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LINKING JORDAN TO REGIONAL AND GLOBAL MARKETS: THE IMPORTANCE OF TRADE LOGISTICS EFFICIENCY

The effects of trade liberalization on job and income creation can easily be undermined by excessive costs and time involved in trade transactions, which burdens exporters. For countries in the Middle East and North Africa (MENA) region, especially those that have implemented significant trade liberalization measures, improving the efficiency of trade logistics is a critical priority. These countries are located in a volatile region that constantly imposes challenges to their economic performance. Jordan has accordingly sought to deal with this high volatility through diversification and integration into the world economy. This process has included significant trade reform,¹ removing distortions in the customs regime, and commitment to several important multilateral and bilateral agreements – the latest of which was concluded with the United States.

Key requirements for regional and global integration are: (i) low-cost and efficient trade logistics to enhance the competitiveness of private enterprises; (ii) increase of exports; and (iii) upgrade of logistics links to global markets as an important condition for promoting exports and attracting export-oriented foreign direct investment (FDI).²

Jordan has made important progress in logistical efficiency in recent years, especially after the establishment of the Qualified Industrial Zones (QIZs) aimed at the United States market. The QIZ experiment has shown that Jordan can boost

its export performance, change the composition of its export structure, and tap non-traditional markets. But the QIZs are a temporary solution and addressing the fundamental logistics is the key for long-term export competitiveness.

Today, Jordan, like many other countries in the MENA region, is still high cost location in terms of logistics and transport costs.³ Specifically, Jordan does not fair too well compared to international competitors. Its trade logistics is less efficient than export-oriented economies, especially in the case of non-perishable commodities (garments), given the processing speed for the order-to-delivery cycle (expressed in kilometers covered per day) of 72 km/day, compared to export-oriented economies like China (153 km/day), and Canada (378 km/day) (see Table 1 below).

In addition, cargo clearance time in Jordan's main port, Aqaba, while in line with, or better than, most regional ports, is 10 times as long as the most efficient port in the region (Dubai), as shown in Table 2.

¹ Weighted average tariff rates at approximately 13.5% are roughly on par with the MENA region as a whole, but Jordan is one of the best performers in the region in terms of eliminating nontariff barrier coverage in tariff lines.

² Logistical efficiency is measured in terms of resources consumed in performing the cycle of activities from order-to-delivery for a product—namely, ordering, loading and unloading, carrying capital in transit and storage, storage cost, shelf-loss in transit, filing loss and damage claims, carrying capital in loss and damage, carrying safety stock, emergency shipment cost, and transportation charges. These costs are commonly organized into two groups: non-transport logistics cost, and transport charges—which, when added together, provide a measure of total logistics costs.

³ The MENA region is losing global market share in key export sectors. Nonoil exports are among the lowest in the developing world – less than 1% of the world market share in nonfuel exports compared to more than 10% in the East Asia and Pacific region and 4% in Latin American and the Caribbean (LAC). The MENA region's performance also lags considerably with respect to FDI (net FDI of less than 1% of GDP, compared with 2.6% for LAC and 1.8% for Eastern Europe and Central Asia region).

Table 1. Comparison of Logistics Costs
(In Number of Days Unless Otherwise Specified)

Country	Egypt		Jordan		Yemen			China	Canada
	Garment	Potato	Garment	Fresh Vegetable	Fresh Tuna	Coffee Beans	Bananas	Garment	Synthetic Fibers
Origin to Destination	Cairo to New York	Cairo to Hamburg	Amman to New York	Amman to London	Mukalla to Frankfurt	Sana'a to Tokyo	Hodeidah to Jeddah	Wuhan to Chicago	Toronto To Tokyo
Order Processing/Manufacturing	65	17	57	3.16	3	122	3	60	7
Pre-Shipment Preparation	2	1	1	0.5	0.92	2	0.6	5	3
Outbound Inland Transp./Handling									
- Truck/Drayage	0.166	2	0.83	.083	0.42	1	0.166	4	1
- Rail	-	-	-	-	-	-	-	-	5.5
- Inland Waterway	-	-	-	-	-	-	-	6	-
Gateway Port of Exit	Alexandria Port	Alexandria Port	Haifa Port	Queen Alia Airport	Sana'a Airport	Aden Port	Harad Land Port	Shanghai Port	Seattle Port
- Location	2.5	1	2	0.166	0.125	3	0.40	4	2
- Terminal Handling									
Liner Shipping	21	8	23	-	-	29	-	14	11
Air Flight	-	-	-	.25	0.33	-	-	-	-
Port of Entry	New York Port	Hamburg Port	New York Port	London Airport	Frankfurt Airport	Port of Tokyo	Tawil Land Port	Long Beach	Tokyo Port
- Location									
- Terminal Handling & Customs Clearance	2	2	2	.083	0.125	2.5	0.30	2	2.5
Inbound Inland Transp./Handling to Warehouse									
- Truck	1	1	1	0.042	-	0.5	0.40	0.5	0.5
- Rail	-	-	-	-	-	-	-	6.0	-
Processing Time									
- Order-to-delivery	93.66	32	86.83	4.29	4.92	160	4.9	101.5	32.5
- Transit and handling	26.66	14	28.83	0.724	1.92	38	1.9	41.5	25.5
Total Distance Covered (km)	5,900	4,160	6,249	5,395	6,354	12,495	910	15,526	12,269
- Rail	-	-	-	-	-	-	-	3,652	4,354
- Truck/Drayage	220	200	80	125	600	400	910	-	-
- Sea/Inland Waterway	5,680	3,960	5,939	-	-	12,095	-	11,874	7,915
- Air	-	-	-	5,270	5,754	-	-	-	-
Processing Speed (km/day)									
- Order-Delivery	63	130	72	1,257	1,291	78	186	153	378
- Transit	221	297	216	7,452	3,309	329	479	374	481

Sources: Peter Yee, "Trade Logistics in Egypt and Jordan," mimeo, July 2002.

Table 2. Regional Comparison of Minimum and Maximum Cargo Clearance Days
(Unit: Days)

Country	Syria	Lebanon	Jordan	Egypt	UAE
Port	Lattakia	Beirut	Aqaba	Alexandria	Dubai
Minimum Cargo Clearance Days	3.0	2.0	2.0	3.0	0.2
Maximum Cargo Clearance Days	8.0	3.0	3.0	4.0	0.3

Sources: "Syria Trade and Logistics Analysis as Part of Investment Climate Assessment: Integrating with Global Markets - Trade Competitiveness and Logistics Analysis", 2004, and "Global Links to Regional Networks: Trade Logistics in MENA Countries, Paper presented at the 4th Annual Mediterranean Development Forum in Amman, October 2002.

Key Issues

A background study for the MENA Regional Trade Report (Trade, Investment, and Development in the Middle East and North Africa: Engaging with the World has identified a number of issues increasing the costs and reducing the efficiency of Jordan's trade logistics.⁴ Some of these issues are summarized below.

Low Traffic Volumes

The main problem with Jordan's trade logistics system stems from a *low traffic volume* which prevents economies of scale from being exploited in the different multimodal transport systems, and discourages airlines and shipping lines from providing more frequent and direct services. Small volume of containerized export trade (19,000 Twenty-Foot Equivalent Units (TEUs))—about 6.5 times lower than the containerized import trade (124,000 TEUs)—has created a strong traffic imbalance. The small export volume can neither support nor encourage high quality liner service at the Port of Aqaba. This means that containerized exports are penalized, through

⁴ See Julia Devlin and Peter Yee, "Global Links to Regional Networks: Trade Logistics in MENA Countries", Paper presented at the 4th Annual Mediterranean Development Forum in Amman, October 2002. See also, Peter Yee, "Trade Logistics in Egypt and Jordan," mimeo, July 2002.

increased logistics cost due to infrequent ship calls and long voyages.

At the same time, the domination of the inbound volume means that containerized imports are forced to bear the cost burden of the container's round trip movement rather than share with the outbound movement, since most containers are returned empty to the shipping lines. This imbalance penalizes imports through increased cost of goods for the consumer, and raw materials and/or intermediate goods for the producer. Since the producer is not able to pass on the increased cost to the customer in a highly competitive international marketplace, the Jordanian export-producer is forced to absorb the cost of this impediment.

Limited Shipping Services

Another issue is the uncertainty surrounding the future management and development of the Port of Aqaba. This undermines the aspiration of the Jordanian maritime community to position Aqaba as a competitive port in the region, able to attract the major shipping lines to call frequently. Currently, the shipping lines that handle most of the containers are regional ones. These shipping lines make multiple port calls during the voyage instead of a direct service. Global shipping lines also handle some of the traffic, but they operate through feeder services.

Service level is, therefore, significantly affected by the long and indirect sailing times. For example, the voyage to New York takes 42 days, while the sailing times to Hamburg and Tokyo are 30 and 45 days respectively. Long shipping times penalize Jordanian exporters in an international marketplace where a short order-to-delivery cycle time is required. At the same time, the importance of the inbound volume means that containerized imports are forced to bear the cost of the container's round-trip movement rather than share it with the outbound movement. This imbalance penalizes imports through increased costs of goods for the consumer, and raw materials and/or intermediate goods for the producer. Consequently, the Jordanian exporter is forced to absorb the cost of this impediment since the producer will not be able to pass on the increased cost to the customer in the highly competitive international marketplace.

