

# Country Development Strategy Statement

## FY 1984

JORDAN'S FIVE YEAR PLAN  
1981-1985

ANNEX II



January 1982

Agency for International Development  
Washington, D.C. 20523

BEST AVAILABLE

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ANNEX II

AGENCY FOR INTERNATIONAL DEVELOPMENT

JORDAN

JORDAN'S FIVE YEAR PLAN, 1981-1985

FEBRUARY 1982

## ANNEX II

### JORDAN'S FIVE YEAR PLAN, 1981-1985

#### 1. Summary of Jordan's Five-Year Plan, 1981 - 1985

Jordan's third development plan, concerning the period 1981 - 1985, is an ambitious attempt to continue the national development effort guided by the first (1973-76) and second (1976-1980) development plans. All socio-economic indicators point to the achievement of remarkable progress in the different areas addressed by these development plans (See Table I). The second plan period, for example, witnessed annual real growth of 11% and 8.5% in the GNP and GDP, respectively. The value of commodity exports rose 26.8% per year, while revenues of the central government rose at the rate of 18.7% per year. The period also witnessed a wider distribution of services, including schools, water, and electricity. Expenditures under the first development plan averaged JD 60 million per year. The second plan's investments averaged JD 170 million annually, while the new Plan envisages the expenditure of JD 660 million per annum.

In spite of progress achieved to date, the GOJ realizes that serious problems remain to be tackled. These involve the meagerness of water supplies, low female labor participation rates, shortages in management and some technical areas of manpower critical for further development progress, Jordan's virtually complete dependence on imported energy, pollution and environmental degradation, a limited production base, a very large chronic trade deficit, dependence on significant food imports, the weakness of institutional structures in both the public and private

TABLE I  
Economic indicators for Jordan  
(in JD Million)

(All figures are given in current prices unless otherwise indicated)

	1975		1980		1985	
		% of GDP		% of GDP		% of GDP
GDP (at market prices)	278.6	100	814.0	100	2060.0	100
GDP (in 1980 constant prices)	482.8	100	814.0	100	1377.0	100
GNP	342.5	122.9	1011.0	124.2	2535.0	123.1
GNP (in 1980 constant prices)	593.6	122.9	1011.0	124.2	1695.0	123.1
Investment	87.9	31.5	320.0	39.3	852.7	41.4
Consumption	372.0	133.5	999.0	122.7	2194.7	106.5
Change in stocks	0.9	0.3	20.0	2.5	44.9	2.2
Private and public investments	87.9	31.5	320.0	39.3	852.7	41.4
Central government	27.1	9.7	83.5	10.3	287.7	14.0
Government agencies and Municipalities	22.1	7.9	68.3	8.3	235.3	11.4
Private investment (including joint companies)	38.7	13.9	168.2	20.7	329.7	16.0
Foreign sectors						
Imports of goods	232.9	83.6	720.0	88.4	1369.0	99.4
Imports of services	71.2	25.6	200.0	24.6	378.0	27.4
Exports of goods (+ re-exports)	48.9	17.5	16.0	19.7	550.0	39.9
Exports of services	83.7	30.0	235.0	28.9	505.0	36.7
Net factor income (net investment income + net remittances)	61.5	22.1	197.0	24.2	318.0	23.1
Net transfer payments	139.8	50.2	381.0	46.8	250.0	18.2
Government financing						
Foreign budget support	116.8	41.9	214.9	26.3	244.0	11.8
Domestic revenue	82.6	29.6	224.5	27.6	557.0	27.0
Direct	9.4	3.4	32.9	4.0	103.0	5.0
Indirect	48.8	17.5	109.0	13.4	257.5	12.5
Expenditure	204.9	73.6	517.5	63.6	1219.0	59.2
Recurrent	125.7	45.1	325.7	40.0	555.0	26.9
Capital	79.2	28.4	191.8	23.6	664.0	32.2
Government surplus in current account	73.7	26.5	113.7	14.0	246.0	11.9

