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JORDAN

FINANCE MINISTER'S BUDGET STATEMENT

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[Draft budget law for 1985 read by Finance Minister Hanna 'Awdah a House of Representatives in Amman on 13 December--video recorded]

[Text] In the name of God, the merciful, the compassionate.

Mr Speaker, esteemed house members: I am honored to submit to your esteemed house the draft budget law for the 1985 fiscal year, which represents this government's working program for the coming year. In preparing this program, the government bases its action on firmly established facts and principles and the directives on whose bases it assumed its constitutional responsibilities and to which it was committed before your house.

The year 1985 is characterized by being the final stage of the current 5-year plan, which has contributed to strengthening and expanding the economic structure of the national economy. Moreover, 1985 will witness intensive efforts to draw up the third 5-year plan for economic and social development for 1986-1990.

The preparation of this budget comes at a time of fluctuating and unstable economic and monetary circumstances in the world. Some major industrialized countries are witnessing economic revival while others continue to suffer from low growth rates and increasing unemployment. Meanwhile, the majority of the developing countries continues to suffer from difficult economic conditions due to a deterioration in their international trade conditions and a decline in the demand for their products and in the flow of money into these countries. Subsequently, these countries are suffering from a chronic deficit in their balance of payments and from a sharp rise in their foreign debts. The position of these countries was further aggravated by the increase in the dollar exchange rates while interest rates also remained high.

The Jordanian economy was inevitably affected by these world economic conditions because of its varied relations with the rest of the world countries, whether with regard to import, export, or money flow and because of its relations with the Arab oil exporting countries that were affected by a reduction in their revenues and the international economic recession. If we also consider the regional circumstances represented in the Israeli invasion and the Iraq-Iran war, we realize the magnitude of the challenge which the economy has to face as a result of unavoidable circumstances.

Jordan's firm stand along the longest line of confrontation with the Israeli enemy, because of its geographical position and its historical and emotional affiliation with the Palestinian issue, imposes on it increasing burdens in order to bolster the Palestinian people's steadfastness on their national soil and in their confrontation of the occupation authorities' repressive practices, [word indistinct] are represented by expulsion, colonization, and usurpation of land and natural resources. Despite the limited means available to this country under these conditions and circumstances, the Jordanian economy managed to adapt to the new developments and to achieve satisfactory growth and relative stability during 1984. Preliminary figures available indicate that the overall growth rate of local produce reached 4 percent at fixed prices during 1984. This rate was arrived at after deducting the slight increase in the record cost of living, which amounted to only 3 percent.

The value of Jordanian exports significantly increased while the value of exports remained at the 1983 level. This led to a decrease in the trade budget deficit. Moreover, remittances from Jordanians working abroad showed a marked growth, which helped these remittances retain a significant role in bolstering the balance of payments. Moreover, the dinar maintained a relatively stable exchange rate in comparison with the prices of other major foreign currencies.

The sharp reduction in Arab aid that resulted from some Arab countries' non-fulfillment of their obligations or other countries' fulfillment of only a part of these obligations has compelled the government to get foreign loans despite our reduction of expenditure as much as possible. At the same time, efforts were exerted to improve ways to collect local revenues, which exceeded those of last year by 9.5 percent and which covered about 90 percent of current expenditures.

It is my duty here to refer with appreciation and pride to the Jordanian citizens' awareness, their fulfillment of their patriotic duties, and their contribution to narrowing the gap between domestic revenues and current expenditure, a fact that will enable us to depend on our intrinsic capabilities. Paying off the general foreign debt, in proportion to total exports of commodities and services, is within acceptable limits because most of that debt was acquired on easy conditions from national, regional, and international as well as from Arab and foreign sources. Most of that debt was used to fund development and productive projects, some of which began to contribute to the national economy with renewed financial revenues.

Mr Speaker, esteemed House members, in preparing the draft budget of the 1985 fiscal year, the government depended on a number of facts and objectives, foremost of which are:

1. Maintaining the high level attained by our armed forces, reinforcing their strength, and developing their armament capabilities in order to enable them to continue to carry out their national and pan-Arab role. The organs of public security and civil defense will also be supported to maintain security and stability in the kingdom.

Here we should show that necessary measures were taken to put the Popular Army law into effect in order to allow the citizens to defend the homeland and to back our armed forces. A contract was concluded regarding some necessary weapons for the first stage of the formation of that army. The necessary sums were also allocated for that purpose within the armed forces' budget.

