

In the Name of Allah, the Beneficent, the Merciful

Your Excellency Mr. Speaker,

Honorable Deputies,

I am pleased to stand before your esteemed Assembly, for the second time, to present the major revisions made in the draft General Budget Law for the fiscal year 2011, and to shed light on the key features of this draft Law after its recent withdrawal.

Once again, I would like to put emphasis on our commitments made in the Budget Speech presented to your esteemed Assembly at the end of the last year, particularly in pursuing economic reforms conducive to increasing real growth rates and generating further job opportunities for Jordanians. This is achieved through upgrading the global competitiveness of the Jordanian economy as well as by means of activating the role of the private sector and implementing a number of key projects in partnership between the public and private sectors. Furthermore, we will continue subsidizing basic commodities, provide adequate services for citizens in various governorates of the Kingdom, and pursue the support to our armed forces and security bodies to be able to preserve their high effectiveness.

Allow me before talking about amendments made in the draft General Budget Law to inform your esteemed Assembly that we were able to achieve multiple positive results during 2010, despite the negative repercussions of the global economic and financial crisis. This is realized thanks to Allah and then to the guidance of our Hashemite Leadership. These accomplishments, comparatively speaking, are considered better than those achieved in most of the countries of the region with similar economic structures, and surely better than results recorded in many developed countries.

Real growth in our national economy has continued its upward trend during 2010, quarter after quarter, to reach 3.5 percent during the third quarter. Further, unemployment rate declined from 12.9 percent in 2009 to 12.5 percent in 2010, despite our full recognition that this rate is still high and necessitates more efforts to decrease its level. Domestic exports recorded a noticeable rise during 2010 that reached 17.8 percent against a decline of 19.2 percent during 2009. On the other hand, the rise in imports reached a rate of 7.2 percent compared to a fall of 16.2 percent in 2009. Finally, foreign currency reserves at the Central Bank continued their upward trend to reach US\$ 12.2 billion at the end of 2010, covering more than eight months of imports of goods and services during the last year.

It is worth noting that 2010 fiscal performance in Jordan, based on key fiscal indicators, was better than the performance of many other countries. Owing to sustained efforts made to attain fiscal balance in the Kingdom, the budget's deficit has been lowered by about JD 0.5 billion, or 32.2 percent, to reach JD 1,023 million or 5.3 percent of Gross Domestic Product (GDP) in 2010, against JD 1,509 million or 8.5 percent of GDP in 2009. As for net public debt, it reached 57.7 percent of GDP at the end of November 2010. For purposes of comparison, budget deficit to GDP in Egypt and Lebanon amounted to about 8.2 percent and 8.7 percent, respectively, in 2010, while public debt to GDP exceeded 73 percent and 135 percent, respectively, during the same year. In Spain, Portugal, Greece, Iceland, and UK, the ratio of

budget deficit to GDP ranged between 7.3 percent and 10.2 percent in 2010, while the same ratio exceeded 17.5 percent in Ireland.

Similarly, the ratio of total public debt to GDP in the EURO zone reached 84 percent in 2010, while it exceeded 92 percent in the USA for the same year.

These facts undoubtedly reveal that economic and social reform is as important as political reform. Indeed, economic reform builds the foundations of self-reliance in the national economy; reinforces the role of the private sector in development; gives further transparency in decisions and measures taken in the economic arena; as well as spread the partnership spirit through lunching dialogue on economic issues of interest to various stakeholders. Economic reform constitutes a main priority to us, and we are keen to implement it in a right and rational manner, to be reflected positively on living standards of citizens, and help bypass crises and alleviating economic and financial difficulties.

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Allow me now to talk about key revisions incorporated in the draft General Budget Law for the fiscal year 2011, which generally aim at strengthening the pillars of social stability and easing the burden on citizens, particularly the poor segments. These extra measures came to implement the directions of His Majesty King Abdullah II and in response to the requests of the majority of your esteemed Assembly, who are eager to reach a Law that distribute the development gains to all citizens in various governorates of the Kingdom. The ultimate objective is to improve living standards, provide adequate services, and create job opportunities subject to available financial resources and in light of the difficult regional and global conditions.