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	1975		1980		1985	
		% of GDP		% of GDP		% of GDP
Energy						
Imports of crude oil quantity (in tons)	828000	-	1779000	-	2761000	-
Value	24.8	8.9	120.0	14.7	205.0	14.9
Transportation consumption	11.8	4.2	57.1	7.0	97.6	7.1
Household consumption	4.4	1.6	21.1	2.6	36.1	2.6
Industrial consumption	2.3	0.8	11.2	1.4	19.1	1.4
Electricity consumption	2.2	0.8	10.4	1.3	17.8	1.3
Other	4.1	1.5	20.2	2.4	34.4	2.5
Population and labour						
		% of Nat. Labour		% of nat. Labour		% of nat. Labour
Population	1,854,000		2,234,000		2,693,000	
National labour force	343,671	100.0	390,750	100.0	518,350	100
Male	306,554	89.2	336,045	86.0	418,645	80.8
Female	37,117	10.8	54,705	14.0	99,705	19.2
Foreign labourers	4,000	1.2	79,566	20.4	149,566	28.9
Jordanian working abroad	139,000	40.4	280,000		300,000	
		to	310,000	to	350,000	
Sectoral distribution of the labour force						
	347,671	101.1	470,316	120.4	667,916	128.8
Agriculture	73,263	21.3	78,945	20.2	92,705	17.9
Mining & Industry	30,172	8.8	49,589	12.7	98,759	19.0
Transportation	18,857	5.5	43,786	11.2	74,116	14.3
Other services	225,379	65.5	297,996	76.3	402,336	77.6

(The figures for 1985 are given in 1980 constant prices)

sectors, deterioration of living conditions in city slums, and disparities believed to be widening in the distribution of recent economic gains.

Seven basic goals have guided preparation of the new Plan. These are:

- (1) Realizing an 11% annual growth rate in Gross Domestic Product.
- (2) Changing the structure of the national economy in favor of commodity producing sectors.
- (3) Participating in the Arab Development Decade and strengthening Arab economic integration.
- (4) Increasing the contribution of domestic revenues to the general budget.
- (5) Reducing the deficit in the balance of trade.
- (6) Satisfying basic needs and narrowing disparities among regions.
- (7) Developing skill levels in the labor force and increasing the participation of women in development.

The Plan includes more specific objectives, which are translated in various degrees of analytical detail, into strategies and projects for each of 19 different economic sectors. Assumptions underlying the Plan include continuation of a policy of free enterprise, continued cooperation of the active private sector, public participation in decision-making, and continued cooperation of Arab countries and their financial institutions as well as other friendly countries and international agencies.

The Plan envisages a total investment of JD 3,300 million (approximately 10 billion U.S. dollars) during the five-year period (See Table II).

Largest investments are to be made in the mining and industry sector (22.99%), followed by the transport sector (16.53%), and the water-irrigation sector (15.81%). Each of the housing and government buildings, agriculture, education, municipal and environmental affairs, and energy sectors is allocated between 5 and 10 percent of plan investments. About half of the total investment is earmarked for the productive sectors, while the other half is allocated for services. Growth in the productive sectors is expected to average 14.9% per year during the plan period, while that of the service sectors is estimated at 8.4% per year. The highest annual growth rates are projected for the water and electricity sectors - both at 18.9%--and the mining and industry sector at 17.8%. The smallest growth is estimated for the public administration and defense sector at the rate of 3.5% per annum.

The Plan includes detailed lists of projects in each sector of the economy. Among the largest projects, however, are the construction of four cement factories (JD 283 million) and the Maqarin Dam (JD 200 million). Other large projects include chemical fertilizer plants (JD 85 million); the Amman water supply system (JD 52 million); the new campus of Yarmouk University (JD 50 million); the new town of Abu Nuseir (JD 45 million); expansion of petroleum refining capabilities (JD 43 million); completion of the new Queen Alia International Airport at Amman (JD 42 million); and school construction for the nine year compulsory cycle for all students between 6 and 15 years of age (JD 40 million).

