

ANNEX 7

Objectives and Macroeconomic Policies in Jordan's Recent Economic and Social Development Plans

Economic and Social Objectives	Strategies	Macroeconomic Targets	Policies
1993–97 Plan			
(1) Create an enabling environment for sustainable growth.	Liberalize the economy and its institutions, eliminate distortions, and develop an appropriate business climate.	(1) Average growth in real GDP of 6 percent a year.	Fiscal policy will aim to control expenditures and increase domestic revenues. Specific measures to include:
(2) Expand and diversify the productive base to strengthen the country's ability to generate more income and new job opportunities sustainably.	Reduce government direct involvement in production, and enhance the role of the private sector.	(2) General budget deficit (before grants) increases from 6 percent in 1992 to 7.7 percent in 1993, and then decreases gradually to about 2½ percent in 1997.	(1) Introduce GST; eventually to be converted to a standard VAT.
(3) Develop a strategy for achieving self-sufficiency; priorities include narrowing the deficits in the balance of payments and general government budget.	Make room for active participation of the private sector in investment in infrastructure and basic services, and for its participation in the ownership and management of public corporations.	(3) Achieve balance in the external current account by 1997 (from a deficit of 18 percent of GDP in 1992).	(2) Reduce government subsidies on goods while ensuring provisions for the poor and needy.
(4) Decrease disparities among social groups and geographic regions; support equal opportunity, combat poverty, and meet the minimum needs of all citizens while providing basic services for the whole population.	Reform the financial system and markets, to facilitate freer movement of capital and higher rates of saving.	(4) Reduce external debt/GDP ratio from 143 percent in 1992 to 98 percent in 1997.	(3) Price government services in a manner that ensures cost recovery.
		(5) Limit inflation to 4–5 percent annually.	Monetary policy objectives are price stability and ensuring adequate supply of suitable financing for economic activities. Specific measures include:
		(6) Maintain foreign exchange reserves to cover at least three months of imports.	(1) Keep expansion in money supply broadly in line with GDP growth.
			(2) Liberalize interest rate structure.
			(3) Create a deposit insurance institution.
			(4) Extend central bank oversight to all deposit-taking financial institutions by modifying banking law.
1999–2003 Plan			
(1) Raise economic growth to levels that exceed population growth.	Establish a conducive investment climate for the private sector (domestic and foreign).	(1) Average annual growth in real GDP of 4.5 percent.	Unlike the 1993–97 Plan, the 1999–2003 Plan had little discussion of specific policy measures to be undertaken.

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| <p>(2) Reduce population growth by 0.1 percent annually to enable national economy absorb the new numbers into the labor force while maintaining decent standard of living.</p> <p>(3) Reduce absolute poverty by 1.5 percent annually and abject poverty by 0.5 percent annually (to 15 percent and 5 percent, respectively, by 2003).</p> <p>(4) Reduce unemployment rate to below 10 percent in 2003.</p> | <p>Accelerate privatization.</p> <p>Public sector disengagement from direct economic activities to take on more regulatory role.</p> <p>Maintain monetary stability.</p> <p>Enlarge the role of national savings in financing investment; mobilize savings from public finances as well as through the banking and insurance sectors.</p> | <p>(2) Average growth in exports and imports of 5.2 percent and 5 percent, respectively.</p> <p>(3) Reduce outstanding public debt from 102 percent of GDP in 1999 to about 75 percent in 2003.</p> <p>(4) Reduce the government budget deficit from 7 percent of GDP in 1999 to 1.3 percent in 2003; domestic revenues fall from 30 percent of GDP to 27 percent, while expenditures go from 37 percent of GDP to 28 percent.</p> <p>(5) The current account of the balance of payments is projected to show a small surplus throughout the plan period. A widening trade deficit is offset by a larger increase in the surplus in the services account.</p> |
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2004–06 Plan

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| <p>(1) Encourage a move from a resource-based to a knowledge-based economy; optimize the use of human resources and increase their productivity.</p> <p>(2) Improve Jordan's external competitiveness.</p> <p>(3) Enhance the principles of good governance by stressing participation, freedom, pluralism, and transparency.</p> <p>(4) Expand basic government services and improve accessibility to them for all citizens.</p> | <p>Reduce government's role in direct production; make room for more a more dynamic private sector. Sell government equity in enterprises in the energy, mining, transport, and other sectors.</p> <p>Strengthen capital markets to attract savings and stimulate local and foreign investment.</p> <p>Ensure consistency of monetary policy and higher economic growth (especially through appropriate interest rate structure).</p> | <p>(1) Achieve a sustainable annual rate of growth in real GDP of 6 percent by 2006.</p> <p>(2) Maintain inflation at around 2 percent a year.</p> <p>(3) Lower the budget deficit (after grants) from about 4 percent in 2004 to about 3 percent in 2006; revenues and grants are projected to fall by 3 percentage points of GDP and total expenditures by 4 percentage points.</p> <p>(4) Reduce the ratio of external public debt from 65 percent in 2004 to 53 percent in 2006, and total public debt from 91 percent of GDP to 78 percent over the same period.</p> <p>(5) Maintain an external current account surplus.</p> <p>(6) Maintain foreign exchange reserves at a level sufficient to cover at least seven months of imports of goods and services.</p> | <p>Maintain monetary stability in support of the government's commitment to the Jordanian dinar peg to the U.S. dollar. Keep expansion of domestic liquidity broadly in line with GDP growth.</p> <p>Limit all new borrowing to medium- and long-term maturities, mostly at concessional interest rates.</p> <p>Use part of privatization proceeds to repay some external debt.</p> |
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Source: Jordanian authorities.