

T H E F I S C A L S Y S T E M O F J O R D A N

By

GABRIEL E. REZEK

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CONVERSIONS AND SYMBOLS

JD = Jordan Dinar

LP = Palestine Pound

JD1 = 1000 fils = LP1

JD1 = L1 = U.S. \$ 2.80

1 Dunum = 0.247 acres = 1000 square metres

1000 Dunums = 1 square kilometer

UNRWA = United Nations Relief and Works Agency for Palestine Refugees

ICA = International Cooperation Administration (previously Point 4).

IMF = International Monetary Fund

IBRD = International Bank for Reconstruction and Development.

UNTAA = United Nations Technical Assistance Administration

IPC = Iraq Petroleum Company

mcm = million cubic meters

mm = millimeter

km = kilometer

PREFACE

This study of the fiscal system of Jordan covers a period of seven years from 1950/51 through 1956/57. The period itself is especially significant in the fiscal history of Jordan. It is a period which followed radical economic and political changes; hence fiscal policy has been influenced by these changes. The second significant thing about this period is that it is characterized by energetic governmental efforts to bring about an improvement in the lot of the inhabitants. This marks the first attempt by the Jordan government to use fiscal means to achieve social ends. How successful were the government's efforts both in mobilizing national resources and accelerating capital formation has been described and analyzed with considerable detail in the body of this study.

Chapter I introduces the reader to the structure of the economy so as to serve as a background in describing the fiscal system. Chapter II describes the process of budget formulation, classification, management and execution. Chapter III is a summary of the growth of public receipts and expenditures during the seven years. Chapters IV and V describe in detail the various sources of revenues and channels of expenditure in each of the three parts of the General Budget. Chapter VI gives a description of the autonomous budgets (i.e. those that are outside the General Budget). Chapter VII evaluates the system and analyzes its impact on the rest of the economy. The chapter ends with a section on the development policy of the

government and its future plans.

The four appendices include detailed tables for reference purposes.

A study of this nature could not have been made at a place which is thousands of miles from Jordan if it were not for the fact that most of the material was collected by the writer on the spot. The writer had the good fortune of being a member of UNRWA's Economics Division assigned to Jordan. His job was to collect economic data and write reports on some aspect of the Jordan economy which were published in UNRWA's Quarterly Bulletin of Economic Development. For this reason, parts of this thesis appeared in Bulletin No.13, April 1956. References in the thesis are made to other issues of the Bulletin particularly No.14, July 1956. Estimates for the fiscal year 1956/57 and closed accounts for the fiscal year 1954/55 have been obtained directly from Jordan by mail.

I am grateful to Mr. N. Burns, then Chief of Economics Division, UNRWA, Headquarters, Beirut, who was editor of the Bulletin.

In Jordan, I have to thank numerous public and other officials who have supplied me with statistics or otherwise unavailable reports on Jordan.

At McGill, I wish to thank my very kind advisor, Dr. D. Armstrong for reviewing the thesis and for many helpful suggestions.

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CHAPTER I

DESCRIPTION OF THE JORDAN ECONOMY

A. Historical Background

Before the First World War, the territory that comprised Transjordan¹ was part of the Ottoman Empire. For administrative purposes, Transjordan was included in the province (vilayet) of Syria which itself was divided into 4 districts (sanjaks). After the defeat of the Turks in 1918, the Ottoman Empire disintegrated and Emir Faisal, son of Sherif Hussein ruler of the Hejaz, was proclaimed King on March 8th 1920.² This, however, conflicted with the policy of the Allies as revealed by the Sykes-Picot secret Agreement concluded in the spring of 1916 and which contemplated the division of that area into spheres of influence. Sherif Hussein considered these intentions to be in complete contradiction to the promises of the Allies to assist him in establishing a united and independent Arab State.³

The proclamation of King Faisal as King of Syria, precipitated a conference at San Remo of the Supreme Allied Council on April 25, 1920. At this meeting the Council decided

¹Transjordan (meaning across the Jordan River) when used in this thesis will refer to that territory east of the Jordan River.

²Syria in this context included Palestine and Lebanon. The establishment of this Arab independent kingdom was the price the Arabs demanded from the Allies in return for revolting in 1916 against the Turks.

³For a lucid account on this phase of Arab history, see George Antonius, The Arab Awakening (London 1938), particularly Chapters IX, X and XIII.

to break up the Arab lands and establish mandates over Palestine, Lebanon, Syria (including northern Transjordan) and Iraq. Palestine and Iraq were to be under British mandate, while Lebanon and Syria were to be under French mandate. On July 24, 1920, French troops advanced on Damascus and occupied it - thus the short-lived independent Syrian Arab Kingdom which Faisal sought to establish collapsed.¹

With the occupation of Syria proper (i.e. present day Syria) by the French, the southern part of the country, which comprised a large part of Transjordan, was left in a state of chaos. There was virtually no ruling authority in Transjordan. At this juncture, the British, by mutual agreement with the French, took over the responsibility of Transjordan. Thus in August 1920, the British High Commissioner to Palestine convened with some Transjordanian notables in the town of Salt and informed them that the British Government favoured an autonomous government for them with the assistance of some British advisers. On March 2, 1921, Emir Abdullah (second son of Sherif Hussein) arrived in Amman to muster an army to reconquer Syria from the French. However, before he had a chance to put his thoughts into action, he was invited on March 27, 1921, to a meeting in Jerusalem with Mr. Winston Churchill, then Secretary of State for the Colonies. Mr. Churchill convinced Emir Abdullah to stay as

¹Ibid.pp.304-309

ruler of Transjordan under British tutelage and to adopt a policy of appeasement towards the French in the hope that they would restore Syria as an independent Arab State within a six months period. This historical meeting marks the establishment of the Emirate of Transjordan as a political state.¹

In September 1924, the district of Ma'an in the south (including Aqaba), which has hitherto formed part of the Hejaz, was annexed to Transjordan with the consent of King Ali (brother of Emir Abdullah) who succeeded his father King Hussein as ruler of the Hejaz.² The next important event in the history of Transjordan is the ratification of the Anglo-Jordanian Treaty on October 21 192. By this treaty, Emir Abdullah was given a large measure of internal autonomy. It, however, provided for direct British control over the country's finances, defence and foreign policy. Britain, also, undertook to subsidize the Transjordan budget by meeting any deficits which might arise. In addition, it stipulated that Palestine and Transjordan formed one customs union with customs dues shared in proportion to each countries

¹Philip P. Graves, ed., Memoirs of King Abdullah of Transjordan, translated from Arabic. (London 1950) p.p.203-207. The terms of the Mandate over Transjordan expressly excluded this country from becoming a Jewish National Home.

²Ibid. p.217. This became a source of friction with Saudi Arabia when King Ali was ousted in December 1925 by King Saud.

imports irrespective of port of entry.¹

The nominal independence of Transjordan was recognized by Britain in the treaty of March 22, 1946. This treaty was, however, substituted for another one on March 15, 1948 which was to run for 20 years. According to the new treaty the Emirate of Transjordan became a kingdom. Other provisions include the right to use air bases and station British troops in Transjordan. In return, Britain agreed to supply the Transjordan army with the necessary equipment.²

On May 15, 1948, Transjordan intervened with other Arab states, members of the Arab League, in the Palestine war. The Palestine war was not successful and the Zionists occupied 35 percent more territory of Palestine than was granted to them by the U.N. Partition Plan. The number of refugees rose to a total of about 800,000 of whom about 425,000 found shelter in Jordan, mostly in that part of east Palestine which was occupied by Transjordan.³

¹Ali Dajani, Lectures on the Economy of Jordan (in Arabic), Arab League publications (Cairo 1954) pp.5-6.

²Raphael Patai, ed., Jordan (New Haven 1957) p.75

³The exact number of refugees who crossed the border line is not known. U.N.R.W.A. reports that the number on relief rolls in Jordan in 1950/51 was 464,440.

In December 1948, the country became known as the Hashimite Kingdom of Jordan. On April 24, 1950, that part of east Palestine that remained in Jordanian occupation was annexed by Jordan. The Palestinian Arabs were given equal rights and were represented in Parliament. That part of the Kingdom which used to be Transjordan is now referred to as East Jordan or simply the East Bank and the annexed part is referred to as West Jordan or the West Bank.

B. The Land, The People and National Income

1. The Land:

The total area of the Hashimite Kingdom of Jordan is 96,477 sq. kilometers of which 91,000 sq. kilometers lies in East Jordan (formerly Transjordan) and the rest, 5,477 sq. kilometers comprise West Jordan.¹ Most of Jordan is desert land and only about 86% of its total area receives an annual rainfall of 200 mm. (7.9 inches) which is considered to be the minimum quantity of rain necessary to sustain dry farming operations.² Of the area receiving 200 mm. or more of rainfall annually, perhaps as much as one-third is unsuitable for cultivation being mostly rocky hills and forests. The potentially cultivatable and cultivated area of Jordan adds up to some 9,000 sq. kms. or, in terms of local measurements, to 9 million dunums. The cultivated area, according to the 1954 Agricultural Census, was 7.72 million dunums of which about a third is usually left fallow every year as part of

¹See UNRWA, Quarterly Bulletin of Economic Development No.2 (Beirut, February 1952)

²IBRD, The Economic Development of Jordan Vol.II. (December 1956 draft under publication), p.3.

the crop rotation system.¹ The fallow area varies from year to year and tends to vary with the amount of rainfall. If rainfall is good then farmers take advantage of it and sow as much of their land as is feasible.

(a) Geographical Divisions:

On the basis of physical conditions, the country could be divided into five regions.²

The Western Uplands, comprises the whole area of Western Jordan except that part of it forming the Jordan Valley. It enjoys a mediterranean climate with ample rain (over 700 mm. or 28 inches) during the winter season. But since the area is hilly and rugged with an altitude ranging between 600 meters to over 900 meters above sea-level, it is not suitable for the cultivation of cereals. While the valleys are generally fertile with rich, deep soil, the hill-sides are largely denuded of surface soil. The main crops of this region are olives, grapes and to a lesser extent figs and citrus. Some cereals and vegetables are also grown.

The Jordan Valley, is a great rift extending from the mountains of Lebanon in the north to the Dead Sea in the south. The valley is surrounded on either side by high hills to the west and a high plateau to the east. The river has cut for itself a valley which is a narrow and steep gorge

¹Reported - Raphael Patai ed., op.cit. pp.121-122

²Adapted from the IBRD Report, op.cit., pp.3-5, see also Raphael Patai, op.cit., pp.122-123.

above Lake Tiberias but which becomes wider and shallower as the river winds its course to the Dead Sea. The trough of the river is called the Zor and the flat terrace on either side is called the Ghor. The climate is characterized by a wet winter season and a dry, hot summer season. The rainfall is unequally distributed along the Jordan valley, the norther part above Yarmuk River receiving much rain (over 700 mm. annually) in the middle part between the Yarmuk River and Allenby Bridge rainfall ranges between 430 mm. to 360 mm. annually. The southern part as well as the rolling hills to the west receive less than 200 mm. annually. At present about 267,100 dunums are partially irrigated in the Jordan Valley while the Baker-Harza Master Plan indicates that a total area of 513,700 dunums is potentially arable.¹

The Eastern Uplands. This region extends from the Syrian borders in the north down to the village of Madaba in the south. The areas around Ajloun and Salt have an elevation of about 900 meters and receive some 700 mm. of rainfall. Most of the other zones in this region receive a rainfall of over 300 mm. annually. The region contains the best land at present under cultivation. It produces cereals and vegetables as well as fruit. The region has also some of the finest forests in the country.

¹Michael Baker Jr. Inc., Harza Engineering Company
Master Plan Report (1955), Vol.I pp.35-43

The Eastern Uplands South of Madaba. This region extends from the town of Madaba to Aqaba. Its western boundary is the Dead Sea and its eastern boundary is the Hejaz railway. It is a dry, arid region lying outside the path of the rain-bearing winter winds blowing from the Mediterranean. Rainfall is, therefore, variable and scarce except for the zones around the villages of Karak and Shaubak where it exceeds 300 mm. annually. The terrain is mountainous and rugged, most of it with an elevation between 900 and 1,500 meters. This region grows mostly cereals but is stricken by droughts once every two or three years, thus bringing misery and hardship to the sparse population and their herds.

The Eastern Desert. This is the vast steppe and desert land lying roughly east of the Hejaz railway and extending to the Iraqi and Saudi Arabian borders. The region receives less than 100 mm. of rainfall annually and is not suitable for agricultural development. The few oases that exist are used as grazing ground for bedouin herds.

2. The People:

For purely administrative reasons, Transjordan was divided into five districts: Amman, Balqa, Ajlun, Karak and Ma'an. When present day West Jordan was annexed in April 1950, three more districts were created: Jerusalem, Nablus and Hebron. Districts are also sub-divided into sub-districts, so that in total there are 20 sub-districts each one known after the name of its central town. This division into sub-districts does not correspond with any

geographical or ethnographical sections.

..(a). Number and Growth:

Never in the history of Transjordan has there been a census of population. This is partly due to the reluctance of the inhabitants to register with the government for whatever purpose. This prejudice is one of the legacies of Ottoman rule or rather misrule.¹ In 1938, the government conducted a population survey through the assistance of district administrative authorities. The total population was estimated at 300,214.² Another population estimate was obtained in April 1944 when a total of 385,000 inhabitants were drawing rations.³ Even if these estimates are not completely accurate, they should give an idea on the order of magnitude of the population towards the end of the Second World War.

Between 1948 and 1950, the population of Jordan grew with remarkable speed. For, as a result of the Palestine War, not only did Jordan acquire an area of some 5,477 sq. kilometers of land but also augmented its population by about 810,000 inhabitants more than half of whom were destitute refugees from that part of Palestine that is now Israel. Thus,

¹A. Konikoff, Transjordan - An Economic Survey (Jerusalem 1946) p.16.

²Ibid. p.17, Mr. Konikoff is inclined to believe that this is an under-estimate.

³Ibid. p.17, Mr. Konikoff believes that this is an over-estimate due to the possibilities of false registration. The figure he adopted falls in between i.e. 340,000.

while the area added was only 6% of the total area of Trans-jordan, the population increase was almost twice the original. The first population estimate of Jordan to appear after the unification of both Banks was one based on the 1952 Housing Census. As shown in Table 1 the total population as of August 1952 totalled 1,329,174. In December 1956, the total population is shown to have risen to 1,490,509.

TABLE I
TOTAL POPULATION BY SEX AND DISTRICTS

DISTRICT	August 1952			December 1956		
	Males	Females	Total	Males	Females	Total
Amman	98,958	91,541	190,499	113,970	106,062	220,032
Balqa	47,928	44,964	92,892	53,322	49,682	103,004
Ajlun	108,459	105,418	213,877	123,791	118,733	242,524
Karak	31,568	28,988	60,556	34,786	31,680	66,460
Ma'an	15,171	13,890	29,061	16,163	14,643	30,812
Jerusalem	150,436	150,766	301,402	167,522	166,447	333,969
Nablus	159,157	156,079	315,236	179,120	173,729	352,849
Hebron	63,427	62,224	125,651	71,402	69,457	140,859
TOTAL:	675,104	654,070	1,329,174	760,076	730,433	1,490,509

Source: Ministry of Economy, Department of Statistics and U.S. Technical Cooperation Service for Jordan, 1952 Census of Housing for August 1952 figures; and Department of Statistics, Annual Statistical Yearbook, 1956 for December 1956 figures.

Note: The latter figures were based on the former after taking account of natural growth.

Table 1 seems to indicate that the population is growing at the rate of 3 percent per annum. This, of course, is a high rate as compared with developed countries but is lower than the reported rate of growth of the population of Arab

Palestine during the Mandate.¹

The Department of Statistics reported that the crude birth rate was 40.1 per thousand of population in 1955 and 37.2 per thousand of population in 1956. The crude death rate, on the other hand, was 9.1 per thousand of population in 1954 and 8.3 per thousand of population in 1955.² This would give a rate of natural increase of 31.0 per thousand for 1955 and 28.9 per thousand for 1956. Although such a natural increase may not be unusual, yet the reported crude birth rate and especially the crude death rate seem to be unrealistic - both being different from the average rates reported for the Moslem population of Palestine during the Mandate. Of doubtful accuracy is the remarkably low death rate which approaches that of the United States. A more realistic death rate is that of 17.5 per thousand of population reported for the Moslem population of Palestine.¹

Such discrepancies are difficult to trace because of the lack of data and consequently observers have been led to adopt rates of natural increase ranging between 2% and 3% annually.

¹The natural rate of increase among the Moslem Arabs of Palestine averaged 3.6% between 1943-45. Reported in Raphael Patai. op.cit. pp.26-27.

