

In the Name of Allah, the Beneficent, the Merciful

Your Excellency Mr. Speaker,

Honorable Deputies,

Praise be to Allah for the blessing of security and stability in our country, as well as for the clear vision as shaped and guided by the leader of the nation His Majesty King Abdullah II.

This General Budget Draft Law for the year 2009 came to preserve past accomplishments as well as to lay the foundations for further progress towards better welfare and higher status of our beloved country and the actualization of the aspired vision.

Your Excellency Mr. Speaker,

Honorable Deputies,

I stand before you to present the draft "General Budget Law for the Year 2009". The government was keen to prepare this Law at an early date to allow sufficient time for discussion by your esteemed Assembly, looking forward to approving the Law before the beginning of the forthcoming fiscal year. This will enable the government to implement the Law's programs and

projects in early 2009 to ensure their effective and timely implementation.

The government was dedicated to make the 2009 Budget Law an integral part of its economic and social program presented to your esteemed Assembly in the Government Policy Statement in December 2007. The government was also keen to incorporate in this Budget Law the Royal directions embodied in the Speech from the Throne as well as the recommendations of the former national initiatives, especially the "National Agenda" and "We Are All Jordan", which altogether identified the general frame for government action plan in the coming era.

Consistent with the Royal directions, the government is committed to place economic affairs, especially their social dimensions, on the top of its public agenda. Therefore, the government will pursue its economic reforms to reach a strong and resilient economy that is more capable of meeting challenges and becoming self-dependent. In addition, the aim is to reach an inclusive economy that shares its returns in a balanced way among all segments and regions of the country.

Your Excellency Mr. Speaker,

Honorable Deputies,

The effectiveness of the economic policies and reform programs implemented during the past years has its substantial contribution in consolidating the cornerstones

of stability and reinforcing the resiliency of our national economy. Despite this year's great challenges, we managed to bypass the repercussions of this crisis, especially in terms of maintaining fiscal and monetary stability.

Hence, the national achievements realized over the past years were not accidental. Instead, they truly reflect the adopted reform programs and policies that made our economy more resilient against external shocks.

Your Excellency Mr. Speaker,

Honorable Deputies,

The reform measures taken during the last three years, especially at the fiscal front, have prevented the public budget from recording a sizable deficit that could exceed 15% of Gross Domestic Product (GDP), an alarming level surpassing that of the economic crisis at the end of 1980s. Good citizenship and Jordanians' sense of responsibility, along with the Royal directions to ease the social impact of reforms on citizens, have helped overcoming the repercussions of these challenges.

Your Excellency Mr. Speaker,

Honorable Deputies,

As you know, the government undertook a number of reform measures this year to address the chronic imbalances in the public budget, most notably liberalizing domestic fuel prices as well as implementing

a debt buyback operation covering a large proportion of Paris Club debt amounted to about JD 1.7 billion. As part of an ambitious strategy to reduce public debt, the government also revised the Public Debt Management Law to lower the legal ceiling imposed on public debt, both domestic and external. Finally, the government's overdraft facility with the Central Bank, amounted to JD 800 million, has been resolved.

Despite the government's firm conviction regarding the importance of these reforms, the government also realizes that such reforms could have negative social repercussions that entail accompanied protection measures.

Guided by the Royal directions, the government implemented a wide set of social safety measures, including: raising the salaries of public employees and pensioners; increasing the monthly cash assistance of the National Aid Fund given to needy citizens; and exempting many basic commodities, agricultural and industrial inputs as well as energy saving products from customs duties and other taxes. Furthermore, the government directed its Consumer Corporations, both civil and military, to sell their products at cost price, and to expand their activities in all regions of the Kingdom. Finally, the government encouraged the establishment of "public" markets and started implementing the Royal housing initiative "Decent Home for a Decent Living". The total budgetary costs of this social safety net in 2008 were estimated at JD 1.2 billion, or more than one-fifth of the public budget.