2. Jordan's continued fulfilling of its national duties toward the kinfolk in the occupied land to strengthen their presence on their lands and preserve their Arab identities.

3. Paying off internal and external financial obligations on their fixed dates to preserve the trust and good reputation that Jordan has acquired in Arab and international financial markets.

4. Developing the national economy's productive capabilities, especially projects and activities that depend on the elements of local production, using modern technology and increasing self-reliance in meeting local needs.

5. Increasing local revenues for the budget to cover current expenditures and the increasing proportion of capital expenditures and continuing efforts at the same time to control public expenditures and improve efficiency.

6. Distributing development gains through the completion of the infrastructure projects and supplying the various parts of the kingdom with basic and public services.

7. Paying special attention to encouraging domestic and Arab investments and continuing efforts to strengthen and broaden the bases of the joint Arab economic work.

Mr Speaker, esteemed House members, the coming years will witness the beginning of a new economic phase, a fact that makes it incumbent on us to deal with our national economy on the basis of scarce available revenues and the high cost of supply. Defining priorities should take into account these two points. Therefore, the government is determined to adopt a balanced financial and monetary policy aimed at activating the development elements and maintaining economic stability. It will also take a number of measures to increase local revenues and improve ways to collect them on the basis of social justice, to rationalize public expenditure, to develop the efficiency of the administrative apparatus and strengthen its abilities, and to improve the efficiency of public institutions and control their expenditure to enable them to depend on their intrinsic revenues.

The government will encourage local savings, attract Arab capital for investment in keeping with the priorities of economic and social development, and modernize the companies law and other legislation on savings and investment. The government will continue its efforts to develop the banking apparatus, the financial market, and capital, while concentrating on activating the role of the specialized credit corporations and both bolstering and diversifying their resources. In this regard, it must be pointed out that the government gives special attention to coordinating and developing national efforts

in the field of science and technology in order to expedite the absorption of technologies and modern scientific methods and to employ them intensively in various development activities.

In view of the basic role of the administrative apparatus in the process of comprehensive development and the implementation of the development programs and policies, His Majesty King Husayn has ordered the formation of a royal committee for administrative development, which commenced its work by conducting a detailed study of the existing administrative apparatus, its departments, legislation, and ways to develop it. The government intends to adopt and implement its recommendations so that the administrative apparatus will remain the effective means to activate and push ahead the wheel of progress and development in the kingdom.

Out of our belief in the need to back the judiciary because of the special importance it has in the life of our society, the government is in the process of adopting practical steps aimed at supplying the judiciary with an independent cadre and a comfortable atmosphere that can constantly improve. To deepen ties with the outside world and assert Jordan's international status politically, culturally, and economically, the government has expanded its contacts with several countries, particularly Arab, African, and South-east Asian states. It will open new embassies in countries to which we are linked by relations likely to develop and grow.

The following are the most important directives for the principal sectors as contained in the draft budget law for the 1985 fiscal year:

I. The agricultural sector occupies an advanced place in the priorities of this government because it is a basic sector of production that concerns a large stratum of the society and is closely linked to food security, which is considered one of the pillars of the comprehensive pan-Arab security. Accordingly, the government has adopted several measures aimed at increasing and developing agricultural production. The most important among them are:

1. Completing steps related to the establishment of a company for marketing and industrializing agricultural produce. The means that enable this company to achieve the purposes for which it was established will also be made available.

2. Applying suitable agricultural patterns to overcome the marketing difficulties encountered in this sector yearly, taking into consideration the balance between production on the one hand and local consumption and exportation possibilities on the other.

3. Backing the production of some basic agricultural products. The government has for the first time set satisfactory prices for the purchase of wheat, barley, and other cereals before their season at higher than world prices. In order to expand this backing so that it will include other essential agricultural and animal products, 7 million dinars are allocated in the 1985 draft budget for this purpose. A fund will be set up to back the basic agricultural produce. These allocations, in addition to the profits made by selling imported cigarettes, will be deposited in this fund.

4. Increasing agricultural and animal output by carrying out agricultural projects in the kingdom's eastern and central areas, depending entirely or partially on available subterranean water. Moreover, a pioneering project was implemented in the Al-Sawwan plain within the Al-Disi basin for the cultivation of wheat and fodder in an area of 14,000 donums. The necessary measures were also taken to carry out an integrated program on water studies in these areas with the aim of exploiting them agriculturally.