Unsustainable Trucking Industry

A third issue is the *unsustainable trucking industry*.⁵ The trucking industry provides poor service levels because of highly fragmented ownership with antiquated equipment and its rates are regulated by the government and cargo loads are controlled by a cartel. The trucking fleet in Jordan primarily transports goods to and from Aqaba, and transit goods to neighboring Arab countries. During the 1980s, transit goods represented a major portion of freight traffic, but due to the Gulf War and competition from other ports in the region, traffic has declined significantly and the trucking industry experienced a major downturn. The consequence has been the oversupply of trucking service along with stagnant demand, leading to the decrease in rates.⁶

Transport rates set by the Government have been decreasing over the past couple of years, but the rates have not yet reached a level that allow Jordanian trucks to compete with neighboring countries. Moreover, 90% of trucks in the fleet are 20 years or older and need to be replaced, but the industry is in poor financial condition and does not have the capability to modernize the fleet. Without a sound trucking industry capable of delivering high service quality, exporters will increasingly be penalized with rising logistics costs for the inland part of the intermodal transport system. The trucking industry is in need of major reform, and poses one of the largest obstacles to creating a seamless trade and transport in Jordan.

Disorganized Transport Intermediary Sector

A fourth issue is a *disorganized transport intermediary sector*. Transport intermediaries play an important role, especially when performing its services as a principal in which case it assumes the responsibility of a contracting carrier, and it is

⁵ The trucking industry is dominated by three companies, two of which are state-owned on a joint basis between the Government of Jordan and neighboring governments, while the third is a cartel.

⁶ Jordan's total truck fleet reached 13,000 trucks, while the market demand did not exceed 5,000 trucks. A truck operator has to wait two weeks for a load, a level of activity that cannot sustain his operations.

essential that their industry is properly developed and managed. Jordan has a number of home grown international freight forwarders, as well as foreign companies. However, the majority of them are small forwarding companies without much qualification. The problem stems from the fact that transport intermediaries do not fall within the purview of government. There is no mechanism to regulate them with respect to the criteria that applies to operating carriers. Consequently, there is no public test of fitness or competence before they are allowed to engage in business. In addition, unlike many other MENA countries, Jordan has no national freight forwarding association affiliated to the Federation of International Freight Forwarders Association (FIATA) to promote and regulate professional standards and competence. As a result, the transport intermediary sector could become an obstacle should international trade volume increase.

Manual Processing Of Trade Documents

A fifth issue is the *manual processing of trade documents* that imposes significant delays in import clearance and trade logistics, although the exact time and costs of manual processing was not assessed by the above-mentioned study. The flow of trade is controlled not only by the physical handling of the goods along the supply chain, but also by the flow of information. In Jordan, many government agencies are involved in the import process, and the multiplicity of procedures places a substantial penalty on Jordanian importers. The delay cannot be attributed solely to Customs, that is efficient by regional standards. Instead, it is the outcome of multiple Government agency procedures. The Customs Department has started implementation of Asycuda++ since 1999. Some of the key functions that have been described include online declaration submission and risk management. However, several constraints with Asycuda++ exist, such as submission and processing of manifest, and handling of processes that are specific to Jordanian context.

Onerous Cross-Border Procedures

A sixth issue is the *onerous cross-border procedures* that hampers fast transit and inhibits international and regional trade. In Jordan, the problem stems not from its own Customs authority, which is progressive, but from the

onerous procedures imposed by Israeli border authorities, since Jordan's exports are primarily routed through the gateway Port of Haifa. In addition, land transport of freight to neighboring countries is also disrupted by the onerous procedures of cross-border inspections that include the transfer of goods from the vehicle of one jurisdiction to the vehicle of another jurisdiction. Although Jordan is party to the Agreement on International Roads in the Arab Mashreq, developed under the auspices of UN/ESCWA, no transit protocols have been developed yet to facilitate regional trade.⁷

Other Issues

There are other regulatory issues that would also need to be addressed. Among these is *inadequate liability coverage for transport*. Like many developing countries, Jordan does not have a truck liability regime or a multimodal transport liability regime that harmonizes coverage among the different modes of transport. The absence of either regime creates uncertainty in trade, because the cargo owner is not protected from cargo loss or damage arising from accidents or other causes, while in the care of the trucker or multimodal transport operator. This situation undermines the confidence of exporters and importers engaged in trade.

Moreover, the development of a seamless trade logistics system requires Government regulations to be streamlined to accommodate the operations of seamless multimodal transport. In this regard, there are institutional impediments standing in the way of achieving this goal, because the technology of multimodal transport, especially the haulage of containers, requires rules and regulations that harmonize with its operations. For example, in trucking, existing licensing regulations treat the tractor trailer combination as a single unit, not allowed to be decoupled so that tractor and trailer fleet efficiency can be enhanced. This type of regulation, established before the days of tractor-trailer configuration, needs to be revised to facilitate multimodal transport.

⁷ In spite of an existing transit agreement, Jordanian and Iraqi authorities do not clear truck traffic in accordance with the procedures. Frequently authorities disagree with the documents, and as a result the truck has to sit at the border for days in order to clear up the dispute. When disputes are not settled, the trucks are turned back.

Improving Jordan's Trade Logistics

An efficient trade logistics system has many requisites: good transport infrastructure, competitive carriers, competent transport intermediaries, fast cross-border procedures, customer-oriented banking and insurance sectors, modern information and communication technology, and a sound legal framework. Above all, good trade logistics are based on exporters and importers knowledgeable and skilled in international commercial terms, documentary credits, document handling, and multimodal transport arrangements, so that transaction costs are kept to a minimum through proper handling.

In order to solicit views as to the options for improving Jordan's trade logistics, a workshop was held in Amman in December 2003. Over 100 participants, mainly from the private sector, contributed to lively debate and brainstorming on various options to overcome the above-mentioned issues. The participants recommended that the Government of Jordan develop an enabling environment to:

- Facilitate access to export markets by Jordanian enterprises, by providing knowledge on buyers and business partners in key markets, and know-how on the requirements of these markets;
- Create an orderly transport industry, in which service providers are fit and competent in the delivery of multimodal transport services;
- Develop affordable and standardized information systems accessible by small and big stakeholders;
- Ensure efficient cross-border procedures for fast clearance without compromising national safety and security;
- Put in place carrier liability regime that is harmonized among the modes of transport, and transparent to avoid confusion on the placement and limits of liability; and
- Create unified policy-making institutions guided by an integrated policy framework and supported by civil servants knowledgeable in trade and transport to provide direction in the development and implementation of policies.

To achieve these outcomes, the *first requirement* is the design and implementation of a coherent

national transport policy. Such policy would provide principles for developing individual modes of transport, and ensure the orderly functioning of modal markets. It would also provide a strategic direction for the further development of the Aqaba Port.

Ideally, a National Transport Policy should be designed to cover: (i) competition and market forces, whenever possible, as the prime agents in providing viable and effective transportation services; (ii) accessibility and equity of treatment in the movement of goods to all users; (iii) highest practicable safety standards; (iv) economic regulation of carriers and modes of transportation; (v) each carrier or mode of transportation should bear a fair proportion of the real costs of the resources, facilities, and services provided at public expense; and (vi) requiring each carrier, operator or mode of transportation should carry traffic to or from any point in the country under fair rates and conditions. Such a policy would also provide transparency and send clear signals about the role of the private sector.

The *second requirement* is the creation of a government entity for dealing with trade logistics issues that encompass the competence or responsibility of the Ministry of Transport, Ministry of Finance, Customs, Ministry of Trade, Ministry of Construction (transport infrastructure), Ministry of Agriculture, Ministry of Health, etc. Furthermore, there is a need for further coordination between the Government and the private sector. Trade logistics issues require the coordinated attention of all stakeholders in the logistics chain. This can only be handled through the formal or informal creation of a consultation entity such as a trade and transport facilitation committee.

Such a committee should focus on the modernization of transport and logistics practices, with specific responsibilities to: (i) provide a national forum to discuss actions for facilitation of formalities, procedures, and documentation used in international trade and transport; (ii) make submissions to the Government, for consideration, in the area of trade and transport-related rules and regulations; (iii) make recommendations on future logistics investments in infrastructure, information technologies, etc.; and (iv) increase awareness of

the methods and benefits of transport and trade facilitation.

Focus On Trade Facilitation And Export Promotion To Help Overcome Low Traffic Volume And Poor Transport Service Levels

It is imperative that the Government of Jordan continue to support export development to minimize the penalties of low service levels due to low export volume. This can be accomplished in part by maintaining a stable macroeconomic framework to support trade as well as a stronger focus on the following:

A. *Electronic Access to Market Studies:* There are a large number of export market and cluster studies that are not easily accessible to the Jordanian private sector.

B. *Facilitating Export Market Entry:* Several programs exist to facilitate export market entry by Jordanian enterprises. While there are some successes, the impact of these programs is hard to measure. International experience suggests that these types of programs are most effective in promoting exports and jobs when they have the following attributes:

- Focus on individual firms;
- Temporary and designed to help enterprises overcome psychological and economic barriers to export;

- Consistent with WTO and other multilateral and bilateral agreements;
- Demand-based, whereby beneficiaries cover part of the costs (usually 50%);
- Performance based on measurable criteria; and
- Develop local capacity to assist emerging exporters.

These outcomes can be achieved through programs similar to the Export Market Access Fund (EMAF) in Tunisia (see Box 1 below).

