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**The Changing Role of the Public Sector
in the Jordanian Economy**

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1. CONCEPTUAL INTRODUCTION

The Socio-Political Economy of Public Governance

The success or failure of a particular strategy of public governance depends on much more than the strategy's conceptual validity and theoretical merits. It is possible, for example, to transfer ownership of a public corporation to the private sector and to end up replacing a public monopoly with a worse and no less abusive private monopoly.

Realigning and streamlining the role of government may not require a reduction in the size of public service, but it does require a redefinition of government's duties and functions. Institutional reform should bring the state closer to the embodiment of civil society and away from the tribal and patriarchal tradition that has characterized Jordanian and other Arab societies since the Middle Ages. A sound assessment of the challenges facing the Jordanian economy in the years ahead requires a consideration of several important conceptual considerations.

The state and its institutions do not function independently of the many other forces operating and interacting in a society. These social forces express themselves, exercise their influence, and seek their material interests not only through the political system and political institutions, but also through the economic system and its institutions. These include the legal framework of the system, in particular laws on property rights and other laws affecting the distribution and enforcement of economic rights and entitlements.

An economy will function effectively to generate income and accumulate wealth only when the struggle for power and material gain among the dominant social forces encourages the efficient functioning of the economy and the various markets that generate economic development. Both factor and goods markets must do more than function efficiently in the short run. To ensure sustainable growth and development, they should also function in ways that will not upset the social balance or create social tensions in the long run. Such problems could lead ultimately to an institutional upheaval, and thus arrest the momentum of economic growth and development.

The market-friendly strategy partly recognizes the inadequacy of a narrow focus that ignores the interaction between market and economic and social institutions. This

strategy recognizes that focusing solely on the elimination of price controls and subsidies and on turning over public enterprise ownership to the private sector will not by itself be sufficient to revitalize the economy and set it on the path to self-sustained growth. The strategy instead stresses the importance of effective government performance in appropriate areas.

These functions should include maintaining law and order; investing in physical, human, and social infrastructure; and regulating the protection of disadvantaged segments of society, the conservation of natural resources, the protection of the environment, and the safeguarding against monopolistic and monopsonistic practices. Often lacking in the market-friendly strategy, however, is an adequate appreciation of the social and political conditions necessary for successful and enduring public sector reform.

An important prerequisite is social cohesion among the people constituting the body politic, which is what constitutes a civil society. In a civil society personal merit or behavior is the only standard - no discriminate against individuals or groups of citizens for other reasons. In Jordan and many other Arab countries the social structure still lacks these attributes of a civil society. A long and complicated historical process has maintained primary social allegiance to the family, the tribe, or the local community. State and country remain abstract and distant.

The tribal tenets of society may prevent the evolution of development-oriented governance regardless of the legal and regulatory reforms undertaken. Tribal bias reduces the chances of forming a civil service based on merit and competence. These features are important to the high performers in Southeast Asia - Indonesia, Malaysia, and Thailand – who have gradually introduced measures to upgrade their bureaucracies, with Malaysia at the forefront.¹

Regrettably, some civil servants, journalists, and leaders of public opinion in Jordan and other Arab countries tend to support policies based on faulty economic thinking. One fallacy underlying much of the muddle in current economic and political policy is the assumption that a country's level of income and wealth is a zero-sum game - a pie of fixed size, so that if one side gets a larger share other sides must get smaller shares. This fallacy is fed by the fact that many people with vast wealth and high

¹ World Bank, *The East Asian Miracle*, Oxford University Press, New York, 1993.

incomes do not know how a modern productive system works and grows. For many this wealth came from the rent accrued on the value of real estate. Property values appreciated greatly with the large inflow of remittances from citizens working abroad, and the smaller, but substantial, inflow of Arab and other external financial assistance during the 1970s and early 1980s. As the political economist Douglas North states²:

If the institutional framework made the highest payoff for piracy, then organizational success and survival dictated that learning would take the form of being better pirates. If, on the other hand, productivity-raising activities had the highest payoff, then the economy would grow.

Exposing the fallacies mentioned above and building a civil society depend on political reform directed toward deepening the process of democratization. Such reform had a good start in Jordan in 1989 but is proceeding slowly now. Such political reform is also needed to strengthen economic performance, to enable the economy to compete in increasingly competitive regional and global markets.

A highly skilled and educated work force and highly motivated entrepreneurs, high saving and investment rates, and high rates of technological change and innovation are important for economic competitiveness and comparative advantage, but they are not sufficient for sustainable growth and development.

Saving, investment, and technological change are essential for increasing productivity and specialization in the production of goods and services. But as the inputs and outputs from that production are traded among economic agents, both within the domestic market and between the domestic and foreign markets, these agents incur costs. Costs arise from complying with or attempting to evade various regulations and institutions in the course of those transactions. The nature of prevailing institutions and their methods of operating determine the transaction costs of such activities as processing business documents, negotiating and concluding contracts, litigating violated contracts, and getting timely information on the institutions and their vulnerability to influence from third parties. Institutions are not independent of the influence and negotiating power of economic agents. But the power of economic agents is itself a function of the prevailing institutional setup, that is, the laws and regulations in force, particularly those concerning property rights and

² North, Douglas C., The New Institutional Economics and Development, News Letter of the Economic Research Forum for the Arab Countries, Iran & Turkey, vol. One, no. Two, May 1994 .p.4

the distribution of material entitlements and access to social utilities and infrastructure.

An economy's efficiency, level of performance, and comparative advantage and international competitiveness are affected by transaction costs and their relation to institutions and institutional change. This phenomenon, once explored through Marxist analysis, has been rediscovered recently and studied within the framework known as the new institutional economics.

The new institutional economics modifies the rationality postulate of neoclassical economic theory by adding institutions as a critical constraint and, according to North (1994: 15-16), by analyzing³

The role of transaction costs as the connection between institutions and the costs of production. It extends economic theory by incorporating ideas and ideologies into the analysis, modeling the political process as a critical factor in the performance of economies, as the source of the diverse performance of economies, and as the explanation for "inefficient" markets... Institutions are not necessarily or even usually created to be socially efficient; rather they, or at least the formal rules, are created to serve the interests of those with the bargaining power to create new rules. In a zero transaction cost world, bargaining strength does not affect the efficiency of outcomes; but in a world of positive transaction costs, it does - and it thus shapes the direction of long-run economic change.

Institutional reform is needed throughout the entire polity and society. It can be achieved through an irrevocable commitment to civil and democratic society and to the appropriate institutions - a commitment that should be positive and active. Passive commitment will discourage deviation from the democratic path. Active commitment goes beyond that: it strives to create the institutions that protect and consolidate the democratic process.

Such institutions include modern-style political parties, an enlightened and critical free press, an effective judicial system, and cultural and intellectual non-

³ Ibid, pp.15-16

governmental organizations dedicated to educating the public about democratic values and practices.

2. THE PUBLIC SECTOR AND THE SIZE OF GOVERNMENT IN JORDAN

The economic culture of the Hashemite Kingdom of Jordan, like all states that emerged upon the collapse of the Ottoman Empire early in the 20th Century, was private-sector oriented. A number of those states, namely Egypt, Syria, Iraq, Libya and the Yemen Democratic Republic, under the influence partly of Soviet socialism, and partly of economic doctrines of public sector leadership role in economic development, converted in the 1950s and 1960s to the economic ideology of public enterprise. To that end they undertook extensive “nationalization” of private enterprise, mainly in the industrial, financial services, and wholesale trading sectors. Others, like Jordan and Lebanon, continued in the Islamic tradition of respecting private property; they embarked on economic modernization without “nationalization.” even when they believed in the usefulness of public sector initiative in leading large-scale investments in mining, industry and other productive sectors. Thus, in Jordan the basic economic culture is private-oriented. The majority of the country's productive assets have been privately owned, and the legal system, both in its secular as well as its Moslem Shari'a origins, has been emphatically protective of private property and private enterprise. In fact the state had been consistently protective of private interests all through the years since the constitution of the Kingdom in 1952, down to the 1990s when liberal economic doctrine started to influence public economic policy in the direction of curtailing the huge economic rents reaped by private firms at the expense of consumers through high tariffs and/or quantitative restrictions on competition from imports.

The government's involvement in the economy was mainly in the form of investment in infrastructure and the development of public utilities as part of the long standing tradition that assigns to the central government the duty of building the material and institutional infrastructure of the state and providing the general public with the basic utilities and basic services of water, electricity, transport, telecommunications, schools and hospitals.

In addition, the government came to be involved in a select number of directly productive enterprises. This dates back to the early days of the young Kingdom in the 1950s and 1960s when it was fashionable to stress the government's leadership role

in economic development. Indeed, it made considerable sense in a country like Jordan of the 1950s, where the business community was mainly landowners and merchants with little familiarity with modern industry, for the government to feel responsible to lead costly investments in phosphates and potash mining, and in key manufacturing industries such as cement and oil refining.

For the clarity of analysis espoused in this paper, we distinguish between two components of the public sector, as defined in the U.N. System of National Accounts - GDP by sectors of origin. The first, and principal, component of the public sector in GDP is that classified as “producers of government services”, termed in earlier versions “public administration and defence”. The second component is the one that consists of the government-owned and operated productive assets whose output is classified under sectors of origin of GDP other than “producers of government services”.

