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READY TO LEARN? ASSESSMENT OF NEEDS, POLICIES, AND PROGRAMS FOR CHILDREN AGED 4-6 YEARS IN JORDAN

The Importance Of The Early Years

The evidence that children's early years are crucial to brain development and academic achievement is overwhelming. Studies of early childhood interventions also indicate that children who have participated in these interventions exhibit a greater motivation to learn, higher achievement, and higher self-esteem than children who did not participate in the interventions. Early interventions can also improve children's prospects for successful employment later in life by fostering critical learning skills early in life.

Children's early development will determine, by the time they enter school, whether they will succeed in school and later in life. The extent of their learning in school and throughout life will depend largely on the social and emotional competence they develop in their early years. Children who are ready for school have a combination of positive characteristics—they: (a) are socially and emotionally healthy, confident, and friendly; (b) have good peer relationships; (c) tackle and persevere with challenging tasks; (d) have good language and communication skills; (e) listen to instructions; and (f) are attentive.

However, school readiness is far more than academic knowledge and skills, or innate abilities and capacities. Readiness also relates to children's physical health, self-confidence, and social competence. Brain research indicates that this readiness is shaped by children's early environment. Children’s academic performance in later years also correlates with their exposure to early interventions.

The Science Of Early Childhood Development

In recent years, researchers have made great strides in understanding the development and function of the brain. These studies emphasize the importance of the early years for laying the foundation for lifelong learning. Studies show that brain deprivations from birth to age 6 years are particularly detrimental to human growth. Research results accumulated over more than three decades show that the brain is almost entirely developed by the time a child enters school.

Only 15 years ago, neuroscientists assumed that the structure of the brain was genetically determined by the time babies are born. Scientists did not recognize that experiences in the early years had a decisive impact on the architecture of the brain or on the nature and extent of adults' capacities. Today, brain researchers are fast accumulating evidence that the early years from conception to age 6 years, and particularly the first three years, set the base for the development of lifetime skills and abilities.

The Benefits Of Early Childhood Development Programs

Sufficient evidence is available to affirm that early childcare and education has sizable and persistent positive effects on the achievement, grade retention, special education, high school graduation, and socialization of children. These positive effects can change the development trajectory of all children, particularly those born into poverty.

Early Childhood Development (ECD) programs have been in operation for more than 30 years. Many of the children who participated in ECD programs are now adults and "living proof" of the lasting effects of those programs. Analysis of data on alumni of early childcare and preschool programs worldwide confirms that health, nutrition, and education programs early in life significantly improve the educational and economic productivity of disadvantaged children.

An evaluation of ECD programs in the developing world indicates the following benefits:

Schooling. ECD programs correlate with improved readiness for school; probability of on-time enrollment in primary school; lower grade repetition and dropout rates; and overall, improved academic performance.

Fertility. ECD programs also have a long-term effect on controlling human fertility.

Overlapping Benefits. ECD programs benefit not only young children, but also their caregivers. ECD services may improve parent-child relationships and enhance children's nutritional and health status. Importantly, ECD programs also increase females' (mothers') participation in the labor force, empower women, and improve their well-being.

Targeting Of ECD Programs

Quality ECD programs can benefit all children, but some will benefit more than others, especially children from poor families whose parents have a low-level education. These children are at risk for low developmental outcomes, and tend to have a higher malnutrition rate, poor health, and lower school performance. These children are in the greatest need of ECD services.

By the time poor children reach kindergarten age they are already handicapped, because, compared to children who are not poor, they have not had an equal chance to prepare for school or learning

Not only do early childhood development programs have the greatest benefit for children who are from disadvantaged families, but these programs also yield higher returns as a preventive measure, compared to remedial services, later in life. Investments in ECD programs for disadvantaged children bring a higher rate of return than investments in programs for adults with low-skill levels.

Well-targeted ECD programs are a powerful tool for addressing social inequity and giving the poorest children a better start in life.

Early Childhood Development Programs In Jordan

Most ECD services in Jordan are provided mainly through private, formal, center-based programs. The Government of Jordan oversees ECD services in accordance with established policies which the Government of Jordan continues to refine. Smaller, non-formal programs are being tested in cooperation with international and non-governmental organizations to extend the reach of ECD services, and to promote community involvement.

Early child development refers to programs that address the integral needs of young children from ages 0-6 years. ECD interventions include formal and non-formal programs offered by institutions, centers, or in community- or home-based settings. They may be supported by a mix of public and private funding, technical assistance, and in-kind contributions. In many lower-middle-income countries, such as Jordan, non-formal programs can complement formal structures and are especially useful for reaching poor or underserved families and communities.

ECD interventions help parents, families, and communities lay the groundwork for their children's growth and development throughout life. Through various, innovative, and complementary designs, ECD programs target specific strategies to different groups. They may emphasize delivery of services to children, education and support of parents, training and development of teachers and caregivers, community development, strengthening of institutional resources and capacity, and/or use of mass media to raise awareness of ECD and improve knowledge and practices of good childrearing.

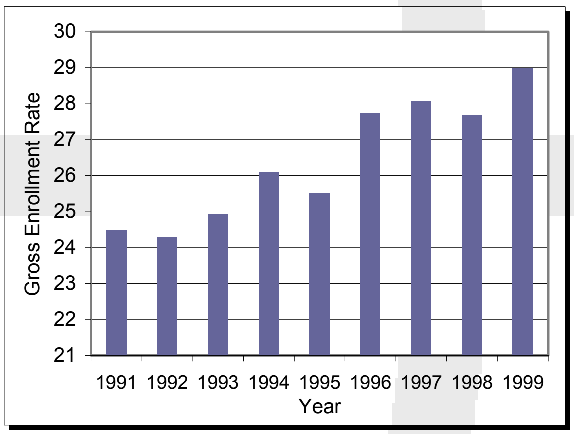
Gross Enrollment In Kindergarten

Enrollment data collected by the Ministry of Education (MOE) in 2001, indicated that more than 80,000 children in Jordan attended kindergarten, or approximately 29.4 percent of all children ages 4-6 years, and were apportioned among 1,165 kindergartens.

Enrollment in kindergarten is increasing. The gross enrollment rate has risen by almost 5 percentage points over the past decade, from 24.5 percent in 1991 to 29.0 percent in 1999. In 2000-2001, the enrollment rate was 29.4 percent.

The MOE data showed that almost all kindergartens were co-educational, and nearly half of the children attending (46.6 percent) were girls. The percentage of first graders who have attended kindergarten has increased by more than one-third nationally during the past decade. In 1998, approximately 38.0 percent of children who enrolled in first grade had attended kindergarten. However, the percentage for urban children was much higher (46.0 percent) than that for rural children (24.0 percent).

Figure 1. Gross Enrollment Rate in Kindergarten, Jordan, 1991-1999



Source: Ministry of Education 2000.

Between 1990 and 1998, the percentage of boys who had attended kindergarten increased from 25.1 percent to 29.7 percent, and the percentage of girls increased from 21.5 percent to 27.3 percent. The increase was greater among rural boys (from 18.3 percent to 33.6 percent), compared with urban boys (from 31.0 percent to 28.4 percent).

Number Of Kindergartens. The total number of kindergartens also is increasing, from 469 in 1987-1988 to 1,294 in 2000-2001. Most (1,193) are privately operated; only 101 are operated by the MOE.

Disparities. Despite the progress made over the past several decades and Jordan's recent policy initiatives to enhance early childhood development, high-quality ECD services are not available to all. Disparities in the distribution of kindergartens, enrollment in kindergartens, and quality of programs are evident. The distribution of kindergartens among Jordan's governorates is uneven. About 72.0 percent are located in urban areas.

Raising parents' awareness of the importance of early childhood development is much needed in Jordan, a country where women marry young and begin their families soon after marriage. Efforts to improve childrearing practices would help enhance young mothers' abilities to care for their children and their understanding of the importance of early childhood development.

