash</td>
<td>12.8</td>
<td>7.5</td>
<td>6.0</td>
</tr>
</tbody>
</table>


### Service Exports Moderate

Worker remittances and tourism receipts are two important sources of service exports for Jordan. In 2000, worker remittances were larger than merchandise exports by 30 percent and tourism receipts amounted to nearly half of the exports. Growth momentum in Gulf economies fueled by strong oil prices has probably helped to increase worker remittance inflows in 2000 by 11 percent. The results for the first half of 2001 show a persistent trend with worker remittances continuing to flow at the same rate. The decline in tourism revenues by nine percent in 2000 was attributed to the regional uncertainty. This declining trend persisted into the first quarter of the current year. However, there has been somewhat of a rebound in the second quarter of 2001 with increased tourism receipts growing at six percent (year-on-year). The main reason for this rebound appears to be the increased arrivals from Arab countries with different perceptions of regional risk.

### Imports Climb Persistently

Helped partly by the strong Dinar and continuing import tariff reductions as a part of the trade reforms, imports continued to climb in the first half of 2001 to nearly 19 percent annual rate in current US Dollar terms. This persistent surge comes after a strong pick-up noted in 2000, when imports increased by 24 percent, ending a declining trend of the previous four years. More than half of this increase in the first half of 2001 came from the import of manufactured goods and telecommunication equipment as a result of higher industrial output and investment demand. Given that merchandise exports covered only a quarter of merchandise imports and that the rise in imports outpaced the pick-up in exports, the trade balance continued to be large, at around a third of GDP.

### Narrowing Current Account Surplus

In 2000, current account surplus (including grants) sharply narrowed to a small surplus of 0.7 percent of GDP declining from the peak of five percent reached in 1999. This was the net result of import surge and weakness in tourism receipts witnessed in the year 2000. As expected, current account balance is turning into a deficit for the first time in five years in 2001. Though exports surged strongly and the brisk pace of imports slackened somewhat in the first half of 2001, moderate growth in service exports led to a small deficit on the current account of US$60 million – about 0.7 percent of GDP. Foreign reserves (excluding gold) of the Central Bank which reached a high of US$3.5 billion in September 2000 helped by UN compensation payments and privatization proceeds, have been depleting at a moderate rate to US$3.1 billion at the end of July 2001, still some eight months of merchandise import equivalent.

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2 Does not include re-exports.

3 Travel receipts are treated as tourism receipts.

4 Using merchandise imports for the year 2000.
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Easy Monetary Policy Is Having An Impact

The Central Bank has been relaxing the monetary policy to stimulate growth since mid-1999, and in the more recent period the decline in United States interest rates have created more room for action in this regard. In mid-May 2001, the Central Bank re-discount rate was lowered to 5.5 percent taking the cumulative reduction in the preceding one year amounting to 150 basis points. In response, the commercial banks have been lowering their lending rates, though by not as much. The prime lending rates of commercial banks are in the range of eight-nine percent with the banks free to set the rate depending upon the borrower’s credit risk. Growth in credit to the private sector is showing a strong, persistent pick-up since mid-2000 to reach a nearly 11 percent growth in July 2001, compared to a year earlier. This is a clear sign of pick-up in private sector activity compared to the sluggish six percent annual average credit growth witnessed in the previous five years, 1996-00. The bulk of the new credit went towards buying shares (60 percent) and the trading sector (30 percent) which helped stimulate a weak stock market as evidenced by the dramatic six-fold rise in trading volumes and the nine percent gain in the Amman Stock Exchange Index by July 2001 from the lows reached in September 2000.

Medium-Term Outlook For Fiscal Policy Improves

Fiscal management continued to be focused on securing medium-term gains. The introduction of the Value Added Tax Rate at 13 percent, the enactment of the new Public Debt Law that empowered the Cabinet to set a ceiling for Total Gross Public Debt at 80 percent of GDP (as against the estimated ratio of 114 percent in 2000) were strong indicators that fiscal prudence would remain the overriding aim of fiscal policy. To reduce vulnerability to oil price changes, authorities announced increases (petrol - 15 percent; diesel - 3.8 percent; and kerosene - 21 percent) in administered prices of petroleum products in July-August 2001. The overall fiscal deficit (excluding foreign grants which average about four percent of GDP) as a ratio of GDP, estimated at 7.4 percent, by the authorities remained at the same level as in the previous year because of short-falls, mainly in non-tax revenue. In the first half of 2001, again, non-tax revenues declined by 7.1 percent, even as growth in tax revenues outpaced total expenditures (6.2 versus 4.3, in percent). As a net result, as estimated by the authorities, overall fiscal deficit, excluding grants, for the first half of 2001 amounted to JD 233 million compared to JD 202 million for the previous year.
An important achievement of the year 2000 in public debt management was the 11 percent point reduction in the Government’s external debt as a ratio of GDP to 85.3 percent. Active buying back of Brady Bonds and debt-swaps contributed to this decline, in addition to some currency revaluation effects.