C. *Support Trade Finance:* There is a well-structured Export Credit Insurance scheme and a Preshipment Export Finance Program (PEFP) in place, managed by the Jordanian Export Credit agency. However, the PEFP has only guaranteed a small amount of credit (JD8 million). A supplementary program may be needed to strengthen this area. International experience shows that such a program is most effective when:

- Focusing on reducing exporter "nonperformance" risks from the commercial banks' point of view. This requires the Export Credit Agency to undertake the risk evaluation;
- Adopting a sectoral approach to risk evaluation; and
- Sharing risk with the banks.

Box 1. Government Support For Market Access

The Tunisia case can provide an interesting case for Jordan, showing how public/private partnership has helped firms overcome difficulties in accessing export markets. The best performance indicator for this is the emergence of more than 450 new exporters. The sizable costs for private companies to find potential markets and buyers justifies Government assistance. In their effort to integrate into global markets, MENA firms face many challenges. They must (i) identify the right target market, the right product segment, and the right selling channel; (ii) learn how to adapt their products for these markets so that they are able to meet the price and quality standards demanded by the target market; (iii) learn logistical requirements to complete a trade transaction; (iv) understand who their competitors are; (v) launch marketing and selling campaigns; and (vi) deliver the product on time and collect on sales. Most Jordanian firms lack know-how and resources to undertake these types of activities as they require significant investments, are information intensive, and often require years before understanding the market. All these have to be undertaken in an environment where firms are already stretched thin trying to cope with poor ICT infrastructure, delays in securing inputs, complying with procedural requirements (trade clearance, etc.) and accessing credit. Therefore, the Government can play an important role in providing private companies with useful information and assistance to identify markets and buyers. In Tunisia, the Government set up the Export Market Access Fund (EMAF) to cover part of the cost of a professional consulting services to help enterprises identify markets and buyers, and compete in export sale.

Measures To Improve The Efficiency Of Trade Logistics

Participants complimented the Ministry of Transport’s ongoing effort in improving the transport sector. Four major themes were identified to strengthen the multimodal transport system:

A. Develop A Competent Multimodal Transport Sector: The multimodal transport sector is in the nascent stage of development and the Ministry of Transport has contemplated introducing new policies to guide the development of the sector. This sector is crucial to the facilitation of Jordanian trade. International experience demonstrates that a competent multimodal transport sector has members with the following attributes:

- Professionally accredited by FIATA or the International Air Transport Association (IATA);
- Operate as principals who issue Bills of Lading with limits of liability for the carriage of goods covered by adequate insurance;
- Multimodal transport Bill of Lading accepted as documentary evidence by commercial banks in a trade transaction; and
- Institutionally recognized as a "carrier".

B. Modernize Trucking Industry: The Ministry of Transport has undertaken a number of policy measures to liberalize the trucking sector, restructure the industry by raising the standards of market entry for certain industry segments, renew the fleet through reduced Customs Duties for imported equipment, and other measures. However, there is still a truck cartel hauling goods between the Port of Aqaba and inland destinations. International experience suggests that the best programs for modernization:

- Create competent trucking companies that reap the economies of fleet size and benefits of fleet management;
- Promote healthy competition;
- Place liability for the carriage of goods with limits of liability;
- Establish proper vehicle weights and dimensions; and

- Create an adjustment fund for replacement of old trucks.

At the international level, world-class exporting countries have strong market-driven trucking industries that facilitate rather than obstruct trade.

Jordan’s trucking sector is in need of de-regulation and restructuring to create a modern industry with the following features:

- Capable and adequately financed trucking operators with a sizable fleet for competing effectively in the trucking market;
- Freedom to charge market rates for the trucking services provided; and
- Government involvement restricted to regulation by the Ministry of Transport pertaining to driver and vehicle safety, vehicle weights and dimension on roads, road licensing (recovery of road costs), anti-competitive practices, etc.

To restructure the current industry, the Ministry of Transport should establish new market entry conditions that facilitate competent and financially capable applicants to be approved, while others are to be turned away. This approach would require careful planning in setting up the approval process. Strong consideration should be given to the transition of the trucking industry on an industry-by-industry segment basis to minimize the chaotic process and maximize the lessons learned from the transformation of each industry segment, since the trucking industry is heterogeneous.⁸

Restructuring the industry should be accompanied by a deregulation of truck rates and allow for complete freedom of pricing across the trucking market. Pricing freedom also implies the dismantling of the cartel system as it no longer commands relevance. Jordan's Ministry of Transport (MOT) should embark on this undertaking as an integral part of the modernization of the trucking industry. To publicly manage the new trucking environment, MOT should reorient trucking

⁸ The trucking industry is comprised of different trucking operations which includes tankers, containers, reefers, etc.

policies to focus on safety, enforcement of truck weights and dimensions, anti-competitive practices, market entry, etc. Consideration should also be given to the institutional arrangements—the most important of which is the separation of the policy-making role and the enforcement function.

C. Improve Intermodal Transfer Facilities: The main area of concern is the Port of Aqaba which is the country's only seaport. The Port has experienced several crises in cargo handling caused by sudden and temporary surges in traffic, inefficient operations, and uncertainty over its future status as a public or private port terminal. At the same time, there is no inland container depot for handling and positioning containers that could serve as an inland port for border clearance. Participants felt that intermodal transfer links should be strengthened to facilitate trade. International practice calls for efficient ports and inland container depots as part of the trade logistics system, while there is also the discernible trend toward private operation of terminals rather than publicly operated terminals.

D. Modernize Border Management Practices: The private sector expressed the desire for streamlined border management procedures. Modern border control relies on the following to achieve speedy clearance of goods without compromising each border agency's mandate and objectives:

- Customs is the primary agency in border control and other control agencies are called upon on a referral basis—as opposed to sequential processing in backward border control procedures;
- Risk management is used to control traffic accompanied by other techniques, such as pre-clearance and post-clearance of shipments—as opposed to compulsory inspection or high rate of inspection at the border; and
- Heavy use and acceptance of information technology in border clearance procedures, as opposed to manual handling of information flow.

Expand The Role Of Information And Communication Technologies (ICT)

Electronic processing has helped speed up the flow of information considerably, and it is imperative that over time the Government of Jordan work towards enhancing access to these tools for exporters. With the spread of Internet-based e-commerce, Electronic Data Interchange (EDI)-like features will be more affordable to smaller companies. This is an area where export associations could also make a significant contribution in getting exporting firms organized to maximize the benefits of low cost Internet-based EDI systems as they are brought to the market place.

Workshop participants recommended:

A. Creation of One Common Computerized Network:

It was proposed that one common computerized network be created to link all Government control agencies and private sector trade participants for submission and processing of external trade documents. International best practice has demonstrated the effectiveness of such a network, and this would enable Jordan to significantly reduce goods clearance delays and trade transaction costs. Various options can be considered in implementing such a network. It could follow the model of Singapore or Tunisia (see Box 2 below) which has incorporated all government agencies involved in trade transaction clearance, as well as the private sector. Alternatively, it could follow the model of Malaysia that has gradually incorporated these agencies and the private sector according to their respective readiness for automation.

B. Computerization of Port Terminal Services at Aqaba:

The computerization of the port terminal services at Aqaba, is considered an important step in ensuring a proper flow of information required for efficient terminal operations. The computerization of other Government control agencies would also be required in order to integrate their services with the trade facilitation network.

Box 2. Tunisie Trade Net

The case of Tunisia was introduced in the workshop to demonstrate the effectiveness such a network could bring to Jordan, by significantly reducing the cost and time for the trade transaction. As in other countries, the procedures for external trade in Tunisia required the processing of paper documents by multiple agencies—the Ministry of Commerce, banks, the port authority, and customs, as well as the usual professional organizations such as customs brokers, shipping agents, and freight forwarders. Hardcopy documents had to be delivered to relevant agencies for clearance and, in some cases, picked up again after several days for further processing. There were 19 distinct steps involved in an import transaction, and 15 steps in an export transaction. Even beyond cost, the processes severely impeded the ability of Tunisian companies to respond to, or accept, short-notice orders, and therefore, negatively affecting their competitiveness.

The Government, with World Bank support through the Export Development Project, initiated new measures in 1999 to systematically tackle trade facilitation issues, starting with the simplification and automated processing of trade documents. Initial focus was on improving the information exchange associated with cargo handling and clearance activities, through the use of information and communications technologies, and initiating measures to simplify customs and inspection procedures.

The foundation for the reforms was provided by the simplification and adoption of international standards for trade documentation initiated a few years earlier with the support of the European Commission, and significant coordination among the various stakeholders. Five documents previously required by the authorities were re-designed (two documents were eliminated), while the remaining were redesigned to reduce duplication, and to standardize terminology. The customs declaration was aligned to international standards. In addition, two of the four documents required for goods removal were eliminated. The development of electronic formats for trade documents made it possible both to share information amongst the various stakeholders, and to process the information contained within the documents.

Building on this foundation, a key initiative was the creation of a semi-public agency—Tunisie Trade Net – TTN—in February 2000, to develop and operate a value-added network to provide electronic data interchange (EDI) for stakeholders, and to expedite flows and processing of trade documents. TTN shareholders include 10 government agencies, including the national port authority and Tunis Air, and 18 private sector units, including several banks, and the Tunisian Internet Agency. The system interfaces with all agencies involved in international trade procedures, including the Tunisian Customs, Ministry of Commerce, technical control agencies, the Central Bank, ports, private sector traders, agents, freight forwarders, customs brokers and banks. Key trade documents, including customs declaration and technical control documents, are processed through the TTN network. In addition, the system processes on-line tariff payments. A single connection to the central server enables each participant to exchange documents and messages with other participants. Shipping manifests and customs declarations are sent over the network, thereby reducing processing time. The manifest data for Customs is also available to the cargo handling operator in electronic format, eliminating data capture by the latter, and improving planning and operational processes. TTN provides a flexible user interface: trade professionals (customs brokers, freight forwarders, ship agents, etc) use client-based applications that are designed to handle processing of large number of transactions, whereas occasional users can opt for a web-based interface.