Parental participation is known to have a positive impact in ECD. Activities that include training of mothers resulted in children with significantly better school achievement, higher self-esteem, more ambition, and improved social behavior. Equally important, mothers also reported higher self-esteem and a position more equal to their husbands in the household.

Additional efforts to expand coverage of the Better Parenting Project and to address specific needs of parents in various cultural contexts could enhance and extend ECD services in Jordan.

Options for effective early childhood interventions do exist. Non-formal early childhood programs are flexible and less expensive to administer than formal kindergarten. If used to improve mothers' parenting skills, these programs can also benefit younger siblings, as well as the targeted children. By bringing ECD services into the home, non-formal programs can give many children, who would otherwise be missed, access to demonstrably beneficial services. In Jordan, the benefit of parent education could be even greater, by potentially helping to reduce the high fertility rate among women, particularly in rural areas, and increase their educational levels.

Properly targeted, non-formal ECD programs can yield returns as great as, or greater than, those of formal preschools.

Analysis Of Costs And Benefits Of Early Childhood Development Programs In Jordan

The benefits of ECD programs are well documented, but they need to be stated in economic terms and quantified to enable planners to make rational policy and investment decisions concerning the formation of human capital. ECD programs benefit children and society in four major areas: education, health, social behavior, and equity[1] For children, short-term effects accrue immediately upon their participation in ECD programs, and long-term effects become apparent when they reach adulthood. Societal effects also can be documented.

Additional benefits begin with improved cognitive development and then become apparent with improved school readiness, better learning in school, reduced repetition and dropout rates, and increased progression to higher levels of education. These effects result in higher levels of productivity, as reflected by higher wages in the labor market.

Many other benefits correlate with a highly educated population, such as reduced crime rates and a country's increased ability to adopt modern technology. These are difficult to quantify. The benefits that result from improved health and social behavior and from greater equality are also not quantified in this analysis. The benefit/cost ratios reported below are the absolute lower bound of the true ratios; if all the benefits were calculated, the ratios would be higher, based on the available evidence to date.

The Analytical Framework

In this framework, education is viewed as an investment in human capital that leads to higher productivity of individuals. This higher productivity results in higher wages in the labor market. Therefore, wage differentials among individuals with different levels of education can be used to measure the economic returns to investments in education.

Table 1 shows the estimated returns to education in Jordan for various levels of completed education. For example, the Table indicates that a person who has completed primary education earns, on average, 21.0 percent more than a person who has not completed primary education. A person who has completed upper secondary schooling earns 40.0 percent more than a person who has completed lower secondary schooling. Experience (which is used as a measure of "on-the-job" training) also increases wages, but the effect of experience tapers off over time.

Table 1. Estimated Returns to Education, by Education and Experience, Jordan, 1997

Level of Education/ Experience	Estimated Returns to Education
Primary School	0.210
Lower Secondary School	0.310
Upper Secondary School	0.400
Higher Education	0.800
Experience	0.070
Experience Squared	-0.001

Source: Department of Statistics 1997.

The calculations show that, by investing in kindergarten, Jordan could accelerate the productivity (and income) of its population. The returns to Jordanian society for each dinar invested in kindergarten would range from 1.49 to 3.06.

Clearly, ECD interventions to expand kindergarten services have a high payoff in terms of future improved productivity of the population—the economic returns to investing in kindergarten would compare very favorably to the returns from a country's conventional investments. By targeting the ECD interventions to areas that have relatively poor indicators for schooling, the benefits would be even greater.

Kindergarten programs can be delivered in various ways, including free-standing kindergarten units or kindergarten classes added on to existing primary schools. The unit costs of the alternative types of services may differ

[1] Van der Gaag, J. 2002, *From Child Development to Human Development*. In M.E. Young, ed., *From Early Child Development to Human Development - Investing in Our Children's Future*. Washington, D.C.: World Bank.

significantly. For example, the unit costs of free-standing schools and the facilities and support staff needed for these schools will be higher than other options (e.g., adding kindergarten to existing schools, community-based programs), thereby reducing the benefit/cost ratio.

Finally, in all analyses, interventions to expand kindergarten, or ECD in general, are most profitable if the interventions are focused on regions or population groups that have the lowest social indicators (e.g., school enrollment or progression in school). This finding suggests that policies that target services to the poorest regions or groups are desirable. These policies would be appropriate and correct in areas where poor children and families can be reached easily, for example in densely populated urban areas. However, they may be too costly to implement if the target populations live in scarcely populated, rural areas. In this case, the unit costs of an intervention would increase and the benefit/cost ratios would need to be adjusted accordingly.

This effect does not, of course, imply that ECD services should not be made available to poor communities. On the contrary, the benefits of ECD programs are so high, especially for socially and economically disadvantaged groups, that every effort should be made to reach the poor. However, alternative forms of ECD services should be considered for areas where institution-based services would be prohibitively expensive.

Jordan’s education sector has embarked on a human capital development program to improve the quality of its younger generation. The nation is moving forward to develop a knowledge economy and to ensure that its population can effectively participate in, and contribute to, the modern marketplace.

Lifelong learning begins in early childhood. The early years of children's lives set the stage for, and are a key component of, successful education. Considerable evidence demonstrates that experiences in early childhood influence the full course of adult life. Early interventions can alter children's developmental trajectories in positive ways and are especially important for disadvantaged children.

The economic shift that is under way worldwide necessitates a concomitant shift from the traditional paradigm for an education sector (i.e., where formal educational institutions assume a central role as the main "producer" of skills) to a paradigm of "life-cycle learning."

To develop the human capital needed to participate effectively in the knowledge economy, changes have to be made beginning in kindergarten (or even earlier) so that children are ready to learn when they enter basic education and can become lifelong learners.

Clearly, to prepare workers for the knowledge economy, most education systems need to be reformed. The foundation of education for the knowledge economy is the promotion, achievement, and reinforcement of universal access to basic education. Jordan has almost assured universal access to basic education. Improving quality and linking schooling to learning outcomes, nevertheless, remain a priority.

Assuring access to universal basic education is not enough. The education must be effective and of quality. Children must be ready to learn by the first grade and have the social and personal competence to do so. Social patterns and learning skills are formed during early childhood. With professional and thoughtful guidance, young children ages 0-6 years can be nurtured to improve their readiness for school and their performance in school. The habits and attitudes needed for children to learn and that they will need as adults are instilled before they enter first grade.

Educators and parents have an opportunity and an obligation to facilitate young children's propensity to learn and to help develop children's receptivity to learning so that they are prepared to engage actively in the learning enterprise beginning in the early years and throughout life. For Jordan, three actions are essential:

- Assurance of equal access to kindergarten;
- Professional development of early childhood educators; and
- Enhancement of parents' participation in their children's learning.

The data indicate that Jordan can best take these actions by investing in efforts to:

- Expand children's access to preschool, particularly for children in poor and/or rural families;
- Promote and ensure professional training in early childhood development;
- Develop a network of non-formal ECD services that include the participation of parents and communities; and
- Expand public awareness of the importance of ECD services for young children.

Investments are needed in four specific areas: institutional capacity, professional development of early childhood educators, public awareness and understanding, and community-based centers. In addition, development of a rigorous, ongoing database of the educational needs of young children should be assured to support policy development and decision-making in Jordan.

Education Reform For The Knowledge Economy

In 2001, the Government of Jordan formulated an Accelerated Social and Economic Development Plan. A key component of this Plan is development of human resources. The investment in human resources was designed to address the linking of learning outcomes from basic and secondary school with competencies and skills needed in the knowledge economy. The Government requested support from the World Bank for a proposed 5-year investment project to finance implementation of human resources development.

The Ministry of Education requested that the project include a plan to expand kindergarten. This request is founded on the MOE's recognition of the importance of children's early years for enhancing their readiness and performance in school and for building a foundation for lifelong learning.