Unemployment Edges Up Slightly

Based on Quarterly Labor Force Surveys carried out by the Department of Statistics, Jordanian unemployment rose slightly (1.3 and 0.4 percent points respectively) for the first two rounds of 2001 (February and May) compared to the same rounds of the previous year. At 13.7 percent for Round 2 of 2001 (May), it is nearly the same as the average for the year 2000. However, this masks the sharp reduction in the unemployment rate for females that has declined to 15.6 percent from the average of 21 percent in 2000.

Figure 5. Unemployment Rate
(For total population aged 15 and up)

IBRD Projects In The Pipeline

- **Agriculture Exports Project** (US$30 million). The objectives of the Agriculture Exports Project are: (i) to support private investments for the production and marketing of non-traditional high-value crops with an effective demand in the international markets; (ii) to introduce and disseminate new technologies for the production and post-harvest handling of these crops; and (iii) to initiate the process of establishing Jordan as a reliable supplier of export crops to highly-demanding markets in European and Gulf countries, leading to improvements in levels of farm income and in the overall agricultural trade balance.

- **Samra First Private Power Project** (US$50 million Guarantee). The Project is designed to: (i) support the Government’s initiative for private power generation and its efforts in tapping new sources of private capital for the Power Sector; (ii) add new power-generating capacity, in line with the least-cost development plan for the Power Sector, and at competitive prices, while improving its efficiency; and (iii) strengthen the Ministry of Energy’s capacity to prepare future private projects and put into effect key policies for sustainable development of the Energy Sector.

- **Jordan Rift Valley Improvement Project** (US$30 million). The Project would support improved water management in the Jordan Rift Valley, together with restructuring of key institutions, and preparation of an action plan for reuse of treated wastewater.

- **Public Sector Reform Loans (PSRLs)**. The foundation for Bank support to Jordan’s Program of Public Administration Reform is a series of three one-tranche Public Sector Reform Loans. The Loans will support an agreed medium-term program of step-by-step Public Sector reforms, with a focus on budget reform, better delivery of public services, and increased transparency and accountability. The Loans will build on the positive experience of the series of single-tranche Economic Reform and Development Loans, which supported a program of structural reforms aimed at...
strengthening the environment for private sector. The PSRLs will support a strong, coherent program of reforms in line with the policy framework for single-tranche and programmatic adjustment lending. The first PSRL for US$120 million was approved in June 2001.

IBRD Ongoing Projects

The current portfolio in Jordan consists of 10 projects for a total commitment amount of US$411.7 million, of which US$254.2 has been disbursed to-date.

- **Health Management Project (HMP).** (US$20 million.) The Project was designed to enhance the health status of the population through: (1) qualitative improvements in the Ministry of Health’s primary and hospital services; and (2) reform of the Ministry’s organization, its management, finances and planning capacity. The Project finances technical assistance, fellowships, training, teaching equipment, health facility construction and renovation, computer hardware and software, and medical and office equipment.

- **Second Human Resources Development Sector Investment Project (HRDSIP-II).** (US$60 million.) The central Project objective is to improve educational quality. The focus is on measures to enhance the teaching/learning environment including: teaching competencies; curricula and textbooks; administration and management; and creating a strong institutional framework, particularly in relation to vocational and technical education, examinations and national assessment.

In addition, measures are sought which aim at economizing the use of public resources.

- **Housing Finance and Urban Sector Reform Project (HFUSRP).** (US$20 million.) The Project supports the Government’s strategy to improve the efficiency of the Housing and Housing Finance Sectors, promote Private Sector development in land and housing production, and reduce the role of the Government in both Sectors. The Project would establish a Secondary Mortgage Facility to improve the efficiency of medium to longer-term financial flows for mortgage lending mobilization; facilitate and foster competition in market-based mortgage lending; and lengthen the term structure of mortgage lending.

- **Second Tourism Development Project (TDP-II).** (US$32 million.) Tourism is Jordan’s second largest generator of foreign exchange after remittances. It results in foreign exchange revenues of over US$750 million equivalent, or approximately 10 percent of GNP. The actual tourism potential of Jordan is even greater. Capturing this potential, however, requires Jordan to develop the Sector in a coherent manner to ensure its economic, social and environmental sustainability. To this end, the Government, with Bank assistance, has formulated a medium- to long-term Tourism Development Program. The Second Tourism Development Project finances Phase I investments of the Program. The Project’s development objectives are to: (a) create the conditions for an increase in sustainable and environmentally sound tourism in Petra, Wadi Rum, Jerash and Karak; and (b) realize tourism-related employment and income-generation potential at Project sites.