Your Excellency Mr. Speaker,

Honorable Deputies,

The Kingdom's economic and fiscal developments during the preceding period of 2008 show that the economy was able to achieve noticeable and better-than-expected accomplishments, despite the difficult and challenging conditions.

In the real sector, GDP recorded a real growth of 6% during the first half of this year, leading to a fall in unemployment rate to reach 12% in August 2008, the lowest rate in more than 10 years.

Regarding developments in foreign trade and balance of payments, the Kingdom's merchandise exports registered a substantial rise of 37% during the first eight months of this year, while merchandise imports grew by a comparable rate during the same period.

The current account of the balance of payments showed a deficit of JD 1203 million during the first half of this year compared to JD 772 million during the first half of 2007. Despite this rise, the ratio of current account deficit to GDP is expected to fall to 14% in 2008 against 18% in 2007, backed by a rise in external grants, tourism income and workers' remittances as well as a decline in world oil and food prices during the last quarter of 2008.

Inward foreign direct investment (FDI) witnessed a substantial growth of 49% during the first half of 2008 compared to its level during the same corresponding period of 2007.

In general, economic indicators reveal that Jordan's balance of payments to date has registered a noticeable surplus as reflected by the large increase in foreign reserves at the Central Bank of Jordan, which reached unprecedented level approximating US\$ 8.0 billion. This record level is reached despite the implementation of the debt buyback agreement entailing the repayment of some US\$ 2.1 billion to Paris Club creditors at the end of March 2008.

Your Excellency Mr. Speaker,

Honorable Deputies,

Concerning price developments, inflation rate increased noticeably to reach 15.5% during the first three quarters of 2008, representing a major challenge for our domestic economy in 2008. This trend is shared by other developing and developed economies, and it is fueled by a significant rise in world oil and food prices that exceeded all projections. It is noteworthy that inflation rate in neighboring countries ranged between 10%-22%.

Since inflation witnessed by Jordan was primarily an imported phenomenon, it is expected to show a decline during the last quarter of this year owing to the fall in world commodity prices, including oil. It should be emphasized that the government has met its promise to your esteemed Assembly, as it lowered domestic fuel prices four consecutive times since August 2008.

In this regard, the government thinks that the recent reduction in commodity prices in the domestic market

definitely does not match the reductions undertaken by the government in domestic fuel prices or the fall in the commodity prices globally. While the government calls the private sector to effectively respond to the reductions in international prices, it asserts that it will continue to communicate with private sector representatives to urge them to react to such reductions. In this regard, the private sector in Jordan has a wide social responsibility as a real partner in the development of the country.

Your Excellency Mr. Speaker,

Honorable Deputies,

Regarding public finance performance in 2008, it was better-than-envisaged in the Budget Law and its two supplements. This favorable fiscal outcome came despite the sizable expenses borne by the treasury as a result of implementing the social safety net and continuing subsidizing certain commodities and fuel products, particularly liquefied petroleum gas, fodder and bread, as well as providing other forms of government subsidies, which altogether totaled JD 1.2 billion, as stated earlier. The public budget in 2008 is estimated to register a deficit of JD 695 million, or 5.2% of GDP, and the deficit will further fall to JD 340 million or 2.6% of GDP after taking into account the treasury's irregular revenues this year.

The good performance of the public finance is reflected by the following key indicators:

- 1- A rise in domestic revenues by 27.1% above their 2007 level.

- 2- A surge in external grants to reach JD 739 million, reflecting an increase of JD 396 million above their level in 2007.
- 3- An increase in current expenditures above their 2007 level by JD 890 million, or 23.8 %. The largest part of this increase is utilized in implementing the social safety net.
- 4- A rise in capital expenditures over their 2007 level by JD 215 million or 25%, leading to a noticeable impact on the recorded economic growth this year.