In answer to this request, the World Bank approved a US$120 million loan to support the Government of Jordan transform its education system at the early childhood, basic, and secondary levels and produce graduates with the skills necessary to compete in the knowledge economy.

The integrated education reform program seeks to boost the science and math scores of Jordanian students in international exams, provide access to safe and adequate schools, provide online learning portals for primary and secondary students, and increase enrollment in kindergarten.

Jordan is responding to this challenge by making education a priority investment, and calling for a sweeping reform of the education system. Its policy agenda tackles the gaps in the Government’s capacity to transform the education system, the mismatch between the skills taught at school and those needed in the knowledge economy, unsafe and overcrowded conditions at school, and the unequal opportunities in early childhood education.

The education reform program is designed to address the priorities set out in the new policy embraced by the Government of Jordan. The reform program strives to provide equal opportunities for early childhood education by extending public education to low-income communities.

RECENT ECONOMIC DEVELOPMENTS

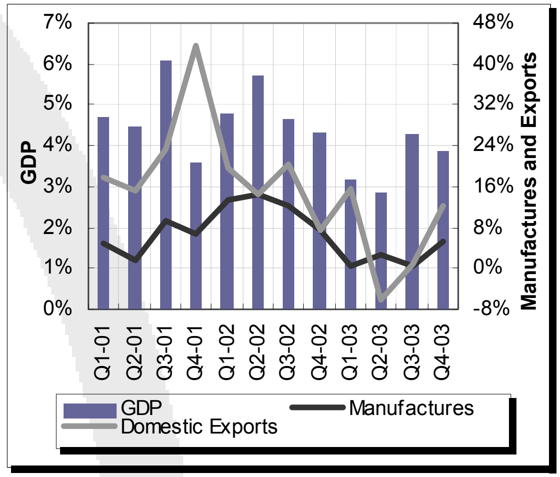
Jordan withstood the economic and political shocks of the war in Iraq remarkably well. The economic losses caused by the conflict were manageable and lower than expected thanks to increasing international support through financial contributions and broad economic cooperation. This international support helped offset the Balance of Payments effect and the Fiscal Impact of the war. The major issue—the interruption of the Iraqi oil grant/discount of US$300 to US$600 million a year (depending on oil prices)—received a temporary reprieve in 2003 when Saudi Arabia and the United Arab Emirates agreed to supply subsidized oil to Jordan, with additional financial back-up from Japan. At the end of 2003, Jordan was showing signs of recovery and seemed to benefit from new opportunities in Iraq, as witnessed by the recovery of exports to the Iraqi market. However, serious challenges to the Government of Jordan remain due to the long-term sustainability issues in the fiscal and external accounts, linked to the loss of the Iraqi oil grant.

Macroeconomic Evolutions

Economic growth was 25 percent lower in 2003 than in 2002. Preliminary figures showed a 3.6 percent growth rate in 2003, against 4.9 percent in 2002. The loss in GDP growth is mainly due to the consequences of the war in Iraq during the First Half of 2003. Growth in agriculture, mining and business services was below the 2002 figures. The 2003 growth rates of public and private services—trade, tourism, transport and communications, which together represent 52 percent of the GDP at basic prices—were higher than the 2002 rates. Trade and transport sectors benefited from the boom in exports, re-exports and merchandise transits from the Port of Aqaba to Iraq during the Second Half of 2003.

Price inflation in 2003 was higher than in 2002. The Consumer Price Index (CPI) rose by 2.3 percent compared to 1.8 percent a year earlier. The main reason for the increase is the rise of the sales tax and some administered prices.

Figure 1. GDP, Manufactures and Exports



Source: Jordanian Authorities and World Bank Staff Estimates.

The manufacturing sector was on the path to recovery by the end of 2003, because of the resumption of exports to Iraq. The growth rate of the sector increased from less than 1 percent in the Third Quarter of 2003 to more than 5 percent in the Fourth Quarter of 2003. The evolution of the Industrial Production Index (IPI) shows the same recovery in the industrial production during the Last Quarter of 2003. The IPI evolution was negative during the first three Quarters of 2003, with a low 13 percent in the First Quarter of 2003, and turned to positive (2.2 percent) in the Fourth Quarter of 2003.

Table 1. Key Economic Activity Indicators

Indicator	% Variation 2001-2002	% Variation 2002-2003
Industrial Production Index	**10.7%**	**-6.1%**
Manufacturing	11.8%	-7.4%
o/w Cement Production	12.6%	-1.2%
Electricity Production	5.7%	-0.9%
Domestic Exports Growth	**15.1%**	**5.3%**
GDP Growth	**4.9%**	**3.6%**

Source: Jordanian Authorities and World Bank Staff Estimates.

The Qualified Industrial Zones (QIZs) remained the main exporter of manufactured goods in

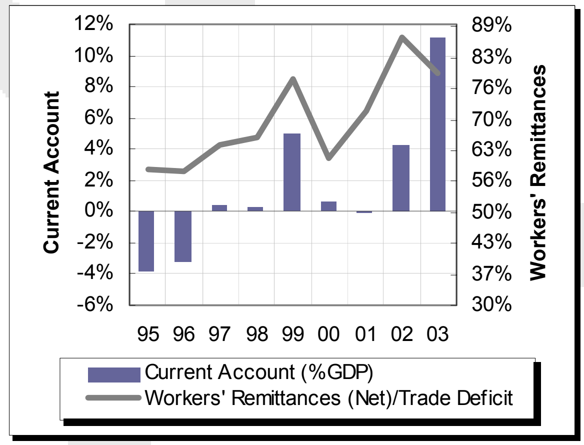
Jordan. The QIZs' exports to the United States accounted for 87 percent of total exports to the United States and for 25.4 percent of total domestic exports. The QIZs are often presented as the economic rewards for the commitment to the political and economic modernization and reform process. The QIZs indeed attracted US$678 million in Foreign Direct Investments, or an average of US$110 million a year in their six years of existence. They have also helped transfer know-how in the textile sector and promote gender development through employment of women—which represents 70 percent of the 26,000 Jordanian labor force working in the QIZs. Nevertheless, the employment impact remains mitigated, as Jordanians represent only 56 percent of the QIZs' workers. The main reason is the lack of minimum skills, even though the QIZs' products are often low value-added goods. The sustainability of the QIZs is also an issue, because the quota for textile exploiters, which motivates most of the Foreign Direct Investment (FDI) in these firms, is expected to be lifted under the Multi-Fiber Agreement in January 2005.

Unemployment remains a serious issue in Jordan. Figures for 2003 show a decrease of the unemployment rate from 15.2 percent in 2002 to 14.5 percent. However, this result is linked to a decrease in the labor force, and not to an increase in job creation. The decrease in the labor force was estimated at 2.6 percent in 2003. This change was the result of a 9.4 percent decrease in the female labor force and a 1.4 percent increase in the male labor force. Male employment increased by 0.7 percent, the bulk of which seems to have been absorbed by the public sector.

External Sector

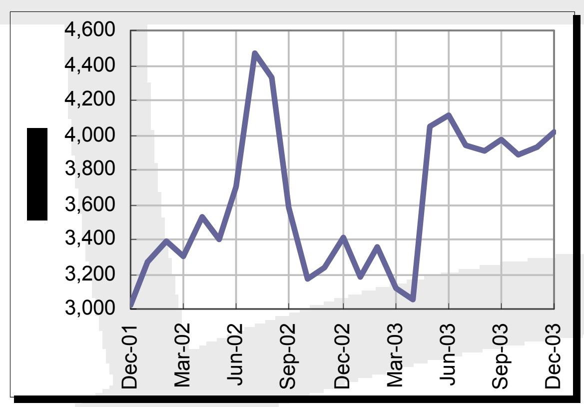
Foreign Exchange Reserves resumed their growth in May 2003, due to a surplus in the Current Account Balance throughout the year. Foreign Exchange Reserves reached US$4 billion in December 2003 after hitting a low US$3 billion in April 2003—this increase was almost entirely due to the US$960 million grants. The Current Account surplus soared to US$1.1 billion, compared to the US$420 million reached in 2002, due mainly to the rise in foreign grants, and to a US$81 million increase in Workers' Remittances. In fact, the evolution of Workers' Remittances is tightly linked to the movement of oil prices, because the large majority of Jordanians working abroad are located in the Gulf countries. Workers' Remittances are increasingly critical for Jordan, as they covered 80 percent of the trade deficit in 2003.