5. Developing the exploitation of unirrigated lands in high areas, encouraging their cultivation in fruit trees, and expanding forestation programs in them.

6. Promoting basic development projects. The necessary appropriations have been allocated to establish a fodder plant in Al-Juwaydah, a poultry slaughterhouse in Al-Dulayl, and additional warehouses. Four million dinars have also been allocated to cover part of the subsidy needed to preserve the current price of bread. The deposit estimated at 10 million dinars will be covered by the expected surplus in the Supply Ministry's trading account.

II. The successive development plans paid great importance to water. These plans emphasized the importance of searching for water sources through digging wells to reach underground water, building dams to trap surface water that would otherwise flow into the sea, and extending water channels from the places where it is available to the places where it is needed. However, water remains a challenge to us not in the building and development process, but in population distribution, establishing food security, and promoting industrialization. The government is in the process of crystallizing an integrated water policy based on accumulating information and collecting, modernizing, and completing the studies. The government is embarking on this water policy not merely for the sake of knowledge, but in order to draw up an integrated plan for water sources and uses on definite scientific principles. This plan is based on three principles:

1. Potable water receives the most attention because the water that is used in houses can be redirected for use in industry and growing fodder.

2. Completing the building of the infra- and ultra-structure of wells and dams. The government will take extreme care in this regard in order to lessen the massive cost as much as possible. The government is also in the process of completing the sewage projects in the major cities despite rising costs, but this is extremely important in safeguarding the health and security of the citizens.

3. Drawing up an integrated national program based on clear and rehearsed steps in order to reduce the consumption of water. This program, which will be implemented during 1985, will take into consideration making water available to the areas whose consumption is still below the average and maintaining the impetus of agricultural and industrial production. However, the program will differentiate between those who use water properly and those who misuse water.

III. The industrial sector receives great attention by the government because appropriate industrial investment is regarded as the natural channel to attract capital and local and foreign savings. In order to achieve this, the government was eager to adopt the legislative measures and amendments to encourage industrial investment and protect, support, and give priority to local production, guarantee local and foreign loans that are backed by the government, and simplify registration measures and the temporary entry of raw materials.

Realizing the great volume of investment in the major production industries and its importance in backing the national economy with additional income, foreign currencies, and job opportunities, the government is endeavoring to overcome the difficulties in the production and export operations. Moreover, the government encourages, in principle, the idea of mixing homogenous industries because of the real savings in the production and operation processes and the economy of having larger industries. Since external marketing of industrial products constituted a major obstacle facing the development of Jordanian industries, particularly under the current regional and international economic circumstances, the government signed several trade agreements with Arab and friendly countries in order to increase trade exchange and to market Jordanian products which will have a positive impact on local investors on the one hand, and on the trade balance on the other.

IV. In light of the possibilities that the kingdom enjoys and the volume of investment during recent years in this sector, the government is determined to adopt measures to allow effective participation with the public sector in order to complete tourist facilities and services and activate and support advertisement programs to increase the number of tourists and extend their stay, and to also develop internal tourism by developing the necessary services within a reasonable cost.

V. The energy sector assumes a prominent and influential role in the national economy. Public and private investments for oil refining and power generation and distribution have attained more than 250 million dinars during the past 8 years. The bill for imported crude oil has increased from 34.4 million dinars in 1976 to 234 million dinars in 1984. Thus, the percentage of increase of this material with respect to the overall exports has been from around 50 percent in 1976 to around 90 percent in 1984. It currently represents more than one-fifth of the value of imports.

Since the price structure of oil byproducts and the assigned electricity tariffs have not provided the necessary revenues for covering the cost of production or distribution, the government has offset the difference in the form of a direct annual subsidy. The total amount of this subsidy from 1976 to 1984 has reached 223 million dinars. In view of this increasing burden on the national economy and on the treasury, the government is intent on adopting an integrated national program to redress the situation in the sphere of energy. This program will seek new local sources and ways for rationalizing energy use. From this premise, the government gave priority to oil exploration.

In light of the promising signs at the experimental oil wells in the Hamza basin in Al-Azraq, experimental oil well drilling has been stepped up in this basin to determine its dimensions and the volume and specifications of its oil reserves. Seismological surveys in various areas in the kingdom have also been accelerated to pinpoint the existence of oil. In implementation of this goal, the government allotted the sum of 14.3 million dinars in the draft budget law for fiscal year 1985. This intensive oil exploration effort is accompanied by an emphasis on economizing energy consumption through state and popular commitment to the mentioned program.