These we term “state-owned enterprises” (SOEs), and have typically been concentrated in the sectors dominated by public utilities, i.e. “water & electricity”, “transport, communications, and storage”, in addition to the resource-based sector of “mining & quarrying”.

Thus, the share in GDP at basic prices of the state-owned enterprises in Jordan, as defined above, varied during the 1992-1997 period between a minimum of 15.1% in 1994 and a maximum of 16.7% in 1997. However, since 1998, when privatization policy was put into earnest implementation and divestiture of state-owned enterprises gathered momentum, the share of the state-owned enterprises in GDP declined continuously from 14.6%, in 1998 to 12.1% in 2002. Correspondingly, the private sector’s share in “GDP-net of government services” remained within a narrow range of a minimum of 80.0% and a maximum of 81.6 between 1992 and 1997. Since 1998, the share of private sector’s value added in “GDP-net of government services” rose steadily from 82,% in 1998 to 85% in 2002.

The private sector contribution to sectoral value added remained absolute (100%) in agriculture, construction, and various private services, and very high and rising in manufacturing (from 95% in 1992 and 99% in 2002). [See Annex]

If general government activity, including the full weight of “government services”, is taken into account, the public sector could be shown not only to account for about one third of GDP at basic prices during the 1992-2002 decade [See Annex] but also to

exercise a dominant role and influence in the conduct of the economy, as born out by the following evidence:

a) The “producers of government services” sector is the largest employer of the country's labor force. In 2002 it engaged no less than 306.6 thousand employees, equivalent to about 30.3% of the total employment in the domestic economy. During 1994-2002 this ratio was never lower than 28%, pointing to the steady role of the government as an employer. Correspondingly, in 1992 value added in the “producers of government services” sector amounted to JD 554.8 million, rising to JD 1135.5 in 2002. Since this consists predominantly of compensation of employees in this public sector, it is interesting to note that these values constituted 43.1% of the total compensation of employees in GDP in 1992, and 44.6% of the compensation of employees in 2002, again pointing to the immense, and far from diminishing, role of the public sector as employer.

b) In addition to being the largest single employer, the public sector is a very large purchaser of goods and services. In 2002 and throughout the earlier decade, public consumption expenditure accounted generally for more than 20% of aggregate disposable income. In contrast, the public sector expenditure on fixed capital formation, which in 1992-1993 was only 21% of total fixed capital formation, rose in later years to about 46% on the average for the 1998-2002 period.

c) In qualitative terms, the Government makes its full weight felt in the essentially private corporate sector by having a considerable say in the appointment of the top management in banks and large corporations.

d) In regional and international comparisons, the size of government in Jordan as indicated by its weight in public finance terms (shown in Table 1), appears to be particularly large.

Thus, “public revenue”, mainly from direct and indirect taxes and “central government total expenditure” formed respectively 25% and 32% of GDP in 2001, which are much higher percentages than the corresponding averages for “low and middle income countries” (17% and 21%).

3. PERFORMANCE OF STATE OWNED/CONTROLLED ENTERPRISE

IN JORDAN

Prior to the Adoption of Privatization Policy

No rigorous studies have been made on the relative performance of SOEs in Jordan. Nevertheless, anecdotal evidence and consumers experience with all the public utilities, the National Electricity Authority being a notable exception, have resulted in an almost general consensus that public corporations and establishments in Jordan operate at low efficiency levels and that their performance suffers from bureaucratic procedures, non-competitive pay scales, a poor incentive structure, and excessive labor redundancy. Furthermore, and without comparable research on the incidence of investment failures in the private sector, the general public took special notice of spectacular failures of a few large state investment ventures, such as the Jordan Wood Co., the Jordan Glass Co., the Jordan Pre-Cast Concrete Co., the Cinematographic and Television Production Co., and the Jordan Publishing Co. The total initial capitalization of these ventures which were established during the 1970s amounted to about JD 35 million.

A World Bank Evaluation

Evaluation by a World Bank mission in 1995 came across some of the already mentioned SOEs as follows⁴ :

Power: “The enterprises in the power sector all suffer from a weak financial condition due in part to pricing policies that do not cover costs. The regulatory framework has not worked satisfactorily– Jordan Electricity Authority (JEA) is de facto the regulator, and the two power distribution companies have not been able to operate with a degree of independence that would allow them to pursue efficiency enhancing measures. The Natural Resources Authority suffers from lack of commercial focus, and functions as both a regulator and an operator.”

Telecommunications: “TCC has not been able to meet the growing demand of an economy that is increasingly becoming information intensive. Demand satisfaction is low, connected lines are forecast to be only 55% of demand by 1997), and the quality

⁴ World Bank mission report, 1995, Unpublished.

of service is unsatisfactory (calls completion rate is 40% compared to 65-75% in developed countries The existing institutional structure impedes private participation and competition.... As a public enterprise subject to political influence, TCC has not achieved a level of efficiency and responsiveness that would support the development of an efficient private sector. ”

Transport: “Royal Jordanian has been suffering significant losses; it is currently insolvent.”

State Portfolio in Commercial Enterprises

As already mentioned, there is significant state ownership of equity shares in public shareholding companies (PSCs) listed in the Amman Financial Market as well as in private (unlisted) shareholding companies. The effect of such ownership on the performance of those enterprises becomes an issue only in cases where state shares in a company constitute a high enough percentage of equity to give the state control influence on the management of that company.

The evidence points to very little constructive influence of the presence of public officials on the boards of corporations. Quite to the contrary, a comparative study of the performance of Government-controlled PSCs (defined as those in which Government equity exceeds 15% of a company's stock) vs. the corresponding performance of companies with no or negligible public interest indicates a positive correlation between Government ownership or control and inferior financial performance.

The study was initiated at the Office of the Prime Minister by Mr. Safwan Bataineh, and has been utilized in a 1994 report by the World Bank.⁵ . The study concludes that Companies in which the Government has invested heavily appear to have experienced lower growth in sales, lower average annual pre-tax return on investment, and significantly lower productivity gains. These trends are evident cross-sectorally, in declining industries (e.g. steel) as well as in emerging ones (e.g. telecommunications), indicating that either ownership or control or both, and not some other variable, is responsible.

⁵ World Bank, Jordan: Consolidating Economic Adjustment and Establishing the Base for Sustainable Growth, Country department II Report No.12645 Jo, August 24,1994. Chapter V.

The evidence is that companies in which the Government had no ownership interest grew faster, invested more, earned higher returns, achieved larger productivity gains, and generated more employment for each JD worth of investment than in the case of either public enterprises or public shareholding companies with sizable Government equity.

A more recent study by Jordanian economists Khalid Al-Wazani and Ghalib Salih utilized a more sharply defined analysis of public shareholding companies (PSCs) listed in the Directory of the Amman Financial Market: two groups were selected, one consisting of companies where the Government owns 50% or more of equity, representing companies influenced by Government management; the other, where Government equity was either nil or not exceeding 2%, representing companies under private sector management. Furthermore, the companies selected had to have financial data covering the whole decade 1984-1994.

As a result, six companies turned up in each group. The findings were that companies under private sector influence showed more favorable results in terms of indicators of profitability and growth used in the study.⁶

While the broad conclusions of both studies about the inferior efficiency in government-associated enterprises appear plausible, it is still an open question whether the blame should essentially fall on the ownership as such or on the control and management pattern associated with it. It may be true in theory that representation of the government on companies' boards tends to open the way for non-commercial considerations to influence corporate policies. In practice, however, this is not the main or the most important drawback of that representation. The main drawback appears to be that government representatives are generally the less concerned and the less active members of boards of directors being, as they often are, civil servants whose appointment to board membership is meant primarily to reward them for services rendered elsewhere rather than to contribute dynamic managerial skills to the companies to which they are deputized. However, this does not necessarily lead to the conclusion that private sector board members of PSCs

⁶ Al-Wazani, Khalid Wasif, and Salih, Ghalib Awad, Privatization: Towards an Alternative to Enhance Effectiveness and Efficiency, A Comparative Study, Paper submitted to the Second Conference on Public Administration in Jordan, Yarmouk University, September 1996.

are the more skillful or the more dynamic. This writer's experience has shown that the motives and attitudes of private sector representatives could be as remote from the objective interests of the company as those of the least competent of government representatives. More seriously, the incidence of abusive behavior pertaining to conflict of interest tends to be more rampant among private sector board members than among government representatives.

4. ECONOMIC REFORM AND PRIVATIZATION POLICY

A number of factors contributed to the drive towards the adoption of privatization policy in Jordan:

- a) The economic crisis of 1988 and its ramifications.
- b) The failure of the centrally-planned economies and the rising appeal of liberal economics and development strategies based on freeing domestic and external markets.
- c) The close cooperation with the World Bank and the IMF and constant exposure to the Washington consensus regarding acceptable economic policies.
- d) The recognition of the generally poor performance of state-owned enterprises (SOEs) in the economy, re-enforced by opinion of World Bank missions.

Some of the aforementioned factors induced the Government to deliberate SOE privatization policies and measures as far back as 1987, when for example the Ministry of Planning started a process of commercializing the Telecommunications Corporation (TCC), i.e. turning it into a financially independent company operating under market conditions.