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Approval Year</th>
<th>Loan Amount</th>
<th>Amount Disbursed</th>
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<tbody>
<tr>
<td>Health Management</td>
<td>1993</td>
<td>20.0</td>
<td>17.8</td>
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<td>Human Resources Dev. Sector Inv. II</td>
<td>1995</td>
<td>60.0</td>
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<td>Housing Finance &amp; Urban Sector Reform</td>
<td>1996</td>
<td>20.0</td>
<td>19.1</td>
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<td>Tourism Development II</td>
<td>1997</td>
<td>32.0</td>
<td>10.2</td>
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<tr>
<td>Community Infrastructure Development</td>
<td>1997</td>
<td>30.0</td>
<td>12.9</td>
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<tr>
<td>Training &amp; Employment Support</td>
<td>1998</td>
<td>5.0</td>
<td>1.5</td>
</tr>
<tr>
<td>Amman Water &amp; Sanitation Management</td>
<td>1999</td>
<td>55.0</td>
<td>16.6</td>
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<tr>
<td>Health Sector Reform</td>
<td>1999</td>
<td>35.0</td>
<td>9.3</td>
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<td>Higher Education Development</td>
<td>2000</td>
<td>34.7</td>
<td>1.5</td>
</tr>
<tr>
<td>Public Sector Reform Loan I</td>
<td>2001</td>
<td>120.0</td>
<td>120.0</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>411.7</strong></td>
<td><strong>257.6</strong></td>
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</table>
to enable upgrading basic infrastructure in subsequent phases of the CIDP. The CIDP is one component of the Government of Jordan's Social Productivity Program (SPP), which is a comprehensive strategy to address the problems of poverty and unemployment through productivity improvements.

**Training and Employment Support Project (TESP).** (US$5 million.) This pilot Project is intended to introduce an efficient and effective linkage between public expenditures for short-term training, and business community skill requirements. It is another component of the Government of Jordan’s SPP. The TESP has created a Fund (the Training Fund) that issues monetary awards to enterprises which provide or purchase training and related services (e.g., intermediation, needs analyses) necessary for the recruitment of the unemployed to fill genuine vacancies. The objective of the pilot TESP is to test the demand for, and the effectiveness and efficiency of, employer-based training supported by a Training Fund, i.e., whether training can be more cost-effective and efficient when it is demand-driven. Public Training Funds are competitively awarded between public and private providers, and employment services are also offered by private offices whose operations have been until recently illegal.

**Amman Water and Sanitation Management Project (AWSMP).** (US$55 million.) The objectives of the Project are to: (i) improve the efficiency, management, operation and delivery of water and wastewater services for the Amman Service Area; and (ii) lay the groundwork for the sustainable involvement of the Private Sector in the overall management of these services. These objectives complement the Government of Jordan's strategy for water supply and wastewater services.

**Health Sector Reform Project (HSRP).** (US$35 million.) The Project is based on the findings of the Health Sector Study, prepared jointly by the World Bank and the Government of Jordan (April 1997). The Project is expected to increase the efficiency, quality, and long-term financial sustainability of health services in Jordan. Indicators to measure the achievement of these objectives include: increased hospital occupancy rates; adoption of treatment protocols; and a reduction in spending on pharmaceuticals as a share of total expenditures.

**Higher Education Development Project (HEDP).** (US$34.7 million.) The objective of the Project is to initiate improvements in the quality, relevance and efficiency of Jordan’s higher education, and to support Jordan’s program to reform Sector governance. The Project will: (a) establish system-wide modern information technology, management information systems, and library infrastructure for higher education; (b) support a Higher Education Development Fund providing grants to public universities for innovative and economically relevant sub-projects and for improving teaching and learning; (c) initiate reforms of higher education governance, including the introduction of formula-based allocation of higher education recurrent funding from the Government; and (d) support the rationalization of the community college sub-sector through the new Al-Balqa’ Applied University.

**First Public Sector Reform Loan (PSRL-I).** (US$120 million.) This programmatic Loan is the first in a planned series of three Public Sector Reform Loans (PSRLs). The program supports Jordan by providing fast-disbursing external financing to meet anticipated gaps originating from its fiscal needs, while supporting fundamental structural changes in its core public sector. The Loan aims to strengthen public institutional capacity and the quality of public services. Key objectives are to strengthen private investment, diversify the economy, achieve closer integration with the global economy, strengthen the country’s human capital base, and ensure better access to services for citizens, particularly the poor.

**IFC Ongoing Projects**

**Al-Hikma Pharmaceuticals Limited (Jordan).** The Project is designed to help Al-Hikma Pharmaceuticals upgrade and expand its existing pharmaceutical and chemical plants, and build a new plant.

**Zara Investment Holding Company.** The investment Project consists of the construction and operation of an international standard 312-room hotel and complex comprising 44 apartments, partially serviced by the hotel; well-equipped exhibition/conference facilities; an auditorium; a health club, managed by Hyatt International; and a Wellness Center and 231-room hotel complex on

**October 2001**
the Dead Sea, combining medical and recreational facilities, to be managed by Mövenpick. Economic benefits accruing to Jordan include foreign exchange generation and the creation of about 600 direct jobs. IFC’s main role in this Project is to provide long-term funding on terms and maturities not available in Jordan, and help the Zara Company mobilize local loans.