Although it is too early to fully measure the benefits of these initiatives, their impact on reducing transactions costs has been impressive. The companies that are now using the TTN system have reported savings in time and costs equivalent to 5-10% of their sales price. They have also reported that the average time of clearing their goods has been reduced from 8 to 3 days.

Harmonize Carrier Liability Regimes

International best practice calls for a country to provide liability regimes for all modes of transport, usually, but not always, modeled after international conventions. At the same time, international practice also falls short by having disunity in the liability regimes among the different modes of transport, and between countries, instead of a harmonized liability regime for all modes and among countries. However, effort is under way at the ocean shipping level to harmonize the different regimes, currently led by the Committee Maritime International. This is done in conjunction with the United Nations Commission on International Trade Law (UNCITRAL) that is expected to result in a new international convention on the carriage of goods by sea. Such a convention will lead to greater certainty and uniformity in the law for the limits of liability in ocean carriage.

Establish International Transit Agreements To Remove Uncertainty Of Transborder Trucking

Land transport of freight to neighboring countries is frequently disrupted by the onerous procedures of cross-border inspections that include transfer of goods from the vehicle of one jurisdiction to the vehicle of another jurisdiction. Such impediments could be lessened with an effective transit agreement, and a one-stop-shop for border clearance which serves both countries.

A regional transport network, based on an international transit agreement and ensuring its enforceability, would be a strong instrument for promoting intra-regional trade and attracting foreign investors. The Government of Jordan can make concerted efforts to convene with neighboring countries in the region to accelerate the establishment of a transit agreement that will encourage intra-regional traffic, as well as facilitating international and transit commerce with neighboring regions. This initiative should build on the Agreement on International Roads in the Mashreq developed under the auspices of the UN Economic and Social Commission for Western Asia⁹. In addition, the United Nations Customs Convention on the International Transport of Goods Under Cover of TIR Carnets (TIR Convention, 1975) has already been acceded by several countries in the Mashreq. The TIR Carnets provide a proven model in which a transit agreement could be developed. It would be in the region's interest to mobilize the Mashreq to adopt one.

⁹ The member states agreed that an Integrated Transport System in the Arab Mashreq (ITSAM) should be developed.

RECENT ECONOMIC DEVELOPMENTS

Since mid 2003, the Jordanian economy is exhibiting mitigated signs of recovery, after experiencing a sharp drop in GDP growth in the first half of 2003. Foreign reserves increased and the current account balance registered a surplus.

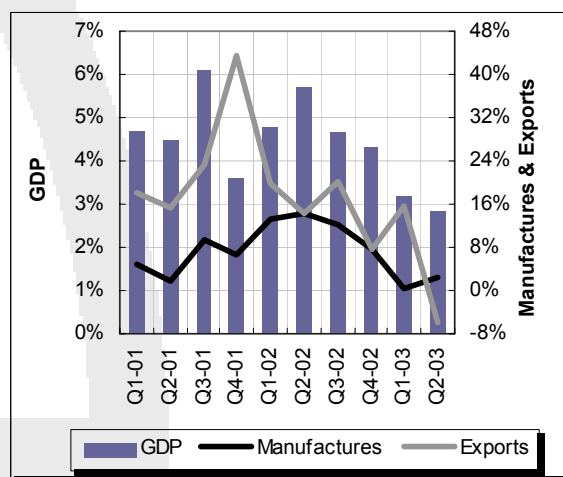
Risks on both fiscal and external accounts have been contained, mainly because of exceptional external support. Therefore, rigorous fiscal management and continued strong export performance will be the key to offset some of the durable effects of the war in Iraq—namely the loss of Iraqi oil subsidies and grants—and the opening of the Iraqi market to broader international competition.

Output and Prices

The preliminary National Accounts for the First Quarter of 2003 and the Second Quarter of 2003, together with other indicators, confirm that the Jordanian economy experienced a slowdown in both internal and external demand. The growth rate of the real GDP at basic prices declined from 5.3 percent during the First Half of 2002 to 3 percent during the First Half of 2003. The share of domestic exports in GDP slightly declined from 25.5 percent during the first half of 2002 to 25.1 percent during the First Half of 2003. The largest decline was registered in the Second Quarter of 2003 with exports dropping by 6 percent. The growth of the value added at constant prices of the manufacturing sector reached only 1.5 percent

during the First Half of 2003, compared to 14 percent for the same period in 2002. This decline in the manufactures dynamic remains consistent with the decline in exports.

Figure 1. GDP, Manufactures and Exports



Source: Jordanian Authorities and World Bank Staff Estimates.

The Index of Manufacturing Industries, which accounts for more than 75 percent of industrial output, dropped by 11.4 percent between the first nine months of 2002 and 2003. The decline in mining and quarrying production accelerated during the year, and reached 10 percent over the same period.

The contrast between the important drop in Industrial Index and a slight increase in Exports, points to a substitution phenomena resulting from the decrease in internal demand. Thus, the Consumer Price Index (CPI) increased by 1.9 percent during the first nine months of 2003, against a 2.2 percent increase during the same period in 2002. The drop in CPI growth occurred mainly in the First Quarter of 2003, while, starting in May 2003, the prices of some items increased following fiscal measures aiming to enhance public revenues.

Another indicator of the drop in internal demand is the average growth of resident deposits in the

Table 1. Key Economic Activity Indicators

Indicator	% Variation	
	Jan-Sep 02	Jan-Sep 03
Industrial Production Index	13.5%	-9.3%
Manufacturing	15.0%	-11.4%
o/w Cement Production	10.1%	-1.3%
Electricity Production	5.0%	-2.9%
Domestic Exports Growth	18.1%	2.7%
GDP Growth – Six Months	5.3%	3.0%

Source: Jordanian Authorities and World Bank Staff Estimates.

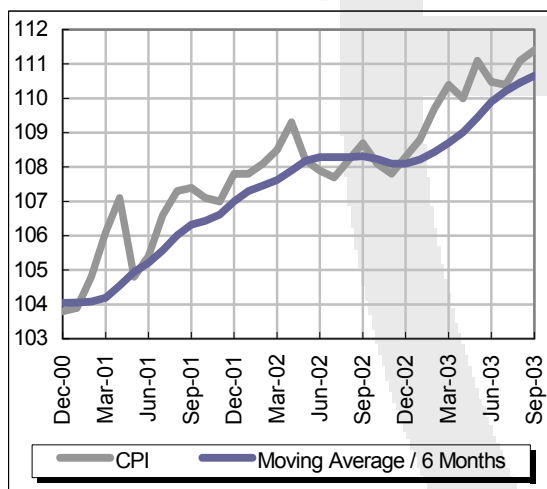
banking sector, observed since the beginning of the year. Thus, while this growth rate stood at 7.9 percent in the first nine months of 2002, it rose to 10 percent between December 2002 and September 2003. This increase in deposits may indicate that, despite the end of the war in Iraq, households are still delaying their consumption and increasing their saving.

Table 2. Average Change in CPI

	January Sept. 2001	January Sept. 2002	January Sept. 2003
Food	-0.4%	0.7%	1.2%
Clothing	1.5%	-0.5%	-4.2%
Housing	1.6%	2.3%	2.4%
Other Goods and Services	3.8%	5.8%	4.5%
Total	1.2%	2.2%	1.9%

Source: Jordanian Authorities and World Bank Staff Estimates.

**Figure 2. Consumer Price Index
December 2000 to September 2003**



Source: Jordanian Authorities and World Bank Staff Estimates.

Domestic Merchandise Exports

Jordan domestic exports were severely affected by the war in Iraq. Thus, without a 37 percent rise in clothing exports, cumulated total domestic exports would have decreased by 7 percent instead of the 2.7 percent increase registered by the end of September 2003 compared to the same period of 2002. Several sectors which geared their production capacity to the demand of the Iraqi

market suffered from the closing of that market. Nevertheless, with Iraq recovering slowly, Jordanian industries have started to benefit from some market opportunities.

The geographical distribution of exports evolution continues to match the sectoral evolution as exports to the United States, mostly clothes produced in the Qualified Industrial Zones, rose by 64 percent, and pushed the part of exports to the United States from 18 percent in September 2002 to 29 percent in September 2003. Exports to Arab countries decreased by 13 percent, with exports to Iraq dropping by 46 percent. Cumulated figures for April show a decline of the part of exports to Arab countries in total exports from 49 percent in September 2002 to 41 percent in September 2003.

The depreciation of the Jordanian Dinar against the Euro stimulated a 43 percent rise in the value of exports to the European Union. Considering the increase of the value of the Euro, the volume increased by 19 percent only. Exports to other countries (23 percent of total exports) declined by 12 percent.