Figure 2. Current Account and Workers' Remittances



Source: Jordanian Authorities and World Bank Staff Estimates.

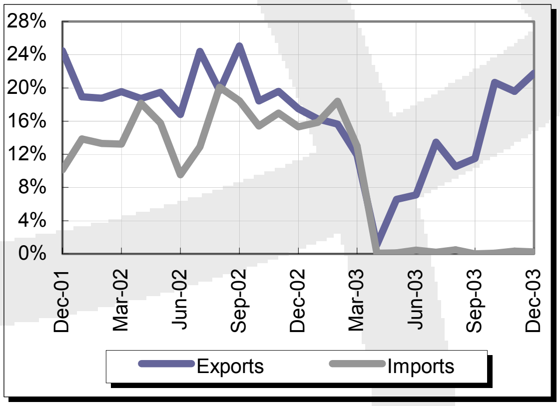
Figure 3. Central Bank Net Reserves



Source: Jordanian Authorities and World Bank Staff Estimates.

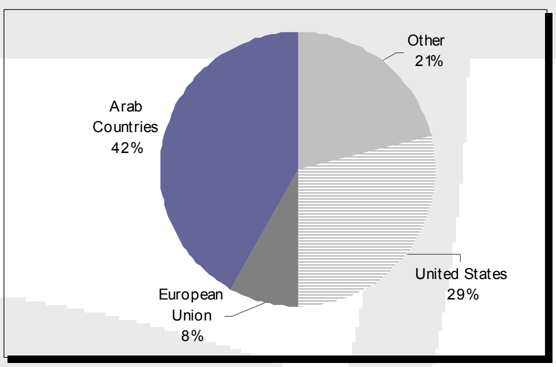
The Trade Deficit widened in 2003, reaching 26 percent of GDP, up from 24 percent in 2002. This evolution is linked to a 10.8 percent increase in imports, partly offset by an 8.3 percent increase in exports, which stabilized at 23.4 percent of GDP. Twenty-two percent of the increase in imports is linked to an increase in the oil bill, and 40 percent is linked to the appreciation of the Euro against the Jordanian Dinar, as 26 percent of Jordan imports originate from the Euro-zone. The large demand of textile inputs by exporting textile industries implemented in the QIZs also explains some of the increase in imports, as does the resumption of exports and re-exports to Iraq.

Figure 4. Trade with Iraq
as percent of total trade



Source: Jordanian Authorities and World Bank Staff Estimates.

Figure 5. Domestic Exports by Destination in 2003



Source: Jordanian Authorities and World Bank Staff Estimates.

By year-end 2003, Jordan had recovered its pre-war export level to Iraq. Exports to Iraq accounted for 21 percent of Jordan domestic exports in the Fourth Quarter of 2003, a figure close to the 20 percent observed in 2002. The United States' share in Jordan's domestic exports jumped to 28.5 percent in 2003. This rise is consistent with the 34 percent increase in clothes exports—the principal item produced by the QIZs, Jordan's main exporters to the United States. Domestic exports to the European Union increased sharply due to the depreciation of the Jordanian Dinar against the Euro. Almost 25 percent of the 47 percent increase is linked to the change in the value between the two currencies.

Despite the recovery of exports to Iraq, some of the long-term impact of the conflict on the Balance of Payments will pose serious challenges for years to come. In particular, the increase in the oil bill, more than 15 percent or US$130 billion, will continue to burden the External Accounts due to the fact that only exceptional foreign support helped minimize its effect in 2003.

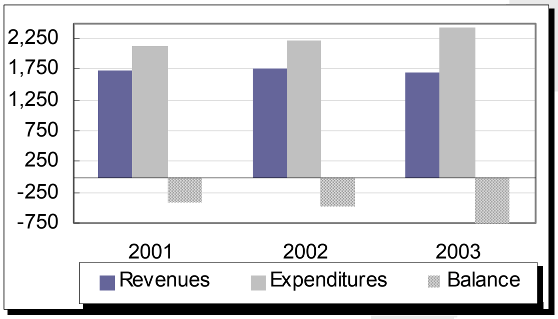
Fiscal Situation

Government revenues were down by 5.8 percent in 2003 compared to the budgeted figures. The drop in revenues reached 11.3 percent for the first four months of 2003 and was particularly severe in the single month of April (28.2 percent)—as a consequence of the war in Iraq. The Government reacted to the drop in revenues by accelerating planned increases in Sales Tax Rates and petroleum-administered prices. Other taxes were implemented or planned during the year, such as the 4 percent tax on cell-phone use, and the 5 percent tax over the interest on deposits. These measures triggered a substantial enhancement in revenues and offset some of the decreases observed in the First Half of the year. A close analysis of the 2003 actual figures shows an 8.3 percent increase in tax revenues from the 2002 results, which is better than the budgeted increase of 7.4 percent. The main decrease was observed in non-tax revenues where results were 16 percent below 2002 figures and 17.3 percent below budgeted figures for 2003. The reasons for the decrease are both economic and structural. First, the mitigated economic situation has reduced the profits of some publicly owned companies, like the Port Authority, the Telecommunication Company, and others. Second, privatizations in 2002 deprived the 2003 Budget of the revenue transfer of some companies, like the Potash and Cement Companies, and thus contributed to the decrease in non-tax revenues.

The war in Iraq triggered an exceptional increase in expenditures. Expenditures increased in 2003 by 10.3 percent compared to 2002 and by 4.3 percent compared to budgeted figures for the year 2003. The rise in Defense and Relief Expenditures accounts for 52 percent of the total increase. The increase in Capital Expenditures accounts for 21 percent of the total increase. While Capital Expenditures increased by 10.8 percent in 2003 compared to 2002, they under-performed by 3.7 percent compared to the budgeted figure for 2003.

Figure 6. Fiscal Balance

JD Million



Source: Jordanian Authorities and World Bank Staff Estimates.

Both the revenues decrease and expenditures increase in 2003 brought the Budget Deficit to 10.6 percent of GDP compared to 7 percent of GDP a year ago. The Primary Deficit reached 8.2 percent of GDP in 2003, against 4.3 percent in 2002. However, the large amount of foreign grants (9.7 percent of GDP) received by Jordan helped the country to nearly offset its Fiscal Deficit, which, including foreign grants, was only 0.9 percent of GDP.

Foreign grants helped Jordan reduce its Debt to the GDP Ratio from 105 percent in 2002 to 103 percent in 2003, despite the deficits and, particularly, despite the re-evaluation of the Debt stock driven by the weakening of the US Dollar. The Jordanian Dinar pegged to the US Dollar has transmitted the effect of the weakening of the US Dollar to the value of the Jordanian Public Debt. Debt reimbursements in 2003 reached 5.4 percent of GDP, but the appreciation of the Euro, the Yen and the Sterling Pound[1] to the US Dollar induced an increase in the value of the Debt of 6 percent of GDP. Thus, at 2002 exchange rates, Public Debt Ratio to GDP would have decreased to less than 98 percent. All in all, the Debt dynamic in 2003 remained sustainable thanks to foreign grants.