²Ministry of Economy, Annual Statistical Yearbook, No.7 (Amman (1956) p.10 and p.13. The source of these figures is, however, the Ministry of Health.

(b). Distribution and Density:

The average density of population over the whole of Jordan is 15 persons per square kilometer in 1956. Since a large area of the country is desert and uninhabited, a more useful figure would be that related to cultivable area. On this basis the average density rises to 165 persons per square kilometer of cultivable land. The density differs among the various districts. The most heavily populated are the three districts of Jerusalem, Nablus and Hebron, in West Jordan. Between them, these three districts account for 56 percent of the population in 1956 (see table 1). The concentration of population in West Jordan was brought about by the large influx of refugees most of whom remained in that part of Jordan partly because of its proximity to their former homes and lands in Israel.¹

The other region of heavy concentration is the Eastern Upland comprising the three districts of Amman, Ajlun and Balqa. These three districts contain about 38 percent of total population in Jordan.² The concentration of inhabitants in this region is mainly due to the relative abundance of rain which has been the basis for agricultural life in Jordan. Thus the six districts mentioned above contain 94 percent of the population. The rest are scattered in the

¹The number of refugees living in West Jordan is about 350,000.

²The number of refugees living in East Jordan (almost all of them in this region) is about 150,000.

remainder of Jordan where the meagre rainfall is sufficient to make agriculture possible and help sustain a primitive life.

(c) Rural and Urban Distribution:

The population of Transjordan has always been predominantly rural with agriculture as the main occupation. Until the Second World War, industries were scarce and trading activity was limited to the town of Amman (the capital), which in 1943 had an estimated 30,000 inhabitants. Of the total population at that time of about 360,000, 180,000 lived in towns and villages, 120,000 were semi-nomads and 40,000 Bedouins.¹

With the incorporation of West Jordan in 1950, the trend towards urbanization has been intensified by two factors. First, the Palestinian Arabs (who are now Jordanians) had a higher proportion of urban population among them than did the indigenous people of Transjordan. Second, the great spurt in business activity as well as the noticeable progress in industrialization carried out both by private and public initiative, helped the growth of cities. Thus Amman had an estimated population of 175,000 in 1955.² As a result of this social change the population may now be said to be about 35 percent urban.³

¹A. Konikoff, op.cit., pp.18-19. A Bedouin is a desert dweller living in a tent and frequently moving with his herds in search for water and grazing ground.

²Raphael Patai, ed., op.cit., p.24. Reporting International Yearbook 1955 p.353.

³Ibid. p.24.

3. National Income:

Jordan had its first national income study in 1954. This study covered a period of three years beginning 1952 and was conducted by the Economic Research Institute of the American University of Beirut in cooperation with the Department of Statistics of Jordan.

Owing to the paucity of basic data the accuracy of the study is open to question. It is probably for this reason that the detailed study has never been made public. However, a summary table was released with the warning that these figures were provisional. This table is reproduced below.

TABLE 2
NATIONAL INCOME AT MARKET PRICES
(JD Million)

SECTOR	1952	1953	1954
Agriculture	17.6	11.6	19.7
Mining and Quarrying	0.1	0.1	0.2
Industry	1.8	2.1	2.7
Construction	0.6	0.4	0.6
Buildings	4.8	4.8	4.9
Public Utility	0.2	0.1	0.1
Transport & Communications	2.7	2.9	3.2
Government	7.6	7.9	8.8
Services	1.4	1.5	1.6
Commerce	7.4	7.1	7.9
Finance	0.3	0.3	0.3
TOTAL	44.5	38.8	50.0
In Million U.S. \$	123.2	108.6	140.0

On the basis of the above estimates, national income per capita in each of the three years may be placed at \$92 in 1952, \$80 in 1953 and \$99 in 1954. These are indeed very low levels of income.

The study indicates the importance of agriculture in the Jordanian economy. In 1954, agriculture contributed 39% of total national income. It also shows, how in a year of bad crops such as 1953 total income is affected severely by the fall in agricultural incomes.

Income is badly distributed in Jordan with the majority of the population living at a subsistence level. It has been said by observers that the refugees' lot is not any worse than that of many of the indigenous people. Undoubtedly one of the reasons for this hardship is the existence of such large numbers of idle labour among the refugees competing for the limited working opportunities available.

The last few years have witnessed a certain amount of capital accumulation. There has been a noticeable increase in share capital of joint-stock companies. There has also been investment in residential quarters and in hotels for tourists. Most important of course, is the expenditure of government on development.¹ Also there has been the expenditures by foreign agencies particularly the International Cooperation Administration (previously Point 4) and UNRWA. It is to be noted, however, that a large part of the capital

¹See pp.126-130 and pp.136-156.

accumulated resulted from foreign funds rather than home savings by Jordanians.

The low income of the majority of the people leaves little or no margin for saving. In view of this fact, government intervention in the field of development is imperative to raise standards of living and enhance employment.

C. Agriculture

Jordan is predominantly an agricultural economy with over 75 percent of its population depending either directly or indirectly on agriculture as a source of income. Since agricultural land is the chief natural resource in the country, increases in its output, through expanding the area under irrigation and raising the average per capita productivity, will greatly contribute to the rise in national income.

The average cropped area has been placed at 5,970,820 dunums (5,971 sq. kilometers) of which only 322,000 dunums are irrigated, (i.e. about 5%), the rest are rainfed.¹ On the basis of these estimates the land-man ratio for 1955 is 4.57 of rainfed dunums per person.² Excluding the refugee population, the land-man ratio rises to 6.98 of rainfed dunums per person. The great pressure on land which these ratios indicate is beyond doubt. This reflects itself in

¹This is an average for 1952-54. See IBRD, op.cit., Vo.II pp.54-56. Of the total irrigated area 272,000 dunums are in the Jordan Valley and are lightly irrigated.

²The irrigated area was converted to rainfed at the rate of 5:1 for intensely irrigated land and 3:1 for lightly irrigated land. See UNRWA, Bulletin of Economic Development No.14 (Beirut July 1956) p.123

low productivity per capita which is a characteristic of all underdeveloped countries.

The IBRD Mission reported that "expansion of the area under rain-fed annual crops is not possible...Any increase in the production of annual crops must therefore mainly depend on increased yields per dunum."¹ In addition to raising productivity the other promising possibility is to expand the area under irrigation. Water is a scarce resource in Jordan but even the meagre water resources available are not fully utilized. The most promising irrigation scheme is that of the Jordan Valley to be discussed below.

1. Jordan Valley Development Scheme: The development of the Jordan and Yarmuk Rivers is one of the top priority schemes which the government desires to execute. The full utilization of the waters of these rivers will almost double the area under irrigation and will provide cheap electric power for the country's growing industries.

The Jordan River rises in Mount Hermon and is fed from the north by three main tributaries namely Hasbani in Lebanon and Dan and Banias in Syria. These three tributaries join in Israel at a point 35 kilometers south of Mount Hermon and flow into Lake Huleh which is 70 meters above sea level. From Lake Hulah the Jordan River flows southwards in a rather steep depression into Lake Tiberius which is 212 meters below sea level. From Lake Tiberius the Jordan River emerges southwards

¹IBRD, op.cit., Vol.II, p.53.

through the Ghor and flows gently for a distance of 104 kilometers into the Dead Sea which is 394 meters below sea level. Most of the Jordan River below Lake Tiberius flows in Jordan territory except for the northern section which forms the international boundary between Jordan and Israel.

Eleven perennial streams two of which are the Yarmuk River and the Zarka River emerge from the eastern uplands and flow into the Jordan River. From the west there are only four perennial streams, tributaries to the Jordan River. The Yarmuk River which joins the Jordan River at a point 8 kms. downstream from Lake Tiberius is the largest of the tributaries and through its entire course the Yarmuk flows along the international boundary between Jordan and Syria.

In July 1952 Mr. Mills Bunger of the Cooperative Department for Water Resources Development¹ submitted a plan to the Jordan Development Board which envisaged the use of the Yarmuk River mainly for irrigation. This plan, for the development of the Yarmuk River alone and to the advantage of both Syria and Jordan, has now been discarded. Towards the end of 1952, UNRWA which was about to enter into a project agreement to exploit the waters of the Jordan and Yarmuk Rivers for the benefit of resettling refugees, requested the Tennessee Valley Authority to prepare a comprehensive

¹TVA, the Unified Development of the Water Resources of the Jordan Valley Region, August 1953. See UNRWA Quarterly Bulletin of Economic Development July 1956, pp.85-90 for a description of the Bunger and TVA plans.

overall plan for the exploitation of the entire Jordan Valley watershed embracing Lebanon, Syria, Jordan and Israel.²

The TVA plan, which was completed in August 1953, was submitted by Mr. Eric Johnston (whose name became identified with the plan) to the countries that have riparian rights to the waters of these rivers. The three Arab countries concerned namely Lebanon, Syria and Jordan agreed to refer the Johnston Plan to the Political Committee of the Arab League who decided in its meeting held on 12 January 1954 to form an Arab Technical Committee of representatives of Egypt, Jordan, Lebanon and Syria to study the political, economic and technical implications of the Johnston proposal. After a thorough study, the Arab Technical Committee of the Arab League found that in many ways the Johnston Plan greatly reduced Arab rights and interests. For that reason, the Arab Technical Committee submitted a counter plan in March 1954 based on the following premises.

1. That any plan for development of the waters of these rivers should take into consideration the existing political boundaries between the countries lying in the basin of the rivers.

2. That waters of these rivers should be used in the river basin.

From the first premise stems the objection to the use of Lake Tiberius as a reservoir for the surplus waters of the Yarmuk River and also the cooperation with Israel on the execution of the project which the Johnston Plan assumed. As

¹This department is now known as the Jordan-U.S. Technical Service, for Range and Water Resources.

regards the second premise, the Johnston Plan happens to agree with the Arab view point. The main features of the Arab Plan are:¹

1. Construction of a storage dam on the Yarmuk River with a capacity of 400 mcm, either at Maqarin or Wadi Khalid as deemed feasible. At the foot of this dam a power house will be installed. North of the dam Syria will irrigate 68,000 dunums which will require 80 mcm. of water

2. Water from the Maqarin or Wadi Khalid dam will be led by a power canal westward along the Yarmuk to operate a power house near Adassiya. Water from the power canal will feed the Main East Ghor canal. A diversion dam with a capacity of 100 mcm. will be constructed on the Yarmuk near Adassiya to divert water into the Main East Ghor canal which extends southward along the Jordan Valley almost to the Dead Sea for a distance of about 111 kms.

3. A flood canal will be constructed to conduct surplus water from the Yarmuk amounting to 60 mcm. into Lake Tiberius and another canal will lead water out from Lake Tiberius to feed the East Ghor main canal with 125 mcm annually.

4. From about the middle of the main East Ghor canal where both banks belong to Jordan, water will be siphoned across the Jordan River to feed the main West Ghor canal which will irrigate land on the West Bank.

5. As regards areas north of Lake Tiberius, the plan provides for the construction of a dam on the Hasbani to

¹See map at end of the thesis.

irrigate 35,000 dunums in Lebanon. A power house will be erected in this area. In Syria 20,000 dunums will be irrigated on either side of the Banyas River by two canals constructed for the purpose. It is reported that the Syrian Government has already started the construction of these canals and part of this area is now irrigated.

6. Surplus waters of the Hasbani, Banyas and Dan Rivers will be conducted by means of canals into the upper Huleh district. Israel may use this surplus water to irrigate 78,000 dunums in the upper Huleh district and 30,000 dunums in the Ayelet ha-Shahar district both of which require 96 mcm. annually. As regards the Yavneel Valley, an area of 22,000 dunums, it can be irrigated entirely from wells in the district itself.

7. Out from Lake Tiberius a West Ghor canal will be constructed in Israel to irrigate 26,000 dunums in the Yarmuk triangle plus 78,000 dunums in the Israel part of the West Ghor.

The following table 3 shows the distribution of the different water resources (including wells and wadis) in the watershed among the proposed areas to be irrigated in Jordan, Lebanon, Syria and Israel.

On June 4, 1953, an agreement was signed between Jordan and Syria to regulate the use of the Yarmuk River waters. By the terms of this agreement Syria reserved the right to use the waters of the springs and tributaries originating in Syria north of the dam site for irrigation, while

stored water in the dam is for the exclusive use of Jordan. Furthermore, Syria is to get 75% of electricity generated at the foot of the Maqarin dam estimated between 6,000 and 8,000 kw. As far as financing is concerned, it was agreed that the cost of constructing the dam at Maqarin and the power plant will be shared between Jordan and Syria in the ratio of 95% and 5% respectively. The agreement stipulated also that a joint committee be formed of 3 Syrians and 3 Jordanians to be responsible for carrying out the terms of this agreement. The Jordan office of the Yarmuk Syrian Jordan Committee is responsible to the Council of Ministers.

TABLE 3
WATER DISTRIBUTION OF PROPOSED ARAB SCHEME

Country	Area to be irrigated '000 dunums	Quantities of water allocated	
		mcm per year	Percent
Jordan	490	975	67
Lebanon	35	35	3
Syria	119 ^a	132	13
Israel	234 ^b	287	17
TOTAL	878	1,429	100

^aIncludes about 15,000 dunums in Buteiha district at present irrigated.

^bIncludes about 7,000 dunums in Upper Huleh, and 15,000 dunums in Yarmuk Triangle, all of which are at present irrigated.

On June 24, 1953, a contract was signed between the Jordan Ministry of Finance and two American engineering firms, Michael Baker, Jr. Inc. and Harza Engineering Company. The

purpose of the agreement was to conduct an engineering survey of the Jordan Valley with a view to determining the technical and economic feasibility of the project, the best sites for dams, reservoirs and power plants, the canal systems necessary for irrigation and electric power, the area of land that can be irrigated and the probable cost of the project. The survey was finished and the Master Plan Report was released in July 1955.¹

According to the Baker-Harza Master Plan report an area of 513,700 dunums is potentially arable and would require 760 mcm. annually from the Jordan Yarmuk watershed. The plan also shows that 167 million kwh. of firm power will be generated. Cost of power and irrigation features total \$170 million. It is estimated that total income in the Jordan Valley would rise from \$725,000 annually to \$14,237,000 annually when ^{the} ^{is} project/in full operation.

At present about 48% of the irrigateable land within the project area is non-irrigated, while the remaining area is partially irrigated. The Master Plan Report also indicates that the average net annual supply of water from the Yarmuk and Zerka Rivers, from the 12 Wadis in East and West Jordan, and from the Jericho springs is 605 mcm. On this basis Jordan still requires an additional 155 mcm. annually to be drawn from the Jordan river to bring the total water supply to 760 mcm. annually in order to irrigate the 513,700 dunums of

¹Michael Baker Jr. Inc. Harza Engineering Company Master Plan Report Vols. I - VIII, July 1955. See UNRWA Bulletin of Economic Development No.14 (Beirut July 1956) pp.100-112 for a summary of the Master Plan Report.

irrigable land.¹ From the point of view of potential power development the Maqarin site was selected in preference to the Wadi Khalid site. With a height of 145 meters, the Maqarin dam will provide a total of 165 million kwh. of net firm energy.² It is estimated that by 1965, total annual consumption of energy for all purposes will be about 123.7 million kwh. which could easily be developed by the Maqarin dam alone.

Total cost of this engineering survey was \$2,481,031 of which \$1,214,812 was borne by Point 4, \$1,056,219 by UNRWA and \$210,000 by the Development Board. The Jordan government's major objection to the recommendations of the Master Plan Report was in the allocation of the amount of water required to irrigate the 513,700 dunums. The Report based its water estimates on a cropping pattern prepared by UNRWA,³ whereas the Jordan government had prepared a cropping pattern calling for more water than that proposed in the Master Plan Report. The major difference in both cropping patterns was that the government's cropping pattern allowed for the growing of cash crops like cotton and rice which need more water than allocated in the Master Plan.

The completion of this survey has done much to clear

¹Ibid, Vol. I. pp. 35-43.

²Ibid, p.57

³UNRWA Agricultural Economic Survey of the Jordan Valley, October 1954.

many controversies. When Johnston visited the area in February 1955 he presented a revised plan in the light of the findings of the Baker-Harza Master Plan. Despite its favourable considerations of Arab rights and interests, it was again rejected as being politically unfeasible.