External Sector

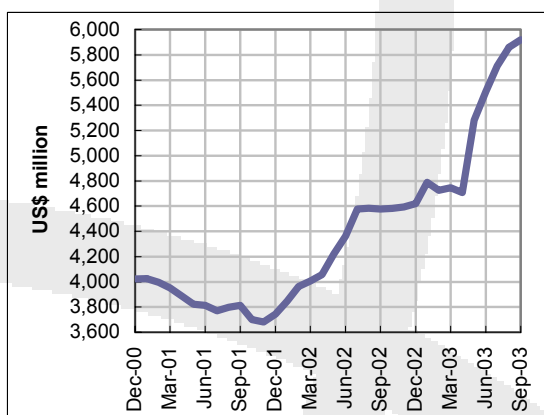
Net Foreign Assets of the Central Bank increased from US\$4.6 billion in December 2002 to US\$5.9 billion in September 2003, which is equivalent to 63 percent of the provisional GDP for 2002. The larger part of the increase is linked to the US\$742 million grants received after the war in Iraq. Current Account figures for the first six months show a surplus of US\$767 million compared to a US\$186 million surplus in 2002 and a deficit of US\$51 million in 2001. The Trade Deficit deepened by US\$271 million between the first nine months of 2002 and the same period in 2003. This 16.3 percent increase in the Trade Deficit exerted a substantial pressure on Jordan's external balance. However, an increase by US\$83 million of Net Worker Remittances and Net Travel Receipts offset somewhat the Trade Deficit. Without the foreign public inflows, the Current Account deficit would have reached US\$206 million over the first six months. The situation seems to be improving in the Third Quarter of 2003, with a decrease by 2.8 percent in the Trade Deficit compared to the Third Quarter of 2002.

Table 3. January - September Exports

	2002		2003		Yoy
	JD Million	% of Total	JD Million	% of Total	
Shrinking Sectors					
Medical and Pharmacy Products	111.0	9.72%	100.2	8.6%	-9.7%
Phosphates	73.8	6.5%	67.9	5.8%	-7.9%
Vegetables	73.0	6.4%	70.0	6.0%	-4.1%
Vegetable Fats or Oils	42.0	3.7%	19.0	1.6%	-54.7%
Polishing and Cleaning Preparations	35.3	3.1%	28.9	2.5%	-18.2%
Paper and Cardboard	27.8	2.4%	22.4	1.9%	-19.1%
Plastic and Articles Thereof	15.2	1.3%	11.6	1%	-23.6%
Machinery and Transport Equipment	13.5	1.2%	4.7	0.4%	-65.0%
Textile Yarn and Related Products	12.7	1.1%	9.5	0.8%	-25.3%
Subtotal	404.3	35.4%	334.2	28.5%	-17.3%
Expanding Sectors					
Clothes	250.1	21.9%	344.1	29.4%	37.4%
Potash	94.9	8.3%	108.2	9.2%	14.0%
Fertilizers	49.7	4.4%	57.5	4.9%	15.7%
Subtotal	394.7	34.6%	509.8	43.5%	29.2%
Total	563,7	100.0%	593,7	100.0%	5.3%

Source: Jordanian Authorities and World Bank Staff Estimates.

Figure 3. Central Bank Net Foreign Assets



Source: Jordanian Authorities and World Bank Staff Estimates.

Jordan has resumed its commercial relations with Iraq, and is again buying Iraqi oil. Jordanian companies have also started to contract in, and export to Iraq. Nevertheless, these developments have not yet compensated for the loss of the Iraqi oil grants/subsidy, as new imports of Iraqi oil are

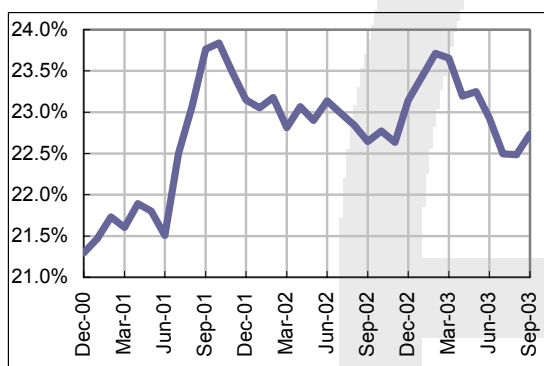
now billed at international prices, while the dynamic of exports is still low.

The increase in the cumulated Trade Deficit for the first nine months is linked to a 10.3 percent rise in imports, and a slight 5.4 percent increase in exports (domestic and re-exports). Thirty-one percent of the increase in imports stems from the increase in oil imports (consequent to the war in Iraq) and 17 percent from the increase in the Yarn and Textile (consequent to the rise in imports of inputs from the textile industry). Thus, while imports from Iraq decreased by US\$355 million during the first nine months of 2003, imports from Saudi Arabia rose by US\$140 million over the same period. The Euro increase translated into an increase in the value of imports from the European Union (14.7 percent), but their volume seems to have decreased as the rate of the Euro to the Jordanian Dinar rose by 19.8 percent between May 2002 and May 2003.

Monetary Policy And The Financial Sector

The money supply increased by 10.3 percent between End 2002 and September 2003, against a 7.6 percent increase during the same period a year ago. The expansion in money supply was caused by a 21.1 percent rise in Net Foreign Assets mainly linked to the foreign grants inflow. The drop in Foreign Liabilities in the banks' Consolidated Balance sheet has indeed reached US\$307 million between December 2002 and September 2003. As a consequence, the dollarization rate of M2 decreased from 23.1 percent to 22.5 percent over the same period.

Figure 4. Dollarisation of M2



Source: Jordanian Authorities and World Bank Staff Estimates.

Despite the large increase in the banks' resources, the increase in loans to the private sector remained at 2.4 percent between December 2002 and September 2003, the same rate as a year ago. The claims on the public sector decreased by 8.9 percent. Hence, the increase in resources was absorbed by the Central Bank of Jordan (CBJ), and reserves and deposits with the CBJ of the banking sector increased by 27 percent since End 2002 (23 percent of the total balance sheet of commercial banks). The dissymmetry between the progress in resources and the private lending dynamic in an environment of economic slowdown, pushed the CBJ to further reduce its interest rates. The rates of both re-discount and Certificate of Deposit were cut.

The drop of interest rates on deposits, already stimulated by the large increase of deposits, accelerated. The decrease of lending rates to the private sector, however, was relatively moderate. The decrease on CD rates and the reduction of the well remunerated public debt portfolio detained by the banks seem to have refrained the banks from further decreases on the private lending rates that would have affected their margins.

Table 4. Banking Sector Interest Rates

	December 2001	December 2002	02/01 (bpt)	September 03	03/02 (bpt)
Central Bank Re-Discount Rate	5.0%	4.5%	-50	2.5%	-200
Certificates of Deposit - 3 Month	3.9%	3.0%	-90	2.3%	-75
Average Interest Rates on Deposits					
Demand	1.1%	0.9%	-15	0.5%	-39
Saving	2.9%	1.8%	-107	1.0%	-82
Time	5.2%	4.0%	-122	2.8%	-118
Average Interest Rates on Lending					
Overdrafts	10.4%	9.4%	-107	10.2%	82
Loans and Advances	10.5%	9.9%	-60	9.2%	-66
Discounted Bills and Bonds	11.9%	11.0%	-93	10.5%	-44

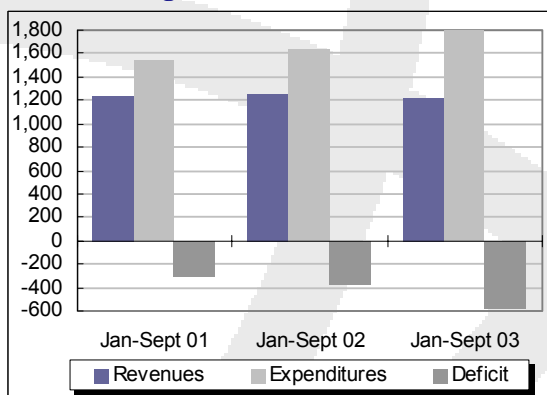
Source: Jordanian Authorities and World Bank Staff Estimates.

Fiscal Situation

The Government budget deficit continued to rise, driven by the relative economic stagnation and the continuing effects of the war in Iraq. Cumulative current deficit at the end of September 2003, excluding foreign grants, reached JD577 million against JD387 million for the first nine months of 2002. Expenditures rose by 9.4 percent with 41 percent of the increase occurring in Defense and Security expenditures, and 13 percent in the Relief Operations and Emergency expenditures, which continued to grow in September. Another 13 percent of the increase is due to additional Capital Expenditures to compensate the growth slowdown. The rest of the expenditures increase is linked to the oil bill increase during the war. With the end of the war, some expenditures declined naturally, like Security expenditures, while control over other type of expenditures is being tightened.

The decrease in revenues reached 2.8 percent (after decreasing by 11.3 in April) compared to the same period last year. The Government's efforts to increase revenues has indeed resulted into a 4.2 percent rise in revenues collected between May and September 2003 compared to the same period of 2002. For instance, Tax Revenues increased by 6 percent between the two periods mainly due to the increase by 26 percent of the Sales Tax receipts on Domestic Goods. On the other hand, the Non Tax Revenues dropped by 21 percent in the first nine months of 2003 compared to the same period in 2002.

Figure 5. Fiscal Balance



Source: Jordanian Authorities and World Bank Staff Estimates.

Jordan financed its increasing deficit with foreign grants. Foreign grants and rescheduling allowed to compensate the budget deficit and to register a nil budget balance with a primary surplus of JD118 million at end September. With such a substantial foreign support, Jordan managed to have a limited increase of its gross debt.