Table 2. Fiscal Balance

JD Million	2001	2002	2003
Domestic Revenues	**1,719**	**1,754**	**1,699**
Tax Revenues	996	1,000	1,083
Income and Profits	195	196	195
Sales Tax	554	511	596
Customs	224	214	202
Other	22	79	89
Non-Tax Revenues	642	681	572
Repayment	81	73	44
Total Expenditures	**2,124**	**2,214**	**2,441**
Current Expenditures	1,720	1,778	1,958
Excluding Debt Service	1,511	1,601	1,787
o/w Defense and Security	537	551	629
Debt Service	209	177	171
External	152	117	109
Internal	58	59	61
Capital Expenditures	404	437	484
Surplus/Deficit	**-405**	**-460**	**-743**
As percentage of GDP	-6.5%	-6.9%	-10.6%
Primary Balance	**-196**	**-284**	**-572**
As percentage of GDP	-3.1%	-4.1%	-8.2%
Including Grants and Rescheduled Interests			
Surplus / Deficit	**-156**	**-183**	**-60**
As percentage of GDP	-2.5%	-2.7%	-0.9%
Primary Balance	**54**	**-6**	**111**
As percentage of GDP	0.9%	-0.1%	1.6%
Grants	**249**	**277**	**683**

Source: Jordanian Authorities and World Bank Staff Estimates.

The privatization program continued in 2003, with US$123 million, or 1.8 percent of GDP generated from the selling of the Potash Company. Since the beginning of the privatization program in 1998, Jordan has already generated the equivalent of US$1 billion. To-date, the Government spent two-thirds of the privatization proceeds, including US$540 million used to reduce the Debt stock. Another US$120 million was spent on development projects or within the framework of the Structural Reform Initiative launched at the beginning of 2002 called "*The Social and Economic Transformation Program*".

Money And Banking

Iraqi Public Deposits in Jordanian banks caused some concerns during the First Half of 2003. Iraqi Public Deposits were rumored to amount to US$1 billion—22 percent of foreign liabilities and 6 to 7 percent of total deposits. The Jordanian

[1] At end 2003, 22 percent of the Debt was in the Euro, 22 percent in the Yen and 7.5 percent in the British Pound.

Table 3. Banking Sector Interest Rates

	December 2001	December 2002	02/01 (bpt)	December 2003	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**	**2.1%**	**-90**
Average Interest Rates on					
Demand	1.1%	0.9%	-15	0.5%	-41
Saving	2.9%	1.8%	-107	0.9%	-96
Time	5.2%	4.0%	-122	2.8%	-122
Average Interest Rates on					
Overdrafts	10.4%	9.4%	-107	9.4%	8
Loans and Advances	10.5%	9.9%	-60	8.9%	-93
Discounted Bills and Bonds	11.9%	11.0%	-93	10.2%	-71

Source: Jordanian Authorities and World Bank Staff Estimates.

Government established a special Authority for the management of these funds in order to prevent any potential risk that could arise from uncontrolled withdrawals.

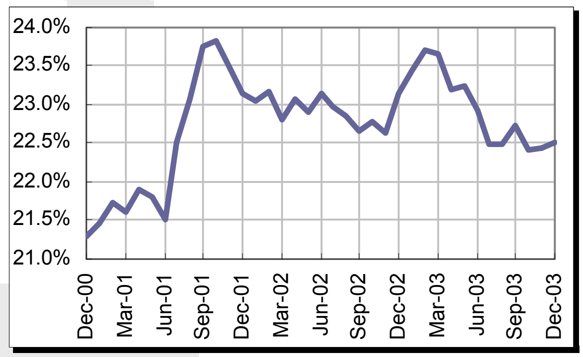
Between May and July 2003, Foreign Liabilities in the banks' Consolidated Balance Sheet dropped by US$410 million. This drop might be linked to withdrawals from Iraqi accounts. All in all, the drop in Foreign Liabilities over the year reached US$170 million. The Dollarization Rate of Deposits decreased from 23.1 percent at end-2002 to 22.5 percent at end-2003.

Deposits in Jordanian Dinars increased by 9.3 percent in 2003 against 7.1 percent in 2002. The increase in 2003 amounted to JD660 million and exerted considerable pressure on Banks' margins since lending did not follow. Consequently, Interest Rates on both the Central Bank's Certificate of Deposits and clients' deposits with the banking sector dropped.

The share of the deposits with the Central Bank in Jordanian Dinars in the total Assets of the Commercial Banks increased from 16 percent in 2002 to 20.3 percent in 2003. Cumulated increase over the year 2003 amounted to JD775 million (US$1.1 billion). Loans to the private sector increased by JD167 million (US$236 million) or 3.5 percent compared to December 2002. With the relative stagnation of the activity, the Central Bank drained all the surplus of resources that the Banks were unable to lend to the private sector. More than 80 percent of the increase in the credits to the private sector occurred between September and December 2003, which reinforced the possibility of a relative recovery in the dynamic of the real sector by the end of summer 2003.

Figure 7. Dollarization of M2

In Percent



Source: Jordanian Authorities and World Bank Staff Estimates.

Interests rates continued to decrease in 2003. The Central Bank started loosening its sterilization policy by the end of the year. The cost of the sterilization policy for the Central Bank is believed to have reached US$100 million for 2003. Interest Rates on Certificates of Deposits dropped by 90 basis points, and interest on deposits decreased largely, while the decrease in Debtor Rates remained relatively moderate, mainly because the increase in deposits did not translate into an increase in loans to the private sector.

The Government is reinforcing banking legislation. When some middle- and small-size banks conducted risky operations that threatened their financial stability, the Government in Jordan reacted with a tight and continuous monitoring of the banking sector. Recent legislation requests the Banks to increase their capital to US$60 million by the year 2007, a move that would strengthen the sector by stimulating both mergers and foreign participations.

MAINSTREAMING AT-RISK CHILDREN

In the spring of 2001, the Ministry of Social Development (MSD) and Questscope (a local NGO) discussed financing possibilities with the World Bank for assistance in solving some of the difficult social problems facing Jordan, particularly those of substance abuse and public security. MSD prepared a project titled *Integrating "At Risk" Children/Youth Into Mainstream Society* which is financed by the World Bank Japanese Social Development Fund (JSDF)[1] to identify, rehabilitate, and integrate "at risk" children/youth into mainstream society by building capacity of Community-Based Organizations (CBOs), local Non Governmental Organizations (NGOs), local offices of MOSD, and participation of volunteers. Under the project, the adopted methodology emphasizes participation as a means for increasing the role of marginalized persons and communities in order to: enhance their human rights; give them access to available resources; and achieve equity in a sustainable manner.

Communities were expected to be full-fledged participants in the project because mainstreaming at-risk children takes coordinated action on the part of many institutions and community members. The most essential element in this project is the active cooperation of the Ministry of Social Development with children, volunteers, families, and other supportive institutions, such as referral agencies. Key to this cooperation has been the establishment of a dynamic mentoring program integrated with referral agencies and strong linkages to community organizations.

Although it was anticipated that 2,000 at-risk children would benefit from this two-year project, the directors of the six participating Centers of the MSD Juvenile Division all adopted the mentoring approach fostered by the project, which will actually benefit 12,000 children. In addition, the mentoring approach will be incorporated into the working strategy of the MSD, and three key committees (referral, volunteer and implementation) will be included in the official structure of the Juvenile Division. This will contribute greatly to the institutional sustainability of mentoring as an effective approach to at-risk children.

Juvenile Centers are open for at-risk children who attend vocational training, school courses, and extracurricular activities, such as drama and volunteer-led clubs. Referral organizations work in the Centers to provide activities for children.

Strengths of the JSDF Grant

The development of "street education" or Participatory Educational Methodology (PEM) as a supportive sub-program to the mentoring program has also become an exciting component of this JSDF Grant. PEM is based on the concept of restoring children through the learning process, moving through stages of: dialogue, knowledge building, awareness creation and development of critical thought. The effectiveness of PEM in developing literacy in children has resulted in "street education" replacing the traditional literacy-training activities in all six Juvenile Centers. But PEM assists children to go beyond literacy, as they begin to describe how they will make changes in their lives to reach their emerging personal aspirations. They become aware of their rights and their responsibilities to enjoy those rights, which leads them towards reintegration into mainstream society.