- **Business Tourism Company.** The Project consists of building and operating a resort of international standards, which will include: (i) a 230-key hotel; and (ii) a health/medical spa and beauty care facility. The Dead Sea, due to its unique therapeutic characteristics and climate, has established itself as a world-class center for the treatment of various skin and muscular-joint ailments, such as psoriasis and rheumatism. The proposed complex will be managed by Marriott International and will target both health and leisure tourists.

- **El-Zay (Textile).** El-Zay specializes in the manufacture of high quality men’s suits. The Project consists of: (i) an expansion program to diversify El-Zay’s product line by manufacturing men’s outerwear; and (ii) a financial restructuring designed to strengthen El-Zay’s balance sheet by replacing most of its short- and medium-term debt with long-term debt. IFC’s investment is to help the company complete the Project’s financial plan and improve its financial structure by providing funding on terms and maturities not otherwise available in Jordan. Also, garment manufacturing operations typically employ numerous people in a relatively confined factory. Adequate fire prevention at the site is imperative, as are sufficiently low noise levels, adequate lighting, and sanitary facilities. IFC will require that El-Zay’s new facilities comply with World Bank guidelines in this regard.

- **Arab International Hotels Company (AIHC).** The Project consists of the renovation and expansion of the Anman Marriott, a leading hotel located in the Shmeisani area of Amman. The work comprises: (i) the complete refurbishment of all the hotel’s 294 rooms; and (ii) the addition of conference and banqueting facilities, a health club, retail space, movie theaters and an underground parking facility. The proposed expansion and modernization of the Marriott will boost the hotel to a 5-star international level, allowing it to match the quality level provided by its competitors.

- **Jordan Hotels and Tourism Company (JHTC).** The Project comprises an extensive refurbishment of most of the InterContinental Hotel’s existing 366 rooms and the addition of 125 new rooms and facilities. The Hotel will also replace 15 of its elevators, its boilers, the kitchen, safety and telecoms equipment. The management agreement between InterContinental Hotels Corporation and JHTC has recently been extended to 2007.

- **Jordan Investment Trust (Jordinvest).** The Project involves the establishment of the first investment bank in Jordan. Jordinvest is expected to carry out a broad range of investment banking activities, including: providing long-term private equity; investing in quoted investments; underwriting and private placement of debt and equity issues; corporate finance activities, especially restructurings, privatization, and mergers and acquisitions. Jordinvest would play a critical developmental role in addressing the financial needs of the Private Sector in Jordan and in developing its capital markets. Through its affiliation with its sponsor, Gulfinvest, the Company would also attract foreign, as well as Middle Eastern, investors to the region.

### List of Projects in the Portfolio

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Approval Year</th>
<th>Loan Amount US$ Million</th>
<th>Amount Disbursed US$ Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Al-Hikma Pharmaceuticals Limited (Jordan)</td>
<td>1987/90/93/95</td>
<td>0.34</td>
<td>0.34</td>
</tr>
<tr>
<td>Zara Investment Holding Company</td>
<td>1996</td>
<td>17.3</td>
<td>17.3</td>
</tr>
<tr>
<td>Business Tourism Company</td>
<td>1997</td>
<td>4.6</td>
<td>4.6</td>
</tr>
<tr>
<td>El-Zay (Textile)</td>
<td>1997</td>
<td>3.6</td>
<td>3.6</td>
</tr>
<tr>
<td>Arab International Hotels Company</td>
<td>1998</td>
<td>3.6</td>
<td>3.6</td>
</tr>
<tr>
<td>Jordan Hotels and Tourism Company</td>
<td>1998</td>
<td>9.3</td>
<td>9.3</td>
</tr>
<tr>
<td>Jordan Investment Trust</td>
<td>1998</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Modern Agricultural Investment Company</td>
<td>1999</td>
<td>1</td>
<td>0.8</td>
</tr>
<tr>
<td>Middle East Investment Bank Recapitalization</td>
<td>2000</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Boscan Jordan-I</td>
<td>2001</td>
<td>8.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Jordan Gateway</td>
<td>2001</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Boscan Jordan-II</td>
<td>2001</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>62.34</strong></td>
<td><strong>51.14</strong></td>
</tr>
</tbody>
</table>
Hashemite Kingdom of Jordan

- **Modern Agricultural Investment Company (MAICO).** The overall objective of the Company’s operations is to act as a market and technology beacon to help diversify and upgrade the range and combination of crops and irrigation methods, which would develop a modern Export Sector, thereby maximizing the economic return on irrigation water and ultimately rationalize its overall consumption.