In view of the drop in the prices of some basic oil byproducts and electrical power, the increase in the price of the dollar, and the increase of the cost of pumping oil through the TAPLINE pipeline by more than 80 U.S. cents a barrel, the subsidy to energy reached 36.9 million dinars in 1984. If we adopt the same bases, this subsidy is expected to reach more than 40 million dinars in 1985. Therefore, the government has revised prices of some oil byproducts and some elements of the electricity tariffs in a manner that would be within the financial capabilities of those benefiting from energy subsidies, would not affect production costs of goods and services, or reduce their competitive and export opportunities so that this subsidy would remain within the limit of the sum allocated in the draft budget law for fiscal year 1985. In addition to all this, this decision is in line with the comprehensive plan for rationalizing energy consumption and contributes to the exploitation of resources in a manner that would reflect real costs. On this occasion, the government decided to use the subsidies saved as a result of the amendment of energy tariffs to improving the standard of living of those working in civil and military services as well as pensioners. The government is in the process of completing the necessary studies for implementing this decision early in 1985.

VI. Out of the government's belief that the economic and social development process can only be completed through a solid infrastructure and the provision of public services, the draft budget law for fiscal year 1985 has reflected the government's concern to establish, develop, improve, and generalize these services and public utilities in all governorates to achieve qualitative and quantitative strides in these areas as they are the real measure of any society's progress. The government will continue to expand these services and utilities by completing national water, sewage, and electricity networks, as well as telecommunications and road projects, particularly village and agricultural roads; and by increasing the number of schools, institutes, multipurpose training centers, hospitals, health centers, and clinics to generalize the idea of joint services whenever this is possible.

At the same time, the government will adopt measures to introduce new concepts to improve the quality of services and to achieve better distribution. It will do so by supplying educational institutions at all levels with the necessary qualified cadres; introducing modern educational means such as computer science in schools; entrenching the concept of preventive medical care; modernizing and developing hospitals, medical centers, and clinics, and providing them with modern medical equipment; introducing mechanization

to improve and speed up postal performance; focusing on rural development projects and popular housing units, as well as building housing units for workers to permanently relocate these workers near production locations outside the major cities; and generalizing social security so that it will cover most of the workers in the kingdom.

The government intends to pay attention to road transport and to meet the increasing demands on our roads inside and outside towns in order to reduce traffic jams, to conserve energy, and to reduce accidents and their woes. The road intersection projects in Amman and the encouragement of using public transport and purchasing small cars are among the practical steps being taken. The government has also paid special attention to the transport sector and took measures to operate all kinds of buses in 1985.

The government is determined to back the Ministry of Awqaf, Religious Affairs, and Holy Places to help it carry out construction work on lands belonging to the religious trust so the ministry will be able to develop its resources and to pay complete attention to and improve the standard of preaching and guidance.

The government pays special attention to everything related to youth--their schools, institutes, universities, clubs, and centers inside and outside the kingdom--in order to deepen their sense of national affiliation and national pride and to entrench the spirit of responsibility and participation among these youth, who constitute the nation's future manpower and backbone of the general economy.

The budget reflected interest in stimulating cultural activities in the kingdom. This is illustrated by the allocation of funds for state meritorious awards in the various fields of culture and creativity.

The government has paid attention to the care for physically and mentally handicapped people by carrying out projects and programs and establishing centers that serve them, look after their welfare, and educate them through complete coordination with humanitarian role in this field and to develop the spirit of collective volunteer work.

Out of its recognition of the role played by our expatriate citizens working abroad in reflecting a true, good image of Jordan and Jordanians and maintains a firm intuitive link to the homeland, the government has taken practical steps to deepen the contact with them wherever they may be and to encourage their participation in the process of reconstruction and progress. The government is now considering the necessary legislation to include expatriates in the social security system on a voluntary basis in order to ensure an atmosphere of security for them and to maintain their future ties with the homeland. The government is also determined to open all channels of contact with them and to provide them with all data, studies, and new opportunities for investment to help them invest their savings in the kingdom for their benefit and that of the entire national economy. The government is making the necessary arrangements to help convene the first expatriates conference next summer in Amman. The purpose of this conference will be to get acquainted with the expatriates' problems and needs and to help find



solutions to them and to discuss with the expatriates the best means of their increased participation in Jordanian economic activities.

Mr Speaker, honorable members: Allow me to review the general features of the 1985 draft budget.