On October 10, 1955, the Arab Technical Committee adopted an entirely new Arab scheme prepared by the Jordan-Syrian Yarmouk Joint Committee. This Plan proposes the utilization of all waters of the rivers originating in Arab Lands for the benefit of the Arab countries concerned. Thus a dam and a power house will be built on the Hasbani River in Lebanon whose waters are used to irrigate 35,000 dunums in the area. Surplus water will be conducted by a canal eastwards into Syria to the diversion dam built across the Banyas river. After using water from the Banyas to irrigate 20,000 dunums in the area, both the surplus waters of the Hasbani and Banyas Rivers will be conducted by one canal about 75 kms. long running in a south-east direction to join the Yarmuk river at Wadi Khalid where a dam will be constructed. The surplus waters of both the Hasbani and Banyas Rivers are estimated at about 150 mcm. per year which will be used entirely for the benefit of Jordan. Another dam will be constructed at Maqarin to store water of the upper Yarmuk. A power house will be built at the foot of the Maqarin dam and water from this dam will be conducted by a power canal to a point near Adassiya where another power house will be built. A diversion dam will be built

across the Yarmuk near Mukheibe which is a few kilometers up from Adassiya where both banks are Arab. Then waters from the power canal and the Mukheibe diversion dam will feed the Main East Ghor canal. Water from the Main East Ghor canal will be siphoned across the Jordan river to feed the Main West Ghor canal.

Jordan, Syria and Lebanon could not implement this new Arab scheme without foreign financial assistance. It is also difficult to see such foreign assistance forthcoming. However, a pilot scheme is now being studied by the Yarmuk Joint Committee for immediate implementation. This pilot scheme envisages the construction of a diversion dam across the Yarmuk which will divert 2 to 3 cumeds of water per day to irrigate some 40,000 to 50,000 dunums in the northern part of the Jordan Valley. The object of the scheme is to collect data on irrigation practices and train farmers in growing cash crops. The cost of the scheme is about one million dinar but the returns are believed to be very promising.

2. Principal Crops:

The variety of Jordan's crops are limited by both primitive agricultural methods and scarcity of water. The value of field crops produced in the three years 1952-54 reveal not only the importance of cereals in total production but also the fact that fluctuations in agricultural production are a function of the amount and distribution of rainfall. Table 4 shows the value of crops during the period 1952-54.

TABLE 4

GROSS VALUE OF FIELD CROPS
(at Wholesale Prices Prevailing During 1954)

	1952	1953	1954
Cereals	7,888	3,618	8,176
Pulses	571	472	1,064
Sesame	327	271	322
Tobacco	171	107	185
TOTAL FIELD CROPS:	8,957	4,468	9,747

SOURCE: IBRD, The Economic Development of Jordan, Annex I, (December 1956) Vol.III, p.538.

The value of other agricultural production for the same three years were as shown in table 5 below.

TABLE 5

GROSS VALUE OF VEGETABLES, FRUIT AND ANIMAL PRODUCTS
(at Wholesale Prices Prevailing During 1954)
(JD '000)

	1952	1953	1954
Vegetables	1,770	2,284	2,946
Fruit	4,119	4,508	4,261
Animal Products	3,484	3,545	3,797
TOTAL:	9,373	10,337	11,004

SOURCE: IBRD, The Economic Development of Jordan, Annex I, (December 1956) Vol.III, p.539.

The principal winter crops grown are wheat, barley, lentils, vetch (Kersenneh) and broad beans. Among the winter crops, wheat is by far the most important single crop grown. While before the 1948 Palestine War, Jordan was a

net exporter of wheat, now it is a net importer. The main summer crops are chick-peas, sesame and maize. In years of good harvest some cereals and pulses are exported. Of growing importance in the country's agricultural production are the vegetables and fruit. In 1955 both these items accounted for 34 percent of total gross value of agricultural production. Table 6 below shows the volume of production of principal crops.

TABLE 6
PRODUCTION OF PRINCIPAL CROPS
(in thousands of metric tons)

CROP	1952	1953	1954	1955	1956
Winter Crops:					
Wheat	225.2	99.7	230.2	79.4	242.5
Barley	92.5	42.9	104.0	25.4	96.2
Lentils	11.3	10.0	17.1	4.7	21.7
Vetch(Kersenneh)	11.9	9.9	15.2	6.5	24.3
Broad Beans	2.3	1.6	3.3	1.8	3.8
Summer Crops:					
Chick-peas	3.7	3.2	4.4	1.4	3.1
Sesame	4.4	3.6	4.3	3.5	4.4
Maize	24.5	16.6	18.2	6.9	10.1
Grapes	48.8	41.0	52.0	31.6	37.0 7
Other fruit	43.7	86.6	39.0	29.3	31.6
Winter Vegetables	25.2	68.4	53.5	63.7)	177.7
Summer Vegetables	101.1	192.6	187.5	84.8)	
Tobacco	1.0	0.6	0.7	0.8	1.7
Olives	62.4	49.2	61.4	12.0	71.5

SOURCE: Ministry of Economy, Department of Statistics, Annual Statistical Yearbooks for 1952-1956 (Amman).

Jordan can never hope to become more than self-sufficient in most animal products stated the IBRD Mission. The reasons given were "the short period of the rains and the need to devote

the majority of the productive area to the growing of crops for human food".¹ The number of principal livestock is given in table 7 below.

TABLE 7
NUMBERS OF LIVESTOCK IN JORDAN

Year	Sheep	Goats	Cattle	Camels
1952	273,557	393,435	41,531	50,625
1953	222,936	347,836	31,467	13,805
1954	364,228	545,053	51,599	18,872
1955	514,643	625,792	99,277	22,500
1956	493,782	666,373	67,176	26,176

SOURCE: IBRD, The Economic Development of Jordan. Vol.III p.80. For 1955 and 1956 figures based on Ministry of Economy, Annual Statistical Yearbooks (Amman)

D. Industry:

Until recently, Transjordan had practically no industries except for a few handicrafts. With the annexation of West Jordan in 1950, the picture has appreciably changed. Jordan has now a much larger market with varied demands; it has more skilled and semi-skilled labour from the rank of the refugees; it has some new capital brought by Palestinians; and finally in an effort to correct the economic dislocation resulting from the Palestine War, the Government has initiated a policy of encouraging the industrialization of the country. Chiefly, as a result of these factors, Jordan has achieved commendable progress in the last couple of years. Many new industries have been established mostly with Government participation.²

¹The Economic Development of Jordan, Vol.II, p.80

²See page 129 - for details

In 1954, industrial activities contributed 6 percent to national income - a reflection of the minor role played by this sector. No national income estimates are available for later years. According to the Census of Mining and Manufacturing Industries of 1954, there were 422 industrial establishments employing some 8,600 workers out of a total working population of about 300,000.¹ Total capital invested was about JD 4.8 million and gross output was valued at JD 7.3 million.

The following types of industries operate in the country; phosphate mining, flour mills, alcoholic beverages, cigarette manufacturing, tent making, wood furniture, printing and bookbinding, soap, cement, olive oil refining, construction of bus and truck bodies. Other industries in the process of formation are; fish canning, potash extraction and petroleum refining.

Notwithstanding this improvement, industry is still in its infancy if measured by the types of concerns, volume of production, capital invested or labourers employed. Jordan's industrialization is limited by the fact that it does not possess the chief minerals such as coal and iron that are the basis for heavy industry. Except for phosphates and potash its mineral resources are quite poor. Industries based on imported raw materials are at a disadvantage in view

¹Ministry of Economy, Economic Planning Unit, Census of Mining and Manufacturing Industries in Jordan 1954. This census covered industries that employed 5 or more workers thus eliminating a large number of handicraft workshops.

of the high transportation costs entailed in moving materials either via the Port of Beirut or the developing Port of Aqaba in south Jordan. Further, industries are generally handicapped by a variety of factors such as: the limited internal market, the low purchasing power of the people, the scarcity of skilled labour, the high cost of fuel and power, the high transportation costs, and last but not least, the paucity of capital available for industrial investment and the lack of industrial credit facilities. Thus for industries to thrive much must be done including the creation of an environment in which industries can thrive.

These problems are being tackled chiefly through Government efforts. The Government has embarked on a program of encouraging industries not only through favourable legislation but more important by participating with private capital in financing industrial investments. The results have been very encouraging and private savings are being tapped with advantage.

Certain industries which amply serve the local market were protected by complete prohibition of imports. These include cement, alcohol, arak, soft drinks, carbonic acid, shirts and pyjamas and cigarettes. Other industries are protected by imposing a slightly higher tariff rate on similar imported goods than would ordinarily be the case.

A recent law No.27 of 1955 known as the "Law for the Encouragement and Guidance of Industry" provides the following

privileges for a number of specified industries: exemption from customs duties and all additional import taxes on machinery, equipment etc.; exemption from the Income Tax, the Social Services Tax and the Buildings and Lands Tax for the first three years from the start of production and the reduction of these taxes to 50 percent in the two succeeding years; and finally exemption from export duties on the products of the enterprise.¹ The main industries concerned are: the chemical fertilizers, the chemical acids; the mechanical spinning, weaving, knitting; the dyeing printing and finishing of cloth; the refining and hydrogenation of vegetable oil; sugar extracting from beets and sugar cane; tanning and manufacturing leather goods; extracting potash and other minerals or chemicals from the Dead Sea; canning of fish, vegetables, fruits and other foods; producing porcelain and ceramics. To enjoy these exemptions the industries concerned must use other than manual power to run the machinery, and the value of such machinery should be not less than JD 2,000 unless the council of Ministers waives this requirement.²

A recent legislation dated May 1955 deals with the encouragement of foreign capital for investment in Jordan. Authorized foreign capital investments enjoy the following main privileges: the free transfer of annual profits in the currency in which the capital funds were originally imported;

¹IBRD, op.cit. Vol.II, P.274

²Ibid.Vol.II, footnote 14 p.274. Most of these industries do not exist yet.

repatriation of invested capital in foreign currency, beginning one year after the importation of capital was made, in four equal annual instalments. Authorized foreign capital invested in industries covered by the "Law for the Encouragement and Guidance of Industry" enjoy all the exemptions stipulated by that law.¹

E. Foreign Trade and Balance of Payments

1. General Features of Foreign Trade:

Foreign trade in Transjordan received its first boost during the Second World War when strict import controls were imposed in Palestine while in Transjordan controls were light. For this reason a traders class grew and thrived in Amman and large profits were reaped during the war on goods imported to Transjordan but which actually found their way into other neighbouring countries, particularly Palestine.

After the War and specially after the unification of both banks in 1950, foreign trade expanded in ever greater dimensions. But this time imports went mainly to satisfy the needs and requirements of a trippled population. The country was not able to provide the larger population with even many of its necessities and had, therefore, to rely on foreign sources of supplies if inflation was to be avoided. However, this substantial rise in imports was not matched by an equal rise in exports. The wider gap in the trade balance which ensued exerted a deflationary pressure on an already stricken economy. Table 8

¹Ibid. Vol.II, pp. 276-277.

showing a summary of imports and exports for the last 11 years, depicts very clearly this dark picture.

TABLE 8
VALUE OF IMPORTS AND EXPORTS, 1946 - 1956
(JD '000)

Year	Exports of Home produce	Re- exports	Total ex- ports & re-exports	Imports	% of ex- ports to imports	Deficit
1946	2,044	650	2,694	6,608	41	-3,914
1947	506	365	871	6,231	14	-5,360
1948	727	1,784 ^a	2,511	10,604	24	-8,093
1949	1,053	2,353 ^b	3,406	12,757	27	-9,351
1950	1,537	35	1,572	10,766	15	-9,194
1951	1,041	413	1,454	15,672	9	-14,218
1952	1,280	253	1,533	17,335	9	-15,802
1953	1,900	198	2,098	18,385 ^c	11	-16,297
1954	2,587	390	2,977	19,840	15	-16,863
1955	2,621	248	2,869	27,058	10	-24,189
1956	4,379	581	4,960	27,819	18	-22,859

SOURCE: Ministry of Economy, Department of Statistics, Annual Statistical Yearbooks for 1950-56. Also Economic Planning Unit, Survey of Jordan Economy 1955, p.14

NOTE: Data for 1946-49 refer to East Jordan (Transjordan). Data for 1950 and after refer to the whole Kingdom of Jordan. These figures do not tally with those shown in the Balance of Payments Table on p.44. The latter were adjusted for possible errors.

^aIncludes an unspecified amount of re-exports to West Jordan (Palestine).

^bIncludes JD 2.2, millions to West Jordan (Palestine).

^cExcludes U.S. relief wheat grant of 9.846 tons valued at JD 216,000.

In 1954, exports have represented about 6 percent of national income, while imports represented about 40 percent. This wide discrepancy which is covered largely by foreign con-

tributions and invisible earnings is a reflection of the underdevelopment of the country. The situation should be viewed all the more seriously when it is realized that imports consist largely of foodstuffs and essential materials for current consumption.

2. Foreign Trade Policy and Trade Agreements:

Jordan's import policy has been dictated by one major factor namely the supply of foreign exchange. After the Second World War, Jordan emerged with a moderate sterling credit balance with Britain which was soon depleted to pay for imports necessitated by the Palestine catastrophe of 1948. With depleted foreign reserves and with demand for foreign exchange far outstripping supply, the Government reinstated the exchange control regulations and import licensing that prevailed during the Second World War. But this time they were considerably tighter.

Every year financial negotiations are carried out in Britain for the release of a specific amount of sterling to be devoted to imports. In 1953 such allocations amounted to 11 million sterling pounds and in 1955 they rose to 16.3 million sterling pounds.¹ The higher appropriations for 1955 are a reflection of increased needs coupled with improved foreign reserves position.

At times when Jordan found its foreign reserve allocations inadequate to cope with the import requirements of the

¹Both these allocations exclude imports from Lebanon and Syria in accordance with special trade agreements as explained later.

country, it has resorted to a peculiar system of permitting unlicensed imports against payment of a fine. Such imports were labelled as non-essentials and the Government did not provide foreign exchange for their importation. The foreign exchange needed for these imports, was obtained through the sale of Jordan Dinars at a discount on the free exchange market, of Beirut.¹ This system was originally established in May 1950 and was permitted intermittently in the following years until it was abolished in February 1955. The fine payment varied according to the nature of the commodity and the source of imports, the fines being highest on luxury items from hard currency countries. It was mentioned above that imports are subject to an import licence and an exchange licence. Importers of what were termed as essential goods were granted both licences against payment of a fee which in 1955 was 5 percent of the CIF value of the imported goods. This of course entitled the importer to foreign exchange at the official rate. On the other hand, imports of non-essential goods² were subject to an import licence fee which in 1955 was 2 percent of the CIF value of imported goods. But although importers of non-essential goods, have to pay a lower licence fee, they have to incur additional expenses in procuring their foreign exchange from the Beirut free market. Such expenses, amounting to about 10 percent of value of goods, include

¹See UNRWA, Quarterly Bulletin of Economic Development No.7 and No.10 Beirut.

²The Government had classified goods into essential and non-essential. Until 5 July 1954 discrimination fees were applied at the rate of 2% of CIF value of goods imported from soft currency areas (e.g. sterling bloc) and 6% of CIF value of goods from hard currency areas (e.g. U.S.A.)

the discount on the Jordan Dinar and the banks commission on both the sale of the Lebanon Pound in Jordan and the purchase of the required foreign exchange in Lebanon (the discount on the Jordan Dinar averaged 5 percent in 1955).

In addition to the exception of non-essential goods, all goods of Lebanese or Syrian origin are imported without the necessity of having to procure an exchange licence. This applies to goods as well as invisible payments for which no official foreign exchange is provided. These imports (like those of non-essentials) are subject to an import licence fee of 2 percent. What this system amounts to in fact is a de facto recognition of a free exchange market side by side with the official exchange - a condition unknown in other sterling area countries. However, it is an important step forward towards freer trade.

It is worth mentioning that the 1956 import regulations lowered the import and exchange licence fee (for essential goods) from 5 percent in 1955 to 4 percent in 1956. While the import licence fee (for goods from Arab States as well as non-essentials) declined from 2 percent in 1955 to a 0.5 percent in 1956.¹

Jordan's trade and payments agreements were designed primarily to promote trade between Jordan and the rest of the Arab countries. Pursuant to this policy, Jordan signed the Inter-Arab Trade and Transit Agreement and the Inter-Arab

¹Ministry of Economy, Economic Planning Unit, Survey of Jordan Economy in 1955 (Amman 1956) p.24.

Movement of Capital Agreement. Under the first Agreement two lists were drawn up of products originating in any of the countries party to the Agreement. The first list was for agricultural and mineral products which are completely exempt from customs duties. The second list was for industrial products which are granted a 25 percent reduction below the normal tariff, when originating in the member countries. For verification, products enjoying preferential rates will have to carry a certificate of origin and in the case of industrial products it should be shown that the proportion of Arab raw material and labour in the product in question is 50 percent or more of the total cost of the production. Preferential rates are granted to the Arab countries members of the Arab League who have ratified both these Agreements. On 12 December 1953, both Agreements became effective among Jordan, Egypt and Lebanon¹. At later dates Syria, Iraq and Saudi Arabia became signatories to both Agreements and hence enjoy the stipulated preferential treatment. In addition to these two multilateral Agreements, Jordan signed bilateral Agreements with Egypt, Lebanon, Syria and Iraq. Except for the one signed with Egypt, all the other bilateral Agreements provide for special treatments such as the exemption from customs duties of all agricultural and animal produce; industrial goods were divided into three classes: (a) those enjoying complete exemption (b) those receiving a preferential treatment amounting to one third of the ordinary tariff and (c) those

¹Official Gazette, No.1165 supplement I, January 3, 1954.

that are subject to ordinary tariffs. The bilateral Agreement signed with Egypt includes a most-favoured nation clause but no provisions for preferential treatment. The four bilateral Agreements run for a period of one year, automatically renewable unless either party expresses its intention to terminate it three months before expiry date.