[1] The Japan Social Development Fund (JSDF) is an untied Grant Facility established by the Japanese Government and the World Bank in June 2000. The Fund assists World Bank clients to effectively tackle the poverty and social consequences that resulted from the 1997-1999 global economic and financial crises. The JSDF: (a) initiates and supports innovative programs which have high potential for ameliorating the deterioration in the affected countries' situations; (b) provides relatively rapid, demonstrable benefits through initiatives which have positive prospects of developing into sustainable activities over the long term; and (c) assists programs designed and implemented by local populations and civil society.

PEM will be incorporated into the Ministry of Education (MOE) as a key methodology in the Non-Formal Education (NFE) program currently being developed by the participating NGO, with the MOE. The methodology of PEM includes: family involvement; volunteer contributions of time and effort; and involvement of children with teachers in the learning process. It is significant that this approach is very unique to the Middle East and North Africa (MENA) region, and it is being embraced by the MOE, based on its success.

This was the Bank's first venture in designing non-traditional, bottom-up approaches for child protection, and the JSDF is ideally suited to the task. The Fund's objectives provide the platform to best serve the most vulnerable segments of society, while achieving the goals of civil society integration, and encouraging the development of bottom-up approaches to existing social problems, allowing the children and youth themselves and their communities to participate in all aspects of project development—conceptualization, design, ongoing implementation, and evaluation. It is anticipated that identification and rehabilitation of at-risk children will gradually become a fully accepted responsibility and will be implemented by communities, families and social institutions as they improve the circumstances of children and continue to involve them in the decision-making process, and in enacting real life solutions.

BANK GROUP OPERATIONS

IBRD Projects In The Pipeline

○ ***Amman Development Corridor Project*** (US$38 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.

○ ***Regional and Municipal Development Loan*** (US$35 million). The objective of the loan is to: (i) strengthen the intergovernmental finance system (ii) upgrade financial management, technical and administrative capacities at the local level, and (iii) increase the coverage and quality of municipal service provision, with particular emphasis on under-served areas. Project preparation is underway.

○ ***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$134 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.

Active Portfolio	Approval Date	Loan Amount US$ M	Undisbursed Amount US$ M	Primary Sector	Closing Date
Second Tourism Development	Jul-97	32.00	10.9	Urban Development	Jun-05
Community Infrastructure Development	Aug-97	30.00	2.3	Urban Development	Jun-04
Amman Water and Sanitation Management	Mar-99	55.00	10.3	Water Supply/Sanitation	Jan-06
Health Sector Reform	Mar-99	35.00	9.6	Health	Dec-04
Higher Education Development	Feb-00	34.70	21.7	Education	Dec-05
Horticultural Exports Promotion Learning and Innovation	Jun-02	5.00	4.5	Agriculture Markets and Trade	Dec-06
Education Reform for Knowledge Economy	May-03	120.0	117.8	Education	Dec-08
Total		**311.7**	**177.1**		

○ ***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.

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 to Support the Development of a Monitoring and Evaluation System*** (US$395,000). The Grant contributes to the design and implementation of a sound monitoring and evaluation framework for the Government to: (i) adequately monitor the input 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 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 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 JTC has prepaid IFC.

○ ***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 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 to: (i) relocate MEC's existing production facilities for 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

MIGA[1] Ongoing Projects

Jordan has been a member of MIGA since MIGA's inception in 1988. MIGA's outstanding portfolio in Jordan consists of two contracts of guarantee for a project in the manufacturing sector with gross exposure of US$46 million and net exposure of US$32 million. The coverage is for two shareholder counter-guarantees provided to the Danish investor's affiliate company, Kemira Agro Oy of Finland, for guarantees to the project financiers.

This project is significant in many ways, featuring international collaboration involving the European Investment Bank and the Islamic Development Bank, the project's financiers. Also, as MIGA's first project in Jordan, it underscores the agency's intent to play a larger role in the region. In addition, the deal is the first reinsurance of a MIGA contract by Finnvera, Finland's investment insurance agency, and results from an October 2000 agreement between the two agencies to work together to coinsure and reinsure projects, with the goal of increasing Finnish investment into emerging economies.

The estimated amount of Foreign Direct Investment facilitated by MIGA into Jordan to date is US$86.5 million.

MIGA is exploring working more closely with Jordan's Loan Guarantee Corporation and has sponsored training on underwriting and risk management of investment insurance for one staff member.

Further information on MIGA can be found at:
http://www.miga.org/

MIGA's online investment promotion services (www.fdixchange.com and www.ipanet.net) feature 120 documents on investment opportunities and the related legal and regulatory environment in Jordan.

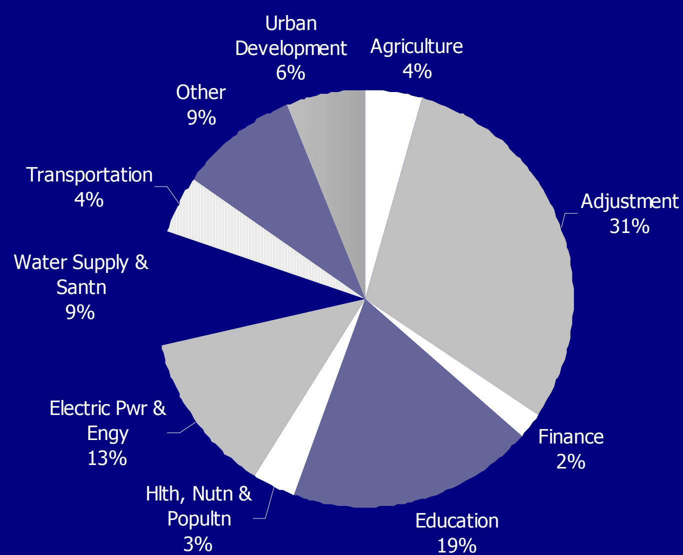
[1] The Multilateral Investment Guarantee Agency (MIGA) was created in 1988 as a member of the World Bank Group to promote foreign direct investment into emerging economies to improve people's lives and reduce poverty. MIGA contributes to development by offering political risk insurance (guarantees) to investors and lenders, and by helping developing countries attract and retain private investment.

Bank Lending to Jordan – Fact Sheet

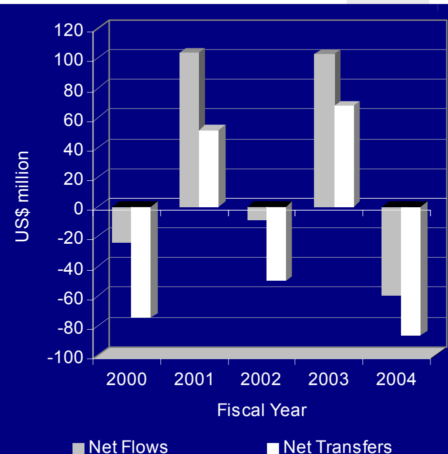
Jordan joined the World Bank in 1952, and received its first IDA credit in 1961. Over the past 42 years, a total of 79 credits and loans have been granted to Jordan for a total amount of US$2,177 million. Jordan is also a member of IFC, ICSID, and MIGA.

