

SUR/83/39

CONFIDENTIAL

November 23, 1983

The Chairman's Summing Up at the Conclusion of the
1983 Article IV Consultation with Jordan
Executive Board Meeting 83/158 - November 21, 1983

Executive Directors were in general agreement with the views contained in the staff report for the 1983 Article IV consultation with Jordan. The Jordanian authorities were faced with a major task of economic adjustment in 1982 because of a decline in external grant receipts from the levels of recent years. Thanks to the firm and effective response of the authorities, however, the Jordanian economy recorded a solid increase in real output in 1982 without sacrifice of reasonable domestic and external financial equilibrium.

Directors observed that fiscal policy had played a central role in the adjustment effort in 1982, with current expenditure growth severely restrained, and with capital outlays substantially below original budget estimates. Also, domestic revenue had exceeded the original target due to intensified collection efforts and higher tax rates. Directors noted that the basic stance of fiscal policy remained unchanged in 1983, as external grants receipts are projected to record a further substantial decline. The question was raised whether monetary policy was contributing adequately to the Government's stabilization objectives.

Directors noted that Jordan's balance of payments was in overall deficit in 1982 for the first time in several years, and that a deficit was also in prospect for 1983. In the medium term, Directors suggested Jordan's external payments position would need to be strengthened by a continuation of the rapid export growth of recent years. Although the level of Jordan's outstanding debt and debt service obligations was relatively low, Directors agreed with the position of the authorities that care should be exercised in the contracting of external debt at market rates by Jordan. In this connection, Directors also commended the emphasis placed by the Jordanian authorities on the promotion of manufacturing for exports and on domestic resource mobilization through the government budget as a means of moderating the economy's vulnerability to changes in external grant receipts.

It is expected that the next Article IV consultation with Jordan would be held on an 18-month cycle.