The only trade Agreement with a non-Arab state was that signed with Yugoslavia in March 1954. The Agreement provides for the exchange (in each direction) of JD 100,000 worth of goods. Jordan's imports from Yugoslavia were listed as cereals, raw materials and machinery, while its exports will include phosphates, manganese, olive oil, bananas and tobacco.

3. Main Exports and Imports:

The main export articles during the period 1954-1956 is shown in Table 9. Jordan has a few things to export at the present stage of its development. Exports are mostly composed of: (a) agricultural crops and products of which fresh vegetables and fruit and olive oil are the most significant; (b) certain raw materials like phosphates, skins and hides and raw wool; (c) In good crop years, when rainfall is abundant, some cereals and pulses are exported. In years of drought when grazing ground is dry exports of raw wool, hides and skins rise because of increased slaughtering of herds.

TABLE 9
VALUE OF MAIN EXPORTS
(JD '000)

Home Produce	1954	1955	1956
Fresh vegetables	439	592	821
Fresh fruit	263	345	590
Pulses	219	66	358
Wheat and Barley	208	52	205
Olive Oil	547	347	823
Ground Phosphate	51	602	691
Raw Wool	45	71	75
Tents	118	143	135
Other Products	697	403	681
TOTAL:	2,587	2,621	4,379

SOURCE: Ministry of Economy, Department of Statistics,
Annual Statistical Yearbooks for 1955 and 1956
(Amman)

The main import groups are shown in Table 10.

TABLE 10
VALUE OF MAIN IMPORTS
(JD '000)

	1954	1955	1956
Live Animals	506	633	919
Tea and coffee	676	812	649
Rice	656	655	728
Wheat and wheat flour	1,270	2,943	1,686
Refined sugar	1,160	1,175	1,318
Petroleum Products	1,473	1,834	2,184
Pharmaceuticals	269	385	352
Rubber tyres and other rubber products	238	418	411
Wood and wooden furniture	490	656	663
Textiles and Yarn ^a	4,131	3,897	3,838
Iron and steel products ^b	886	1,449	1,527

TABLE 10 (cont'd)

	1954	1955	1956
Vehicles and parts	930	1,773	1,887
Other products	7,155	10,428	27,819
TOTAL:	19,840	27,058	27,819

SOURCE: Ministry of Economy, Department of Statistics,
Annual Statistical Yearbooks for 1955 and 1956
(Amman)

^aIncludes fabrics made of artificial silk, wool and cotton; cotton yarn, and second hand clothing.

^bIncludes bars, sheets, pipes and joints, furniture and kitchen utensils.

Owing to the expansion in population, Jordan became an importer of wheat and flour especially in years of drought (like 1955). The other main groups of imports are refined sugar, textiles, mainly cotton piece goods and fabrics of artificial silk, petroleum products, iron and steel products, vehicles and some machinery.

4. Direction of Trade:

Jordan's main customers and suppliers are shown in table 11. Exports are destined mostly for the Arab countries and particularly (by order of importance) to Lebanon,¹ Syria, Iraq and Saudi Arabia. Among the non-Arab countries Czechoslovakia and Japan are the most important customers - both being importers of Jordan phosphate.

Jordan's imports originate mostly outside the Arab countries as table 11 shows. This results in a larger trade

¹A sizeable portion of Jordan's exports to Lebanon are re-exported.

deficit with the non-Arab countries than with the Arab countries. The chief suppliers are (by order of importance): the U.K., Lebanon¹, Syria, U.S., West Germany, Iraq² and France.

TABLE 11
JORDAN'S DIRECTION OF TRADE
(JD '000)

	1954	1955	1956
<u>Export of Home Produce</u>			
Lebanon	1,202	719	1,765
Syria	683	708	1,144
Iraq	339	438	443
Saudi Arabia	73	50	166
U.S.A.	21	18	17
U.K.	2	1	1
Czechoslovakia	-	198	277
Japan	7	191	32
Other countries	260	298	534
TOTAL:	2,587	2,621	4,379
<u>Imports</u>			
U.K.	3,055	5,218	5,366
Lebanon ^a	3,152	3,065	4,125
Syria	2,202	1,811	1,670
U.S.	1,917	2,811	1,847
Germany (West)	1,106	2,314	2,496
Iraq ^b	805	1,409	1,230
France	1,026	1,642	974
Japan	525	843	685
Australia	25	801	-
Egypt	515	759	910
Saudi Arabia	453	732	1,195
Other countries	5,059	5,653	7,321
TOTAL:	19,840	27,058	27,819

SOURCE: Ministry of Economy, Statistical Department, Annual Statistical Yearbook for 1955 and 1956 (Amman)

^aMore than half of value of goods imported from Lebanon are of non-Lebanese origin.

¹Over one-half of the value of Lebanon's exports to Jordan are of non-Lebanese origin.

²About a third of value of Iraq's exports to Jordan are of non-Iraqi origin.

5. Balance of Payments:

There is no country in the world, perhaps, whose balance of payments is as precarious as that of Jordan. The disequilibrium is not only a persistent one but is of such a magnitude that it has been almost impossible to deal with it effectively except through foreign assistance. As compared with 1950 the value of imported goods (excluding those paid for by UNRWA) rose by 1955 by 79.6 percent. During the same period exports (including re-exports) rose by 83.2 percent. Despite this slight relative improvement, the gap of the balance of trade continued to widen¹ especially during 1955 which exhibited the highest deficit on the balance of trade². Table 12 shows detailed balance of payment figures for the six year period 1950-55.

Invisible items continued to show a surplus which increased steadily throughout the six year period. The surplus in 1955 was more than three times that of 1950. The main reasons for this improvement were the increased earnings from tourism (included in item 9) and commercial transfers (included in item 12). But this increased surplus on invisibles was far from enough to offset the merchandise import surplus and a chronic deficit was registered on goods and services throughout the six years. As the table indicates, the highest deficit on goods and services was in 1955.

¹The year 1953 showed a slight improvement over 1952.

²The year 1955 was hit by a drought which necessitated the import of large quantities of wheat and flour.

TABLE 12

JORDAN'S BALANCE OF PAYMENTS 1950 - 1955
(JD Millions)

	1950	1951	1952	1953	1954	1955
I. Current Account						
A. Debits:						
1. Merchandise						
a. Commercial Imports	12.40	13.66	14.27	14.36	15.57	22.27
b. UNRWA Imports	1.08	2.52	2.88	3.85	3.02	2.99
c. Total Imports	13.48	16.18	17.15	18.21	18.59	25.26
2. Travel	.83	.98	1.17	1.32	1.33	1.59
3. Insurance	.04	.04	.03	.04	.04	.07
4. Investment Income	.12	.09	.09	.12	.15	.25
5. Government Expenditure	.22	.19	.25	.21	.21	.30
6. Miscellaneous	.02	.09	.09	.08	.12	.05
7. Total Debits	14.71	14.75	18.78	19.98	20.44	27.52
B. Credits:						
8. Merchandise	1.95	2.00	2.11	2.66	3.05	3.57
9. Travel	.88	1.08	1.29	1.68	2.21	2.45
10. Investment Income	.02	.03	.05	-	.15	.31
11. Government Expenditure	.57	.75	.89	1.06	.71	.86
12. Miscellaneous	.59	.36	.63	.59	1.44	2.55
13. Total Credits	4.01	4.22	4.97	5.99	7.56	9.74
14. Balance of Goods & Services	-10.71	-13.35	-13.81	-13.99	-12.88	-17.78
C. International Transfer Payments:						
15. Net Private Remittances	1.56	2.03	2.30	2.34	1.65	1.66
16. Official Transfers	5.36	6.91	9.45	12.26	12.62	15.43
17. Net Total Transfers	6.92	8.94	11.75	14.60	14.27	17.09
18. Bal. of Pay. on Current A/c	-3.78	-4.41	-2.06	.61	1.39	-0.69
II. Capital Account						
19. Private Capital	-	.25	0.12	0.10	-	-
20. Official Loans	1.00	-	1.05	0.72	1.30	1.29
21. Other Official Transactions	-	0.53	0.72	0.20	1.14	1.18
22. Change in Foreign Exchange Addings ^a	1.22	2.76	-1.23	-1.30	-1.29	-1.42
23. Currency Cover ^a	2.37	0.06	0.65	-0.56	-2.70	-0.93
24. Net Total Capital	4.59	3.60	1.31	-0.84	-1.55	0.12
25. Errors & Omissions	-0.81	0.81	0.75	0.23	0.16	0.57
26. Total Capital Account	3.78	4.41	2.06	-0.61	-1.39	0.69

SOURCE: R. S. Porter, Jordan Balance of Payments 1950-1954, (British Middle East Office, Beirut, 1955). Figures for 1955 from Ministry of Economy, Economic Planning Unit, Survey of Jordan Economy in 1955, (Amman 1956) p.26.

^aA minus sign denotes an increase.

Unilateral transfers, i.e., transfers that do not give rise to any corresponding claims in Jordan have covered part of the deficit on goods and services and in 1953 and 1954 have even turned into a surplus on current account. These unilateral transfers are of two kinds: private (item 15) and official (item 16). The private transfers consist of remittances from immigrants to their relatives as well as those of religious and charitable institutions. The official transfers are obviously more significant and consist of (a) payments by the United Kingdom in the form of grants in aid to the Jordan Army (Arab Legion), expenditures on certain projects, and pension payments to former Palestine Government employees; (b) UNRWA transfers to pay for imports and operation expenses in Jordan; (c) contributions of the U.S. Government in accordance with the Technical Cooperation Agreement signed on February 27, 1951.¹ As table 13 indicates "Official Transfers" have substantially increased in later years particularly those from the U.K., thus making it possible for Jordan not only to take care of the large deficit on goods and services but even (as in 1953 and 1954) to accumulate a small surplus.

¹For details on the work of the International Cooperation Administration Mission to Jordan (previously Point 4) see UNRWA, Quarterly Bulletin for Economic Development, No.14 (Beirut July 1956), pp. 156-178.

TABLE 13
OFFICIAL TRANSFER PAYMENTS, 1950 - 1955
(JD Millions)

SOURCE	1950	1951	1952	1953	1954	1955
United Kingdom	2.57	3.53	4.60	6.43	5.87	8.04
United States	-	-	0.49	0.97	1.25	2.73
UNRWA	3.00	3.36	4.36	4.86	5.50	4.66
TOTAL:	5.57	6.89	9.45	12.26	12.62	15.43

SOURCE: Ministry of Economy, Economic Planning Unit, Survey of Jordan Economy in 1955 (Amman 1956), p.33.

A large part of the Government's investment program is financed by interest free loans from the U.K. These appear under item 20, "Official Loans". In view of the discrepancy between the figures shown under this item and the actual loans made (as given in the Development Board Budget)¹ there is reason to believe that some of these loans have been included under "Official Transfers" item 16 of table 12. Private capital transfers into Jordan have been negligible at least according to the official estimates. There may be some unreported cases, but these are undoubtedly small.

Deficits or surpluses on current account and the net transfer of capital reflect themselves in changes in sterling holdings as well as holdings of other currencies. Such changes in sterling holdings also affect the currency issue since the Jordan Dinar is 100 percent covered by sterling. Foreign exchange holdings could automatically be converted into Jordan Dinars if banks desire. Total holdings were

¹See pp. 136-156.

JD 3.99 millions in 1954 but have dropped to JD 2.35 millions in 1955.¹

F. Money and Banking

1. Currency System:

The present currency unit is the Jordan Dinar which was declared legal tender as of July 1, 1950. The new currency has replaced the Palestine Pound introduced in 1927. The Jordan Dinar like the Palestine Pound is equivalent to one Pound Sterling. As a member of the sterling area, Jordan has its currency 100 percent backed by sterling or British securities and British Treasury Bills.

A Jordan Currency Board of 5 members was established with headquarters in London whose functions is to issue notes to invest the sterling cover in approved British securities, to establish a Currency Reserve Fund for purposes of convertibility of the Jordan Dinar into Sterling, and finally to establish a special Reserve Fund to cover losses incurred in the investment process.²

The effect of this arrangement was that Jordan's currency issue was tied up with the Balance of Payments or rather with its foreign exchange reserves since no Jordan Dinars could be issued except with full backing of sterling.³

¹Ministry of Economy, Economic Planning Unit, Survey of Jordan Economy in 1955, (Amman 1956) p.34.

²Raphael Patai ed. Jordan, (New Haven 1957) p.104.

³Banks could obtain Jordan Dinars at par with sterling automatically by surrendering their sterling earnings to the Jordan Currency Board.

Such a system insures against inflation but makes it more difficult to deal with deflation. If for example foreign reserves were depleted and Jordan wished to meet a deficit on current account then it would have to liquidate part of her sterling cover with a consequent proportional decrease in currency issue. The Government cannot institute inflationary finance since its treasury bills are not acceptable as cover. There is no doubt that the system is rigid, but it is argued that underdeveloped countries do not have the necessary instruments to combat inflationary tendencies and inflation would do little to assist the Jordanian economy.

Currency issue has increased appreciably during the two years of 1954 and 1955 and especially in 1956, reflecting mainly the increased reserves resulting from greater external aid to Jordan both military and economic. The following table 14 shows that the currency issue rose by 85 percent by 1956 as compared with 1950. Of particular interest is the slight increase of currency issue in 1955 over 1954 despite falling agricultural income as 1955 was a bad crop year. Currency issue is one important factor determining money supply, the other is the credit policy of the banks. The credit policy of the banks is tied up with the availability of liquid securities in Jordan, and since these are negligible in the country, banks tend to invest a large proportion of their funds in the London money market.¹ The Government has never

¹See next section "Banking System".

manipulated the money supply since under present monetary practices it does not possess the necessary instruments.

TABLE 14
CURRENCY ISSUE
(JD '000)

End of Year	JD
1950	9,081
1951	9,345
1952	8,761
1953	9,316
1954	12,001
1955	12,931
1956	16,781

SOURCE: Ministry of Economy, Department of Statistics,
Annual Statistical Yearbooks for 1953-1956

NOTE: Currency in circulation equals currency issue less bank cash and Government cash. See table 15.

2. Banking System:

Jordan's banking system is still in the making. The country has no central bank as yet and out of four commercial banks operating there are branches of foreign concerns¹. The Ottoman Bank, a leading foreign bank, is the Government's bank.² The other three banks are: the British Bank of the Middle East, Barclay's Bank, (both foreign) and the Arab Bank (Jordanian). There is virtually no banking legislation and hence the Government exercises very little control over bank

¹A new Jordanian commercial bank to be known as the National Bank was expected to operate beginning 1957. Two foreign commercial banks are soon to operate, the Rafidain Bank (Iraqi) and the Cairo Bank (Egyptian).

²Being the Government's fiscal agent, the Ottoman Bank commands large liquid funds which enables it to act as a banker's bank. But other banks consider it a competitor and are reluctant to rediscount their bills with it, so actually little rediscounting takes place.

operations. In addition to the requirement of procuring a trade licence, the law fixed the maximum interest rate at 9 percent. Rates for short-term commercial credit range between 6 - 9 percent.

Banks cater mostly to the commercial sector. Most of their advances are therefore short-term loans to finance international trade. Long-term credit for industrial and agricultural purpose is scarce.¹ Banks consider such type of credit risky and less remunerative than short-term commercial credit. The absence of a money market in Jordan greatly limits the operation of banks and would impede the proper functioning of a central bank. The liquidity ratio is relatively high. The high cash holdings and deposit with foreign banks are shown in table 15 which gives a consolidated statement of bank assets and currency in circulation in Jordan. It may be noted that advances to the private sector have been rising every year. Thus in 1954 advances to the private sector rose by 10 percent over 1953 and by 31 percent over 1950. Foreign assets have shown a steady growth a reflection of an improved balance of payments position. Because Jordan has few liquid securities, banks are obliged to invest their funds abroad mainly in London. This fact accounts for the substantial proportion of foreign assets as compared with total assets.² Credits advanced to municipalities are

¹Practically the only such credits advanced were those to municipalities and through public bodies with government guarantee. The Arab Bank made small private industrial loans.