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$2,001 million
Repaid:	US$955 million
Obligation:	US$1,026 million

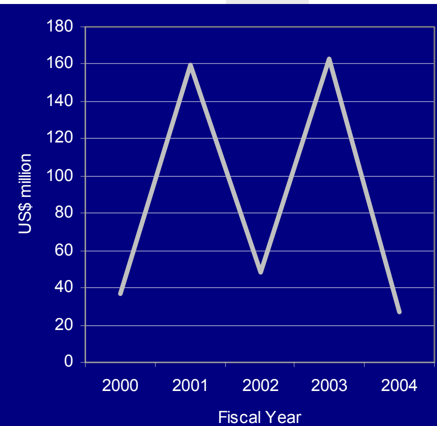
Sectoral Distribution by Value



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

World Bank Supports The Knowledge And Learning Needs Of The Middle East And North Africa Region

The World Bank, the City of Marseilles, and the Institut de la Méditerranée opened the Middle East and North Africa Knowledge Hub (MKH) in Marseilles in March 2004. Using state-of-the-art information and communications technologies, the MKH will help boost capacity for knowledge sharing and learning in the Middle East and North Africa (MENA) region.

The MKH inauguration follows the launch of the second annual *Knowledge for Development Conference* in Marseilles. Sponsored by the World Bank, and the Institut de la Méditerranée, the two-day conference explored the nexus of trade, competitiveness, and the knowledge economy.

The two Marseilles events come as MENA faces unprecedented social and economic challenges. According to a recent World Bank report, the region must double today's employment levels by 2020, creating 100 million additional jobs. An increasingly educated and young population is entering already strained labor markets, with unemployment rates averaging 15 percent. Jobless rates are on average 50 percent higher among women than among men.

MENA remains poorly integrated with the rest of the world. Trade represents 12 percent of GDP (compared to almost 50 percent in East Asia). For example: the region's manufactured exports, at US$40 billion, are the same as those of Finland, with a population 55 times that of Finland. Foreign Direct Investment is about 1 percent of GDP, less than in Sub-Saharan Africa. The region has 5 percent of the world's population, but only 0.7 percent of internet connections.

Reaching Out Through Technology

The MKH works on four key themes identified as priority for the region: (i) knowledge for development; (ii) education and employment, including youth issues; (iii) urban management; and (iv) governance and transparency. Water, health issues, and private participation for infrastructure are expected to be added later.

The MKH acts as a knowledge broker, matching regional demands with the global supply of knowledge services, and will promote distance learning programs in French and Arabic. The modern videoconference technologies of the Global Development Learning Network provide interactive access to more than 60 countries. MENA institutions, such as: training centers, professional networks, universities, and think tanks will, in turn, play a lead role as knowledge connectors and providers. Development experts in MENA countries will benefit from being connected with their counterparts from Europe, other regions, and around the world through online networks as well as face-to-face knowledge exchanges.

Boosting Trade And Competitiveness To Meet The Employment Challenge

The first day of the Knowledge for Development Conference engaged a diverse group of participants from the private sector and government agencies in MENA and European countries, and World Bank officials in a dialogue on how MENA could take advantage of knowledge-based economies[1] as it moves towards greater integration with the global economy. Several countries presented case studies of their experience in facilitating trade and competitiveness with linkages to the knowledge economy.

For more information, please visit:
www.worldbank.org/wbi/RCET/mkh/

[1] Triggered by globalization, the "knowledge economy" refers to a new form of economic development that draws on quality education and people's creativity, as well as advanced information and telecommunications infrastructure.

Workshop On Parliament, Strengthening Government-Parliament Dialogue On Budget And Policy Reforms

The World Bank's Middle East and North Africa (MNA) Department in partnership with the Parliament of Morocco conducted a two-day workshop on ***Strengthening Government-Parliament Dialogue on Budget and Policy Reform****,* which took place in Morocco on April 29 and 30, 2004. The workshop brought together 40 members of parliament from a number of Middle East and North Africa countries, including: Bahrain, Egypt, Jordan, and Morocco. Selected representatives from the region's finance ministries, as well civil society groups, were also invited to attend.

The workshop's aim was to strengthen the parliaments' capacity to contribute to policy dialogue on public finance and policy reforms, as well as enhance parliamentarians' knowledge on budget reform processes, such as public expenditure analysis and performance-budgeting. It also brought to light experiences to strengthen legislative oversight and external accountability through dialogue with civil society and the media. The workshop provided an opportunity for members of parliament to: (i) engage in a debate on how to strengthen parliament's role in public finance and budget reforms, and (ii) deepen awareness of the scope for enhancing parliament's participation in policy formulation.

The workshop follows a video-conference discussion between the World Bank and parliamentarians from the Middle East and North Africa Region that took place in September 2003, the run-up to the Annual Meetings.

The discussion was an opportunity for Mr. James Wolfensohn, president of the World Bank, and the Bank's MENA regional staff to exchange views and interact with parliamentarians from diverse parts of the MENA region. As such, it provided a good opportunity for Mr. Wolfensohn and the Bank to: (i) communicate the strategic messages for the Annual Meetings; and (ii) listen to the concerns, views and advice of parliamentarians inside and outside the MENA region.

For information on the Parliamentarian Network and to access the website, please visit:
http://www.pnowb.org/

Youthink! Action=Results
World Bank's New Website For Youth Launched

youthink!

The World Bank's new website about development issues that matter to young people hit the cyber newsstand in April 2004.

Young people, who typically represent the web's savviest users, have been one of the Bank's largest, but most underserved Internet audience.

Youthink! is a lively, interactive, dynamic website that provides relevant content to young people, written in an age-appropriate language.

Youthink! invites young people to explore the research, knowledge and experience gathered by World Bank experts on issues like poverty, development, and conflict. Youthink! also invites young people to share what they see around them through personal stories, photos, etc.

For more information on each subject, please visit:
http://youthink.worldbank.org/

Community Empowerment And Social Inclusion Program (CESI)

The World Bank Institute's Community Empowerment and Social Inclusion Learning Program (CESI) is a cross-sectoral program that focuses on citizen strengthening and institutional reform to further the World Bank's mission of poverty reduction.

CESI's interdisciplinary tools enhance the capacity of the poor and marginalized to drive their own development; these tools also help institutions respond better to the needs of their constituents. To achieve these results, CESI facilitates dialogue between government and citizens, and builds the skills and confidence of communities to participate actively in the development process.

The program offers learning modules clustered around three themes:

- Community Empowerment;
- Civic Participation and Governance;
- Social Policy.

The program also addresses social and gender issues and participatory monitoring and evaluation. The majority of CESI's activities are delivered via Distance Learning, with face-to-face deliveries to be accompanied by electronic follow-on (where possible) through use of WBI's Virtual Learning Environment (VLE).

For more information on each subject, please visit:
www.worldbank.org/wbi/communityempowerment/index.html

Second Roundtable On Better Measuring, Monitoring, And Managing For Development Results

The Second Roundtable on *Better Measuring and Monitoring and Managing for Development Results* took place in Morocco in February 2004. Nearly 200 participants from aid organizations and developing countries met in a roundtable to: (i) assess progress; (ii) focus on the challenges countries face in managing for results, and (iii) attempt to increase the political commitment of the international community to support the global results agenda. The participants endorsed the core principles and a global action plan on managing for development results.

Better statistics remain an important part of the results agenda. Managing for results requires timely and reliable statistics at the country and global level. Many countries need greater capacity to produce reliable statistics and make use of them for effective decision-making. To help improve the availability and quality of basic data, since the first Roundtable on Results in 2002, the statistical community has been working to improve national and international statistical systems. A number of initiatives are showing progress, but much more needs to be done if better data for evidence-based planning and global monitoring are to be available for the 2005 and 2010 reviews of the Millennium Development Goals and the 2015 target year.

Short- and medium-term actions consistent with long-term, sustainable improvements in national and international statistical capacity, were drawn from operational work, special studies, and the experience of partners. The actions are interdependent: improvements in national statistical systems will lead to improved international statistics, while a more effective international system could provide more consistent advice and better support for improving national statistics.

The first set of recommendations address national needs: (i) mainstream strategic planning of statistical systems and prepare national statistical development strategies for all low-income countries by 2006; (ii) begin preparations for the

2010 census round; and (iii) increase financing for statistical capacity building.