However, practical steps in the direction of reform were slow and disorderly. Important reasons for the slow progress in such policies have been inertia, resistance to change, and vested interests within the state's institutions. Before the establishment of the Executive Privatization Unit in the Prime Ministry in June 1996, decision-making with regard to privatization was to a large extent delegated to the governing bodies in charge of the corporations and enterprises that were slated for privatization. These bodies were not too keen to liquidate themselves or reduce the domain of their control. The Government at large was also highly sensitive to the adverse politics of laying off large numbers of staff and employees that would

inevitably result from privatizing the greatly over-staffed public corporations. The majority of members of parliament was and continues to be very sensitive to this issue as well as to the very idea of ceding up public control over the so-called “strategic” industries. It is of relevance that most of the incumbent politicians and civil servants at the time had come of age amidst the ideological precepts of the 1950's and 1960's.

However, the early 1990s witnessed the gathering of considerable momentum to take the plunge into economic “reform” in the shape of “privatization” which affected, on the one hand, public utilities, and on the other hand state-ownership and control of enterprises.

With regard to public utilities, privatization in some cases took the form of first commercializing the services involved through converting the public authorities into financially independent regular companies totally owned by the government, and later on to consider the best options for their divestiture to the private sector. [See discussion of the various specific cases in Section V below.] In some other cases, privatization of public utilities was confined to bringing in the private sector only in the management of the service rather than the ownership. [See the case of privatizing Greater Amman Water Supply below.]

With regard to state owned enterprises in the directly productive sectors, privatization took the form in some cases of selling large portions of the government’s shares in companies to a “strategic partner” in each case. In some other cases the sales were done through private placements to best bidders. The individual stories for the different cases are given in Section V below.

Privatization Law and the Financial Proceeds

With the momentum of privatization gathering in the second half of the 1980s, the Parliament became edgy, asking for a monitoring role of the process. A special worry of members of parliament was the abuse of the financial proceeds from privatization, such as to have them bridge budget deficits at variance with the policy of fiscal discipline. The Government responded to Parliament’s worries by presenting it with the Privatization Law which upon due debate and deliberation by both houses of Parliament was issued as Law No. 25 of 2000. According to this law, privatization was defined as the adoption of an economic methodology which enhances the role of the private sector in the

economy to include public sector enterprises the nature of which requires that they be managed on commercial bases. The objectives of privatization include, *inter alia*, the following:

- I. Raising the efficiency, productivity and competitiveness of economic enterprises.
- II. Contributing to the encouragement of local, Arab and international investments by providing a favorable investment environment.
- III. Stimulating private savings and directing them towards long-term investments to strengthen the local capital market and the national economy.
- IV. Alleviating the debt burden of the Treasury by ceasing its obligation to offer aids and loans to unsuccessful and unprofitable enterprises.
- V. The management of economic enterprises with modern methods which include the use of advanced technology in order to enable such enterprises to create stable markets and to penetrate new markets through their ability to compete in international markets. [Article 3 of the law.]

The Privatization Law enumerates various methods and forms of involving the private sector in the restructuring and privatization of public institutions or enterprises owned by the public sector. In addition to describing traditional and familiar methods of transferring ownership of an institution or an enterprise from the public sector to the private sector, it goes into almost educational description of novel modes of private sector involvement in public business such as BOT, (The private sector builds the enterprise, exploits it and operates it for a specific period then transfers it to the public sector at the end of the said specific period, BTO, (The private sector builds the enterprise, transfers its ownership to the public sector while retaining the right to exploit and operate it for a specific period), and BOO, (The private sector builds the enterprise, owns it, exploits it and operates it for its own account.[Article 4 of the law.]

As for the proceeds from privatization, the law provides for the creation of a special fund called the "Privatization Proceeds Fund" in which all privatization proceeds shall be deposited. The Privatization Proceeds shall be utilized for the following purposes:[Article 13 of the law.]

1. Settlement of Government debts accumulated by the institutions or enterprises undergoing a restructuring or privatization process and covering the expenses resulting from such a process.

2. Purchase of Government debts to benefit from deductions on these debts or to settle such debts through debt-swap deals or by any other method approved by the Council and consented to by the Council of Ministers.
3. Investments in financial assets.
4. Financing economic activities and new investments in infrastructure sectors with feasible economic and social returns and which will assist in achieving sustainable development, provided that such financing is included in the Government budget.
5. Re-qualifying and training of employees working at institutions and organizations undergoing a restructuring or privatization process and settlement of their ensuing financial rights.
6. Retrospective subscription with the Social Security Corporation on behalf of employees of privatized institutions who will become subjected to the Social Security Law.
7. Proceeds of investments of the Privatization Proceeds Fund shall be considered revenues for the Treasury.

The privatization proceeds up to 2003 amounted to US \$ 1063 millions, as shown in Table 2.

5. TAXONOMY OF PRIVATIZATION MEASURES AND RECENT DEVELOPMENTS

5.1 Sectors Where State Enterprise Dominates⁷

Apart from the “producers of government services” sector, public ownership and control has been significant in Mining and Quarrying (phosphates and potash), amounting to 90% in 1992 and 92% in 2002; in Electricity and Water, amounting to 76% in 1992 and 79% in 2002; and in Transport and Communications, amounting to 58% in 1992, going down to 40% in 2002 as a result of privatization that took place in this sector. The pattern is familiar since activities in these sectors include the conventional public utilities and the natural resource-based monopolies.

⁷ Annex 2 gives a detailed view of privatization measures in state dominated enterprises.

5.2 Sectors Where Private Enterprise Dominates

Private enterprises have been dominant in Agriculture, Construction, Manufacturing, and Non-Government Services (Financial, Business, Community and Personal Services).

Manufacturing

One of the early and important privatization operations affected government dominant ownership in the Jordan Cement Factories Company (JCFC). The Government had 49.43 percent of the stock in JCF. In 1998 the government sold 67% of its shares in JCFC, equivalent to 33% of the company's total capital, to a strategic partner, the French company Lafarge. The sale proceeds amounted to \$102 million. It further sold 1% of the total shares to the company's employees. In February 2002 the Government sold its remaining shares amounting to 14.3% of the company's capital to the Social Security Corporation for JD 29.32 million (\$41.3 million).

Investment Corporations

State ownership and control of enterprise in the Manufacturing Sector and Non-Government Services sectors consist principally of equity participation in commercially-run enterprises by two state investment agencies, namely, the Jordan Investment Corporation (JIC) and the Social Security Corporation (SSC). However, the concept of investment differs somewhat between the two⁸.

⁸ **The SSC**, like any portfolio investor, is supposed to place funds in profitable investments in order to maximize return on its assets; these being the cumulative contributions by private sector employers and employees towards their old age security and/or end of service benefits. Equity investments of the Social Security Corporation (SSC) at end 1994 were in 66 listed and 24 unlisted companies. In only 3 of these companies, SSC had greater than 30% share of equity, entitling it to management board membership. However, in 2001 an independent arm for the SSC was created to manage its enormous funds and assets. As a result, a significant increase is discerned in the SSC portfolio of shares in Jordanian companies, with a corresponding decrease in bank deposits and other assets. The ratio of shares in total assets increased by nearly fivefold from 11.7% to 50.3% in 2004. It is safe to assume that the companies where the SSC's ownership of shares entitles them to board membership had correspondingly increased.

The JIC was established early in the 1970s under the name of the Pension Fund. It started with an initial capital of JD 5 million financed from a capital gain made by the Central Bank as a result of revaluation of its gold reserves. The original objective of the Pension Fund was to invest the money in growth assets the future income of which was to assist the Government in meeting its mounting obligations towards civil service pensions, but in practice it was given the mandate to act as public entrepreneur and investment leader to break new grounds in industrial and other production where private enterprise appear too timid to venture. It gradually became an investment arm of the public sector engaging in investment promotion activities, identifying investment opportunities, conducting feasibility studies of projects and inviting the private sector to join its investments. In 1989 it was decided to revise the law of the Pension Fund, bringing it under closer control of the Ministry of Finance and changing its name into the Jordan Investment Corporation consistently with its de facto functions.

Public Corporations

In addition to equity participation in commercial enterprises through JIC and SSC, the State has had direct financial interest and varying degrees of leverage and control of management in a large number of financial and other infrastructural and service establishments that have official or public status but that enjoy administrative and financial independence. The following is a list of such establishments:

Official Financial Institutions

- The Central Bank
- Amman Financial Market
- Social Security Corporation
- Jordan Investment Corporation
- Agricultural Credit Corporation
- Industrial Development Bank
- Cities and Villages Bank
- Development and Employment Fund
- National Aid Fund
- Zakat Fund
- Orphans Fund Corporation

Official Service Institutions

- Jordan Public Universities
- Institute of Public Administration
- Vocational Training Corporation
- Jordan Academy of Arabic
- Royal Geographic Center
- Radio and TV Corporation
- Special Communications Commission

At the end of 1994, a large part of the JIC holdings was in the form of equity in 43 public shareholding companies (PSCs) listed in the Amman Financial Market and which constituted 18% of AFM's capitalization. Another part of JIC investments was in 28 unlisted companies. Of the former, JIC had management control over at least 7 PSCs where its share exceeded 50% of equity, and varying influence over 17 others where it held between 10% and 50% of equity. Of the unlisted companies, JIC had 50% control share in 6 companies, and significant share (10%-50%) in 11 others. Since 1994 and up to the present time (2004), the JIC limited its investments down from equity in 85 companies in 1995 to equity in only 46 companies in 2004, selling in the process during the 1995-1996 period shares amounting in sales value to JD 337 million.