²IBRD, The Economic Development of Jordan, Vol.III (under publication) December 1956 pp. 454 - 455.

shown in the table under "advances to public sector" and have been relatively small. The Jordan Government has not so far floated an internal public debt.

TABLE 15
BANK ASSETS AND CURRENCY CIRCULATION
(on December 31 of each year)
(JD '000)

	1950	1951	1952	1953	1954
1. Bills discounted	607	736	740	800	1,167
2. Advances to private sector	2,846	2,719	2,962	3,376	3,722
3. Advances to public sector	48	245	493	497	494
4. Net foreign assets:	2,633	2,217	3,557	4,848	5,443
a. Deposits with foreign banks	3,001	2,659	4,093	5,376	5,856
b. Loans to foreign banks	10	9	113	115	88
	3,011	2,668	4,206	5,491	5,944
c. Less deposits of foreign banks	73	67	62	75	72
d. Less loans from foreign banks	305	384	587	568	429
5. Currency Issue	9,081	9,345	8,761	9,316	12,001
a. Less bank cash	500	984	1,040	774	1,356
b. Less Government cash	23	24	18	17	32
c. Currency in circulation	8,558	8,337	7,703	8,525	10,613

SOURCE: IBRD, The Economic Development of Jordan (under publication) December 1956 Vol.III, p.443.

The volume of deposits is disappointing particularly that of private customers. In 1954, public deposits (including those of foreign agencies) were 43 percent of total deposits while those of private customers were 48 percent. As table 16 shows private deposits were less in each of the four years 1951 to 1954 as compared with 1950. In 1954, private deposits totalled JD 5,760 thousand as compared with

JD 5,989 thousand in 1950. This decline, however, was more than offset by increases in currency issue. So that total money supply showed a rise. Current deposits, in 1954, constituted about 84 percent of total deposits, the rest were time deposits. Private time deposits have expanded steadily during the five years (1950-1954), an indication of the public's response to moderate rates of return. The rate of interest on time deposits varies from 1 to 3 percent depending on the size of the account and the period the deposit is left with the bank.

TABLE 16
COMMERCIAL BANK DEPOSITS
(on December 31 of each year)
(JD '000)

	1950	1951	1952	1953	1954
<u>A. Public Deposits</u>					
Government	2,260	792	2,527	3,420	3,445
Demand	1,806	285	2,414	3,294	3,226
Time	454	507	113	126	219
Other Public Dep-					
osits ^a	555	738	1,232	1,188	1,801
Demand	539	722	1,211	1,055	1,562
Time	16	16	21	133	239
<u>B. Private Deposits</u>	5,989	5,887	4,459	4,974	5,760
Demand	5,228	5,175	3,695	4,026	4,525
Time	761	712	764	948	1,235
<u>C. Bank Deposits</u>	532	603	772	1,040	1,095
Resident Banks	459	536	710	965	1,023
Non-Resident Banks	73	67	62	75	72

TABLE 16 (cont'd)

	1950	1951	1952	1953	1954
<u>D. Total Deposits in Jordan Dinars</u>					
Inc. Resident Bank					
Deposits	9,336	8,020	8,990	10,622	12,101
Excl. Resident Bank					
Deposits	8,877	7,480	8,280	9,667	11,078
a. Demand Deposits	7,646	6,245	7,382	8,460	9,385
b. Time Deposits	1,231	1,235	898	1,207	1,693
<u>II. Deposits in Foreign Currencies</u>					
A. <u>Public Deposits</u>	1	1	1	1	1
B. <u>Private Deposits</u>	24	16	71	55	12

SOURCE: IBRD, The Economic Development of Jordan Vol. III
(under publication) December 1956. p.447

^aIncludes those of Public Services and Public Authorities and foreign and International Agencies.

3. Other Credit Institutions:

As was noted above, agricultural and industrial activities are inadequately provided with long term and medium term credit. As far as agriculture is concerned, farmers who require loans have to resort to private money lenders who charge very high interest rates perhaps as much as 50 percent or more. In cases of default, money lenders sequestered the mortgaged land and by this process the land tended to concentrate in the hands of landlords.¹ The effect on industry is as bad.

¹To prevent such land concentration, the government has decreed a law known as "Protection of Farmer's Law" No.37 of 1953, according to which Miri land (i.e. state land whose heritable right of usufruct possession is granted to the holder for the purpose of cultivation) cannot be sold to pay off debts even if the land is held on mortgage. Whatever the effect of this law on existing debts, it will undoubtedly operate to stop any further extension of agricultural credit by private lenders. Banks also will not accept such type of land as collateral. Most land in Jordan is Miri, held by small cultivators.

The lack of long and medium term credit has been one of the reasons for the tardy development of this sector.

To partially remedy the situation, the Government established two banks. The first, the Agricultural Bank, was established in 1922 with a separate autonomous budget. The Bank derives its loanable funds from annual grants from the Land Tax (and earlier the Tithe Tax), from non-interest Treasury loans and from accumulated profits. The Bank also depends on repayments of its loans. But since the moratorium placed by the government on all agricultural debts, following the severe drought of 1947, the Bank has had to forego this source of capital replenishment for the time being.

The loans have been mainly medium and short term of one to ten years at interest rates varying between 4 to 6 percent. The maximum amount that could be granted is JD 1,000 (\$2,800). In 1954/55, of JD 556,023 available for loans, JD 469,629 were outstanding loans. With its relatively small capital, the facilities of the Bank leave much to be desired.¹

The second official lending institution is the Development Bank of Jordan which is owned jointly by UNRWA and three commercial Banks as the following financial statement of June 1, 1956 shows².

¹UNRWA, Quarterly Bulletin of Economic Development. (Beirut, April 1956) No.13 pp.180-182. See also pp.157 of this thesis.

²UNRWA, Quarterly Bulletin of Economic Development. No.14 (Beirut July 1956) pp.191-192.

Authorized capital		JD 500,000
Capital actually subscribed		480,000
Paid up capital:		
UNRWA	350,000	
Jordan Government	37,500	
Commercial Banks	<u>30,007</u>	
TOTAL:		417,500
Unpaid capital		62,500
Loans outstanding		346,380

The purpose of this Bank is to grant long term loans for agricultural and industrial enterprises particularly those that result in the employment and eventual self-support of refugees from Palestine.¹

As of June 1, 1956, 176 loans were granted of which 160 amounting to JD 239,284, were agricultural. Industrial loans numbered 16 and amounted to JD 107,096. One of the interesting agricultural-industrial loan was for a mobile workshop to repair agricultural machinery on the farm. It is the first of its kind in the country and should result in great benefits and savings to farmers. The period of the loans ranges between 5 to 10 years and the rate of interest is 6 percent.

A third official source of agricultural and industrial credit is the Development Board which has initiated two such programs.² The first, known as the "village agricultural loans and Jerusalem City Loans" started in October 1952

¹This is why UNRWA is the biggest subscriber. The Bank loans have given employment to some 2,000 refugee labourers but has not resulted in ration card withdrawals so far.

²For a discussion of Development Board Budget and Activities see ppl36-56 of this thesis.

with the object of advancing small loans to farmers in the West Bank frontier villages whose lands or other means of livelihood were lost to Israel in 1948.¹ The program was so successful that it was extended to other villages in East and West Jordan and to Jerusalem City.

The West Bank loans are mainly for terracing the hilly lands and planting them with fruit trees and olives. The East Bank loans were mostly for irrigation works such as the purchase of pumps, engines and pipes etc. The Jerusalem City loans include a loan of JD 50,000 to the municipality to enable it to expand the city water supply and many small private loans/^{to}rebuild residential buildings destroyed during the 1948 Palestine War, and to stimulate light industries. Interest on all loans (except that to the Jerusalem Municipality) is 4 percent and the period is from 4 to 10 years depending on type of loan. The interest on the Jerusalem Municipality loan is 3 percent and the loan is repayable in 15 years.

Total loans granted until March 31, 1956 totalled JD 1,145,009 of which JD 991,974 were to villages and JD 153,035 to Jerusalem.²

The fourth official source of credit sponsored by the Development Board but under the direction of the cooperative Department of the Ministry of Economy, is the Cooperative

¹For further details, see Ibid. pp. 132-135. See also pp.

²These figures exclude administrative costs. Hence, they differ slightly from figures given in Development Budget.

Societies.¹ The Cooperative movement in Jordan began in 1953-54 and aimed at reviving rural thrift and credit cooperatives which existed in West Jordan during the mandate (in Palestine) and to promote new ones in East Jordan. In 1954-55, other forms of cooperative societies have developed, such as urban thrift and credit cooperatives and agricultural societies. The loanable funds are provided by the Development Board in annual allocations² to which should be added repayments by loan recipients. Loans are for short-term periods from 9 to 14 months. Up to 31 March 1956, there were 125 societies with 5,682 members; and total loans granted amounted to JD 163,077.

Of the non-official sources of credit, there are the U.S. International Cooperation Administration Mission to Jordan (previously Point 4) and the United Nations Relief and Works Agency (UNRWA) for Palestine Refugees.³ The latter was already mentioned in connection with the establishment of the Development Bank and was shown to own 83 percent of the paid up capital. The second activity connected with UNRWA does not involve loans but rather outright grants to refugees who have some means of livelihood and who require a little extra financial assistance to set them on the road of self-support.⁴

¹Ibid. pp.135-136. See also pp.144-145.

²See Development Budget pp. 136-156.

³Both of these organizations work in close cooperation with the government under special agreements.

⁴UNRWA, Ibid. pp.200-201

Each qualified refugee is paid up to JD 150 which he ought to use to supplement the capital needs of his enterprise whether that be agricultural, industrial, housing or commercial. Up to the 30 June 1956, UNRWA approved 212 grants involving commitments of JD 252,678 of which JD 147,000 were paid out.

The US./ICA Mission to Jordan has made three types of loans. The first type was to hotel owners to renovate and improve their service facilities as part of a program to improve the tourist trade.¹ Through June 1956, 15 loans were made totalling JD 64,469, of which 12 were in Jerusalem, 2 in Ramallah and one in Bethlehem. The interest rate ranges between 3 to 4 percent annually and repayments are scheduled over 5 to 10 years.

The second type of loans, known as "community loans" is to provide long term non-interest loans to municipalities and village councils.² The loans are from 8 to 10 years and are for civic improvements. Through June 1956, 39 loans were made amounting to JD 78,000.

The third type of loan was made to assist the fostering of new small industries.³ A sum of \$100,000 (JD 35,714) was allocated and deposited with the Chase National Bank of New York in July 1954 to serve as a guarantee for funds loaned by the Arab Bank. Under an agreement, the Arab Bank loans from its own funds at 6 percent annually for periods ranging from 2 to 5 years and in amounts ranging between JD 250 and

¹Ibid. p.175

²Ibid. p.175

³Ibid. pp.176-177

and JD 5,000. Through June 1956, 40 loans were made to a wide variety of business, totalling JD 37,075.

G. Public Finance

Since the large part of this thesis deals with public finance and fiscal policy covering the period 1950 to 1957, it is appropriate that in this section a brief account of past conditions be given.

1. Past Conditions:

It was observed earlier in this chapter that Jordan formed a part of the province of Syria and was given to Emir Abdullah to rule, perhaps to fulfil in part the promises which Britain had made to Sherif Hussein, (Abdullah's father) of Mecca for revolting against the Turks in 1916. Transjordan was inhabited at that time by bedouin tribes and small town-dwellers whose sense of government was greatly prejudiced by centuries of Ottoman misrule. So much so, were the people suspicious of the Ottoman administration's intentions that they blocked them whatever their purpose. Except for constructing the Hejaz Railway (opened in 1904) which was largely financed by private contributions, the Ottoman administration did little to gain the sympathy of the people or improve their lot. The bedouin tribes resented any form of authority and were left very largely on their own which meant that they freely carried out their raids against each other as well as against the town-dwellers. In short, the condition could be described as chaotic.

The first task of the new government of Emir Abdullah was to establish law and order. This required money to finance

a police force as well as an army. "The finances of the new-born Government were chaotic, and little revenue could be collected until the armed forces could establish order,"¹ writes the recently ousted Commander in Chief of the Arab Legion. The money soon came forth from Britain in the form of a subsidy which has continued until it was amicably terminated on March 31, 1957. In addition to this subsidy, the Jordan tax-payer has been relieved of other burdens including Jordan's share of the Ottoman Public Debt which was repaid by a yearly subsidy of 31,000 sterling pounds for a period of ten years; the granting of 40,000 sterling pounds for a hydrographic survey; the provision of certain public health and public education services financed by foreign religious and charitable institutions.²

The archaic tax system inherited from the Ottoman administration was continued for some years. Gradually, the necessary statistical data was gathered in the light of which certain tax rates were revised, some taxes were abolished and replaced by more equitable taxes and most important taxes were uniformly levied in all parts of the country.

There were four important direct taxes:³ (a) The land tax, first introduced in 1953, replaced three agricultural taxes

¹Brigadier John Bagot Glubb, The Story of the Arab Legion, (London 1948), p.60.

²A. Konikoff, Transjordan - An Economic Survey, (Jerusalem), pp.94-95.

³Ibid. pp. 88-91.

imposed by the Ottoman administration namely the Tithe, the Werko and the Road tax. (b) The Animal tax was retained but was reformed and enforced in 1929, (c) House and Land tax, first applied in 1928, was to replace the urban Werko. It is a tax on the rental of buildings and lands within municipal areas. (d) An Income Tax was first introduced in 1933 and was to replace an old Turkish vocational tax known as "Tamattu". The Income Tax was originally levied on employees but was later extended to all other professions and trades.

Indirect taxes included the following:¹ (a) Customs duties; (b) Excise duties which were collected on tobacco manufacture, wines and spirits.² (c) Stamp duty as it existed during the Ottoman administration continued until 1936 when Transjordan introduced its own stamp duty law which required the affixing of stamps on various documents.

2. The Budget:

For purposes of comparison with modern times and to show the slow progress in government activity, two fiscal years were singled out for presentation:³ The pre-First World War year 1938/39 and the pre-Palestine War year 1947/48. As table 17 indicates, total revenue in 1938/39 was LP 529,613 of which LP 139,778 or 26 percent were grants-in-aid from Britain. By contrast, total revenue in 1947/48 was LP 4,195,932

¹Ibid. pp. 92-94

²Under Ottoman administration tobacco manufacture was a state monopoly but this was abolished and private industry grew.

³The unit of currency circulating in Transjordan was the Palestine Pound (LP).

of which LP 2,108,887 or 50 percent were grants-in-aid. Thus local revenue over the ten year period under comparison rose by a little less than 5 times whereas the grants-in-aid rose by about 14 times. This clearly indicates that the expansion of total receipts were more due to outright grants from Britain than through a rise in national income and economic activity. The figures also indicate that as Transjordan slowly developed, its reliance on foreign assistance has been heavier than what would be expected. Undoubtedly part of the increase in local revenue was due to rising prices during the war.¹ The main sources of revenue, apart from the British grant, were from "Customs and Excise," which appreciably increased from LP 127,703 in 1938/39 to LP 929,207 in 1947/48. Next follows "Licences and Taxes" in which are included the direct taxes. But these have always been of less importance as a source of revenue. Indirect taxes then, as they are now, were the basis of the revenue system.

On the expenditure side, the increases were equally remarkable. In the ten year period, expenditure rose from LP 538,718 in 1938/39 to LP 3,661,298 in 1947/48, almost a sixfold increase. A large portion of this rise, unfortunately, went to security. Thus, while in 1938/39 security's share was 37 percent of total actual expenditure in 1947/48 this percentage rose to 67 percent as table 18 shows. Justice, health

¹No price indices of any sort are available for this period to show how much was the real increase.

and education had a lower share in 1947/48 (3 percent) as compared with 1938/39. If account be taken of the rise in prices, then the absolute level of expenditure in real terms is perhaps not very different in 1947/48 than it was 10 years ago.

TABLE 17
DISTRIBUTION OF TOTAL REVENUE
(in LP)

Type of Revenue	1938/39	1947/48
Customs and Excise	127,703	922,207
Licences and Taxes	137,649	418,400
Courts and Departments fees	45,606	164,442
Revenue from State Property	3,952	6,552
Other Receipts	12,205	454,599
Sale of State Domain	3,568	2,789
Grants-in-aid	139,778	2,108,887
Reserve Fund	59,152	111,056
TOTAL:	529,613	4,195,932

SOURCE: Ali Dajani, Lectures on the Economy of Jordan (in Arabic, Arab League Publications, 1954) pp.10-11, based on the records of the Ministry of Finance for 1938/39 and the Department of Statistics, Annual Statistical Abstract 1950 for 1947/48.