The second set address international responsibilities:

- Set up an international Household Survey Network.
- Undertake urgent improvements needed for MDG monitoring by 2005.
- Increase accountability of the international statistical system.

For more information on Managing for Development Results, please visit: *http://www.mfdr.org/*

Water And Power Roundtable

A recent two-day participatory roundtable in Marrakech looked at the issues of accountability in the delivery of water, sanitation, and power services in the Middle East and North Africa. The event, organized by the World Bank Middle East and North Africa (MENA) Region, brought together 80 participants, that included key policy makers, public and private service providers, and representatives from various organizations of civil society and users from the region.

In MENA, constraints to provision of water, sanitation and electricity services place significant burdens on economic and social development, public health, and economic growth. Relieving these constraints calls in the long run for sound reform, efficiency improvement and increased investment. In the process, however, the voices of the primary beneficiaries of service provision are not always heard.

Given the scale of the challenges faced by the region in the water and power sectors—fast population growth, extreme water scarcity, wealth imbalances, high unemployment, low private participation, trade constraints, and governance strategies—stakeholders urgently need to communicate to improve approaches to service delivery, and to build stronger partnerships between the public decision-makers, providers of services, and users.

As an initial response to these needs, the primary objective of this event was to provide a forum for the participants to hear one another's views and constraints in contributing to better service delivery. The roundtable, billed as a participatory workshop, focused on the ways and challenges to improve accountability mechanisms, such as regulation, transparency of information, governance, stakeholder participation, and the role of the media with the ultimate goal of improving the outcome for all stakeholders.

In MENA, resolving the challenges of infrastructure service needs is closely linked to such improvement of governance and accountability. In most countries of the region, the voice of the user and the poor is still weak, if not inexistent.

During the Roundtable, all stakeholders came to realize that accountability has many meanings and that everyone comes with a different perspective on the issue, especially in terms of objectives, or risks, of lines of accountability, and incentives and constraints. Lack of appropriate legal and regulatory framework, of reasonable tariff structures and cost-recovery schemes, or of qualified staffing are often preventing the utility from delivering a service satisfactory to the user.

Despite the variety of views and experiences, all participants agreed that they were, ultimately, aiming at the same objective of ensuring a satisfactory service delivery. In that regard, participation of all players in the accountability process was seen, in many cases, as a reasonable approach to achieving optimal service delivery. The Roundtable stressed the great need in the region for an inclusive forum where all stakeholders concerned by infrastructure service delivery can candidly and safely exchange views and ideas on the matter.

Recent World Bank Publications

MNA Publications

Regulating Islamic Financial Institutions: The Nature of the Regulated (Working Paper Series 3227). More than 200 Islamic Financial Institutions (IFI) are operating in 48 countries. Their combined assets exceed US$200 billion with an annual growth rate between 12 and 15 percent. The regulatory regime governing Islamic Financial Institutions varies significantly across countries. A number of international organizations have been established with the mandate to set standards that would strengthen and eventually harmonize prudential regulations as they apply to IFIs. The paper contributes to the discussion on the nature of the prudential standards to be developed. It clarifies the risks IFIs are exposed to, and the type of regulation that would be needed to systemically manage them. The paper considers that the industry is still in a development process, where the eventual outcome will be the convergence of the practice of Islamic financial intermediation with its conceptual foundations. Accordingly, the paper contrasts the risks and regulation that would be needed in the case of Islamic financial intermediation operating according to: (a) core principles, and (b) current practice. Implications for approaches to capital adequacy, licensing requirements and reliance on market discipline are outlined. An organization of the industry that would allow it to develop in compliance with its principles and prudent risk management, and facilitate its regulation is proposed.

Growth, Private Investment, and the Cost of Doing Business in Tunisia: A Comparative Perspective (MNA Working Paper 34). In Tunisia's more emerging competitive environment, the key precondition for accelerated growth and faster job creation is greater private investment. Compared to other high growth countries, Tunisia's growth has been driven more by public than private investments. Despite Tunisia's solid macroeconomic fundamentals and generous investment incentives, private investment remains compressed at levels below potential compared to other fast-growing countries. Moreover, empirical evidence suggests a loss of momentum of private investment since the mid-1990s. Possible reasons include: the limited openness of key services to competition; heightened business uncertainty stemming from commercial risks; and weaknesses in economic governance that weaken the investment climate. The analysis examines the quality of the regulatory framework for doing business, a key underpinning of the investment climate. Tunisia ranks well in a number of regulatory areas that affect a firm's operations during its life cycle. But, in other key areas, regulations are not conducive for doing business: employment termination, credit information sharing, creditor's rights in bankruptcy, and business exit. Well-sequenced reform in these areas would help bridge Tunisia's "private investment gap".

Jordan: Supporting Stable Development in a Challenging Region-A Joint World Bank-Islamic Development Bank Evaluation (ISBN 0-8213-5782-4). The World Bank and the Islamic Development Bank have collaborated in evaluating their assistance program in Jordan. The two institutions have carried out a joint assessment of Jordan's economic and social development since 1990 and the challenges facing the country.

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

World Development Indicators 2004 (ISBN: 0-8213-5729-8 SKU: 15729). This publication presents the most current and accurate information on global development on both a national level and aggregated globally. This information allows readers to monitor the progress made toward meeting the goals endorsed by the United Nations and its member countries, the World Bank, and a host of partner organizations in September 2001 in their Millennium Development Goals.

The 400-page print edition of *World Development Indicators 2004* offers 80 tables and over 800 indicators for 152 economies and 14 country groups, as well as basic indicators for a further 55 economies. There are key indicators for the latest year available, important regional data, and income group analysis. The report contains six thematic presentations of analytical commentary covering: World View, People, Environment, Economy, States and Markets, and Global Links. The CD-ROM edition contains 40 years of time series data for more than 200 countries from 1960-2002, single-year observations, and spreadsheets on many topics.

Customs Modernization Initiatives: Case Studies (ISBN: 0-8213-5752-2 SKU: 15752). This book provides case studies on customs modernization initiatives in seven countries (Bolivia, Morocco, Mozambique, Peru, the Philippines, Turkey, and Uganda). The initiatives in each of these countries show similarities as well as differences in their approach and design. Some have relied on a model of Independent revenue authorities, some have called upon private sector service providers to initiate the modernization process, others have taken the drastic step of a complete overhaul of their customs staff, while still others have approached the modernization process as a pragmatic, well-focused, result-oriented process.

Global Development Finance 2004: Harnessing Cyclical Gains for Development (ISBN: 0-8213-5741-7 SKU: 15741). The external financing environment facing developing countries has brightened. In 2003, as global growth gained momentum, private capital flows to developing countries increased to US$200 billion – their highest level in five years. Harnessing these gains to promote long-term investment and growth is the key theme of *Global Development Finance 2004.*

By providing a comprehensive review of recent trends in and prospects for all development-related flows (including debt, equity, official aid, and workers' remittances), *Global Development Finance 2004* enables government officials, economists, investors, financial consultants, academics and policymakers in the development community to better understand, manage, and promote the key challenge of financing development in today's globalized environment.

Public Management and the Essential Public Health Functions (WPS3220). This paper provides an overview of how different approaches to improving public sector management relate to so-called core or essential public health functions, such as: disease surveillance; health education; monitoring and evaluation; workforce development; enforcement of public health laws and regulations; public health research; and health policy development. The paper summarizes key themes in the public management literature and draws lessons for their application to these core functions.

Globalization and the Gender Wage Gap (WPS3256). There are several theoretical reasons why globalization will have a narrowing, as well as widening effect on the gender wage gap, but little is known about the actual impact, except for a number of country studies. The author provides a cross-country study of the impact of globalization on the occupational gender wage gap, based on the rarely used but most far-ranging survey of wages around the world, the International Labour Organization's October Inquiry.

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