Table 5. Fiscal Balance

JD Million	2001	2002	2003
Domestic Revenues	1,228	1,255	1,220
Tax Revenues	770	750	791
Income and Profits	164	158	148
Sales Tax	377	373	430
Customs	172	159	148
Other	57	59	66
Non-Tax Revenues	427	479	397
Repayment	32	26	31
Total Expenditures	1,535	1,642	1,796
Current Expenditures	1,297	1,364	1,499
Excluding Debt Service	1,102	1,196	1,329
o/w Defense and Security	388	411	474
Debt Service	195	168	170
External	149	124	127
Internal	46	44	43
Capital Expenditures	237	278	298
Surplus/Deficit	-306	-387	-577
Balance to Expenditures	-19.9%	-23.6%	-32.1%
Primary Balance	-111	-219	-407
Including Grants and Rescheduled Interests			
Surplus / Deficit	-68	-197	-1
Balance to Expenditures	-4.6%	-12.2%	-0.1%
Primary Balance	82	-60	118
Grants	192.7	158.5	525.2
Rescheduling	45.1	32.2	50.1

Source: Jordanian Authorities and World Bank Staff Estimates.

BANK GROUP OPERATIONS

IBRD Projects In The Pipeline

○ **Amman Development Corridor** (US\$30 million). The proposed Project aims at: (i) assisting Jordan's growth strategy by providing needed infrastructure to support Amman's role as a regional center for trade and services; and (ii) helping ensure that Jordan's road assets are managed in a cost-effective and sustainable manner.

○ **Third Public Sector Reform Loan (PSRL-III)**. (US\$80 million.) The foundation of Bank support for Jordan's Program of Public Administration Reform is a series of three one-tranche Public Sector Reform Loans. This third prior action loan would support the Government's program to strengthen public sector management, generally on the basis of a program of actions that aim to improve the Government's institutional capacity and incentives to deliver quality public services, and on the basis of continued sound, overall macroeconomic management.

○ **Cultural Heritage, Tourism, and Urban Development Project** (US\$45 million). The Project will build on the ongoing tourism project (TDP-II) and will have two key development objectives: (i) to create conditions for sustainable urban revival and increased cultural and tourism offerings in the historic centers of selected secondary cities; and (ii) to improve the national tourism and cultural heritage management framework.

IBRD Ongoing Projects

The current portfolio in Jordan consists of seven projects for a total commitment amount of US\$311.7 million, of which US\$122 million has been disbursed to date.

○ **Second Tourism Development Project (TDP-II)**. (US\$32 million.) The Project aims at: (i) creating the conditions for an increase in sustainable and environmentally sound tourism in Petra, Wadi Rum, Jerash, and Karak; and

(ii) realizing tourism-related employment and income-generation potential at Project sites.

○ **Community Infrastructure Development Project (CIDP)**. (US\$30 million.) The Community Infrastructure Development Project represents the first (pilot) phase of a longer-term program of small-scale infrastructure improvements to poor communities in Jordan..

○ **Amman Water and Sanitation Management Project (AWSMP)**. (US\$55 million.) The Project aims at: (i) improving the efficiency, management, operation, and delivery of water and wastewater services for the Amman Service Area; and (ii) laying the groundwork for the sustainable involvement of the private sector in the overall management of these 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).

○ **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.

○ **Horticultural Exports Promotion Learning and Innovation Loan** (US\$5 million). The Loan would initiate the process of establishing Jordan as a reliable supplier of non-traditional, high-value export crops for which it has competitive advantage to niche markets in the European Union and the Gulf countries.

○ **Education Reform for the Knowledge Economy** (US\$120 million). The Project supports systemic educational reform in Jordan that extends from Early Childhood Education through secondary education. It will contribute to the development of human capital with the skills and competencies required by the Knowledge Economy.

Active Portfolio	Approval Date	Loan Amount US\$ M	Undisbursed Amount US\$ M	Primary Sector	Closing Date
Second Tourism Development	Jul-97	32.00	11.2	Urban Development	Jun-04
Community Infrastructure Development	Aug-97	30.00	3.0	Urban Development	Jun-04
Amman Water and Sanitation Management	Mar-99	55.00	10.9	Water Supply/Sanitation	Jan-06
Health Sector Reform	Mar-99	35.00	11.2	Health	Dec-04
Higher Education Development	Feb-00	34.70	23.0	Education	Dec-05
Horticultural Exports Promotion Learning and Innovation	Jun-02	5.00	4.6	Agriculture Markets and Trade	Dec-06
Education Reform for Knowledge Economy	May-03	120.0	118.3	Education	Dec-08
Total		311.7	182.2		

Ongoing Grants

○ ***Institutional Development Fund (IDF) Grant for Enhancing Women’s Health*** (US\$140,000). Under the Grant, research/studies will be undertaken to: (i) cover the gaps identified; (ii) develop a detailed plan for a National Women’s Center; (iii) carry out a Needs Assessment Survey on females in the southern part of Jordan where access to services are limited; and (iv) with the findings, develop a detailed package of curative and curative services.

○ ***Institutional Development Fund Grant for Strengthening the Capacity of the National Council for Family Affairs*** (US\$114,000). The Grant will assist the National Council for Family Affairs to play an important role in developing policies and national strategies for (and in monitoring their implementation), and advocating on behalf of, children and families, in close collaboration with relevant public agencies.

○ ***Institutional Development Fund Grant for Support for the Development of a Monitoring and Evaluation System*** (US\$395,000). The Grant will contribute to the design and implementation of a sound monitoring and evaluation framework for the Government to: (i) adequately monitor the inputs requirements of the large scale reform projects, and (ii) follow the implementation of large scale, multi-sectoral reform projects through various activities.

○ ***Japanese Social Development Fund Grant – Integrating “At Risk” Children/Youth in***

Mainstream Society (US\$994,860). The objective of the Grant is to build capacity of community-based referral and partner organizations, including NGOs, to help reintegrate “at risk” children/youth into mainstream society.

○ ***Japanese Social Development Fund Grant – Legal Aid for Poor Women*** (US\$191,000). The objective of this Grant is to provide legal services to poor women in Jordan as a means to improve their daily lives.

○ ***Conservation of Medicinal/Herbal Plants*** (US\$5 million Global Environment Facility). The Project supports the conservation, management, and sustainable utilization of medicinal and herbal plants in Jordan through ensuring effective *in-situ* protection of threatened habitats and ecosystems and *ex-situ* sustainable use. The main components are: (i) institutional strengthening; (ii) pilot sites conservation; (iii) public awareness and education; and (iv) income generation activities.

Further information on ongoing and pipeline projects can be found at:
<http://www4.worldbank.org/sprojects/>

IFC Ongoing Projects

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

new plant. A new project involves the extension of a corporate loan to finance the company's modernization and expansion plans. This program of investments is being planned to help prepare the company for a future United States' initial public offering, and will include an IFC corporate governance component to help the company satisfy the recent corporate governance and securities law reform in the United States (the Sarbanes-Oxley Act of 2002), which institutes new rules regarding the corporate governance of publicly held corporations listed in the United States, including American Depository Receipts. The IFC loan will help the company expand its operations, enhance its research and development facilities, and refinance short-term loans in the MENA region, Europe, and Asia.

○ **Zara Investment Holding Company.** The 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 the Dead Sea, combining medical and recreational facilities, 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. IFC has approved a rescheduling of its loan to Zara Company and Zara has prepaid IFC.

○ **Business Tourism Company.** The Project consists of building and operating the Jordan Valley Marriott and Spa, a resort of international standards which includes: (i) a 216-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 complex is managed by Marriott International and targets both health and leisure tourists.

○ **El-Zay.** 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.

○ **Arab International Hotels Company (AIHC).** The Project consists of the renovation and expansion of the Amman 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, and the kitchen, safety, and telecom equipment. The Management Agreement between Intercontinental Hotels Corporation and JHTC has recently been extended to 2007. IFC has approved a rescheduling of its loan to JHTC and JHTC has prepaid IFC.

○ **Jordan Investment Trust (Jordinvest).** The Project involves the establishment of one of the first investment banks in Jordan. Jordinvest is expected to carry out a broad range of investment banking activities, including: (i) providing long-term private equity; (ii) investing in quoted investments; (iii) underwriting and private placement of debt and equity issues; and (iv) corporate finance activities, especially restructurings, privatization, and mergers and acquisitions. IFC will be selling its shares in the near future.

○ **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 (International Luggage Manufacturing Company).** 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. The company has since switched its operations to textiles.

○ **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.

○ **Al Tajamouat Industrial City (ATIC).** The Project will expand the existing integrated industrial estate, ATIC. The expansion commenced in late 2000 to keep up with the high demand for QIZ space in Jordan.

○ **Indo Jordan Chemical Company.** The Company owns and operates a 244,000 mt/year (as of 100 percent P205) phosphoric acid plant and ancillary facilities adjacent to a phosphate rock mine in the south of Jordan, as well as storage facilities at the Red Sea Port of Aqaba. P205 is used to produce DAP, a widely used fertilizer. The Company has prepaid IFC.

○ **Middle East Regional Development Enterprise (MEREN) Silica Sand.** The US\$15.5 million Greenfield Project is to establish the MEREN Silica Sand Plant, which will manufacture high quality silica sand to be mainly exported to European glass manufacturers.

○ **Middle East Complex for Engineering, Electronics, and Heavy Industries (MEC).** MEC, established in 1994 as a public shareholding company, is the leader in Jordan for electronics and household appliances. It is the premier appliance assembler in the country and is the sole distributor of products for the Korean companies LG Electronics, Inc. and Daewoo. The Project is primarily to: (i) relocate MEC's existing production facilities for the purpose of modernizing its assembly lines and increasing efficiencies; and (ii) expand by establishing a joint venture with the Haier Group of China. The expansion project will broaden MEC's product line while maintaining the focus on household goods to be sold primarily in regional markets.