Another shortcoming of the fiscal system shown in this table is the low expenditure on economic activity which includes public works, agriculture, finance etc. The proportion of expenditure on economic activity fell from 23 percent in 1938/39 to 8 percent in 1947/48. In other words, these figures reflect the little interest shown by the national government and its British advisers during this period towards the economic development of the country. The result, of course, was that economically speaking, the country remained backward, weak

and dependent on the British subsidy. This state of affairs was intensified and exposed following the Palestine catastrophe of 1948.

TABLE 18
SUMMARY OF EXPENDITURES
(in LP)

Type of Expenditure	1938/39	Percent of total	1947/48	Percent of total
Administration	149,808	28	787,584	22
Justice, health and education	69,306	11	108,351	3
Security	195,915	37	2,465,817	67
Economic Activity	123,689	23	299,546	8
TOTAL:	538,718	100	3,661,298	100

SOURCE: Same as table 17.

CHAPTER II

BUDGETARY STRUCTURE AND MANAGEMENT

The role of the Jordan Government in mobilizing the country's resources for a rapid rise in production and employment has been greatly magnified in recent years. Commensurate with this increased responsibility should be a growing awareness of the significance of budget accounting, classification and execution. This field of fiscal administration however has had little attention from the authorities, a situation which renders the task of measuring and evaluating the effect of Government activity on the economy rather difficult.

A. Budget Structure and Classification:

Nearly all financial activities of the Central Government are reported in the General Budget. Jordan has a few autonomous budgets including those for the Agricultural Bank, Aqaba Port, the Jordan Hejaz Railway and the Municipalities.

Beginning with the fiscal year 1953/54, the General Budget has been divided into three parts, which segregate expenditures according to the source of revenue. Each of these parts is separately administered and draws its funds from different sources including foreign sources. This broad division of the General Budget necessitated by peculiar circumstances, convey the idea of disunity of the Budget and may impair efficiency of budget management.

Part I covering the Regular Ministries Budget is financed entirely from internal resources, such as taxes, fees

and other local revenues.¹ Deficits in this budget are met by drawing upon the Reserve Fund. Part 2 covering the Military Budget was financed almost entirely by the United Kingdom until the treaty providing for these grants-in-aid was terminated effective March 31, 1957. Some member states of the Arab League have made contributions to the Military Budget in 1953/54 and 1954/55. At the termination of the Anglo-Jordan treaty, the annual British grant will be substituted by an annual grant of JD 12.5 million shared among Egypt (JD 5 million) Saudi Arabia (JD 5 million) and Syria (JD 2.5 million)² in accordance with a treaty among the four countries signed in Cairo in January 1957. Part 3 covering the Development Budget of the Development Board (established in April 1952) is financed entirely by British loans. The abrogation of the Anglo-Jordanian treaty does not preclude the possibility of Jordan's obtaining additional British developmental loans.

Before 1953/54, there was no such division of the General Budget. But the Military expenditures had always been separately administered and the Ministry of Finance kept no records or accounts of the military funds. It, however, received at the end of the fiscal year, summary statements of expenditures which always matched the receipts. Any surplus, was kept in a

¹Except for the one million Dinar British loan for economic development in 1950/51 before the Development Board was created.

²It was reported that Saudi Arabia paid Jordan 2.5 million sterling in the Spring of 1957 and promised to pay the balance of 2.5 million sterling in the fall. Egypt and Syria have not to date honoured their obligations. In the meantime the U.S. offered Jordan two grants of \$10 million each one on April 29, 1957 and the other on June 30, 1957. It was not stated, however, for what purpose the grants were.

special account by the Arab Legion outside the Treasury Reserve Fund. For purposes of this thesis the three-fold classification was adopted for the two previous years to facilitate trend comparisons.

In discussing the classification of receipts and expenditures reference only to Part I will be made since the other two parts are budgets of a special character. The classification of receipts and expenditures in Part I reflect financial administrative convenience rather than the economic nature of government activity. Such a presentation of the budget accounts are inadequate as a guide to economic policy formulation. Receipts are divided into 10 chapters representing the following major groups of revenue: Customs and excise; Licences and taxes; Courts and Departments fees; Posts, telegrams and telephones; Revenue from state domain; Interests and profits; Miscellaneous revenues; Advances other than temporary; Air force tax deposits; and repayment of loans.

The expenditure side is divided on a functional basis. Each ministry and department has its own allocations. Certain expenditures like rents on buildings which should normally be charged to each ministry or department, have been lumped in the accounts of one ministry and in this instance it was the Ministry of Public Works. This, of course, unduly inflated the allocations to this ministry and conveyed the wrong impression about the magnitude of its activities. However, such irregularities have been recently corrected. In addition to this

functional division, the expenditure side is divided into two broad groups: ordinary expenditures, i.e. expenditures to be met annually and extra-ordinary expenditures, i.e. expenditures of a non-recurrent nature. In recent years, most of the extra-ordinary expenditures have been capital expenditures. This broad division has been a great help in segregating the capital expenditures.

B. Budget Preparation and Execution¹

The procedure of preparing and executing the General Budget differs for the three parts. In the case of the Regular Ministries budget, expenditures estimates are prepared by the heads of the departments concerned during the month of December and are submitted to the Minister of Finance. A discussion between the Minister of Finance and the head of each department follows during which the Minister (with one eye on receipts) tries to reduce expenditures to the minimum unless there is good justification for the requested expenditure. The estimates are referred to the Council of Ministers for a final decision. The receipts estimates are prepared by the Minister of Finance himself on the basis of the actual receipts of the past nine months as well as the actual receipts of the previous fiscal year less five percent for contingencies.² Changes in the laws or other factors affecting the receipts are of course taken into consideration. After the estimates of receipts and expenditures are prepared, the Minister of Finance presents

¹Fiscal years begin April 1.

²During the period under review this procedure has led to an underestimate of receipts.

the budget to the Council of Ministers for their approval. By the end of February the Council of Ministers, after introducing the necessary amendments, will have approved the Regular Ministries budget and returned it to the Ministry of Finance for printing.

The preparation of the Military and the Development budgets is preceded by negotiations in London during November or December to determine the extent of the aid for each. The discussions cover not only the aggregate aid but also the breakdown of expenditures on which the aid will be disbursed. Thus, once these have been agreed upon, major changes in the future will have to have prior sanction of the British Government.¹ By February, the Council of Ministers return all three parts of the General Budget to the Ministry of Finance for printing. About March 1, the General Budget is presented to Parliament in a special session during which the Minister of Finance delivers his traditional speech on the budget and economic conditions in general.

Parliament refers the General Budget to its Parliamentary financial committee. This committee studies the budget and submits a report to Parliament embodying its comments. According to the Constitution this Committee can recommend to Parliament reductions in expenditures but not increases. In

¹A limited measure of flexibility is given to the Development Board by permitting it to re-allocate funds among the projects up to 15 percent of the amount under one heading. Re-allocations between different projects must receive prior British approval.

the majority of cases the budget is approved with but few amendments.

Upon the approval of the budget by Parliament a "general financial authority" (actually prepared by the Minister of Finance) is issued by the Prime Minister to the respective departmental heads authorizing expenditure.¹ Under the financial regulations, departmental heads can spend only half their allocations during the first half of the fiscal year. They do this by means of a "financial allocation". For the second half of the fiscal year another "financial allocation" is issued. Exceptions are made where the nature of the activity is such that the whole allocation must be spent during the first half of the fiscal year. In this case the "financial allocation" authorizes expenditure of the whole appropriation during the first half of the fiscal year. Activities of this nature include road building which is carried out in the summer season. Heads of departments are not permitted to commit any sums beyond their allocations. Transfers within the chapter are permitted provided they offset one another. An excess of expenditure over and above the allocated sum or the re-allocation of funds between chapters requires Parliamentary approval by law and is referred to as supplementary budget.

C. Budgetary Control

To ensure accountability for the receipt and expenditure

¹These financial regulations do not apply to the Military budget and the Development board budget each of which has separate accounts and spending procedures.

of public funds, the Government established on June 1, 1952 the Auditing Department. It is an independent body directly reporting to Parliament and responsible to it. So far five annual reports have been submitted to Parliament by this agency.

Enforcement of accountability is achieved by a post-audit i.e. control after the payment of Government obligations. Thus about one year after the lapse of the fiscal year the Ministry of Finance presents its closed accounts¹ to the Audit Department which in turn carries an examination of documentation for each step in budget execution. This does not mean that it necessarily covers all transactions, although in certain cases it does. Its post-audit extends to the verification of legality of individual transactions, the accuracy of the accounts and the disclosure of fraud. Its jurisdiction embraces not only the accounts of the Central Government, but also a host of public bodies whose accounts do not appear in the General Budget including the accounts of Municipalities and Village Councils.

The wisdom of establishing the Audit Department is evidenced by the great number of contraventions committed by the various ministries and departments and reported to Parliament

¹The formal closing of accounts are delayed six months after the end of the fiscal year in order to permit for the payment of obligations incurred during the fiscal year. This procedure delays the publication of the closed accounts and consequently the auditing operation.

in the annual reports. Despite the efficiency with which this Department is carrying out its work, its controlling power is limited by various factors. In order to provide better service, it has embodied in its annual report to Parliament a number of recommendations.¹ First, it requested that the head of the Department be endowed with judicial powers. At present, although it can disclose fraud it cannot prosecute. The Department blames the Executive for being very lenient with violators with the consequence that their number of violations has been increasing. Second, it suggested the establishment of a disciplinary council whose duty is to deal effectively with financial violations referred to it by the Department. Third, it suggested the amendment of its present law so that disputes between it and any Ministry will be resolved not by the Council^{of}/Ministers but by an independent body. Fourth, a deadline should be fixed for the Ministry of Finance to submit its closed accounts to enable the Department to report to Parliament on the fiscal year in question before the close of the following fiscal year.² Finally, the Department requested an increase in its staff from 72 in 1955/56 to 126 members in 1956/57. The Budget for 1956/57 indicates that only 5 new posts have been approved.

¹Audit Department, Fourth Annual Report To Parliament and Fifth Annual Report To Parliament (Amman), in Arabic.

²See footnote 1 on p.71.

CHAPTER III

GROWTH OF PUBLIC RECEIPTS AND EXPENDITURES

This chapter will be devoted to the examination of the General Budget as a whole to the exclusion of the autonomous budgets and those of the municipalities. These autonomous budgets will be dealt with under/^aseparate chapter.

Table 1 shows aggregate receipts and expenditures of each of the three parts of the General Budget for a period of seven years from 1950/51 to 1956/57. Closed accounts are shown through 1954/55 and estimates thereafter.

In 1954/55, the General Budget absorbed about 33 percent of national income, a relatively high proportion for a country whose per capita income is low. Other things being equal, this would indicate a high tax burden on the inhabitants. On the other hand, local taxation is light and at least about half of this apparent burden is shifted abroad on account of the substantial aid which Jordan annually receives.

A. Receipts

Total receipts and expenditures have expanded tremendously during the period under review¹ (see table 1). Between 1950/51 and 1954/55 (the latest closed accounts year) receipts expanded by 52 percent. Since average wholesale prices in 1955 were presumably not significantly different from those in 1950,

¹ The increase would have been more marked if all autonomous budgets were included. Up to date information is not readily available on all these budgets.

the expansion is therefore in real terms.¹ Foreign contributions account for about half of this expansion while the remainder was collected domestically. The expansion in domestic receipts was caused by two main factors: the imposition of new taxes and a moderate rise in national income. A third possible factor, the improvement of tax collection methods, is not easily measured.

In 1954/55, foreign contributions accounted for 58 percent of actual total receipts. Of this foreign contribution only 12 percent was used for development, the remainder was for military purposes. Development expenditure from foreign funds are supplemented to a lesser extent from domestic funds. Jordan's heavy reliance on foreign aid is phenomenal and exposes its economy to uncertainties and instabilities.

B. Expenditures

Expenditures have expanded as well, but have kept pace with receipts despite the urgency and need for greater public expenditures. However, the Government has not yet resorted to

¹ There is no official wholesale price index for Jordan. A "cost-of-food index" compiled by UNRWA and based on October 1950 = 100 shows the following indices: 1951, 138.7; 1952, 137.5; 1953, 114.2; 1954, first 6 months, 102.8 (thereafter index discontinued). A simple index of wholesale prices at Amman compiled also by UNRWA and based on March-December 1952 = 100 shows the following indices: 1953, 95.0; 1954, 91.7; 1955, first 6 months, 81.2. See UNRWA, Quarterly Bulletin of Economic Development No.13 (Beirut April 1956) p.144 footnote 1.

TABLE I
SUMMARY OF GENERAL BUDGET
('000)

	Closed Accounts					Estimates	
	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
EXPENDITURES							
<u>Part 1.</u>							
Regular Ministries Budget,							
Ordinary	3,499	4,594	4,323	4,324	4,318	5,273	7,054
Extraordinary	1,366	1,297	1,153	250	1,471	1,700	1,905
Total	4,865a	5,891	5,476	4,574	5,789	6,973	8,959
<u>Part 2.</u>							
Military Budget							
Ordinary and Extraordinary	4,393	7,200	7,314	3,317	3,351	3,197	12,272
<u>Part 3.</u>							
Development Budget of							
Development Board	-	-	570	1,102	1,221	2,320	2,250
Grand Total	3,763	13,791	13,433	15,391	13,560	13,202	23,131
RECEIPTS							
<u>Part 1.</u>							
Regular Ministries Budget,							
Ordinary	5,203b	5,460	5,572	5,767	7,435	3,630	7,944
<u>Part 2.</u>							
Military Budget							
Grants-in-aid from U.N.	4,323	7,200	7,314	3,537	3,420	3,350	11,203
aid from Arab League	-	-	-	440	531	-	-
Total	4,323	7,200	7,314	3,977	3,951	3,350	11,203
<u>Part 3.</u>							
Development Budget,							
Development loans from U.N.	-	-	570	1,132	1,221	2,320	2,250
Deficit (-) or Surplus (+)	+1,123	-1,131	+23	+552	+1,103	-1,252	-1,773
Grand Total	10,026	13,721	13,433	15,391	13,561	13,202	23,131

SOURCE: All figures on General Budget receipts and expenditures in this thesis are from: the Ministry of Finance, Annual Report of the General Budget and the Audit Department, Annual Report to Parliament for closed accounts; and from the Ministry of Finance, General Budget Law (annual) for budget estimates. (Amman)

- a. East Jordan JD 4,243,573 (including grant of JD 761,273 to West Jordan) and West Jordan JD 1,334,143.
- b. East Jordan JD 5,333,254 including one million dinar loan from U.N.; and West Jordan JD 1,361,953 of which JD 524,432 are local West Jordan receipts; JD 761,273 are grants from East Jordan; and JD 75,433 are a loan from East Jordan from outside the East Jordan General Budget.

deficit financing which may be dangerous for Jordan since it still relies on imports for a large proportion of its finished consumer goods. If the country does not have access to sufficient foreign exchange, resources deficit financing may run off into higher prices and inflation.

The rapid expansion of expenditures was necessitated by three main factors: First, the Palestine War of 1948¹ which resulted in a large expansion of military expenditures which rose from JD 1.5 million in 1946/47, to JD 4.9 million in 1950/51, to JD 8.95 million in 1954/55 and to an estimated JD 12.3 million in 1956/57. External and internal security expenditures (JD 8.95 million and JD 1.26 million respectively) accounted for 61.6 percent of total actual expenditures under the General Budget in 1954/55. On a per capita basis, expenditure on internal and external security in that year would be JD 7.2 i.e. about 20 percent of per capita national income. Second, the influx of nearly 425,000 refugees from Israel and the annexation of what is now West Jordan has trippled the original population of the country. Such a tremendous

¹During and after the Palestine War of 1948, West Jordan was under Jordan Military control with its administration under a civil governor until it was unified in April 1950. It had a separate budget through 1950/51; the deficit in its budgets was met by subsidies from the Jordan Government. The first consolidated budget for East and West Jordan was the General Budget of 1951/52. For purposes of comparison in this thesis the East and West Jordan budgets for 1950/51 were combined after eliminating duplications.

expansion of population required the expansion of Government services in its various forms. The Government was partly relieved from the responsibility of caring for the refugees since UNRWA provides them with food rations, shelter, medical and educational services. On the other hand, the refugees as well as the impoverished population of West Jordan were able to contribute only a small proportion to the cost of Government services by taxation. The inhabitants of East Jordan whose income was also drastically reduced as a result of the impact, were less able to support the expanding needs of the Government. Foreign aid on a large scale was indispensable in order to save half the population from starvation. In fact, it was timely foreign aid that has changed the picture and pulled the economy from stagnation.