Funding for the Plan will come from both public and private sectors. Investment by the private and "mixed" sectors is estimated at 39% of the total, with the balance coming from the central government and independent public institutions. More than half of the investments to be made by the private and "mixed" sectors are in three areas: industry and mining (27%), housing (17%), and agriculture (12%). The central government's share is JD2233 million of which JD 921 million will come from the GOJ's account, JD 150 million to be financed internally through government bonds, and JD 1,162 million to be financed by foreign loans and technical assistance. Of the total contribution of the central government, JD 1,760 million will be spent on capital formation, while JD 473 million will be used for repayment of foreign loans and for government participation in projects in the private and "mixed" sectors.

## 2. Strengths and Weaknesses of the Plan

### a. Strengths

Jordan's new Five-Year Plan is, basically, an ambitious capital development program. Like all such plans, it has both strengths and weaknesses. Strengths include a clarity of objectives and pragmatic ways of achieving them. Stemming from recognition that the benefits that are accruing to Jordan from neighboring Arab oil-producing countries will not last forever, and from a desire to build costly, needed infrastructure while these benefits are still available, the Plan emphasizes capital development projects (especially water and transportation) and includes

TABLE II  
Planned Allocations  
Five Year Plan 1981 - 1985  
(in million JDs)

<u>PRODUCTION AND TOURISM SECTOR</u>	Central Investments	Autonomous Institutions (1)	Private & mixed (2)	Total	Percent of Total
Manufacturing and Mining	23.0	19.0	716.8	758.8	23.0
Water & Irrigation	275.6	246.1	---	521.7	15.8
Agriculture & Crops	52.6	---	181.9	234.5	7.1
Electricity & Energy	---	124.3	39.1	163.4	4.9
Tourism & Antiquities	16.9	---	48.8	65.7	2.0
Total	<u>368.1</u>	<u>389.4</u>	<u>986.6</u>	<u>1,744.1</u>	<u>52.8%</u>
<u>SERVICES SECTOR</u>					
Transportation	246.1	239.4	60.0	545.5	16.54
Housing & Govt. Bldgs.	17.9	123.1	167.1	308.1	9.34
Education	120.0	86.3	20.0	226.3	6.86
Municipal, Rural and Environmental Affairs	10.7	164.9	---	175.6	5.32
Communications	3.6	103.2	---	106.8	3.23
Health	80.7	---	20.0	100.7	3.06
Trade & Supply	25.5	6.0	5.5	37.0	1.13
Social Development	9.4	---	5.8	15.2	0.46
Culture and Youth	9.8	---	---	9.8	0.30
Labor & Manpower	1.0	6.5	1.7	9.2	0.29
Information	7.9	---	---	7.9	0.25
Science, Tech. & Statistics	1.2	---	6.2	7.4	0.23
Al-Awqaf	2.5	---	3.9	6.4	0.19
Total	<u>526.3</u>	<u>729.4</u>	<u>290.2</u>	<u>1,555.9</u>	<u>47.2%</u>
TOTAL Investments	904.4	1,118.8	1,276.8	3,300.0	100.0%

(1) Public Institutions which include: Domestic Water, Telecommunication, Alia, Sea Port Aqaba railway, Free Zones, Public Transportation, Housing, Industrial Estates and Zones, Vocational Training, Jordan Valley Authority etc.

(2) Imputed therein are the private sector and mixed sectors and shareholding companies which the Government or its Institutions participate in their equity capital.

comprehensive lists of projects for which foreign donor support will be sought. This is to be done in light of a realistic strategy that envisions putting in place the physical infrastructure necessary to develop a productive and efficient export sector, which in turn, can contribute toward the ultimate goal of achieving a "self-sustained, diversified, and balanced" national economy.