As you know, latest developments in the regional and global situation reflected in accelerated rises in the prices of crude oil as well as noticeable jumps in the prices of wheat and barley, and basic food items in general, which according to FAO indicators, registered in February 2011 their highest level ever recorded. Naturally, such rises exert increasing pressures on the living standards of citizens, particularly the poor.

To avoid the negative repercussions of such adverse developments on the living conditions of citizens, especially poor segments and limited and medium- income groups, the government decided -as you know- to take several measures in January 2011 in order to protect social integration and ease the burden on citizens. The total cost of this package reached JD 460 million, as follows:

- 1- Raising the cost-of-living allowance by JD 20 as of the beginning of 2011 for all employees and retirees of the civil and military sectors, with an estimated cost of JD 165 million.

2- Increasing the fiscal support provided to food items and fuel, including fodder, by JD 135 million, thus raising total subsidy to this item to reach JD 340 million.

3- Providing support to the Civil and Military Consumer Corporations by JD 10 million for each, with a view to support the prices of basic items sold in these Corporations.

4- Allocating JD 20 million to implement development projects that provide new job opportunities for citizens in most deprived areas (i.e. those areas suffering from higher unemployment and poverty rates).

5- Abolishing the tax on diesel and kerosene, and reducing the tax on unleaded gasoline (Octane 90) by 6.0 percent. It is expected that this policy measure will decrease tax revenues by JD 120 million, and we hope that such action will have a positive impact on the prices of goods and services that are linked -directly or indirectly- to fuel prices, thus reducing inflationary pressures in Jordan.

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To avoid deepening imbalance in the budget position in Jordan, and to cover the cost of this social protection package without widening fiscal deficit and increasing public debt to unsafe levels, the government took the following measures:

1- Reducing the appropriations allocated for capital projects listed in the withdrawn draft Law by JD 220 million in the light of national priorities, except those projects in the health, education, and social development sectors, as well as those projects linked to foreign grants.

2- Increasing expected foreign grants by JD 140 million to reach JD 440 million. This new level is comparable to the grants recorded in the previous year, which amounted to JD 430 million.

3- Increasing the budget deficit (after grants) by JD 100 million over its level in the withdrawn draft Law to reach JD 1160 million instead of JD 1060 million.

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In addition to the above, and taking into account latest developments in the world and the region, a review has been made to certain projected macroeconomic indicators to which the draft General Budget Law for 2011 has been based. Therefore, projected real growth rate for Jordan has been revised to range between 3.5-5.0 percent during the period 2011-2013, instead of 4.0-6.0 percent. Furthermore, projected inflation rate, as measured by the consumer price index, has been adjusted to reach 5.0-5.5 percent for 2011, 4.5 percent in 2012, and 4.0 percent in 2013. Finally, expected crude oil prices in international markets

have been revised upward to reach an average of US\$ 90-95 per barrel in 2011, in comparison with US\$ 80-85 per barrel previously envisaged.

As noticed, despite the fiscal impact of the adopted package, we were keen to mitigate to a minimum this impact on the budget deficit and hence on the public debt. This reflects our deep belief regarding the importance of public budget and its role in realizing and reinforcing fiscal and monetary stability, as a core cornerstone for preserving a favorable environment for both domestic and foreign investments.

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Budget preparation this year has been founded on a new approach in line with current domestic conditions and international best practices. This approach constitutes an integral part of the comprehensive fiscal reform program aiming at improving financial management in Jordan in its various aspects.

In addition, this year's draft Budget Law is characterized by a number of features, which have been elaborated in the previous Budget Speech, such as realism in estimating public revenues and expenditures; transparency in showing expenditure allocations for women and child programs as well as appropriations for each governorate in Jordan; promoting the domestic investment environment; and paying more attention for priority sectors as well as for the requirements of the national security conducive to improved investment climate and comprehensive sustainable development in the Kingdom.

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Based on amendments mentioned above, allow me to present to you the main features and dimensions of the draft General Budget Law for the fiscal year 2011:

First: Domestic Revenues

Domestic revenues, both tax and non-tax, are estimated at JD 4768.7 million in 2011 against a re-estimated figure of JD 4421.7 million in 2010, reflecting an increase of JD 347 million, or 7.8 percent. Therefore, these revenues constitute about 22.7 percent of GDP in 2011 compared to 22.9 percent of GDP in 2010.