- Industrial Estates Corporation
- Free Zones Corporation
- Exports Development Corporation
- Housing and Urban Development Corporation
- Agricultural Marketing Corporation
- Civil Service Consumers Corporation
- Military Service Consumers Corporation
- Economic and Social Organization for Retired Servicemen

6. ON THE STRATEGY OF FUTURE REFORM

Evidence has convinced some analysts that reliance on the private sector's unlimited dynamism and initiative is the secret to the miraculous growth performance of the newly industrialized countries (NICs) particularly those of East Asia. Though some aspects of the recent economic history of the NICs seem to support this thesis, the theory suffers from considerable inexactitude. True, excessive government intervention and regulation often stifle private initiative and handicap growth. Similarly, fiddling with the price system will lead to inefficient allocation of resources and investments. Accordingly, limiting government functions to the strictly justifiable spheres of governance and regulation appears to be a necessary condition for sound and growth-oriented economic policy. Equally necessary, however, is the sound configuration by the government of governance and regulation of private markets, to prevent monopolistic and oligopolistic practices that distort the price system.

Efficient and effective government is necessary for successful growth policies - a thesis that has been researched and verified in the economies of East Asia. The governments of these high performing countries were better than others in pursuing policies defined by neoclassical economics as the essence of good governance. These policies include:⁹

1. Providing a stable macroeconomic environment and a reliable legal framework to promote domestic and international competition.
2. Orienting the economy toward international trade by eliminating or minimizing price controls and other policies leading to price distortions.
3. Investing in people through quality education and health.

⁹ See World Bank, *The East Asian Miracle: Economic Growth and Public Policy*, Oxford 1993.

The governments of the East Asian economies also intervened systematically to promote development objectives or to support specific industries. Among the many policy instruments used were:

- Targeting specific industries and subsidizing credit to them.
- Keeping deposit rates low and maintaining ceilings on borrowing rates to increase profits and retain earnings.
- Protecting domestic import substitutes, subsidizing declining industries, establishing and financially supporting government banks, and investing in applied research.
- Establishing firm-specific and industry-specific exports targets, developing marketing institutions, and sharing information between public and private sectors.

Weighing the evidence, the World Bank and others come down somewhere between the neoclassical strategy, which assigns center stage to market forces and a minimal role for government intervention, and the revisionist strategy, which views market failures as pervasive and requiring government intervention in prices and incentives to accelerate growth in startup industries.

Between these is a strategy often labeled the market-friendly strategy. The central premise of this strategy is that sustained growth results from the positive interaction of four aspects of economic policy: macroeconomic stability, human capital formation, openness to international trade, and an environment conducive to private investment and competition. The attainment and convergence of these policies depend on effective but carefully limited government activity. Thus, governments need to do less in the production sectors, where markets work or can be made to work, while doing more in areas where markets are unreliable. Governments should be required to invest in education, health nutrition, family planning, and poverty alleviation; to build social, physical, administrative, regulatory, and legal infrastructure; to protect the environment through the proper pricing of resources; to define and enforce property rights; and to ensure macroeconomic stability.¹⁰

¹⁰ World Bank, World Development Report 1991.

Elements of Future Reform Policy in Jordan

The elements that may constitute the subject of future reform are too many to be adequately surveyed in this brief study. A few illustrative, if not representative, examples may be cited here, however.

Privatization

Any activity that can market its output and procure its inputs in open markets should be –in principle- a prime candidate for privatization. The underlying assumption here is that the price mechanism is more efficient than any discretionary human decisions in ensuring the best prices for output, the greatest satisfaction for users of that output, and the lowest input costs in its production.

If either the output (product) market or the input (costs) market of the activity is imperfect –for example, because of constraints on information or freedom of entry, or because of other distortions arising from monopoly – then the price mechanism is not likely to deliver the efficient resource use or optimal user welfare expected from privatization.

The market principles outlined above lead to the following conclusions on privatization.

First, the overarching objective should be liberalization of all markets of goods and services and the creation of level playing fields for free competition in every market. For this purpose extensive surveying and monitoring of individual markets where distortion is suspected should be diligently pursued. Where appropriate, regulatory agencies should be setup or reformed.

Second, the transfer of public enterprise ownership to the private sector should be conditional on freeing the market from any monopolistic and similar imperfections or distortions. The most serious adverse results in this respect are likely to arise from the privatization of public utilities.

Third, in cases where markets are not open, but where the public sector activity is "productive" –that is, it can still be governed by the price mechanism – commercialization rather than privatization should be the rule.

Fourth, privatizing infrastructure provision through build, operate, and transfer arrangements (BOT), may offer several advantages. It can ease the financial and managerial burdens of the government, attract the most efficient contractors, and shift the cost burden from the general taxpayers to those who benefit more directly from the infrastructure improvement. Some argue that these advantages can be secured within the traditional system by combining international finance and competitive contracting. The way to settle the issue is to proceed with carefully selected test cases.

Reform of public universities

Market forces and the interaction of supply and demand can be applied as well to the reform of government activities that are not market-oriented. A good example is government-run universities, which suffer from chronic financial difficulties.

Government universities are in the business of providing a service (higher education) that is highly valued by consumers (the students and their parents) as well as by the state. The state considers spending on higher education to be an investment in social overhead capital. Both sides are willing to pay a price for this service. The problem is the large gap between the cost of providing the service and the revenue received from fees and government subsidies.

Enrollment is growing much faster than revenues, and the student-teacher ratios are arising continuously. The result is a deterioration in the quality of education and a mushrooming of private universities. Private universities, which are able to command higher fees from students and thus pay higher salaries to teachers, are successfully drawing better instructors away from public universities.

Furthermore, the gap between costs and revenues distorts the system of accountability and makes it impossible to detect cases of waste and inefficiency. The quality of education is also largely concealed by the supply-determined value of education. Degrees from Jordan's universities are marketed in the public sector and in much of the private sector at their nominal value on a par with degrees from the best universities in the world. A market-supportive reform of the university system, one that is also sensitive to social objectives, would involve two primary changes:

- Set university fees per student on the basis of the minimum actual costs of delivering educational service of a specified quality. The university management can be held accountable for efficient performance through

audits of costs and revenue. In addition to such quantitative and financial efficiency controls, qualitative controls can be established by requiring general competitive examinations for job applicants in the public and private sectors, in order to gradually deflate the nominal value of university degrees.

- Make hidden subsidies transparent to improve public accountability and general government efficiency. A system of partial and complete scholarships should be set up by the government, independent of the management of the universities. The scholarships should subsidize university fees for well-defined categories of students according to clearly specified social and political criteria under an investment budget established for this purpose.

Annex 1: Figures

Jordan GDP; Public Versus Private Sector 1992-2002 in JD Million											
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Agriculture,Hunting,Forestry, And Fishing											
Public	0	0	0	0	0	0	0	0	0	0	0
%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Private	247	199.1	192.9	173.7	158.6	148.3	144.7	115.9	120.9	124.3	134.6
%											
Total	247	199.1	192.9	173.7	158.6	148.3	144.7	115.9	120.9	124.3	134.6
Mining And Quarrying											
Public	117.2	93.2	94	149.9	147	151.5	145.3	143.5	161.5	162.1	173
%	89.6%	86.9%	91.5%	95.4%	95.6%	89.2%	85.3%	87.6%	94.2%	91.9%	91.7%
Private	13.7	14	8.7	7.3	6.6	18.4	25.1	20.3	10.1	14.3	15.6
%	10.5%	13.1%	8.5%	4.6%	4.3%	10.8%	14.7%	12.4%	5.9%	8.1%	8.3%
Total	130.8	107.2	102.7	157.2	153.7	169.9	170.4	163.8	171.5	176.4	188.7
Manufacturing											
Public	22.6	14.5	81.2	94.6	94.5	92.5	45.6	42.7	22.1	9.6	7.8
%	5.1%	3.3%	13.9%	15.6%	16.6%	14.9%	6.1%	5.7%	2.8%	1.1%	0.8%
Private	422	428.9	504.7	512.2	475.6	529.1	696.4	707.5	775.7	827.3	914.5
%	94.9%	96.8%	86.1%	84.4%	83.4%	85.1%	93.9%	94.3%	97.2%	98.9%	99.2%
Total	444.6	443.3	585.9	606.8	570	621.6	742	750.3	797.8	836.9	922.3
Electricity And Water											
Public	50.9	63.5	63.0	74.1	78.4	91.3	92.0	102.5	106.4	108.9	115.1
%	76.0%	80.3%	74.2%	75.3%	75.1%	77.4%	75.9%	79.3%	79.2%	77.5%	73.5%
Private	16.1	15.6	21.9	24.3	26	26.6	29.2	26.7	28	31.7	41.4
%	24.0%	19.7%	25.8%	24.7%	24.9%	22.6%	24.1%	20.6%	20.8%	22.5%	26.4%
Total	67	79.1	84.9	98.4	104.4	117.9	121.2	129.3	134.4	140.6	156.6
Construction											
Public	0.0	0.2	0.2	0.3	0.2	0.2	0.0	0.0	0.0	0.0	0.0
%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Private	217.1	285.4	301.6	299.8	254.6	240.3	214.7	207.1	203.3	231	251.7
%	6.0%	7.3%	6.9%	6.4%	5.2%	4.7%	3.8%	3.6%	3.4%	3.6%	3.8%
Total	217.1	285.6	301.8	300.1	254.8	240.5	214.6	207.1	203.3	231	251.7
Wholesale & Retail Trade, Restuarants & Hotels											
Public	3.8	2.6	-2.4	-48.2	-42.8	53.3	50.8	24.9	12.2	11.5	7.2
%	1.3%	0.8%	-0.6%	-11.9%	-10.0%	10.4%	9.5%	4.6%	2.1%	1.9%	1.1%
Private	293.1	329	388.5	454.5	468.6	457	481.6	518.2	576.7	607.1	627.7
%	98.7%	99.2%	100.6%	111.9%	110.0%	89.6%	90.5%	95.4%	97.9%	98.1%	98.9%
Total	296.9	331.6	386	406.3	425.9	510.3	532.4	543.2	588.9	618.6	635
Transport,Storage & Communications											
Public	262.5	307.8	296	331.9	325.8	324.7	327.6	338.3	334	333.8	370.7
%	57.5%	62.1%	55.5%	57.0%	50.7%	48.3%	45.7%	44.4%	40.7%	36.8%	39.7%
Private	194.3	188	237.3	249.9	316.9	348	389.5	423.9	485.7	573.4	564.2
%	42.5%	37.9%	44.5%	42.9%	49.3%	51.7%	54.3%	55.6%	59.3%	63.2%	60.3%
Total	456.8	495.8	533.4	581.9	642.7	672.7	717.1	762.2	819.7	907.2	934.9