A second strength of the Plan is its comprehensive coverage of all sectors of the economy and its definition of roles of the public, quasi-public, and private sectors. The Plan specifically seeks to involve and strengthen the private sector's role in the economy and makes clear that the Government is unequivocally committed to continuing Jordan's essentially free enterprise system. To this end, the Plan envisions gradual elimination of subsidies on petroleum and food and provision of additional incentives to attract foreign investment capital.

Third, the Plan recognizes that many of Jordan's development problems cannot be solved through capital development projects. It discusses the need for policy and legislative reform in many areas, such as the encouragement of private savings and investments, the strengthening of local governments and the encouragement of exports. There is also a recognition of the importance of manpower training, particularly with respect to both professional management and vocational skills, to serve both Jordan's own needs and those of neighboring countries.

b. Weaknesses

Recognition of the importance of manpower training is not followed up with detailed project descriptions and funding levels, except as they apply to capital projects and quantitative requirements. While, for example, there is recognition of the general need for vocational training, and while funds are allocated for the construction of vocational training centers, there is no definite provision for recruitment and training of instructors and trainers or for improving the overall quality of education. While this may be seen as a major weakness, it should be noted that, unlike some developing countries, Jordan has a large number of students in higher education both within (27,000) and outside the country (70,000). This, coupled with strong popular desire for education and training, renders this weakness potentially less critical than it might otherwise be.

Another weakness relates to the analysis of interrelationships between and among sectors. The Plan does not explicitly address intersectoral matters, such as reciprocal relationships between human resources development and the different sectoral plans or between related sectors, such as transportation and energy.

A third weakness is the absence of a population policy and strategy directed toward alleviating the impact of Jordan's very high growth rate on demand for scarce natural resources, on social services, and on plan objectives. For the first, however, the need for development

of such a policy within the context of social and economic development is recognized.

Another important issue which the Plan acknowledges, but proposes no definite solution of, is that of the role of the local construction industry. The industry is of crucial importance in implementation of, at least, part of the Plan's capital development efforts, yet the industry presently is incapable of filling this role because of institutional, financial and managerial limitations. As a result, more funds will be directed to foreign contractors, thus denying Jordan benefits from expenditures at home, as well as inhibiting development of a healthy, indigenous construction industry.

Another weakness of the Plan is that while it emphasizes the role of private enterprise and the free market system, it shows no appreciation for the important role of prices in such a system. It is also not clear from the Plan whether the projects which were selected for inclusion were analyzed with respect to their expected benefits and chosen on the basis of their superior ranking among all possible investments.

The distribution of benefits of Plan programs among different socio-economic groups also is not adequately addressed, although an effort is made to achieve better regional distribution of income through

a more even distribution of services, facilities and employment opportunities. The Plan does, however, include many projects benefitting the poor, either directly or indirectly. These include rural schools, low-income housing, vocational training, and community development centers.

3. Specific Areas of USAID Interest

a. Water

The Water Sector Portion of the Plan is one of the few sectors in which the importance of manpower development and staffing is identified. One goal is to provide technical staff for planning, execution and operation of irrigation, water and wastewater projects. In this, AID can make a major contribution, through the training element of AID-financed construction projects and through the Water Resources Management and Development Administration Training Projects.

First on the list of the Plan's proposed organizational measures is establishment of a National Water Authority (NWA) to take over full responsibility for defining long-range domestic, industrial and agricultural uses. This Authority also would set up a program for protecting water from pollution and salinization, regulating the use of ground water in accordance with the potentials of the different basins, conducting comprehensive studies to identify ground water and recharge sources and establishing well-defined programs for utilization and

conservation of water resources. AID assistance to such an Authority through the proposed Water Resources Management project would support these activities as well as develop the Authority's own capabilities.