- **Middle East Investment Bank (MEIB) Recapitalization.** The Project involves both MEIB’s (the smallest commercial bank in Jordan) recapitalization to meet the Central Bank of Jordan’s minimum capital requirements, and its restructuring, managed by Société Générale Libano-Européenne de Banque. IFC investment is part of this larger recapitalization and restructuring program for MEIB. It complements the Technical Assistance program in Jordan, provided by both IFC and the World Bank.

- **Boscan Jordan-I.** The Project is to expand the operations of Boscan Jordan Group, a Jordanian manufacturer of soft-side luggage products selling primarily to the United States market. Boscan Jordan's existing facilities consist of 20 production lines. The Project will add 40 additional production lines. The Company's products are manufactured and sold under brand names by major United States retail chains. Boscan Jordan’s speciality is carry-on luggage, one of the fastest growing sectors of the luggage market. The Project is expected to have a significant development impact in employment creation in Irbid, Jordan.

- **Jordan Gateway Project.** The Project is to develop, construct and operate an industrial estate covering about 65 ha (of which about 50 ha would be in Jordan) at the Jordan-Israel border. The Project will be developed in three phases. Phase I of the Project will involve: (i) land and infrastructure development of a 50 ha area on the Jordanian side, and (ii) construction of 94,000 m² of buildings, offices and factories for rent, on the Jordanian side, which are proposed to be partially financed by IFC.

- **Boscan Jordan-II.** The Project is to develop an integrated Industry and Information Technology Park Development (ITPD). The industrial park has been granted the status of a Qualifying Industrial Zone (QIZ), to provide companies located there with the competitive advantage of quota-free and duty-free access to the United States market. In addition to the QIZ, the proposed park has been given a ”Free Zone” status by the Jordanian Government, which provides a 12-year tax holiday and other incentives for tenant companies.

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**World Bank Assistance Strategy**

On December 16, 1999, the World Bank's Board of Executive Directors discussed the Bank Group’s Country Assistance Strategy (CAS) for the Hashemite Kingdom of Jordan covering the period 2000-2002.

**Country Context**

Since the early 1990s, Jordan has undertaken considerable stabilization and adjustment efforts. These have been supported by the Fund, the Bank Group, the EU, and several bilateral donors. The economy's initial response to the Jordanian Government's Reform Program was strong. Economic fundamentals in the first half of this decade were quite satisfactory: a high average growth rate of 7.6 percent per annum (until 1996 when it began to deteriorate); a reduction in the fiscal deficit; low inflation; and sound monetary management, which helped in the build-up of foreign exchange reserves to a healthy level (current balance of over five months of coverage of imports). The current account during this period remained essentially balanced. The economic situation began to deteriorate in 1996 with growth falling below the population growth rate resulting in approximately a two percent decline in per capita income per annum during the 1996-98 period. The decline occurred largely because the country faced several unfavorable factors that were outside its control, including:
lack of progress in the peace process; declining oil prices, thus reducing the market for Jordanian exports in neighboring countries; and spillover from the general slowdown in the Asian economies.

The Government is focused on the challenge of restoring the country to a higher growth path. Actions are being taken in privatization (e.g., Aqaba Railway, Jordan Telecommunications Company); several key economic laws have been passed; tariffs have been further reduced; and increased efforts are being made towards fulfilling requirements of accession to the World Trade Organization. Moreover, Public Sector reforms have become an integral part of the Government's development plan for the next three to five years. This would make the Public Sector more efficient and promote private investment in the country.

### Bank Strategy And Priorities For Bank Assistance

Based on detailed discussions with the Government and other stakeholders in the country, the Bank's assistance for 2000-2002 will focus on:

- Reviving, maintaining, and accelerating economic growth, emphasizing higher levels of private investment, export development, and tourism;
- Promoting human development, including social protection; and
- Improving water resources management and the environment.

IBRD loans to Jordan are expected to average US$100-150 million per year between 2000-2002, assuming overall satisfactory macroeconomic management, structural reforms and portfolio performance. In addition, IBRD Guarantees could total US$200 million for Private Sector infrastructure investments. The Bank Group expects to lend to projects in higher education, agriculture exports, vocational education, tourism, social protection, water, and Public Sector reforms. IFC proposes to provide selective support for viable investment transactions where comparative advantages are present. There will also be substantial nonlending services. MIGA Guarantees will be available as appropriate.

### Partnerships

The CAS is a unified strategy of the World Bank Group, IBRD, IFC, and MIGA - all will collaborate to implement the strategy. Many donors are active in Jordan, and the Bank coordinates its assistance closely with theirs. To improve macroeconomic management, the Bank works closely with the IMF.

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The purpose of this report is to draw lessons for improving the policy design of poverty alleviation schemes in Jordan. The conclusions herein are based on analyses of trends in consumption poverty in Jordan and assessment of the impact of government programs (including food subsidies and cash transfers) on poverty alleviation in the 1990s.