Jordan GDP; Public Versus Private Sector 1992-2002 in JD Million											
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Finance,Insurance,Real Estate And Business Services											
Public	-9.2	-7.2	-9.7	-31.1	-52.3	-37.8	-43.6	-71.8	-50	-61.3	-18.2
%	-1.5%	-0.2%	-0.2%	-0.7%	-1.1%	-0.7%	-0.8%	-1.2%	-0.8%	-1.0%	-0.3%
Private	630.3	710.5	759	859.7	934.5	956.3	1022.7	1062.4	1121.8	1197.2	1254.2
%	101.5%	101.0%	101.3%	103.8%	105.9%	104.1%	104.5%	107.3%	104.7%	105.4%	101.5%
Total	621.1	703.3	749.3	828.6	882.2	918.5	979.1	990.5	1071.8	1135.9	1236
Community,Social And Personal Services											
Public	9.4	10.3	9.4	10.9	9.1	7.4	6.7	7.9	9.3	9.3	13.7
%	10.7%	0.3%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.2%	0.1%	0.2%
Private	78.8	79.9	98.3	117.4	135.3	170.9	193.6	216.3	226	241.4	269.7
%	2.2%	2.1%	2.3%	2.5%	2.8%	3.3%	3.5%	3.8%	3.8%	3.8%	4.0%
Total	88.2	90.2	107.7	128.3	144.4	178.3	200.3	224.3	235.3	250.8	283.5
Producers Of Government Services											
Public	554.8	619.1	667.3	756.6	827.4	896.2	943.2	995.7	1042.2	1077.1	1135.5
%	15.4%	15.9%	15.3%	16.0%	16.8%	17.4%	16.8%	17.3%	17.4%	17.0%	17.0%
Private	0	0	0	0	0	0	0	0	0	0	0
%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	554.8	619.1	667.3	756.6	827.4	896.2	943.2	995.7	1042.2	1077.1	1135.5
Producers Of Private Non-Profit Services To Households											
Public	0	0	0	0	0	0	0	0	0	0	0
%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Private	39.2	39	47.1	50.4	51.5	52.9	56	57.4	59.9	58.2	63
%	1.1%	1.0%	1.1%	1.1%	1.0%	1.0%	1.0%	1.0%	1.0%	0.9%	0.9%
Total	39.2	39	47.1	50.4	51.5	52.9	56	57.4	59.9	58.2	63
Domestic Services Of Households											
Public	0	0	0	0	0	0	0	0	0	0	0
%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Private	7.2	7.6	6	5.9	5.3	5.2	6.6	7.9	9.7	11.5	12.5
%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%
Total	7.2	7.6	6	5.9	5.3	5.2	6.6	7.9	9.7	11.5	12.5
Imputed Bank Service Charge											
Public	25	22.4	25.1	48.2	69.7	59.5	62.4	80.6	56.8	82.2	30
%											
Private	-66.8	-89.1	-99	-123.1	-147.1	-140.4	-169.8	-174	-168.1	-205.2	-229.8
%	-1.9%	-2.3%	-2.3%	-2.6%	-3.0%	-2.7%	-3.0%	-3.0%	-2.8%	-3.2%	-3.4%
Total	-41.8	-66.7	-73.9	-75	-77.3	-80.9	-107.5	-93.5	-111.4	-123	-199.8
Gross Domestic Product Basic Prices											
Public	1037	1126.4	1224.2	1387	1457	1638.8	1630	1664.4	1694.4	1733.2	1834.8
%	33.1%	33.8%	33.2%	34.5%	35.2%	36.8%	34.5%	34.3%	32.9%	31.8%	31.9%
Private	2091.8	2207.7	2467	2632.1	2686.5	2812.7	3090.2	3189.8	3449.6	3712	3919.4
%	66.9%	66.2%	66.8%	65.5%	64.8%	63.2%	65.5%	65.7%	67.1%	68.2%	68.1%
Total	3128.9	3334.2	3691.2	4019.1	4143.5	4451.5	4720.2	4854.2	5144	5445.2	5754.2
Net Taxes On Product											
Public	319	356.1	443.6	495.1	559.7	457.5	526.8	535.6	575.6	525.3	511.3
%	66.2%	64.8%	66.5%	71.2%	72.8%	66.7%	59.2%	58.7%	68.1%	58.8%	54.1%
Private	162.6	193.7	223.5	200.4	209	228.7	362.9	377.6	269.4	368.5	433.3
%	33.8%	35.2%	33.5%	28.8%	27.2%	33.3%	40.8%	41.3%	31.9%	41.2%	45.9%
Total	481.6	549.8	667.1	695.5	768.7	686.2	889.6	913.2	845	893.8	944.6

Jordan GDP; Public Versus Private Sector 1992-2002 in JD Million											
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Gross Domestic Product At Market Prices											
Public	1356	1482.6	1667.8	1882.1	2016.7	2096.3	2156.7	2200	2270	2258.5	2346.1
%	37.6%	38.2%	38.3%	39.9%	41.1%	40.8%	38.4%	38.1%	37.9%	35.6%	35.0%
Private	2254.4	2401.4	2690.5	2832.5	2895.5	3041.4	3453.1	3567.4	3719.1	4080.5	4352.7
%	62.4%	61.8%	61.7%	60.1%	58.9%	59.2%	61.6%	61.9%	62.1%	64.4%	65.0%
Total	3610.5	3884	4358.2	4714.6	4912.2	5137.7	5609.8	5767.4	5989	6339	6698.8

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Public sectors GDP net of Government Services	482.2	507.3	556.9	630.4	629.6	742.6	686.8	668.7	652.2	656.1	699.3
Public sectors GDP net of Gov't Services/GDP bp total %	15.41117	15.21504	15.08723	15.6851	15.19488	16.68202	14.55023	13.7757	12.67885	12.04914	12.15286
Public sectors GDP net of Gov't Services/GDPmp total-%	13.35549	13.06128	12.77821	13.37123	12.81707	14.45394	12.24286	11.59448	10.88996	10.35021	10.43918
Public sectors GDP/ GDP bp total %	33.14264	33.78322	33.16537	34.51021	35.16351	36.81456	34.53244	34.28783	32.93935	31.82987	31.88627
Public sectors GDP/GDPmp total %	37.55713	38.17199	38.26809	39.92067	41.05492	40.8023	38.44522	38.14544	37.90282	35.62865	35.02269
Public sectors GDPbp/GDPmp total %	28.72178	29.00103	28.08958	29.41925	29.66084	31.89754	29.05629	28.85876	28.29187	27.34185	27.38998
Private sectors GDP/GDPbp total %	66.85417	66.21378	66.83463	65.48979	64.83649	63.18544	65.46756	65.71217	67.06065	68.17013	68.11373
GDP net of Gov't Services	2574.1	2715.1	3023.9	3262.5	3316.1	3555.3	3777	3858.5	4101.8	4368.1	4618.7
Private sectors GDP/GDPbp net of Gov't services %	81.26335	81.31192	81.58339	80.67739	81.01384	79.11287	81.81626	82.66943	84.09966	84.97974	84.85938
Public sectors GDP minus Gov't /GDPbp minus Gov't %	18.73276	18.68439	18.41661	19.32261	18.98616	20.88713	18.18374	17.33057	15.90034	15.02026	15.14062