In addition, the Plan proposes to update legislation pertaining to management of organizations concerned with water, and recognizes the need for fiscal soundness in the administration of water projects. It proposes enactment of a by-law to define the basic policies for recovering capital and operational expenditures for water and irrigation projects. Here again, technical assistance planned as part of AID support to the NWA and provided as a component of urban water and sewage activities for Amman, Irbid and Zarqa-Ruseifa, addresses such issues posed by water rates as system cost recovery, the ability to pay, and the use of rates as a means to encourage conservation.

b. Population

The new Five-Year Plan recognizes, for the first time, the population growth rate as one of a number of problems impeding development progress and hindering efforts to achieve Jordan's long-term development goals and objectives. The consequences of the present high growth rate (3.8%) are numerous and are described in adequate detail to provide an understanding of the impact of unchecked population growth in the future socio-economic development of the Kingdom.

Of the seventeen objectives listed in the Plan, one makes reference to the population problem. It proposes "to adopt population policies consonant with available resources and Jordan's role in the Arab World", i.e. as an important supplier of skilled labor to other countries. Likewise, the seventeen elements of development strategy refer to the population problem by stating the need to promote population stability. This "stability", however, refers to maintaining stability between regions rather than stabilizing or reducing Jordan's population growth rate. The following actions are proposed:

- (1) Constant and systematic appraisal of population growth trends and adoption of policies to turn the population increase into an active instrument for development, prosperity and increased production.
- (2) Intensification of efforts aimed at raising the social, economic and health conditions of families within the framework of acquainting them with possibilities and methods of family planning.
- (3) Expansion of services of maternity and child-care centers to include dissemination of community health and family planning services.

Although the above actions lack specificity, they include a call for adoption of population policies that may encourage the GOJ

to address the problem more aggressively in the future.

Within the Plan's goals and policies, the population problem is notable by its absence. The text states: "The Five-Year Plan 1981 - 1985 assumes that socio-economic development as an integrated process is not confined to a list of projects to be implemented and actions to be taken but requires adoption of a set of policies in various fields aimed at positively influencing and directing social and economic activities for the realization of development objectives." The Plan goes on to list economic and social policies to be adopted if development goals and objectives are to be achieved. There is no mention of adopting a population policy directed at reducing the presently excessive growth rate.

c. Health

The characteristics and problems stated in the Health Sector portion of the Plan are generally germane, comprehensive and coincide with reports from outside sources. The most important impediment to improved health care is the inability of the present delivery system to provide adequate care at the village and community level. Goals stated in the Plan probably cannot be achieved during its period. These goals are very broad in nature and are not reflected in budget priorities. More emphasis should be placed on investments in staff development

and primary health care measures. Better utilization of existing staff and facilities would not require a large capital investment.

The major part of planned capital expenditures (85 %) is for hospital construction (2,300 hospital beds). USAID estimates that an additional annual outlay of 13 million dinars of expenditures will be required by 1985 to operate this new hospital space. (The estimate is based on the University of Jordan's Hospital expenditures in 1979). Considering the limited output of graduates training institutions, it is also doubtful that sufficient skilled personnel, nurses and medical technicians can be trained to staff these new facilities as well as to meet demand for rural health paramedics. Increasing the number of hospital beds should be of lower priority considering low occupancy and admittance rates of hospitals in the regions.

It is difficult to relate directly organizational measures to overall Plan goals. However, that does not diminish the importance of the Plan's goals, which are directly in line with USAID's emphasis on institution-building in both the ongoing Health Planning and Services Development and Health Education projects. The goals relate to better coordination between health providers, improved planning and management practices, staff training, controlling the high cost of hospitalization, studying ways of expanding medical insurance to share the high hospitalization costs with the private sector and to improve the implementation of current projects by amending regulations which are impeding project progress.

4. Agriculture

The Plan's major emphasis is toward improving farm income and conserving Jordan's limited natural resources. Some projects, particularly in soil conservation and meat and grain production, seem overly ambitious; however, the average annual growth rate of Agricultural Sector is projected at 7.5%.

Major sectoral problems are adequately identified and defined to include:

- (a) weakness of government agencies and organizations and contradiction and overlapping responsibilities; (b) shortage of trained staff; and
- (c) fragmentation and division of land holdings.