The third factor that necessitated such a tremendous growth in public expenditure is the long range fiscal policy launched by the Government and aimed at raising the national product, employing the surplus population and reducing the deficit in the trade balance. The Government also hopes that ultimately as a by-product its reliance on foreign aid will be greatly diminished and even eliminated. Indirectly, developmental measures are expected to combat the deflationary trend from which Jordan suffers which is mainly due to repeated crop failures and ^aheavy import surplus. This developmental policy is in its initial stage but the results so far have been gratifying. Yet to achieve the objectives set forth means heavy

expenditures on developmental investments in much greater proportions than has hitherto been the case. Internal financial resources being what they are, initially Jordan will have to procure the necessary funds from abroad. There are various sources for international lending including the International Bank for Reconstruction and Development, the British Government and the U.S. Government. Jordan at present is trying to get aid from all these sources.

C. Reserve Fund

The Reserve Fund is intended to provide the General Budget with some elasticity. Surpluses in the General Budget are credited to, and deficits are debited to the Reserve Fund. It seems that the Government's objective has been to accumulate a yearly surplus despite the contemplated deficits in each Budget estimate. For instance in 1954/55, budget estimates showed a deficit of JD 941,000. Instead of ending with a deficit as was foreseen, that fiscal year was closed with an actual surplus of JD 1,106,336. As in most years, this was caused mainly by an underestimation of receipts and to a lesser extent to the failure of certain Government Departments to spend all their allocations. The 1955/56 and the 1956/57 fiscal years are both expected to end up with substantial deficits which if they materialize the Fund will be depleted. But, it would not be surprising if this did not happen. Table 2 shows the statistical position of the Reserve Fund.

TABLE 2
MOVEMENT OF RESERVE FUND
(JD)

Fiscal Year	Reserves at beginning of fiscal year	Indicated surplus(+) or deficit (-)	Reserves at end of fiscal year
1950/51	1,134,180 ^a	+ 1,122,483 ^b	2,256,663
1951/52	2,256,663	- 1,130,487	1,126,176
1952/53	1,126,176	+ 23,076	1,149,252
1953/54	1,149,252	+ 551,909	1,701,161
1954/55	1,701,161	+ 1,106,336	2,807,497
1955/56	2,807,497	- 1,251,612	1,555,885
1956/57	1,555,885	- 1,779,022	

SOURCE: Compiled from Ministry of Finance, Annual Reports, for closed accounts and Ministry of Finance, General Budget Law, for estimates.

NOTE: Fiscal years 1950/51 through 1954/55 show actual surpluses or deficits while fiscal years 1955/56 and 1956/57 are estimates.

^aReported surplus at beginning of 1950/51 was JD 1,178,366 but this figure did not take account of a deficit in the West Jordan budget of the preceding year of JD 44,186 that was met later from Reserves which meant that effective Reserves at beginning of 1950/51 were only JD 1,134,180.

^bThis surplus was the result partly of a carry over of JD 511,000 being the unspent portion of the one million dinar British loan in 1950 for development purposes.

Changes in the Reserve Fund do not necessarily tally with the cash and bank balances of the Treasury. The first reason for this irregularity, as already mentioned, is that the closing of accounts are delayed six months after the end of the fiscal year. The second reason is that the Government conducts numerous below-the-line transactions comprising the deposit or withdrawal of funds by third parties, provisional inter-departmental loans and certain minor receipts and expenditures recorded temporarily below-the-line pending final posting to

budgetary accounts. Such a discrepancy between the Reserve Fund and the cash and bank balances of the Treasury has greatly reduced the usefulness of the Fund as a tool in Treasury management. The cash position of the Government has been as follows (as reported by Ministry of Finance):

June 1954	JD 2.24	million
June 1955	JD 3.25	Million
June 1956	JD 5.16	million
Dec. 1956	JD 5.28	million
July 1957	JD 6.37	million

D. Public Debt

Jordan's public debt is entirely external and is held by Britain. The total public debt outstanding as of March 31, 1957 (in table 3) amount to JD 7.97 million and is expected to increase as new borrowings are made for development. Except for the special loan of JD 500,000 in 1951 all of the loans are interest free and all are for development. The special loan of JD 500,000 was debited to Jordan under a general settlement of financial matters outstanding at the termination of the mandate over Palestine on May 15, 1948. The financial agreement covering this matter was signed between Jordan and Britain on May 1, 1951.¹ This loan carries a 1 percent interest rate and is repayable in 15 semi-annual instalments beginning with June 1954. The Government, however, has not met any instalments to date.

¹Official Gazette, No.1063, 1951. The original debt resulting from this settlement was one million sterling of which half a million sterling was discharged from Jordan's share of the surplus of the Palestine Currency Board.

TABLE 3
JORDAN PUBLIC DEBT

Amount of Debt in JD Million	Date of Transfer	Due Date	Interest Rate
1.0	1950	Not specified	free
0.5	1 May 1951	First instal- ment June 1954	1%
1.5	1952-1953	(In 15 equal an-	free
0.5	1953-1954	nual instalments	free
1.6	1954-1955	(starting seven	free
1.75	1955-1956	years after	free
1.12 ^a	1956-1957	(granting of loan	free

SOURCE: Compiled from Ministry of Finance, Annual Reports,

NOTE: Except for first two loans, actual transfers are effected as need arises.

^aIn 1956-1957, Britain made available JD 2.25 million but only JD 1.12 million were spent by end of financial year.

Since the loans are in sterling, Jordan has been able to utilize the proceeds for payment of imports; and with the proceeds in local currency, it has been able to increase expenditure on development. Repayment of any of the preceding loans is not foreseeable, at least in the immediate future. Jordan's needs for additional developmental loans are enormous and these will have to come largely from abroad.

The Government has negotiated a commercial loan of JD 450,000 from a Belgian company in the form of rolling stock for the Hejaz Railway. This loan will be repaid in 10 equal instalments beginning March 1, 1957.

In addition, there is an indirect public debt in the form of loans to municipalities extended by the Ottoman Bank with Government guarantee. On March 31, 1955, outstanding loans amounted to JD 436,892 plus JD 252,049 representing outstanding drawing rights.¹

The external public debt should be considered against the country's holdings of foreign exchange as reflected in the Balance of Payments,² as well as other financial assets such as the Government's cash position given earlier. Foreign exchange holdings, exclusive of currency cover have increased as follows:

<u>End of Calendar Year</u>	<u>JD Million</u>
1951	2.275
1952	3.506
1953	4.808
1954	6.098 ^a
1955	7.588

SOURCE: R. S. Porter, Jordan Balance of Payments, 1954, (British Middle East Office, Beirut 1955).
Figure for 1955 is from table 12 Chapter I.

^aIncludes JD 0.67 million of foreign exchange held by the Cereals Board.

¹IBRD, The Economic Development of Jordan (draft under publication) 1956, Vol.III. pp. 477-478.

²See table 12 Chapter I.

CHAPTER IV

THE REGULAR MINISTRIES BUDGET - PART I

A. Receipts

Receipts under the Regular Ministries Budget consist chiefly of indirect taxes which usually account for approximately one-half of total receipts; direct taxes account for about 12 percent.

The high proportion of indirect taxes can be attributed to the fact that they are much easier to collect. In Jordan, as in other under-developed countries, there is a reluctance on the part of the local population to pay direct taxes. Further, the lack of adequate financial records by private businesses, renders difficult an accurate assessment of taxes, and the administrative problems of collecting taxes under such conditions are very great. Income tax officials expressed the opinion that businesses pay about 70 percent and salaried people 90 percent of the taxes which they should pay.

Table I shows that the proportion of indirect taxes to total receipts has been rising in recent years whereas the proportion of direct taxes was actually falling. Thus in 1954/55, indirect taxes rose by 0.5 percent over the previous year while direct taxes fell by 1.6 percent. The estimates for the two following years indicate an even greater spread. Since the indirect taxes are levied mostly on commodities for general consumption, the system tends to be regressive.

An administrative difficulty arose from the annexation on April 24, 1950 of West Jordan which had a different tax structure than East Jordan. Taxes in West Jordan were generally on a much higher level than those of East Jordan since West Jordan as part of Palestine enjoyed a much higher per capita income. The budgets for West Jordan and East Jordan were consolidated beginning in 1951/52; and since then unified tax laws have been developed gradually for the entire country.

1. Direct Taxes

This section presents a description of the various direct taxes contained in table 2.

(a) Income Tax:¹

The income tax is the most important of all direct taxes accounting for 38 percent of direct taxes in 1954/55. Annual fluctuations in the yield of this tax probably reflect efficiency of tax collections as much as, or more than, annual changes in the national income. The new income tax law No.12 of 1954 replaced that of 1951² and provides for the taxation of income of persons accruing in or derived from Jordan. Persons in this context include individuals, societies and companies whether limited or otherwise. The new scale is slightly lower than the previous one, a fact which may explain the slightly lower yields in 1954/55 and expected yields in 1955/56, and 1956/57. It is always possible, however, that the yield effect

¹Official Gazette No.1177, April 3, 1954.

²The first income tax law was imposed in 1933 on wages and salaries only. This was supplemented beginning April 1, 1945 by a tax levied on income and profits from businesses, professions and other occupations in Transjordan. See Chapter I, p.61.

TABLE I.
REGULAR MINISTRIES BUDGET: SUMMARY OF RECEIPTS
(JD)

	Closed Accounts					Estimates		
	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	
Total	5,212,743 ^c	5,459,783	5,571,360	5,767,357	7,434,703	6,679,773	7,934,000	
Direct taxes	735,200	835,147	739,897	778,325	822,837	731,000	859,400	
Indirect Taxes	2,579,700	2,536,770	2,536,432	2,399,933	3,793,193	3,619,500	4,429,500	
Tees ^a	533,653	602,134	620,601	632,268	752,217	918,675	835,400	
Miscellaneous Receipts	1,052,102	1,635,704	1,665,880	1,465,333	2,066,456	1,410,803	1,827,700	
Loans	1,000,000 ^b	-	-	-	-	-	-	
Total	5,212,743 ^c	5,459,783	5,571,360	5,767,357	7,434,703	6,679,773	7,934,000	
Percentages								
Direct Taxes	12.4	11.6	13.3	13.5	11.2	10.9	10.7	
Indirect Taxes	48.6	47.4	45.5	50.0	50.5	54.3	55.3	
Tees	9.2	11.0	11.3	11.1	10.0	13.7	10.5	
Miscellaneous Receipts	17.9	30.0	29.9	25.4	27.6	21.1	23.0	
Loans	19.9	-	-	-	-	-	-	
Total	100	100	100	100	100	100	100	

a. This group follows the classification of the Ministry of Finance. A large portion of "Tees" are, from the point of view of shiftability, indirect taxes.

b. This loan was for developmental purposes; since the establishment of the Development Board in April 1952, all subsequent loans were included under the Development Budget.

c. Total receipts for both East and West Jordan (after eliminating counting).

TABLE II

REPUBLICAN MINISTRIES RECEIPTS: DIRECT TAXES

(JD)

	Closed Accounts					Estimates	
	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
Income tax	353,447	323,295	320,114	372,132	347,395	300,000	320,000
Buildings and land tax	54,742	104,344	151,363	151,575	163,517	175,000	175,000
Land tax	33,333	34,332	157,474	116,463	132,600	75,000	125,000
Animal tax	56,253	103,751	103,513	137,432	132,521	100,000	110,000
Social Service tax	-	-	-	-	30,511	30,000	120,000
Toll, tithe and unified taxes	3,030	355	1,723	663	1,023	1,000	400
Direct taxes from West Jordan in 1950-51	123,254						
Total direct taxes	735,333	635,147	733,337	770,325	692,337	731,000	550,400

a. Not reconcilable with above breakdown.

of the new scale may be more than offset by other factors such as higher incomes or efficient collection. The law makes no differentiation between different sources of income so that the tax applies to the aggregate income from all sources (with certain exemptions). The tax is levied on aggregate income or profits from any trade or profession, salaries and wages, rent of lands and buildings, dividends, interest or discounts, and sums realized under insurance against a loss of profits.

In calculating the net income certain deductions from the gross income of the above sources are allowed, as follows: interest paid on capital used in producing the income; rent paid on buildings and lands used in producing the income; the net value of replaced machinery; bad debts; sums paid by the employer to a provident, saving or pension fund; depreciation charges at prescribed rates on factories, buildings, machinery, equipment and furniture; other taxes with the exception of the Agricultural Lands Tax; and expenditures on the repair of factory buildings, machinery and equipment.

The income tax is levied on total annual income from all sources with a special provision for income of companies at the following rates:

5%	on the first	JD 400	of taxable income
7%	" " next	JD 400	" " "
10%	" " "	JD 400	" " "
15%	" " "	JD 400	" " "
20%	" " "	JD 400	" " "
26%	" " "	JD 400	" " "
32%	" " "	JD 400	" " "
40%	" " "	JD 400	" " "

Under the income tax law, a flat rate of 25 percent of taxable income is levied on companies.

Exempt from the tax are his Majesty the King, religious and educational institutions, diplomatic personnel of foreign countries on a reciprocal basis, cooperative societies, income derived from agriculture and animal husbandry, and income of Arab airway companies provided there are reciprocal arrangements. Non-taxable deductions from gross income are provided at the rate of JD 250 for a residence, JD 100 for the wife and JD 25, JD 20, JD 15 and JD 10 for the first, second third and fourth child respectively if they were below 20 years of age. Education allowances are permitted at the rate of JD 200 for each student at the university level. Other deductions include a maximum of JD 150 for life insurance or contributions to approved pensions or provident funds, and all contributions to charitable institutions.

The family allowances, in effect, exempt a great number of the semi-skilled and unskilled labour force from income tax. According to a wage survey conducted in 1954 by the Economic Planning Unit of the Ministry of Economy, the average wage of an unskilled labourer was JD 75 per year while that of a semi-skilled labourer was JD 145 per year.¹ Both these wage levels are below the family exemption limit provided by the law.

The total amount of income tax owed by an individual to the Government is arrived at by the preceding formula. If an individual has already paid tax under the Urban Building and Land tax (as described below) on income derived from rent of

¹These figures obtained in March 1956 are provisional. This wage survey has, however, not been published.

urban building and lands, he may deduct the amount of rent tax already paid from the total amount due under the income tax law in order to avoid double taxation on the rent portion of his income. Further, an individual who owns shares in a company is allowed to deduct from the total income tax owed the amount of tax paid at the 25 percent rate by the company on his shares or have the excess refunded. In this manner double taxation of dividends is avoided.

(b) Urban Buildings and Lands Tax.¹

This is a tax on buildings and lands property within Municipal Areas and areas organized by Local Councils. According to law No.11 of 1954, replacing that of 1951, the tax is levied on the proprietor at the rate of 10 percent of the assessed annual net rental value of buildings and surrounding yards, and 5 percent of the assessed annual net rental value of lands other than yards.² To arrive at the annual net rental value of buildings, a depreciation charge of 20 percent of the annual gross rental value is allowed. The annual net rental

¹Official Gazette No.1177, April 3, 1954.

²Buildings within the walls of the city of Jerusalem are exempt from this tax but pay the Municipal tax on buildings and lands. The previous tax of 1951 imposed a differential tax rate according to whether the property was leased or occupied by the proprietor. Thus the tax rate was 8 percent of the annual net rental value if the building was rented, and 6 percent if it was partly rented and partly occupied by the proprietor, and 4 percent if it was solely occupied by the proprietor. Buildings used as factories paid a rate of 10 percent but were exempt from the tax for the first three years.

value of lands other than yards is calculated on the basis of 6 percent of the market value of the land. Buildings and lands which are occupied by proprietors or are leased free of charge are subject also to this tax. In the latter case the annual net rental value is assessed by a committee appointed by the Minister of Finance. Rent earned by the proprietor is considered as income and is taxable in accordance with the income tax law explained above after deducting any taxes collected under the buildings and land tax law.

The buildings and lands tax would have been regressive if incomes from rents were not taxable in accordance with the income tax law. As table 2 indicates, returns from the buildings and lands tax have been increasing every year in both absolute and relative amounts, a reflection of the construction boom, the higher rents and relatively higher tax rates. In 1954/55, JD 168,617 were collected as compared with JD 104,944 in 1951/52, an increase of 61 percent.

(c) Agricultural Land Tax.

This tax is on agricultural land in rural areas. Until the end of March 1955, East Jordan and West Jordan had different laws. West Jordan followed the Rural Property Tax Law of 1942 under which agricultural land was divided into 16 categories according to fertility. Three categories were exempt from the tax; the other 13 categories paid a rate ranging between 4 and 70 fils per dunum whether the land was cultivated or not.