Jordan Gross Fixed Capital Formation in Public vs Private Sector 1992-2002 in JD Million											
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Agriculture,Hunting,Forestry, And Fishing											
Public	0	0	0	0	0	0	0	0	0	0	0
Private	20.2	19.5	17.6	27.6	32.0	29.3	36.1	24.2	33.4	24.0	18.8
Total	20.2	19.5	17.6	27.6	32.0	29.3	36.1	24.2	33.4	24.0	18.8
Mining And Quarrying											
Public	11.4	12.0	92.3	11.6	61.2	33.6	76.1	26.6	42.2	20.8	24.4
Private	0.0	0.8	0.1	0.0	0.9	0.1	0.1	1.3	0.1	0.3	1.5
Total	11.4	12.8	92.4	11.6	62.1	33.7	76.2	27.9	42.3	21.1	25.9
Manufacturing											
Public	0.6	4.1	39.7	16.5	15.9	9.8	3.8	3.3	4.7	0.4	2.2
Private	44.3	26.6	72.9	61.4	105.0	137.8	114.3	92.9	121.3	106.5	130.4
Total	44.9	30.7	112.6	77.9	120.9	147.6	118.1	96.1	126.0	106.9	132.6
Electricity And Water											
Public	38.8	57.1	59.8	83.8	79.5	103.6	67.6	359.7	115.5	134.1	106.4
Private	0.0	0.5	10.1	9.8	8.4	11.5	12.9	11.2	13.8	12.3	14.4
Total	38.8	57.6	69.9	93.6	87.9	115.1	80.6	370.9	129.4	146.5	120.8
Construction											
Public	0	0	0	0	0	0	0	0	0.0	0.0	0.0
Private	15.2	20.4	32.4	15.2	12.3	5.1	4.2	9.2	4.7	9.3	10.1
Total	15.2	20.4	32.4	15.2	12.3	5.1	4.2	9.2	4.7	9.3	10.1
Wholesale & Retail Trade, Restuarants & Hotels											
Public	0.3	0.1	7.1	4.1	3.5	7.4	3.5	3.5	3.1	0.1	0.8
Private	16.4	11.6	14.9	13.9	39.2	42.2	54.4	110.5	94.6	88.7	117.7
Total	16.7	11.7	22.0	18.0	42.7	49.6	57.9	114.0	97.7	88.9	118.5
Transport,Storage & Communications											
Public	10.9	-54.5	24.1	20.0	75.0	57.7	97.0	34.3	90.4	38.5	70.7
Private	63.4	37.2	16.3	35.8	40.1	44.7	50.7	76.6	164.2	158.2	116.8
Total	74.3	-17.3	40.4	55.8	115.1	102.4	147.7	110.9	254.6	196.8	187.5
Finance,Insurance,Real Estate And Business Services											
Public	0.2	0.6	0.5	1.8	1.2	3.7	1.7	2.2	1.0	7.2	2.6
Private	625.5	913.3	709.3	750.0	636.7	483.6	318.6	254.8	250.3	285.8	292.7
Total	625.7	913.9	709.8	751.8	637.9	487.3	320.3	257.0	251.2	293.0	295.3
Community,Social And Personal Services											
Public	1.8	3.0	2.8	6.8	10.1	1.5	3.0	6.9	8.0	1.5	2.8
Private	14.5	15.2	27.0	48.9	21.6	64.7	47.0	35.2	22.1	27.1	36.7
Total	16.3	18.2	29.8	55.7	31.7	66.1	50.0	42.1	30.1	28.7	39.5
Producers Of Government Services											
Public	180.9	234.7	257.2	280.7	296.8	279.6	287.9	296.6	287.8	320.6	340.5
Private	0	0	0	0	0	0	0	0	0	0.0	0.0
Total	180.9	234.7	257.2	280.7	296.8	279.6	287.9	296.6	287.8	320.6	340.5
Producers Of Private Non-Profit Services To Households											
Public	0	0	0	0	0	0	0	0	0	0	0
Private	4.8	1.3	6.9	7.1	5.9	9.0	8.4	2.7	5.9	3.1	4.8
Total	4.8	1.3	6.9	7.1	5.9	9.0	8.4	2.7	5.9	3.1	4.8

Domestic Services Of Households											
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Household Services											
Public Sector	0	0	0	0	0	0	0	0	0	0	0
Private Sector	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0
Total GFCF											
Public Sector	244.9	257.1	483.5	425.3	543.3	496.9	540.7	733.1	552.7	523.3	550.4
Private Sector	804.3	1046.4	907.5	969.7	902.0	828.0	646.7	618.6	710.4	715.5	744.0
Total GFCF	1049.2	1303.5	1391.0	1395.0	1445.3	1325.0	1187.4	1351.7	1263.1	1238.8	1294.4
GFCF Public/Private %	23.342	19.724	34.759	30.487	37.588	37.504	45.537	54.231	43.759	42.244	42.521

Gross Fixed Capital Formation in Private and Public Sector 1992-2002, JD million											
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Agriculture, Hunting, Forestry, And Fishing											
Public Sector	0	0	0	0	0	0	0	0	0	0	0
Private Sector	20.2	19.5	17.6	27.6	32.0	29.3	36.1	24.2	33.4	24.0	18.8
Total	20.2	19.5	17.6	27.6	32.0	29.3	36.1	24.2	33.4	24.0	18.8
Mining And Quarrying											
Public Sector	11.4	12.0	92.3	11.6	61.2	33.6	76.1	26.6	42.2	20.8	24.4
Private Sector	0.0	0.8	0.1	0.0	0.9	0.1	0.1	1.3	0.1	0.3	1.5
Total	11.4	12.8	92.4	11.6	62.1	33.7	76.2	27.9	42.3	21.1	25.9
Manufacturing											
Public Sector	0.6	4.1	39.7	16.5	15.9	9.8	3.8	3.3	4.7	0.4	2.2
Private Sector	44.3	26.6	72.9	61.4	105.0	137.8	114.3	92.9	121.3	106.5	130.4
Total	44.9	30.7	112.6	77.9	120.9	147.6	118.1	96.1	126.0	106.9	132.6
Electricity and Water											
Public Sector	38.8	57.1	59.8	83.8	79.5	103.6	67.6	359.7	115.5	134.1	106.4
Private Sector	0.0	0.5	10.1	9.8	8.4	11.5	12.9	11.2	13.8	12.3	14.4
Total	38.8	57.6	69.9	93.6	87.9	115.1	80.6	370.9	129.4	146.5	120.8
Construction											
Public Sector	0	0	0	0	0	0	0	0	0.0	0.0	0.0
Private Sector	15.2	20.4	32.4	15.2	12.3	5.1	4.2	9.2	4.7	9.3	10.1
Total	15.2	20.4	32.4	15.2	12.3	5.1	4.2	9.2	4.7	9.3	10.1
Trade, Wholesale & Retail, Hotels & Restaurants											
Public Sector	0.3	0.1	7.1	4.1	3.5	7.4	3.5	3.5	3.1	0.1	0.8
Private Sector	16.4	11.6	14.9	13.9	39.2	42.2	54.4	110.5	94.6	88.7	117.7
Total	16.7	11.7	22.0	18.0	42.7	49.6	57.9	114.0	97.7	88.9	118.5
Transport, Telecom, Storage											
Public Sector	10.9	-54.5	24.1	20.0	75.0	57.7	97.0	34.3	90.4	38.5	70.7
Private Sector	63.4	37.2	16.3	35.8	40.1	44.7	50.7	76.6	164.2	158.2	116.8
Total	74.3	-17.3	40.4	55.8	115.1	102.4	147.7	110.9	254.6	196.8	187.5
Finance, Insurance, Real Estate & Business Services											
Public Sector	0.2	0.6	0.5	1.8	1.2	3.7	1.7	2.2	1.0	7.2	2.6
Private Sector	625.5	913.3	709.3	750.0	636.7	483.6	318.6	254.8	250.3	285.8	292.7
Total	625.7	913.9	709.8	751.8	637.9	487.3	320.3	257.0	251.2	293.0	295.3

Gross Fixed Capital Formation in Private and Public Sector 1992-2002, JD million											
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Personal & Community Services											
Public Sector	1.8	3.0	2.8	6.8	10.1	1.5	3.0	6.9	8.0	1.5	2.8
Private Sector	14.5	15.2	27.0	48.9	21.6	64.7	47.0	35.2	22.1	27.1	36.7
Total	16.3	18.2	29.8	55.7	31.7	66.1	50.0	42.1	30.1	28.7	39.5
Producers of Government Services											
Public Sector	180.9	234.7	257.2	280.7	296.8	279.6	287.9	296.6	287.8	320.6	340.5
Private Sector	0	0	0	0	0	0	0	0	0	0.0	0.0
Total	180.9	234.7	257.2	280.7	296.8	279.6	287.9	296.6	287.8	320.6	340.5
Producers of non-governmental services											
Public Sector	0	0	0	0	0	0	0	0	0	0	0
Private Sector	4.8	1.3	6.9	7.1	5.9	9.0	8.4	2.7	5.9	3.1	4.8
Total	4.8	1.3	6.9	7.1	5.9	9.0	8.4	2.7	5.9	3.1	4.8
Household Services											
Public Sector	0	0	0	0	0	0	0	0	0	0	0
Private Sector	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0
Total GFCF											
Public Sector	244.9	257.1	483.5	425.3	543.3	496.9	540.7	733.1	552.7	523.3	550.4
Private Sector	804.3	1046.4	907.5	969.7	902.0	828.0	646.7	618.6	710.4	715.5	744.0
Total GFCF	1049.2	1303.5	1391.0	1395.0	1445.3	1325.0	1187.4	1351.7	1263.1	1238.8	1294.4

Annex 2: Taxonomy of Privatization Measures in Sectors Where State Enterprise Dominates

1. Mining and Quarrying

In the Mining and Quarrying Sector, the State had been the major shareholder in the Jordan Phosphates Co. (41.5%), in the Arab Potash Co. (52.9%), and the General Mining Co. (51.3%), the three being public shareholding companies listed in the Amman Financial Market.