Many goals are listed (more than 15) but most are subordinate to the overall thrust of increasing agricultural income and protecting Jordan's soils. Most goals appear achievable except the establishment of farms for lamb and calf fattening because of expensive imported feed requirements. Goals do not emphasize private sector development, institution building or technology transfer, rather they are oriented toward governmental action in support of increasing agricultural income at an annual growth of 7.5%.

Three proposed organizational measures are particularly noteworthy:

- a) enacting legislation to deal with the problem of land fragmentation;
- b) conducting a comprehensive survey of agricultural land and determining crops best suited to the different climatic and environmental zones,

and c) a review of legislation governing the responsibilities of public sector agencies dealing with agriculture to attain greater efficiency in performance, coordination, and integration.

The most important projects (if successfully implemented) in achieving this sector's goals appear to be: 1) agricultural pest control in the Jordan Valley, 2) production of veterinary serum and vaccines, 3) soil conservation and continuation of the national tree planting program.

#### 5. Education

Progress statements show considerable accomplishments by the Ministry of Education (MOE) in meeting educational demands created by increasing enrollments at all levels. An attempt is noted to diversify secondary education by linking it with developmental needs through emphasis on vocational and technical training. The ten goals stated for this sector are more than adequate to address the educational systems needs. Goals are quantified and can be measured against progress in expanding and improving educational effort. The goal concerning student enrollment in vocational training to include 30% of all secondary school students is recognition that college preparatory courses only aggravate demand for university enrollment and underscore the fact that a saturation point can be reached in job opportunities for university graduates. Some effort will also be made to reduce illiteracy adult education.

This also is noteworthy as it makes maximum use of educational facilities.

Problems center around the shortage of qualified teachers, the need for curricula more attuned to practical situations encountered in daily life, and parents' preference for academic studies. At the university level, Jordan's system suffers many problems in terms of staffing, inability to serve all those desiring a university degree and lack of facilities and funding. Probably the largest problem is the need to tailor studies at all levels to the Kingdom's development needs.

The GOJ is emphasizing the development of vocational training both at the high school and intermediate level. A World Bank project for JD 8.68 million is planned to expand this area of education. Emphasis on science and technology also is stressed at the university level. This is consistent with the GOJ's efforts to maintain its position as a major provider of technical workers to Saudi Arabia and the Gulf States.

This sector's plan is heavily dependent on external funding, and implementation will depend not only on the availability of funding but also on the ability of the MOE to construct the necessary facilities and to recruit, train and maintain qualified teaching staff to provide

good quality instruction to students. The projects relating to the expansion of resources to prepare technical and paraprofessional staff are very important to the Kingdom's development needs.

6. Science and Technology (S&T)

Problems to be faced are accurately identified. The biggest challenge in the S & T field is how to develop an integrated and comprehensive policy to meet the development objectives of the entire country. Problems impeding the development of such a policy include: 1) the lack of a coordinating body with the authority and expertise to promote S&T activities in the various public, private and educational institutions involved; and 2) the lack of a facility to document, translate, publish and disseminate S & T-related materials meeting Jordan's development objectives.

In the field of statistics, there is a need to: 1) standardize data collection, classification and publication techniques; and 2) create effective statistical units in the various public and private institutions having trained personnel to collect and transfer data in computer language, which can be fed into a central system for later retrieval and use.

The broad goals, which presumably are to be carried out under the umbrella of Jordan's National Planning Council (NPC), are properly

identified. They aim at establishing a national S&T policy in a stronger institution, i.e., an upgraded NPC S&T department, which can serve as a central storage/retrieval facility of information to be used by all sectors. One of the goals is to "enact and develop legislation compatible with national policies in science and technology." If Jordan's NPC is to obtain its mandate from this new legislation, it may take longer than five years to centralize and standardize S&T policy. Also, the provision of qualified manpower (presumably in the administrative, as well as technical, fields) to implement this new policy may require a careful look at the incentives needed to retain qualified personnel.