### Poverty Alleviation in Jordan

**Poverty declined in Jordan between 1992 and 1997:**

- The percentage of Jordan’s population below the poverty line was lower in 1997 than it was in 1992. This decline is not dependent on the choice of poverty line.
- More specifically, the fraction of the population living below the poverty line of JD 313.5 per capita per year (using per capita consumption expenditure) declined from 14.4 percent in 1992 to 11.7 percent in 1997. Other measures of poverty also declined during the same period, as shown below.
The decline in incidence and depth of poverty between 1992 and 1997 is observed for any poverty line below JD 491 per capita per year. For example, using a poverty line of JD 365 per capita per year, the fraction of the population that was poor declined from 20.8 percent in 1992 to 18.2 percent in 1997.

Despite the reduction in poverty between 1992 and 1997, there is widespread belief that poverty actually increased in Jordan during the mid-1990s. This belief is partly in reaction to declining overall per capita incomes since 1996 in the context of expectations of rapid economic improvements following the 1994 Jordanian-Israeli peace treaty. In addition, poverty in Jordan in 1997 remained far higher than it was in 1987.

Poverty declined because inequality declined:

- In 1997 prices, per capita expenditure levels went down from JD 821 in 1992 to JD 762 in 1997. However, the poorer 40 percent of the population had higher per capita expenditure levels in 1997 than in 1992, while the richer 60 percent were worse off.
- This clear reduction in inequality outweighed the effect of the decline in per capita expenditure levels and led to a lower poverty rate in 1997 than in 1992.

Government programs contributed to poverty alleviation:

- In 1992, government programs consisted predominantly of food subsidies, which benefited the non-poor more than the poor.
- In 1997, government cash transfers constituted the bulk of government programs, and these benefited the poor more than the non-poor.
- In addition, the data indicate that the poorest tenth of the Jordanian population benefited from National Aid Fund assistance more in 1997 than in 1992. The Development and Employment Fund and the Zakat Fund also target the poor.

Poverty continues to be a major policy challenge for Jordan:

- The absolute number of poor people only dropped from 554,000 in 1992 to 538,000 in 1997 (see Summary Table 1).
- Declining per capita income leads to greater poverty, for a given level of inequality. Thus, the decline in per capita GDP in Jordan since 1996 is expected to lead to increasing poverty.
- The poor and near-poor remain vulnerable as a result of the shallowness of poverty in Jordan (many people concentrated close to the poverty line) and the adverse effects of potential shocks. A 10 percent uniform reduction in expenditure is estimated to increase the number of the poor by 35 percent.

### Summary Table 1

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Poverty Line (current annual JD per capita)</td>
<td>148</td>
<td>261</td>
<td>313.5</td>
</tr>
<tr>
<td><strong>Poverty Measures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Headcount Index (% of population)</td>
<td>3.0</td>
<td>14.4</td>
<td>11.7</td>
</tr>
<tr>
<td>Poverty Gap Index (%)</td>
<td>0.3</td>
<td>3.6</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Absolute Magnitudes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Poor People ('000)</td>
<td>87.4</td>
<td>554.3</td>
<td>538.2</td>
</tr>
<tr>
<td>Total Poverty Gap (current JD, millions)</td>
<td>1.3</td>
<td>35.9</td>
<td>36.6</td>
</tr>
</tbody>
</table>

*Source: Based on Table 4 in main report (1987 data are from the World Bank [1994] Poverty Assessment). Welfare measure is per capita consumption expenditure.*

Inequality in per capita consumption expenditure, as measured by the Gini Index, declined from 0.40 to 0.36 during this period. This underlying level of inequality is essentially moderate by regional and international standards.

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*October 2001*
Policy Conclusions

1. Sustainable reduction of poverty requires resumption and sustainability of growth. Government transfers had a role in bringing poverty down, but budgetary constraints limit their expansion and, in a recessionary economy, also their sustainability. After several years of negative growth in per capita incomes, Jordan needs to resume growth to reduce poverty as well as improve overall standards of living. Poverty projections for different growth scenarios are shown in the following figure. Structural adjustment reforms that enhance and accelerate growth are therefore critical for poverty reduction in the future.

Note: All growth rates are real per capita GDP. Current growth projections are -2.7, -2.1, -0.3, 0.4, and 1.4 percent for 1998, 1999, 2000, 2001, and 2002, respectively.

2. There is a need for policy response to the vulnerability of the poor and near-poor to economic shocks. The current government welfare program aims at the permanently poor. It is therefore not equipped to respond flexibly and quickly enough to relieve any hardship resulting from a negative shock. One mechanism for reducing the vulnerability of the poor and near-poor to negative shocks is through community-based public works programs that offer jobs at low wages. These mechanisms provide insurance to low-income households, encourage risk-taking, and lead to higher incomes in the long run.

3. The capacity of the National Aid Fund (NAF) needs to be significantly enhanced. Increased reliance on targeted cash assistance has had a measurable impact on poverty alleviation. Yet, more could be achieved with the available resources if implementation inefficiencies are overcome. NAF requires capacity and institutional strengthening in such areas as its organizational structure, mission, and business operations.