Recently, the State was instrumental in the creation of yet another natural resource-based company, namely the Jordan Company for Dead Sea Industries, where 61 per cent of the equity is publicly owned and controlled directly through the Jordan Investment Corporation (10%), and indirectly through the Arab Potash Co. (51%)¹¹.

Petroleum and natural gas exploration

In a parallel effort to experiment with commercialization as a first stage in privatization , the Government decided in 1994 to carve out all its petroleum and natural gas exploration and extraction activities from the public administration of the Natural Resources Authority, and turn them over to a private shareholding company (unlisted), almost totally owned by the Jordan Investment Corporation (JIC).

2. Electricity and Water

Electricity

In the Electricity Sector, and up to 1996, the State had totally owned and controlled power generation through the Jordan Electricity Authority (JEA). It also owned and controlled power distribution all over the country with the exception of the governorates of Amman, Zarka, and Irbid, where electricity distribution was conceded to two public shareholding companies (PSCs), namely, Jordan Electric Power Co. (JEPCO), and Irbid District Electricity Co. (IDICO). Ownership of JEPCO was shared between the public sector (through JEA) and the private sector in the ratio of 33% to 77%. In contrast, 89% of IDICO was owned jointly by the Government and the municipalities, leaving only 11% of its capital as privately-owned shares.

In 1996, a General Electricity Law was issued providing for:

- a) Changing the Jordan Electricity Authority (JEA) to a National Electricity Company, a public shareholding company,
- b) Allowing the private sector to invest in the electricity sector,
- c) The establishment of an independent regulatory agency to oversee and regulate the electricity sector

In 1997 the decision was taken to limit the mandate of the Ministry of Energy and Natural Resources to oversight and broad policies for the sector, entrusting to an independent regulatory agency the responsibility for regulating the operations of the companies active in the sector, including decisions on service tariffs and prices. Accordingly, it is left to

¹¹ *Potash mining:* In 2003, the Government decided to sell about half of its shares in the Arab Potash Company, valued at US\$ 173.3 million, to a “strategic partner”, namely the Canadian firm PCS. As a result, the State’s ownership in this company was reduced from 52.9% of the company’s capital, to 26.9%. *Phosphates Mining:* Phosphates mining has been undertaken by the Jordan Phosphates Mines Company (JPMC). In April 2001, the government decided on the restructuring and privatization of its share in the capital of JPMC amounting to 66.7%. The plan is to offer about two thirds of government’s ownership for the private sector and to retain one third, equivalent to 26% of JPMC capital. In July 2004 an HSBC consortium was retained as the financial/legal/technical advisor for the project. The transaction is expected to be completed end 2005 beginning 2006.

companies in the sector to manage productive activities and invest in the sector's development.

In 1999, the National Electricity Company was sub-divided into three companies dedicated to electricity generation, electricity transmission, and electricity distribution, respectively. A consulting firm was engaged to evaluate the assets of each of the three companies and to finalize the separation procedures and recommend the tariff to be charged on electricity supplied by the generation company to the electricity distribution company, and prepare the agreements due thereto. That decision was intended to pave the way for opening the electricity generation sector to private suppliers in the form of independent power generators. However, no success was achieved in this regard. Still, the government decided to pursue privatization in another direction, namely divestiture of its ownership in the electricity generation company. Hence, in December 2001 a consulting joint venture was engaged to assist the government in divesting 60% of government ownership in the capital of the Electricity Generation Company and 100% of its ownership in the Electricity Distribution Company, and the government's entire share in Irbid Electricity (distribution) Company. However, by as late as April 2003, still no action was recommended or taken due to "unfavorable regional circumstances".

Negotiations were conducted with a Belgian consortium to build, own and operate a new 450-megawatt power generation plant, to become operational by 2005. However, near the year end of 2002 Tractebel withdrew from the agreement because of internal financial difficulties. The government had to change course and entrust building the Khirbet Essamra generating station to CEGCO, the national power generating company earmarked for privatization.

The costs are envisaged to be met from CEGCO's own resources, from government guaranteed loans, and from participation of interested investors. Coinciding with all this, a new electricity law (no.64 of the year 2002) was introduced in October of 2002, paving the way for private sector participation and investment in various electricity-related projects.

A critical remark

It is worth noting that the state-owned National Electricity Authority (NEA) had been from the start an efficiently managed and highly profitable public utility. Its technical consulting arm was highly regarded and was sought after to provide sophisticated technical services to electricity agencies in the Gulf countries. The electricity stations were built mainly by foreign loans from Arab and international financial institutions. Though the loans were generally at concessionary terms to the government, the lending to NEA was closer to market terms. Yet NEA had no problem repaying its debt. Therefore, this writer has serious misgivings concerning the course taken regarding dismantling this successful public enterprise just on the "ideological" grounds of fidelity to the faith of "privatization".

Water

In the Water Sector the State owned and controlled the water supply for domestic and industrial uses through the Water Supply Authority, and water for irrigation through the Jordan Valley Authority. In 1999 the government concluded a performance-based management contract to operate the water supply utility in the Greater Amman area with Suez Lyonnaise des Eaux/ Arabtech Jardaneh. LEMA, the Joint venture management company established to execute the management contract, started operations in August 1999. This contract was linked to a \$55 million World Bank loan utilized in improving the sector. Unaccounted For Water (UFW) was reduced from 54% in 1999 to 47% in 2000

Assamra Water Treatment Plant

The objective is to improve the wastewater treatment services in Greater Amman Area. In 2002 the government contracted an American-French consortium Onedo/ Degremont Morganti to construct Assamra Water Treatment Plant. USAID shall provide for around 50% of the total estimated cost of \$154 million; the consortium shall finance the remaining cost and operate on BOT basis for 25 years, expected to be in operation in 2005. The plant is expected to handle 267.000 cubic meters of wastewater per day and shall serve Amman and Zarqa governorates, in addition to the allocation of treated water for agricultural purposes in the Jordan Valley. The plant is expected to start operations during the last quarter of 2005.

3. Transport, Communications and Storage

A) Public transport

In the public transport sector, the State owned and controlled the following companies:

- The national airline (**Royal Jordanian**),
- The **Aqaba Ports Authority**,
- **The National Shipping Company**, jointly owned by the Jordan Investment Corporation (JIC), the Aqaba Ports Authority, the Jordan Phospahtes Mines Company (JPMC), and the Arab Potash Company.
- Two minor railway companies (**Hijaz-Jordan Railway and Aqaba Railway Corporation**),
- The Public Transport Corporation which operated a number of public transport bus lines.

The rest of surface transport has been in private free enterprise domain with the exception of tourist transport which until very recently (1994) was a private monopoly in the form of a concession granted by law to Jordan Express Tourist Transport Co. (JET) being a PSC owned up to 92.7% by the private sector and 8.3% by the Government.

The important privatization measures in taken in this sector are the following:

The Transport Regulatory Commission

This commission was established in September 2001 according to Law no. 48/2001.

The Public Transport Corporation

With regard to public bus lines, the government in 1998 concluded franchise contracts with three local bus operators, granting them 10 years concessions to operate 4 bus route packages in the greater Amman area. The number of daily commuters increased from 50 thousands in 2002 to more than 150 thousands in year 2003. It is further estimated that 400 new jobs have been created in this activity during the said period, and that an investment to the value of JD 27 million was undertaken to introduce new buses to service those routes.¹²

Jordan National Shipping Company

¹² The Executive Privatization Unit, Newsletter, Issue No.13/ February 2004

In October 2001, the government decided to privatize its ownership in the capital of the National Shipping Company which amounted to 59% of total shares. Bid offers were invited and Assalam Shipping Company was announced winner. Transaction was completed in November 2002; total proceeds amounted to JD 1.7 million., distributed as follows: JD 540 thousand of the proceeds to JIC while the rest of the amount was distributed among other shareholders according to their shares in the company. Other main shareholders are JPMC, APC and Jordan Ports Authority.

Container Terminal at the port of Aqaba

In December 2003 the Cabinet endorsed the recommendation by the Aqaba Special Economic Zone Authority engage the private sector in the management of the Container Terminal (CT) at the port of Aqaba. A due process of competitive bidding resulted in February 2004 in an agreement with AP Moller Finance SA, the Danish company, on a two-year management contract and a Memorandum of Understanding stipulating the conditions of a Joint Venture for 25 years following the completion of the two-years management agreement;. Both documents were signed on March 9 th 2004.

Aqaba Railway Corporation (ARC)

The Aqaba Railway Corporation (ARC), a public corporation established under the provisions of the Aqaba Railway Law (1972), currently operates railway services for the transport of phosphate rock from the mines to the port of Aqaba under contractual arrangements with the Jordan Phosphate Mines Company (JPMC).

Although an initial deal was signed in 1999 between the government and an American consortium to manage, operate and expand the Aqaba railway over 25 years, the deal fell through partly over how much the US operator was willing to charge JPMC for transporting phosphate. Meanwhile, the government has been actively engaged in a variety of activities designed to improve the performance and efficiency of the ARC. The company has undergone an extensive overhaul, spending \$2.7 million on improving its railway cars and importing spare parts. A total of seven trains are currently run each day (up from 1 in the year before), carrying some 200,000 tons of phosphate each month to the Aqaba port (compared with 50,000 during the early part of 2001).