Second: Foreign Grants

Foreign grants are estimated at JD 440 million, reflecting a slight rise of JD 10 million, or 2.3 percent, above their re-estimated level in 2010. In this occasion, I would like to extend my sincere thanks and appreciation to all brotherly and friendly countries that are keen to provide every possible support to Jordan.

Based on the above, public revenues are estimated at JD 5208.7 million against a re-estimated value of JD 4851.7 million in 2010, which represents a projected rise of JD 357 million, or 7.4 percent.

Third: Public Expenditures

A- Current Expenditures: Current expenditures are estimated at JD 5344.8 million, compared to JD 4885.7 million re-estimated for 2010, which reflects a rise of JD 459.1 million, or 9.4 percent.

B- Capital Expenditures: Capital expenditures are estimated at JD 1024.2 million, against a re-estimated level of JD 988.8 million in 2010, with an increase of JD 35.4 million, or 3.6 percent. The sectors of education, health, water, social development, and transportation acquired collectively a share of 57 percent of total capital expenditures in 2011. Among key projects are:

- Building 85 new schools in various governorates of the Kingdom.
- Completing the construction and expansion of a number of prime hospitals such as Al-Bashir, Al-Zarka Al-Jadid, Al-Salt Al-Jirahi, North Badia, Karak Hospital, Jerash Hospital, as well as hospitals of Ajloun, Mafraq, Ma'an, and the New Aqaba Hospital.
- Completing the Disi-Amman Water Conveyor Project.
- Completing waste water projects in Al-Mazar/ Mu'ta, Adnania, west Jerash villages, and Al-Kora district.
- Finishing the construction of several dams.

In the social protection area, appropriations have been allocated to establish centers for handicaps, support voluntary societies, and build homes for poor families.

Based on the above, public expenditures are estimated at JD 6369.0 million in 2011, with an increase of JD 494.5 million, or 8.4 percent, above their re-estimated level in 2010, comprising 30.3 percent of GDP, against JD 5874.5 million, or 30.5 percent of GDP, in 2010.

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As a result, budget deficit (including foreign grants) is estimated to reach JD 1160.3 million, or 5.5 percent of GDP, against JD 1022.8 million, or 5.3 percent of GDP, in 2010. Excluding grants, the deficit is projected to reach JD 1600.3 million, or 7.6 percent of GDP, against JD 1452.8 million, or 7.5 percent of GDP, in 2010. It is noteworthy that the budget deficit in

2011 would not increase except by JD 100.0 million, or 0.5 percentage point of GDP, over its level in the draft Law before amendments.

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Allow me to emphasize that systematic and programmatic work is the best way to realize achievements and bypass obstacles. Furthermore, assisting citizens and unlocking their potential are best served through pursuing sustained economic and fiscal reform programs. Indeed, comprehensive reform is a strategic choice and an imperative needed for realizing the interest of the country and a requirement for building a prosperous future.

In Jordan, there is full awareness of the great challenges ahead. Such challenges dictate the adoption of effective economic policies to achieve the aspirations of higher living standards. Improving living conditions of the Jordanian citizens and opening opportunities for them is the ultimate goal. Hence, consolidating economic performance will always be a prime priority.

Before I finish my speech, I would like to highlight my appreciation for your esteemed Assembly for its strong keen to make this budget considerate to domestic social concerns and latest regional and global developments. The study of this draft Law by your esteemed Assembly will represent a best input to our development effort. Through combining our forces and taking into account our limited financial resources, we seek to achieve a better future for our national economy in the coming years under the guidance and directions of our beloved leader His Majesty King Abdullah II, who did not spare any effort in his quest to raise living standards of our citizens, despite limited resources. May Allah safeguard Jordan and its people under the Hashemite Leadership, His Majesty King Abdullah II.

May Peace and Mercy of Allah be upon You,,,

Dr. Moh'd Abu Hammour

Minister of Finance

Amman in March 6, 2011