Further information on IFC ongoing and pipeline projects can be found at:
<http://www.ifc.org/projects>

Bank Lending to Jordan – Fact Sheet

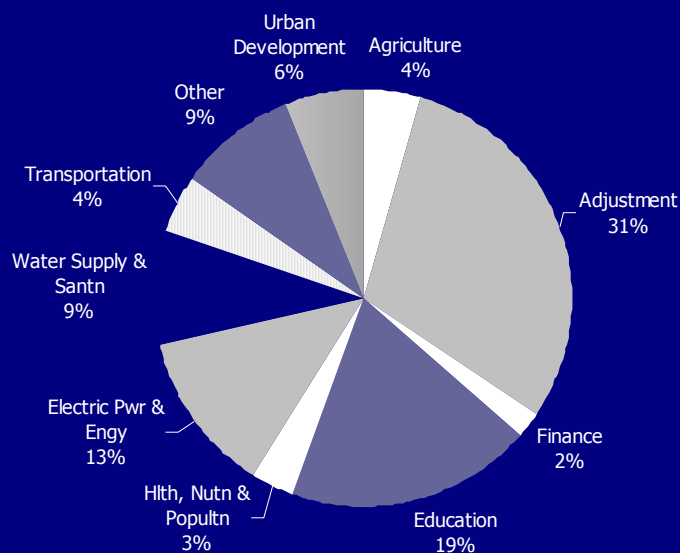
Jordan joined the World Bank in 1952, and received its first IDA credit in 1961. Over the past 42 years, a total of 79 credits and loans have been granted to Jordan for a total amount of US\$2,177 million. Jordan is also a member of IFC, ICSID, and MIGA.

IDA: US\$86 million (15 Credits)
 IBRD: US\$2,091 million (64 Loans)
 Of Which:
 Investments: US\$1,221 million
 Adjustments: US\$870 million (8 Projects)

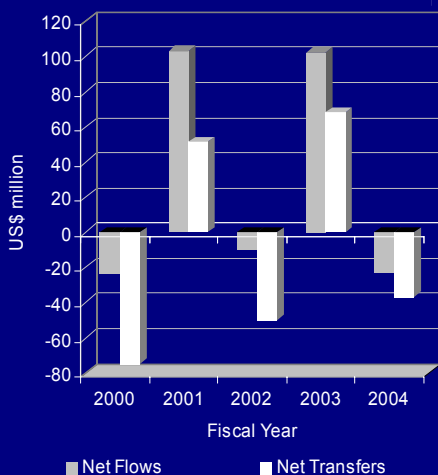
Disbursements: US\$1,994 million

Repaid: US\$913 million
 Obligation: US\$1,067 million

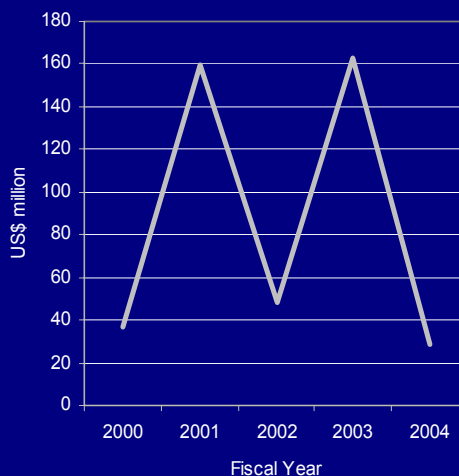
Sectoral Distribution by Value



Net Flows and Net Transfers



Disbursements



Projects Approved by Fiscal Year

Fiscal Year	# of Projects	US\$ M.
1994	2	100.0
1995	3	146.6
1996	2	120.0
1997	2	140.0
1998	3	67.0
1999	3	210.0
2000	1	34.7
2001	1	120.0
2002	1	5.0
2003	2	240.0
2004	0	0.0
Total	20	1183.3

News, Recent And Upcoming Activities

Development Marketplace Competitors See Opportunities Everywhere



More than \$6 million in seed money was awarded in December 2003 among 47 small-scale, innovative development projects from 27 countries.

This year's Development Marketplace had 2,700 applications and 183 finalists who displayed their ideas at the Bank. The Development Marketplace is seen as a "different way of doing business" at the Bank Group, where the competition process emulates a venture approach to innovative project financing. It was launched as a recognition that solutions to development challenges can have small beginnings and are often found by those living closest to local problems.

Winning concepts ranged from training rats, to detecting tuberculosis in Tanzania, and using car tires to reinforce walls in earthquake-prone Turkey. For the 47 new programs, this seed money will help to turn the winners' innovative local ideas into viable programs that will yield concrete benefits for their communities and help reduce world poverty.

For Handicap International - Philippines Mission, the money will enable the NGO to build a boat to sail to remote islands to access people with disabilities who currently don't have access to health services.

For the *Community Empowerment and Fynbos Conservation of South Africa*, the funds will help to develop a wild cut-flower industry as a conservation-based alternative to current exploitive harvesting practices.

Chili as a Tool for Conservation and Development in Zimbabwe will promote the production of chili peppers in the Zambezi Valley of Southern Africa as a way to protect farmers from incursions by elephants, which in turn reduces human-animal conflict. In addition, the chili crop creates a new high-value export product for the farmers.

In Nepal, the *Doko Dai Mobile Library* hopes to raise literacy rates among children and increase employment opportunities for villagers in Nepal's remote mountainous areas by using traditional channels (Doko Dai) to bring books and educational materials to these communities.

Empregar: Job Market Insertion for AIDS Orphans in Brazil wants to empower poor adolescent AIDS-orphans in Salvador, Brazil by helping them enter into steady, legal jobs that will help break the cycle of poverty they are trapped in.

For more information and to access the website, please visit:

<http://www.worldbank.org/>

The Knowledge Intern Program

The Knowledge Intern Program (KIP) is an ongoing and year-round World Bank internship program. It is offered to university students currently enrolled in:

- Undergraduate; and
- graduate degree programs.

The KIP is intended as a learning experience. Students may receive course credits but no financial compensation for the program activities. KIP provides opportunity to:

- Acquire hands-on knowledge management skills;

- Work in an international environment on development issues; and
- Gain experience working in a mutual learning and knowledge sharing environment with world experts.

The typical tasks performed by the students include:

- Doing research;
- Writing documents;
- Cataloguing information; and
- Publishing knowledge stories/best practices.

The KIP usually takes place in the World Bank's headquarters. Occasionally, the program can be arranged in the World Bank Country Offices or

virtually. Students are to work with the leaders of professional communities of practice called Thematic Groups (TGs) in a mutual learning and sharing environment.

The MNA KIP program is designed to encourage undergraduate and graduate students from the Middle East and North Africa universities to work closely with World Bank staff in the context of development projects.

To apply to the program or read about the experiences of the KIP Alumni, please visit:
www.worldbank.org/hrs/careers.nsf/key/kip

Development Forum - A Public E-Discussion Space for the Development Community

Since 1998 electronic discussions have played a valuable role at the World Bank. By promoting communication with the public, they have furthered the vision of the Knowledge Bank, which is putting in place systems for capturing knowledge more effectively.

The Development Forum is an electronic venue for dialogue and knowledge-sharing among members of the development community. Its focal point is an ongoing and expanding series of electronic *Discussions and Consultations* on key issues and challenges facing the development community and the world's poor. Particular emphasis is placed on learning from the experience of those who face these challenges in their daily lives. These dialogues are complemented by other features, including an *E-Discussion Toolkit*, for those who wish to develop their own on-line dialogues on development issues.

The focal point of the Forum is an ongoing series of Development Dialogues. The Dialogues sponsored by the Forum vary in their content, format and duration. However, they all share a

common goal -- to foster increased dialogue and knowledge-sharing on development issues, in an inclusive, collegial atmosphere. Therefore, the Dialogues all have certain things in common:

- ▶ They are open to the public; anyone interested in the subject and willing to adhere to the ground rules of the Dialogue is welcome to join.
- ▶ They are, in most cases, focused on a particular subject and limited in duration.
- ▶ They are often times moderated discussions; in other words, a moderator screens all posted messages in advance to assure that they are germane to the discussion and follow the ground rules. This is simply to assure that the discussion stays on topic, so as not to waste the time of all the other participants, and remains civil and constructive.
- ▶ They are all accessible both through the World Wide Web (where they are archived for future reference) and by e-mail (through a "list serv" e-mail distribution list), so that colleagues with limited Internet access can participate.

The Forum's organizers work to mobilize active participation in these dialogues by individuals and groups from developing countries. A particular effort is made to reach out to partner institutions in developing countries—training and research institutions, think tanks, universities, non-governmental organizations, and other development stakeholders—to encourage them not only to foster participation in these dialogues but also, over time, to build their capacity to propose, plan and lead on-line discussions and knowledge-sharing efforts on development issues of their own choosing.

Upcoming Discussions

The Poverty Challenge in a New Millennium: Defining Roles for Youth and the Next Generation of Leaders. This discussion seeks to hear the views and ideas from young people on how to reduce poverty.

A Global Exchange for Scaling Up Success: Reducing Poverty Sustaining Growth. The main objective of the Global Learning Process and the Conference in Shanghai is to learn from both successful and less successful attempts to reduce poverty – in all its dimensions.

Business Center

Each year the World Bank Group lends between US\$15-20 billion to developing country governments to fund projects for economic development and poverty reduction. This generates around 40,000 contracts ranging in size from a few thousand dollars to multi-million dollar expenditures for the delivery of a vast range of goods and services.