One of the issues now being discussed is how best to operate the ARC. One option is to turn the state-run ARC into a public company. The company, which would operate on a commercial basis, would still be owned by the government. A move towards this has already begun, with the Ministry of Transport having announced in January 2003 the completion of a feasibility study on the project⁷³.

In July 2003 The Council of Ministers (the Cabinet transforming Aqaba Railway Corporation into a Public Shareholding Company totally owned by the Government in preparation for privatization. The Government proposes to offer shareholding and management control of ARC, in whole or in part (at least 51%), subject to the response of potential investors/joint-venture partners. Requests for proposals RPFs on this task were sent to a short list of 5 prequalified consulting firms. The target date for appointing the consultants was the 2 nd quarter of 2004.

Royal Jordanian

The restructuring and privatization program of Royal Jordanian (RJ) commenced in October of 1998. Upon the completion of a financial, institutional and legal restructuring plan, a new law no.31 (2000) was enacted transforming RJ into a public shareholding company totally owned by the government.

Non-Core business was unbundled from core business, whereby several investment units emerged as follows:

Royal Jordanian Investment Co. LTD was formed and registered on September 25th 1999, comprising the following six investment business units, which were registered as independent companies candidate for private sector participation:¹³

1. Airports Duty Free Shop, registered on April 25 th 2000 under the name of Jordan Airports Duty Free Shops Company.
2. Training Center, registered on April 27 th 2000 under the name of Jordan Airline Training and Simulation Company Limited.
3. Aircraft Catering Center, registered on June 28 th 2000 under the name of Jordan Flight Catering International Company Limited .
4. Engine Overhaul and Maintenance Center, registered on July 31 st 2000 under the name of Jordan Airmotive Company Limited (JALCo).
5. Engineering & Maintenance Center, registered on September 27 th 2000 under the name of Jordan Aircraft Maintenance Company Limited (JorAMCo).
6. Royal Jordanian Airlines was registered on February 5th 2001 to include the aviation activity;

Within the restructuring measures, a generous compensation scheme was granted to around 1500 staff members in 1999 as a result of an agreement signed with the General Trade Union of Workers in Air Transportation and Tourism. A second agreement was signed, on February 4th 2002, with the General Trade Union of Workers in Air Transportation and Tourism to lay-off 500 workers thereby reducing the total number to 3100 staff members. Aviation Privatization: Status for Non-Core Business:

- The RJA has been split into an operating unit carrying out core airline operations and a holding company managing subsidiaries offering support services such as the duty free shops, flight training operation, catering, engine maintenance and aircraft overhaul.
- The British Alpha Airports Group along with its Jordanian partners, Eastern Investment and Development Company, have acquired 80 percent of RJA's catering division for a cash consideration of \$20 million, the first of its kind deal for a British company in Jordan. RJA retained 20 percent of the shares.
- The Spanish organization Aldeasa acquired in August 2000 the Jordan Airport duty-free shops in a \$60 million deal.
- RJA's flight training center has been sold to the US-based Flight Safety Boeing Training International for \$18 million. The Royal Jordanian Air Academy (RJAA), which is certified and monitored by the country's Civil Aviation Authority and is approved by the US Federal Aviation Administration, has been sold to the private sector in a deal worth \$5.8 million.

¹³ <http://www.epc.gov.jo/ongoing.html>

A new law No.31 of the year 2002 was endorsed in February of that same year, effectively canceling the Academy law no. 63 of the year 1971 and hence transforming the RJAA into a public shareholding company wholly owned by the government and restructured to be ready for privatization. Invitation for Expression of Interest from potential investors was published in June 2002. At the end of the due process, in December 2002, the Cabinet approved the sale of RJAA to Jordan International Real Estate and Tourists Investments Company for \$5.8 million.

In 2004 a decision was taken to proceed with the privatization of the two companies;

- Jordan Aircraft Maintenance Limited (JorAMCo) .
- Jordan Airmotive Limited Company (JALCo)

In January 2004 a financial consultant and a legal advisor were retained to assist in the formulation of a privatization scheme which envisaged the sale of 80% of the shares in each of the two companies to two strategic partners, whereas, RJ was to retain the remaining 20% in order to ensure minimum level of business for the strategic partners.

Invitation of Expression of Interest from potential investors was published. Sixteen firms, eight for each expressed initial interest in these two companies and were evaluated. Seven and six firms were short-listed for Jor AMCo and JALCo respectively. The target date for finalization of the privatization transactions of these two companies was set as end of August 2004.

Aviation Privatization: Status for Core Business:

RJ concentration has recently shifted to improving and upgrading services, modernizing its fleet and improving the financial status through reorganizing the company internally with the main objective of considering alternative privatization options including strategic partnerships, financial investors or alliances with world companies.

B) Telecommunications

In the Telecommunications Sector, until very recently telecommunication services were publicly owned and controlled by the Telecommunications Corporation, TCC. In 1988 steps were taken to commercialize the TCC. The process was halted with the change in government in 1989, and was resumed only in 1996 when the state-owned Jordan Telecommunications Company (JTC) was established.

In January 2000 the government decided to sell 40% of JTC capital to France Telecom/ Arab bank Consortium (\$508 m.), with a fee-based management contract with the technical partner (France Telecom), and allocated 1% to the JTC employees' Provident Fund.

In February 2000, the government sold a further 8% of the JTC capital to the Social Security Corporation (\$102m).

A second GSM, Mobilecom, Company started operations in September 2000.

The private sector invested over \$500 million in the introduction of modern Data & Billing systems and in upgrading the network in the South.

In June 2002 the government started a process to sell 10-15% of its 52% total shares through IPO (Initial Public Offering). The IPO was completed in October 2002 with the sale of 10.5% of JTC total shares whereby 3.5% were acquired by retail investors

and 7% by local and non-Jordanian financial institutions; total proceeds amounted to around JD 61.6 million (\$86.2 million). Trading of Jordan Telecom shares on the Amman Stock Exchange started on November 4th 2002 raising the market capitalization to over \$5 billion hence ranking ASE among the largest Arab bourses. JT shares rank first on the ASE in terms of capital and second in terms of capitalization.

The new direct and indirect job opportunities estimated to have been created in this sub-sector exceeded 7000.

C) Storage

Jordan General Silos and Supply Company

In September 2000 the government decided on the restructuring of the Ex-Ministry of Supply facilities; namely: the Mill, Silos, Regular and Refrigerated Warehouses in preparation for privatization, with the objective of enabling the facilities to operate on commercial basis and according to accounting standards. The assets and liabilities of the Mill, Silos, Regular and Refrigerated Warehouses were evaluated; the facilities have been transformed and registered as a public shareholding company totally owned by the government in January 2001 under the new name: Jordan Silos Supply General Company (JSSGC). The Government further decided to separate the milling facility from the other facilities. Accordingly, Juwaideh Mills Company, an independent limited liability company totally owned by JGSSCo was established and registered in January 2004; assets and liabilities of the Mill were transferred to the newly formed company. The sale of the Mill was expected to be finalized by end of 2004.

Table 1: Public Finance Parameters, International Comparisons
in per cent of GDP

Countries or Groups of countries	Central Gov't Current Revenue (excl. grants) 2001	Central Gov't Total Expenditu re 2001	General Gov't Consumpti on Expenditur e 1990	General Gov't Consumpti on Expenditur e 2002
High Income Countries			17	18
Low & Middle Income Countries	17.1	20.6	14	15
Middle East and North Africa			20	18
Jordan	25.1	32.4	25	23
Lebanon	19.5	35.7	25	14
Syria	23.9	23.2	14	11
Egypt	23.4		11	10
Tunisia	28.6	32.0	16	16
Morocco	29.6	32.5	15	20
Oman	27.0	29.9	38	23
Turkey	29.1	49.5	11	13
Iran	21.0	21.9	11	13
Israel	41.2	47.3	30	31

Source: World Bank, World Development Indicators 2004

Table 2: Privatization Proceeds up to 2003¹⁴

Enterprise	Millions of U.S Dollars	Completion Date
Jordan Cement Factories	112	1998, 2002
Jordan Telecom	691.5	2000, 2002
Airport Duty Free Shops	60.1	August 2000
RJ Aircraft Catering Center	20.02	August 2001
Public Transport	0.7 annually	1999
Royal Jordanian Air Academy	5.8	2003
Arab Potash Company	173	2003
Total	1063	
Jordan Investment Corporation (JIC*) portfolio	152	

Source: Executive Privatization Unit,

Note: The proceeds would have been much larger were it not for permitting the enterprises concerned to plough back part of their profits for upgrading and development of their business, for example: **a)** Mai'n spa: Investment of \$3-5 million to upgrade and improve Ma'in Spa; **b)** Public Transport Corporation: Investment of around \$17 million to purchase new buses; **c)** Jordan Telecom: Investment of around \$365 million in establishing the second GSM company , mobilecom, and in data system in the country, in upgrading and improving the network in the south, the billing system as well as internet and related companies; **d)** Water Authority of Jordan/Greater Amman Area: Linked to a \$55 million dollar World Bank Loan to improve the network in Greater Amman Area; **e)** Hotel Sector/ Jordan Intercontinental Hotel: Investment of around \$47 million in expansion and upgrading the Hotel.

¹⁴ <http://www.epc.gov.jo/>

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