4. Continued priority needs to be placed on human development policies, particularly those affecting the poor. This investment is important to permit the poor to benefit from growth and increased job opportunities. Although overall indicators of literacy and health are good in Jordan, the profile of the poor clearly indicates that the educational attainments of the household directly impact the incidence of poverty. It is important to continue investing in the health and education of the poor so they will be able to benefit from higher growth and increased job opportunities.

Note: Consumption poverty relates the notion of poverty to insufficient means to meet the cost of a basket of basic needs.

The poverty line of JD 313.5 per capita per year, in 1997 prices, is an update of the line used in the World Bank’s 1994 Poverty Assessment, which is an update of the official poverty line originally derived by the Ministry of Social Development for the year 1987.

The 1992 Income and Expenditure Survey indicated 21.3 percent of households as poor using a household-based poverty line. This report uses individual-based poverty lines.

The Gini Index measures inequality in per capita income or expenditure. It ranges between 0.0 for perfect equality and 1.0 for perfect inequality.
Global Development Learning Network

“As we look at the challenges of poverty, it is clear that money alone is not what is needed. We need colleagues who can learn and share experiences with each other. Distance learning is the tool that will enable this and benefit us all.” James D. Wolfensohn, President, The World Bank.

In the global economy of the information age, knowledge and information have become more vital to sustainable development than bricks and mortar. Policymakers, Private Sector leaders, community workers and other “agents of change” in the developing world know that their success depends on bridging the gap between the information-poor and the information-rich. That is why the World Bank and its partners have launched the Global Development Learning Network (GDLN), a Partnership of organizations that is leading the way in using 21st Century learning technologies to share development knowledge.

GDLN is an interactive, multichannel network with a mandate to serve the developing world. This flexible learning system uses two-way videoconferencing, Internet and other advanced communications technologies to link together a global network of learning centers. GDLN provides learning opportunities for stakeholders in the development community and provides cost-effective capacity-building programs in countries that now – for the first time in history – are able to make a sustained effort to close the knowledge gap with the rest of the world.

As part of the Higher Education Project (previously described), and co-financed by a Japanese Trust Fund, a Global Development Learning Network Center is being established at the University of Jordan. GDLN will provide quality programming drawn from public and private sources, including the World Bank Institute’s GDLN Center which promotes development-related learning in all its aspects. Learning programs include: (a) seminars, workshops, and courses targeted to the needs of policy-makers, development practitioners, and agents of change, using two-way multimedia video-conferencing sessions with print packages, CD-ROMs, interactive Web communications, and face-to-face tutorials; (b) fostering global dialogues providing unique opportunities for participants to address pressing issues that call for a common international agenda or require the formulation of local policy response. The participants at the GDLN Center will be government officials, universities, business and trade associations who will take part in distance learning activities with developmental emphasis.

The Center was opened on July 5, 2001 by His Majesty King Abdallah. His Majesty attended the first GDLN Session, which included a multi-party session with the Tanzanian, Ukrainian GDLN Centers, the World Bank Paris Office, and the Bank’s Washington Headquarters Office.
Hashemite Kingdom of Jordan

Summary of Bank Lending in Jordan

Jordan joined the World Bank in 1952, and received its first IDA credit in 1961. Over the past 40 years, a total of 67 credits and loans have been granted to Jordan for a total amount of US$1,940.7 million. Jordan is also a member of IFC, ICSID, and MIGA.

<table>
<thead>
<tr>
<th>Sector</th>
<th>IDA:</th>
<th>IBRD:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>US$86.1 million (15 credits)</td>
<td>US$1,854.6 million (52 loans)</td>
</tr>
<tr>
<td>Multisector</td>
<td></td>
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<tr>
<td>Telecom</td>
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<tr>
<td>Health</td>
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<td></td>
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<tr>
<td>Water &amp; S&amp;S</td>
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<tr>
<td>Industry/Mining</td>
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<tr>
<td>Transport</td>
<td></td>
<td></td>
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<tr>
<td>Urban Dev.</td>
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</tbody>
</table>

Of which:
- Investments: US$1,194.3 million
- Adjustments: US$630 million (6 projects)
- Disbursements: US$1,783.1 million
- Repaid: US$771.0 million
- Obligation: US$952.6 million

New Bank Publications

RECENT REPORTS ON JORDAN

Poverty Alleviation in Jordan – Lessons for the Future. (ISBN0-8213-4958-9). The incidence of poverty in Jordan declined between 1992 and 1997. This decline is related to the change in Jordanian Government policies from generalized food subsidies, (benefiting the rich more than the poor), to targeted cash assistance for the poor. Yet poverty reduction remains a major policy challenge for the country since the improvement was driven by reduced inequality and not by positive economic growth. The sustainability of Jordan’s social safety net is limited by the growth of the budget and the economy. The report therefore examines Jordan’s recent experience in poverty alleviation schemes to draw lessons for future policy design improvements.