These positive fiscal developments have reflected positively on Jordan's public debt position. Outstanding public debt witnessed to date a substantial decline by JD 358 million or 4.4% to reach JD 7841 million or 61.1% of GDP at the end of August 2008, against 73% of GDP at the end of 2007. This fall in public debt is an outcome of a sizable reduction in outstanding external debt by JD 1673 million, on the one hand, and a rise in outstanding domestic debt by JD 1315 million, on the other.

Your Excellency Mr. Speaker,

Honorable Deputies,

The General Budget Law for the year 2009 is the prime executive instrument for the government's economic and social program, which is considered a reflection of the Royal vision for Jordan's future, and a key stage towards prosperity and addressing the evolving challenges of the forthcoming era, whether domestic or external challenges.

That is said, the draft 2009 General Budget Law has embodied the policy directions of the government in the coming phase, which are based on the following main cornerstones:

First: A commitment to reform and modernization.

As a continuous and irreversible process, reform is the only approach to build a robust and resilient national economy. However, the reform approach adopted by the government does not entail abandoning the government's social role. Indeed, the social protection measures taken in 2008 and the planned measures for 2009 budget is a clear example of this social commitment.

Second: Strengthening the pillars of fiscal and monetary stability.

The 2009 budget is designed to strengthen the cornerstones of fiscal and monetary stability and to reinforce financial self-reliance, with a view to maintaining Jordan's economic reform momentum and safeguarding past achievements as well as building on them. Therefore, this budget took into consideration the need to control budget deficit and to contain public expenditures, especially current expenditures, leading to a fall in the ratio of public expenditures to GDP from 43.0% in 2008 to 41.1% in 2009.

Within this framework, the government will implement balanced and disciplined fiscal and monetary policies that take into account containing inflation pressures; ensure the availability of appropriate level of liquidity needed to invigorate economic activity; and finally make sure that the public sector does not crowd-out the private sector in

accessing sufficient finance from the banking institutions. In addition to continue addressing imbalances in the public budget and targeting subsidy to eligible citizens.

Third: Adopting a social safety net to protect citizens, especially low and limited-income people.

The 2009 budget incorporates new social protection measures, most notably: raising the salaries of public employees and pensioners in both the civil and military apparatuses through linking their salaries with inflation and performance; continue subsidizing the bread; providing support to kerosene based on developments in international and domestic oil prices; providing cash subsidy for small herd raisers; increasing the monthly cash assistance provided to needy citizens benefiting from the National Aid Fund; allocating appropriations for school nutrition programs; implementing the "Decent Home for a Decent Living" initiative; expanding the coverage of public health insurance; preparing a health service map to improve service delivery; implementing development and services projects in poor areas; raising teacher allowance by 5%; and other measures.

The total budgetary costs of such social safety measures are nearly JD 730 million, in addition to the outlay of raising salaries already approved this year with a cost of some JD 350 million.

Fourth: The food security system.

The Royal directions have placed much focus on the necessity to provide integrated solutions to food security objective, especially in view of the significant global rise in

commodity and food prices this year, including essential food items.

Therefore, the government's programs and policies will concentrate on implementing the Royal directions to reinvigorate the agricultural sector in Jordan through adopting policy measures aiming at improving the productivity, efficiency and contribution of this sector in Jordan's economic development as well as raising the living standards of workers in agriculture.

That is said, the appropriations for the agricultural sector in 2009 budget amounted to JD 152 million, with an increase of 60% above their 2008 level. Key projects and initiatives aiming at upgrading this sector include: fodder production projects; supporting small herd raisers; providing assistance to field crops and protected agriculture; the development of grazing areas in the Jordanian Badia; and finally starting the construction of South Shuna Airport, which will serve as an export outlet for agricultural products in the Valley region.

In addition, the government initiatives comprise exempting agricultural production inputs from customs duties and other taxes; buying the domestic production of wheat and barley at encouraging prices exceeding world price levels; wider application of non-traditional irrigation systems in agricultural production and using water harvest techniques in grazing areas; as well as promoting food processing and agricultural exports projects.