First, the 1985 budget is estimated at 811.2 million dinars, compared to 770.2 million dinars in 1984, an increase of 41 million dinars or 5.3 percent.

Second, the sum for Chapter I is estimated at 724.6 million dinars, compared to 664.2 million dinars in 1984, an increase of 60.4 million dinars or 9.1 percent.

A. Revenues: 707.9 million dinars, compared to 653 million dinars in 1984, an increase of 54.9 million dinars or 8.4 percent.

1. Local revenues: 479.9 million dinars, compared to 449 million dinars in 1984, an increase of 30.9 million dinars or 6.9 percent.

2. Arab aid: 183 million dinars, compared to 183 million dinars in 1984. In other words, there is no change.

3. Interest and installments of redeemable bonds and foreign loans: 45 million dinars compared to 21 million dinars in 1984, an increase of 24 million dinars or 114.3 percent.

B. Expenditures: 724.6 million dinars, compared to 664.2 million dinars in 1984, an increase of 60.4 million dinars or 9.1 percent.

1. Current expenditures: 487.5 million dinars, compared to 452.5 million dinars in 1984, an increase of 35 million dinars or 7.7 percent.

2. Capital expenditures: 237.1 million dinars, compared to 211.7 million dinars in 1984, an increase of 25.4 million dinars or 12 percent.

Third, the sum for Chapter II--revenues and expenditures of projects that are financed by foreign loans and aid--is estimated at 68.6 million dinars, compared to 106 million dinars in 1984, a decrease of 19.4 million dinars or a decrease of 18.3 percent.

Fourth, the deficit is 16.7 million dinars, compared to 112. million dinars in 1984, an increase of 5.5 million dinars or 49.1 percent.

All this shows that local revenue estimates for 1985 will increase by 6.9 percent, compared to local revenue estimates for 1984, and by 9.6 percent compared to the revenues that were reestimated for the same year. Thus, local revenues will cover 98.4 percent of current expenditure estimates for 1985 while the reestimated local revenues have covered 89.9 percent of the reestimated current expenditures for 1984. We must not forget to take into account that current expenditure allocations increased from 452.5 million dinars in the 1984 budget to 487.5 million dinars in the draft budget law for fiscal year 1985, or a 7.7 percent increase.

It is worth noting that local and foreign public debt servicing estimates for 1984 have increased by 2.1 percent from what had been originally estimated, and by 22.5 percent from the 1984 reestimation.

Capital investment allocations for 1985 have increased by 2.3 percent over the allocations set for them, and by 24 percent over the reestimated allocations for 1984.

The deficit is estimated at 16.7 million dinars, or 3.5 percent of local revenue estimates. This deficit will be covered by reducing general expenditures, improving local revenues, and by local and external credits.

Chapter I of the draft budget law for fiscal year 1985 also includes allocations worth 87.8 million dinars to bolster capital and current expenditures of the universities and independent public institutions which deal with transportation, electricity, water, housing, awqaf, cooperative, and vocational and other kinds of training. The expenditures of these institutions is expected to reach about 500 million dinars in 1985. If we add all this to the aggregate expenditures estimates in the draft budget law, general state expenditure for fiscal year 1985 will be around 1,311 million dinars.

Mr Speaker, honorable members: Since the draft budget law for the next fiscal year largely depends on Arab aid that fraternal countries provide Jordan to enable it to carry out its pan-Arab duty and to stand fast in the face of the aggression, and out of Jordan's gratitude to its Arab brothers, I offer thanks and appreciation on behalf of the government to Saudi Arabia as it has completely and regularly fulfilled its commitments, and to fraternal Kuwait, which this year has paid part of its obligations in view of the difficult financial circumstances it is experiencing. We are confident that it will overcome these circumstances and will resume the fulfillment of its obligations.

While we understand the circumstances which prevented brothers in some Arab countries from supporting us--they who never had hesitated in aiding and supporting Jordan and its steadfastness--we pin high hopes on the brother in the UAE and Qatar that they will be able to overcome their transient circumstances and fulfill their obligations.

Mr Speaker, honorable members: By submitting the draft budget law for fiscal year 1985, the government hopes that your esteemed House will study all its aspects in a manner that will reflect the aspirations of the sons of our noble people, and that will assist the government in shouldering its responsibilities and pursuing the efforts for achieving more good in our beloved Jordan under the guidance and directives of His Majesty King Husayn. May God protect him and guide his steps. May God's peace and blessings be upon you.