Jordan Water Sector Review Update (Report 21946-JO). The Ministry of Water and Irrigation, Hashemite Kingdom of Jordan, invited the Bank to assist in updating the Water Sector Review of 1997 as an input into the formulation of a five-year action plan for the Water Sector. Jordan faces three critical challenges: 1) the resource challenge; 2) the financing challenge; and 3) the institutional challenge. In terms of the resource challenge, the challenge of water deficits is compounded by the need to ensure water quality and environmental protection. A systematic action plan for reuse of treated wastewater needs to be formulated in view of the projected increase in the quantity of treated wastewater available for use in the Jordan Valley. In terms of the financial challenge, Jordan will have to redouble its efforts at generating significant additional operating income from drinking water supply and irrigation services. Urban water and irrigation tariffs have not increased since 1997. Urgent action is needed on tariffs to ensure full recovery of operating costs and periodic adjustments for inflation. Self-financing of water supply and irrigation services must be a high priority. In terms of the institutional challenge, reforming the Water Authority of Jordan and Jordan Valley Authority to focus on essential strategic and bulk water management tasks while divesting retail water services to user or Private Sector entities is a high priority. (2001)

Nonfarm Income, Inequality, and Poverty in Rural Egypt and Jordan (WPS2572). Nonfarm income has a greater impact on poverty and inequality in Egypt than in Jordan. In rural Egypt the poor receive almost 60 percent of their income from nonfarm sources, while in rural Jordan they receive less than 20 percent. The
Hashemite Kingdom of Jordan

reason for this difference is land: in rural Egypt, agricultural land is very productive, but access is quite limited, and so the poor are “pushed” into nonfarm work; while in rural Jordan, land is not very productive, and access is not highly prized. In both countries the best way to reduce poverty and inequality might be to focus on nonfarm unskilled labor.

Reforming Public Institutions and Strengthening Governance: A World Bank Strategy (ISBN 0-8213-4875-2). Poorly functioning Public Sector institutions and weak governance are major impediments to growth and equitable development in many developing countries. The topic is important because of its centrality to development.

This strategy paper reviews the World Bank's recent work on governance, Public Sector institutional reform, and capacity building, particularly in core public institutions. The agenda for the next three years is to continue to foster changes through the advancement of analytic tools, new approaches to the design of lending operations, expanded emphasis on partnership with clients and other donors, and progressive shifts in staffing, incentives, and evaluation techniques.

Global Economic Prospects and the Developing Countries 2001 (ISBN 0-8213-4675-X). Global Economic Prospects and the Developing Countries 2001 discusses three issues that are central to the challenges facing developing countries as they participate in the global trading system:

• Many developing countries, particularly some of the poorest ones, have had little success sharing in the expansion of global trade, because of both protectionist policies and inappropriate macroeconomic and trade policies.
• In trade negotiations, the global economy faces the critical governance issue of adequate standards for health and safety, labor practices, environmental protection, and intellectual property rights.

• The influence of technological innovations and what electronic commerce means for trade and production in developing economies.

Voices of the Poor. The Voices of the Poor Project was undertaken as a multi-country research initiative to understand poverty from the eyes of the poor. The research findings are being published in three books over the course of this year.

• Can Anyone Hear Us? (ISBN 0 19-521601-6) gathers the voices of over 40,000 poor women and men in 50 countries from the World Bank's participatory poverty assessments.
• Crying Out for Change (ISBN 0-19-521602-4) pulls together new field work conducted in 1999 in 23 countries.

OTHER BANK PUBLICATIONS

World Development Report 2000/2001: Attacking Poverty (ISBN 0-19-521129-4). At the start of a new century, poverty remains a global problem of huge proportions. Of the world's six billion people, 2.8 billion live on less than US$2 a day and 1.2 billion on less than US$1 a day. The report argues nevertheless that major reductions in all these dimensions of poverty are indeed possible - that the interaction of markets, state institutions, and civil societies can harness the forces of economic integration and technological change to serve the interests of poor people and increase their share of society's prosperity.

World Development Indicators (WDI) 2000 (ISBN 08213-4553-2). Enlarged to include more than 80 tables and 600 indicators for the most recent observations, with a comparison for earlier decades, the WDI has become an invaluable source to those in the Private Sector who analyze business opportunities in developing countries and emerging markets.

Global Economic Prospects and the Developing Countries 2001 discusses three issues that are central to the challenges facing developing countries as they participate in the global trading system:

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Voices of the Poor. The Voices of the Poor Project was undertaken as a multi-country research initiative to understand poverty from the eyes of the poor. The research findings are being published in three books over the course of this year.

• Can Anyone Hear Us? (ISBN 0 19-521601-6) gathers the voices of over 40,000 poor women and men in 50 countries from the World Bank's participatory poverty assessments.
• Crying Out for Change (ISBN 0-19-521602-4) pulls together new field work conducted in 1999 in 23 countries.

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