Finally, the government will provide the infrastructure needed to increase the Kingdom's strategic reserves of basic commodities in order to hedge against the risks of world prices fluctuations.

Fifth: Strengthening the competitiveness of the Jordanian economy in attracting investment and improving productivity.

The government recognizes that investment and productivity enhancement constitute the main engine for real growth and job creation. Hence, the 2009 budget has allocated sufficient appropriations to consolidate the domestic investment climate in order to attract domestic as well as Arab and foreign investors.

Towards that end, the government plans also to improve the legislative environment for investment and to reform the tax system through reducing tax burden and simplifying tax procedures. In addition, the government will implement job creating and income generating investment projects, especially in the Development Zones (DZs) in Aqaba, Ma'an, Irbid and Mafraq, as well as in other governorates of the Kingdom. The direct appropriations for this cornerstone amount to JD 70 million, of which the bulk is allocated for DZ projects in the Kingdom.

Within the government's endeavors to direct more investments to poor governorates and regions, the government started preparing comprehensive maps for all regions of the Kingdom, with the aim of regulating residential, demographic and economic expansion in these regions, as well as identifying attractive regions for investment in view of the competitive advantages enjoyed by each governorate.

Furthermore, the 2009 budget has allocated about JD 150 million with a view to strengthening energy and water security, so as to service citizens and business activity more

effectively. This is in excess of the funds allocated to the Water Authority's budget estimated at some JD 260 million.

Against this background, large strategic projects in energy and water will be implemented, most notably: the Disi Water Conveyance project; several dam and water pipeline projects; waste water projects; and renewable and alternative energy projects, especially peaceful nuclear power project as well as projects on wind energy and oil shale.

Sixth: Reinforcing the principles of justice and equal opportunity and distributing development gains among all governorates of the Kingdom.

The 2009 budget took into consideration distributing capital expenditures among various regions of the Kingdom in order to meet their development needs as well as to distribute development fruits in a just way. In this regard, the data show that 78% of capital projects will be implemented outside Amman governorate.

Seventh: Consolidating the principles of decentralization and public participation in decision-making.

In line with the Royal directions calling for the collaboration between the legislative and the executive authorities to study the Regions Committee's recommendations and to agree on a new legislation for developing the technique and mechanisms of democratic practice, the Ministry of Finance started to take necessary preparatory steps to formulate future budgets based on the participation of the local communities in identifying their priorities as well as their development and services needs. Such local community

priorities will be the foundation for building public budgets starting 2010.

Eighth: Strengthening the principles of transparency and accountability.

In response to the Royal directions embodied in the Speech from the Throne, the government is committed to issue regular progress reports on the implementation of its economic and social program, as primarily reflected in this Budget.

As you know, the government has presented to your esteemed Assembly this year a comprehensive report on its achievements under the economic and social program.

Ninth: Investment in human resources development.

The government recognizes that the "human factor" is the objective and the engine for the development process, and that the actualization of the Royal vision for Jordan's future depends crucially on human capital investment in education, training, and skill acquisition needed for innovation and excellence.

Against this background, the 2009 budget took into consideration the allocation of needed appropriations to implement crucial programs and initiatives, most notably: the completion of the first phase of the Education Reform for a Knowledge Economy (ERfKE) Program, and starting the second phase of this Program; improving the living conditions of teachers through providing them with appropriate homes and raising the education allowance by 5%; implementing the Higher Education Strategy calling for

redistributing subsidy for public universities to enable universities in the remote governorates to raise their quality of services and to provide qualified manpower that fit the needs of the labor market.

Furthermore, to upgrade Jordan's human resources and to sustain the recent reduction in unemployment rate in the Kingdom, an ambitious strategy will be implemented to improve the working conditions in the domestic labor market. This strategy includes adopting further measures to regulate the inflow of foreign workers; executing employment programs for the poor with the enhanced collaboration between the Ministry of Labor and the National Aid Fund; and expanding the youth training program implemented by the National Company for Employment and Training. The decision already taken to raise the minimum wage, adopted following Royal directions, is an integral part of this strategy.