The Bank also provides an extensive array of advice and facilitates private sector investments in developing countries to promote growth and opportunity.

How To Do Business

► **On Bank-Financed Projects:** Government agencies from the Bank's borrowing countries are

Summaries Of Recent Discussions

Improving World Bank-Civil Society Engagement. Discussions on the draft paper "Issues and Options for Improving Engagement Between the Bank and Civil Society Organizations".

Can Small be Responsible? The Possibilities and Challenges of Corporate Social Responsibility (CSR) among Small and Medium Enterprises. To generate insights and ideas for action.

Public Policy for CSR. The roles governments can and do play in promoting and supporting CSR in the developing world.

World Bank Children and Youth Strategy. Global Youth E-Consultations.

The Role of Business in Fighting HIV/AIDS. How HIV/AIDS affects corporations and hinders economic development

For more information and to access the website, please visit:
www.worldbank.org/devforum/

responsible for the purchase of goods and services to support projects. Bank procedures have been established to ensure that procurement is conducted efficiently and in an open, competitive and transparent manner.

► **As a Vendor to the Bank:** The Bank regularly seeks qualified vendors for assistance in running its world-wide-operations—from supplying printer toner cartridges to managing complex communications systems. The Bank fills these contracts directly.

► **As a Consultant:** The Bank regularly uses a variety of consulting services from individuals and firms. The work can be based either in the Bank's headquarters or in country offices.

As An Investor Or Company Seeking...

► **Finance:** The Bank Group's financial products range from investment and adjustment loans to governments, to loans for small- and medium-sized enterprises. The Bank Group's private sector investment arm—the International Finance Corporation (IFC)—promotes private sector growth in developing countries through direct lending, equity investments and syndicated lending. The IFC can also help identify investment opportunities for potential foreign investors.

► **Investment Opportunities:** The World Bank, the IFC, and the Multilateral Investment Guarantee Agency (MIGA) offer a wide range of products and services for investors. Specific products, such as bonds, loans, and guarantees, are available. Investing services can also help individuals and firms explore foreign direct investment opportunities within the developing world and emerging markets.

► **Facilities for Small and Medium Enterprises:** The Bank Group offers numerous facilities to promote small business growth in developing countries. It works to make it easier for them to gain access to capital, information technology, technical assistance and advice.

► **Guarantees and Risk Management Support:** The Bank Group offers political risk mitigation products to commercial lenders contemplating investment in developing countries. By covering risks the market is unable to bear, the Bank's guarantees can open new opportunities for business.

► **Advice:** The Bank Group offers an array of advisory services ranging from IFC analysis of how to improve private sector development and assistance to private companies, to foreign investment and business climate surveys, privatization and treasury advisory services.

► **Partnerships:** The Bank Group works with a range of partners including international aid organizations, civil society, the business community and government agencies as part of its efforts to maximize the effectiveness of its development programs.

For more information on each subject, please visit:

www.worldbank.org/businesscenter

The Development Gateway Market – dgMarket



The Development Gateway Market (dgMarket) allows readers to explore business opportunities on-line. New tender and procurement opportunities are posted daily from around the world.

Readers can find a list of tender notices from governments and donor agencies that can be viewed by country, keyword or funding agencies. Companies can also set up detailed profiles and receive automated e-mails whenever a tender notice is published that meets their specific criteria.

Readers can also receive automatic **e-mail alerts** whenever a tender notice matching their profile is posted.

For more information or to subscribe to e-mail alert, please visit:

www.dgMarket.com

Recent World Bank Publications

MNA Publications

Knowledge Economies in the Middle East and North Africa: Toward New Development Strategies (World Bank ISBN: 0-8213-5701-8 SKU: 15701). The Middle East and North Africa (MENA) region has been facing considerable economic challenges. Left behind by the industrial revolution, overly dependent on oil resources, and on the fringes of the globalization process, a number of MENA countries have embarked on structural reforms to overcome economic stagnation, mounting unemployment, and increasing poverty. At the same time, there is growing awareness worldwide that the knowledge revolution offers new opportunities for growth resulting from the availability of information and communication technologies and from the advent of a new form of global economic development rooted in the concept of the knowledge economy, which is based on the creation, acquisition, distribution, and use of knowledge.

This book, developed from papers prepared for a World Bank-sponsored conference, assesses the challenges confronting the region's countries and analyzes their readiness for the knowledge economy based on a set of indicators. It provides quantitative analysis to help benchmark the countries against worldwide knowledge economy trends, identifies key implementation issues, and presents relevant policy experiences. The basic policy elements that underpin a strategy to prepare for a knowledge-based economy are discussed, including: the renovation of education systems, the creation of a climate conducive to innovation, and the development of an efficient telecommunications infrastructure as the foundation of a new era. The formulation of national visions and strategies is also discussed. Examples from the region and other parts of the world illustrate the chapters. A set of data that makes it possible to benchmark and position countries' readiness for the knowledge economy is presented in an appendix.

HIV/AIDS in the Middle East and North Africa: The Costs of Inaction (ISBN: 0-8213-5578-3 SKU: 15578). Recent evidence suggests that the prevalence of HIV/AIDS is increasing in

the Middle East, North Africa, and Eastern Mediterranean (MENA/EM) region, and that the total number of AIDS-related deaths has risen almost six fold since the early 1990s. Although this figure is low compared with those for Africa, South Asia, and the Caribbean, low prevalence does not equal low risk. The situation can change rapidly, and even conservative estimates indicate that AIDS poses a real threat to the region's long-term growth.

The book reviews the current knowledge available on the prevalence of HIV/AIDS in the MENA/EM region with the goal of stimulating discussion among policy and decision makers. In other regions, early investments in good surveillance and effective prevention programs have proved to be relative bargains, compared with the costs of a full-blown epidemic. As the authors argue, the time to act is now, while prevalence levels are still low. To that end, they make specific recommendations and offer best practices and case studies from around the world.

Also available:

- ***Gender and Development in the Middle East and North Africa: Women in the Public Sphere*** (ISBN: 0-8213-5676-3 SKU: 15676).
- ***Unlocking the Employment Potential in the Middle East and North Africa: Toward A New Social Contract*** (ISBN: 0-8213-5678-X SKU: 15678).
- ***Better Governance for Development in the Middle East and North Africa*** (ISBN: 0-8213-5635-6 SKU: 15635).
- ***Trade, Investment, and Development in the Middle East and North Africa: Engaging with the World*** (ISBN: 0-8213-5574-0 SKU: 15574).

Bank Publications

Sound Practice in Government Debt Management (ISBN: 0-8213-5073-0 SKU: 15073). Government debt management has a long tradition, dating back more than two centuries in some European countries. Since the late 1980's, however, many OECD governments have invested heavily in improving the quality of

their debt management practices. In recent years, the topic has received additional attention for its potential role in reducing the vulnerability of emerging economies to financial and economic shocks.

Risk is a relative concept and is measured relative to a set of objectives. The authors argue that a government asset and liability management framework offers valuable conceptual insights for managing the risks associated with government debt portfolios and for considering their interface with a wide range of public policy issues. They also argue that prudent risk management requires clear objectives for debt managers, sound institutional and legal framework, appropriate quality assurance procedures and checks and balances, and efficient management information systems.

Information and Communication Technologies and Broad-Based Development: A Partial Review of the Evidence (ISBN: 0-8213-5563-5 SKU: 15563). Information and Communication Technologies (ICTs) are increasingly seen as integral to the development process. This working paper reviews: (i) some of the evidence for the link between telecommunications and the internet and economic growth; (ii) the likely impact of the new ICTs on income inequality; and (iii) anecdotal evidence regarding the role of the Internet in improving government services and governance. This study looks at methods to maximize access to the new ICTs, and to improve their development impact in both the generation of income and the provision of quality services.

Labor Issues in Infrastructure Reform: A Toolkit (ISBN: 0-8213-5470-1 SKU: 15470). A universal concern in reforms involving private participation in infrastructure is the effect such reforms have on labor. Fears of job loss and changes in employment status have often led enterprise workers and unions to be among the most vocal and organized opponents of privatization and to take actions that delay or block reforms. Many developing country governments have been reluctant to undertake reforms because of labor opposition and the political costs involved. Such difficulties are often compounded by concerns about the social impact

of reforms, particularly in countries where social safety nets and labor markets are lacking.

It is thus important that ways be found to deal with labor issues in infrastructure privatization. The objective of the Toolkit, which includes a CD-ROM, is to provide practical tools and information to help policy makers and practitioners deal with these sensitive issues. The Toolkit helps governments identify and select appropriate strategies and approaches, offers guidelines for design and implementation based on best practice and actual experience, and indicates the factors influencing the choice of strategy and options. The Toolkit is illustrated with examples, checklists, and templates that walk decision makers through best practice methodologies. Users of the Toolkit should be better placed to understand the benefits and risks of dealing with labor issues and choose among available strategies and options.

MiniAtlas of Global Development (ISBN: 0-8213-5596-1 SKU: 15596). The *miniAtlas of Global Development* is an at-a-glance guide to the most pressing development issues facing the world. Based on the World Bank's authoritative compilation of development data – the *World Development Indicators* – as well as the *World Bank Atlas* and the *Little Data Book*, the *miniAtlas* provides colorful and easy-to-read world maps, tables, and graphs that highlight key social, economic, and environmental data for 208 countries and territories. Specially designed to show detailed information on a small scale, the *miniAtlas* is a useful introduction and quick reference to today's most urgent development challenges.

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