It is worth-mentioning that the 2009 budget has appropriated some JD 620 million to implement the above-mentioned programs and initiatives.

Tenth: Defense and security

Consistent with the Royal directions to pay much attention to armed forces and security bodies, the government has been keen to provide all forms of support to these bodies, with a view to advancing their tasks and enabling a decent life for their members. This special attention is due to the important role of these bodies in maintaining the security and stability of the country and in protecting the domestic investment environment.

Your Excellency Mr. Speaker,

Honorable Deputies,

In light of the above cornerstones, the domestic economy is envisaged to pursue its favorable growth rates at 5%-6% in 2009 and to reduce its current account deficit to reach 12% of GDP.

In addition, the Kingdom's foreign reserves are expected to maintain their comfortable levels, backed by projected significant inflows of foreign investments and the reduction in current account deficit.

Regarding the general price level, inflation rate is expected to witness a noticeable decline in 2009 to stand at 6%-7%, affected by the fall in international commodity prices.

In view of the above, the general features of the 2009 budget came as follows:

First: Domestic revenues are estimated at JD 4783 million, reflecting an increase of 11.8% above their estimated level in 2008. This increase is largely consistent with the projected rate of growth in nominal GDP in 2009.

Second: Foreign grants are estimated at JD 684 million, comparable to their level in 2008. In this regard, the government would like to extend its sincere thanks and appreciation to all brotherly and friendly countries for their sustained support to Jordan. Their assistance has played a crucial role in enabling the Kingdom to bypass the hard economic conditions facing the country.

Third: Current expenditures are estimated at JD 4790 million, with an increase of just 3.3% above their level in 2008. It should be noticed that this modest growth in current expenditures, which is lower than the projected 2009 inflation rate, reflects the national priorities as well as the recommendations of your esteemed Assembly regarding rationalizing this type of expenditures to its minimal level. As a result, the ratio of current expenditures to GDP is projected to decline from 34.9% in 2008 to 32.0% in 2009, despite the fact that such expenditures cover all appropriations to measures designed to enhance the social safety net, whether those implemented in 2008, or new ones that will be implemented in 2009.

Fourth: The capital expenditures are envisaged to reach JD 1365 million, representing 9% of GDP, a ratio similar to what has been appropriated in 2008 budget.

Fifth: Based on the above, public revenues are estimated at JD 5467 million, while public expenditures are estimated to reach JD 6156 million. Therefore, the budget deficit for 2009 is estimated at JD 689 million, or 4.6% of GDP. Budget deficit before grants is estimated at JD 1373 million, or 9.2% of GDP.

Your Excellency Mr. Speaker,

Honorable Deputies,

Before I finish my speech on the draft General Budget Law for the year 2009, I would like to emphasize that the Jordanian economy is still facing a number of challenges. Indeed, the emerging global financial crisis has added a new challenge that necessitates the collaboration of the

executive and legislative authorities, as well as private sector institutions and the civil society. In other words, we should not lean on our past accomplishments.

On the other hand, although the Jordanian economy is expected to be affected by the repercussions of the global financial crisis, allow me to assure your esteemed Assembly that the banking and monetary reform measures implemented by the government over the past two decades- and still implemented- give us the confidence that our banking institutions are safe and in a sound financial position. In addition, the high confidence in the stability of the JD exchange rate is backed by unprecedented level of foreign reserves that exceeds twice the size of currency issued.

Finally, we pray to Allah Almighty to grant us all every success in our endeavors, and to help us to bear the responsibility of serving our dear country and to actualize the aspirations of our beloved King.

"Man can have nothing but what he strives for; that the fruits of his striving will soon be seen; then he shall be rewarded for it with the fullest reward" (Al Najm: 39-41).

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

Dr. Hamed Kasasbeh

Minister of Finance