In East Jordan law No.39 of 1946¹ was in force until the end of March 1955. It applied only to those areas of East Jordan where land settlement was completed.² Unsettled areas paid and still pay (even after the law of April 1, 1955) the unified tax or the tithe as the case may be.³ But as table 2 shows their yield is insignificant. Under the law of 1946, all agricultural lands were subject to a 6 percent tax on the assessed annual yield of the land. Land planted with fruit trees paid an additional tax over and above the 6 percent tax varying with the kind of fruit grown as follows:

<u>Kind of fruit trees</u>	<u>Tax rate in fils per dunum</u>
Bananas	400
Bananas (irrigated by motor pump)	300
Citrus	300
Olives	100
Other fruit (irrigated)	200
Other fruit (non-irrigated)	100
Palm	100
Grapes	40

The tax was assessed by a Special Committee, appointed by the Director of the Lands and Survey Department, before the

¹Official Gazette No.880, 25 December 1946. This tax replaced the land tax of 1933, the unified tax of 1932 and the tithe tax of 1933.

²Land settlement has been achieved in almost all cultivable areas in both East and West Jordan.

³The unified tax is applied to certain parts of the Karak district and the Beni-Hassan tribe where land settlement is still incomplete. The tax is imposed as a lump sum by the Minister of Finance. A committee of four sheikhs is appointed to apportion the tax on a pro rata basis amongst land owners. The tithe tax is applied to unsettled areas other than the Karak district and the Beni-Hassan tribe, the tithe is levied at the rate of 10 percent of the assessed crop value every year.

harvest. The tax valuation lists were dispatched to the highest administrative officers in the various districts for collection. The date of collection and the manner of payment (whether by instalments or not) was determined by the Council of Ministers. In many instances the Council of Ministers permitted the payment of the land tax by instalments over a period of six months. If the actual value of the crop turned out to be lower than the assessed value, the Council of Ministers would reduce the levied tax. The Council of Ministers exercised its right to exempt in years of crop failure (as in 1950/51) any plot of land or district from paying the tax.

Land planted with fruit trees were exempt in the initial stage of planting from the additional tax or both the additional and the land tax. The amount and the period of tax exemption depended upon the kind of fruit trees.

Effective April 1, 1955 a new Land Tax law No.30 of 1955¹ replaced both the Rural Property Tax Law of 1942 of West Jordan and the Land Tax of 1946 of East Jordan. The new tax is levied on settled agricultural lands² and on industrial buildings in rural areas. Lands have been classified for the purpose of the tax into eleven categories and taxed at the following rates:

¹Official Gazette No.1226, 16 May 1955.

²The term "lands" in this context includes all immovable property except industrial buildings.

Category of Land	Description	Annual rate in fils per dunum
1	Land planted with banana	400
2	Land planted with citrus	300
3	Land planted with other fruit	
	(a) irrigated	70
	(b) unirrigated	35
4	First grade, gravity irrigated land	70
5	Second grade, pump irrigated land	35
6	First grade, unirrigated land	30
7	Second grade, unirrigated land	20
8	Third grade, unirrigated land	10
9	Fourth grade, unirrigated land	5
10	Village built up area	Exempt
11	Forests, roads and other public lands	Exempt

A supplementary rural property tax on industrial buildings is levied at the rate of 5 percent of the assessed annual net rental value. Industrial buildings with an annual net rental value of JD 30 or less are exempt.

With this larger land classification which reflects income per dunum the new tax appears to be less regressive than the previous one of East Jordan. It would still be desirable from the point of view of equity to subject agricultural income to the income tax law. This will naturally affect the large earners since the small farmers would naturally benefit from the various allowances provided for the lower income bracket. The new Agricultural Land Tax has, nevertheless, one significant advantage. Whatever its incidence, it will encourage land owners to put their land to its fullest use so as to derive maximum income after taking account of the tax.

Since harvests and prices fluctuate greatly from year to year, revenue from the Land Tax (both the old one and the new)

varies greatly from one year to the next. In 1954/55, a year of good crop, the revenue was JD 152,600 as against JD 94,802 in 1951/52 a year of crop failure.¹

(d) Animal Tax:

This tax is paid by the owners of livestock in accordance with law No.5 of 1952,² which replaced that of 1951.

The rates are as follows:

<u>Item</u>	<u>Annual tax rate fils per head</u>
Camels	200
Oxen	200
Cows	200
Sheep	120
Goats	120
Pigs	200

Oxen used for ploughing, livestock born during the year of counting, and livestock imported after the counting are all exempt from this tax. Proceeds of this tax fluctuate widely, as the number of livestock varies greatly from year to year depending upon weather conditions and prices. In 1954/55, the revenue was JD 132,521 as against JD 108,751 in 1951/52, an increase of about 22 percent. These yields are believed to be below what they should be. Because of the difficulties encountered in assessing the Animal Tax and the great possibility of evasion, bonuses or rewards are granted to those who help in assessing and collecting it. Rewards are also granted to those who notify the authorities of untaxed livestock.

¹It should be noted that the fiscal year does not quite correspond with the crop year. The crop years corresponding more or less to the fiscal years referred to above are 1953/54 and 1950/51 respectively.

²Official Gazette, No.1100, December 16, 1952. The previous Animal Tax Law No.42 of 1951 is published in Official Gazette No.1057, March 1, 1951.

(e) Social Services Tax¹:

This is a new tax law No.89 of 1953 put into effect beginning with the fiscal year 1954/55. It replaced the Zakat Impost of 1944 which was collected from Moslems only.²

The proceeds of the Social Services Tax are earmarked for the following purposes: charity; aid to mosques and churches; expansion of fundamental education; establishment of old age centres; and the establishment of orphanage and reformatory centres. This tax is in the form of a surtax and is collected from the following sources at rates in most cases lower than those specified in the original Zakat Impost:²

On every sheep or goat on which animal tax is collected, 5 fils per year:

On every camel or cow on which animal tax is collected, 20 fils per year:

5 percent of land tax and unified tax:

0.5 percent of value of imports subject to customs duty:

10 percent of income tax.

In 1954/55, the year in which the law was put into effect, JD 90,611 were collected on the basis of the above rates.

¹Official Gazette No.1164, December 16, 1953 and amendments in Official Gazette No.1179, April 17, 1954.

²The former Zakat rates were: 10 fils per head on sheep and **goats** and 50 fils per head on cows and camels, which are liable for the animal tax; 2.5% of the income tax; 0.5% of the value of dutiable imports; and 10% of land tax; according to Official Gazette No.810, December 9, 1944. Revenues from the Zakat Impost were not included in the Budget.

2. Indirect Taxes

Indirect taxes are the most prolific source of Government revenue. Table 3 shows that the proportion of indirect taxes to total domestic receipts was 50.5 percent, a ratio higher than in any previous year. The trend seems to indicate that their importance as a source of revenue is even growing. The reasons for the Government's recourse to indirect taxation is two fold. First, they are easier to assess and collect. Second, they offer the least irritation as far as public sentiment is concerned. The most important indirect taxes are: Customs Duties; Air Force Tax; Excise Duties; Revenue Stamp Tax; and the National Guard Tax; all of these taxes are described below.

(a) Customs Duties: Customs Duties are the largest single domestic source of Government revenues. Of total indirect taxes, Customs Duties accounted for 59 percent in 1951/52; 57 percent in 1952/53; and 60 percent in each of 1953/54 and 1954/55. This high ratio will almost certainly continue at least in the immediate future. As compared with total domestic revenues in 1954/55, Customs Duties accounted for 30.4 percent.

Tariff rates were completely revised and put into force in February 1954.¹ In February 1955, many tariff rates were

¹Official Gazette No.1170, February 1, 1954. Prior to this, the Tariff Law of 1936 prevailed; this was based on the League of Nations Standardized Nomenclature. It consisted of 554 items and sub-items of which 308 were ad valorem rates of duty and 171 specific rates; the rest were items free of import duty subject to certain conditions. See A.Konikoff, Transjordan: An Economic Survey (Jerusalem 1946) p.92.

TABLE III
REGULAR MINISTRIES RECEIPTS: INDIRECT TAXES
(JD)

	Closed Accounts					Estimates	
	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
Customs duties	1,500,000	1,534,700	1,439,000	1,727,400	2,200,000	2,200,000	2,300,000
Excise duty on tobacco	122,400	170,000	170,000	170,000	217,711	200,000	240,000
Extra duty on imports	170,000	151,000	100,000	100,000	200,000	200,000	200,000
Inspection fees on imports	97,700	90,000	101,000	100,000	100,000	110,000	150,000
Inspection fees on exports and export tax	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Bandrol tax on matches	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Bandrol tax on cigarette paper	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Excise duty on alcoholics	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Bandrol tax on playing cards	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Excise duty on salt	10	10	10	10	10	10	10
Revenue stamp tax	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Cinema films tax	-	2,000	2,000	2,000	2,000	2,000	2,000
Air force tax	400,000	510,000	400,000	400,000	400,000	400,000	400,000
National guard tax	-	-	-	-	-	-	-
Indirect taxes from West Jordan in 1950-51	40,000	-	-	-	-	-	-
Total indirect taxes	2,570,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000

a. Not reconcilable with above breakdown.

raised by 5 to 10 percent over the original rate on commodities that were either competitive with local industries or that were considered as luxuries. Most of the rates are ad valorem and they average about 20 percent of the CIF value of the imported goods. Some essential goods, such as agricultural and industrial machinery, live animals, raw materials, fuel oils, fertilizers, insecticides etc., are exempt from duty. On the other hand, luxuries, such as passenger cars, alcoholic beverages, weapons and certain textiles were subjected to high tariffs between 25 and 35 percent. High tariff rates were also imposed on certain vegetables and fruit (fresh and canned) to protect local production. Raw tobacco and manufactured tobacco are subject to relatively high specific duties for both protective and revenue purposes. Tobacco leaf pays JD 1 per kilogram. Alcoholic beverages are also subject to a specific duty ranging between 40 fils per liter on beer to 400 fils per liter on whiskey. The higher tariff rates are expected to yield increasing revenues from 1955/56 as compared with earlier years. Preferential rates are granted to the Arab countries members of the Arab League who have ratified both the Inter-Arab Trade and Transit Agreement and the Inter-Arab Movement of Capital Agreement.¹

¹See Chapter I pp. 37-39 for a discussion of these Agreements as well as other preferential bilateral agreements between Jordan and some Arab countries.

Broadly speaking the tariff rates proper are less regressive than might appear at first glance. First, the staple commodities consumed by the poor are either customs free or bear a low tariff. For example, wheat, barley, dates and livestock are duty free; rice is subject to a 5 percent rate; and tea, coffee and sugar have relatively moderate rates (11-12 percent). Second, relatively high tariffs are imposed on luxuries which are much too expensive to be bought by the poor. Furthermore, it might be argued that protective tariffs assist the poor since they assist home industries and, therefore, increase employment and the income of wage earners.

However, what makes the import duties unduly excessive are the host of additional surcharges under various taxes as well as certain import fees described presently. In addition to the regular tariff duties, all imports pay an extra duty of 2 percent which is recorded in the Budget (see table 3) under "Extra duty on imports".

(b) Air Force Tax:¹ The original purpose of imposing this surtax was to finance the Jordan Royal Air Force. Receipts from this surtax were recorded separately as a deposit for the Arab Legion Air Force. But beginning with 1953/54, the Arab Legion Air Force account was transferred from the Regular Ministries Budget to the Military Budget and until March 31, 1957, was being financed by grants from Britain.² The tax

¹Official Gazette No.944, May 15, 1948.

²See Chapter V pp. 131-135.

itself was continued as an important source of domestic revenue. In 1954/55, revenue from this tax amounted to JD 649,409 or 17 percent of total indirect taxes. According to regulation No.2 of 1950¹ the Air Force Tax is collected from various sources as a surtax at the following rates:

- (1) 1 percent of the FOB value of exports;
- (2) 2 percent of the CIF value of imports (since February 1, 1955 imports of Arab origin pay 1 percent while other imports pay 2.5 percent);
- (3) 20 percent of excise duty on tobacco;
- (4) 20 percent of excise duty on alcoholic beverages;
- (5) 20 percent customs duties according to tariff rate on all kinds of alcoholic beverages, tobacco and matches;
- (6) 10 percent of customs duties according to tariff rate on kerosene and benzine;
- (7) A surtax on telephones;
- (8) Certain other specified taxes;
- (c) Excise Duties: are collected on locally (but not imported products, as these are subject to customs duties) manufactured tobacco, alcohol, alcoholic beverages, matches, cigarettes and salt, at rates which are naturally lower than customs duties on similar imported goods.

In 1954/55, excise duties collected amounted to JD 242,179 of which levies on tobacco (including cigarettes) accounted for 90 percent of this total. The rates were as follows:

¹ Official Gazette No.1023, March 1, 1950.

<u>Item</u>	<u>Tax rate</u>
Cigarettes	500 fils per 1 kilogram
Cut tobacco	350 fils per 1 kilogram
Arak and Cognac (100 GayLussac at 15° Centigrade)	56 fils per liter
Wine containing 25 percent alcohol	10 fils per liter
Pure alcohol (100 GayLussac at 15°C)	50 fils per liter
Methyl alcohol (not less than 85 GayLussac)	10 fils per liter
Alcohol (100 GayLussac) transported from an alcohol factory to an alcoholic beverage factory	10 fils per liter
Matches (in boxes not exceeding 10,000 matches)	100 fils per box
Matches (in boxes exceeding 10,000 matches)	100 fils for each additional 10,000 matches
Salt	1 fils per kilogram

(d) Revenue Stamp Tax. This tax is levied under law No.27 of 1952¹ - which replaced that of 1951. It is levied by fixing revenue stamps on certain documents and statements listed in the law. To avoid their re-use, stamps fixed on documents must be cancelled either by signature or by some other crossing. Non-cancellation of revenue stamps is penalized by law. The person liable for the duty is the one who prepares the document unless it is prepared by a government department in which case the duty falls on the beneficiary. A penalty charge of five times the original stamp tax is imposed when documents, subject to stamp tax, are discovered without the appropriate stamp being affixed. Such documents without stamp tax are not legal evidence in any court except criminal courts. The stamp

¹Official Gazette No.1105, April 16, 1952. There are two amendments to this law published in Official Gazette Nos. 1130 and 1158, January 1, 1953 and July 1, 1953 respectively.

tax is either proportional to the amount mentioned in the document or a flat rate specified in the law. The proceeds of this tax are relatively low because of the low rates and their frequent evasions. However, since the enactment of the National Guard Tax law (below) the Revenue Stamp Tax was raised by 50 percent.

(e) National Guard Tax. This is a new tax, effective since December 16, 1954, to raise funds for the National Guard. Under the National Guard tax law No.33 of 1954 and its amendments¹, the tax is collected from various sources at the following rates:

JD 1 on every ton of cement produced by the Jordan Cement Factories Limited.

50% of revenue stamp tax to be added on all documents and statements in accordance with the revenue stamp tax law mentioned above. The Arab Legion is, however, exempted from this obligation. From both this additional levy and that collected from the revenue stamp tax law, 30% is allotted to the National Guard.

A levy on cigarettes: 10 fils on every box of 20 cigarettes the retail price of which is over 50 fils; 4 fils on every box of 20 cigarettes the retail price of which is between 40 and 50 fils.

A levy on tobac: 10 fils on every packet weighing over 30 grams 5 fils on every packet weighing 30 grams and lower.

A levy on alcoholic beverages both locally produced and imported: 20 fils on every large bottle of local beer or wine; 30 fils on all other locally produced alcoholic beverages. 20 fils on every large bottle of imported beer; 100 fils on all other imported alcoholic beverages that pay customs duty.

¹The original law is published in Official Gazette No.1205, December 16, 1954. The most important amendment is published in Official Gazette No.1223 supplement 1, April 3, 1955.

The National Guard tax receipts appear under the Regular Ministries budget; and must be spent on the National Guard which appears in the Military Part 2 of the General Budget. An analysis of retail prices of commodities subject to the National Guard tax reveals that the retail price has risen by the full amount of the tax. If demand should prove to be fairly inelastic as it probably is for most of these commodities (at least within these price ranges) then quantity sold will not be appreciably affected.

3. Fees¹

Fees are levied for services rendered by the Government and constitute a relatively small proportion of total receipts. In 1954/55, total fees collected amounted to JD 752,217 or 10 percent of total domestic receipts (see table I).

Receipts from fees are not expected to vary a great deal; a slight increase is expected in 1955/56 and 1956/57. The most important fees are: import and currency licences fees; court fees; trade licence fees; other licences fees; land registration fees. Table 4 shows revenues from main fees.

(a) Import and Currency Licences Fees: This constitutes an important proportion of fee collections amounting to JD 214,481 in 1954/55, i.e. almost 28 percent of total fees. Since imports in Jordan are restricted, an import and currency licence must be procured for importing goods into the country.² Originally

¹Some fees could very well be classified as indirect taxes.

²See Chapter I pp. 35-37.

TABLE IV
REGULAR MINISTRIES BUDGET: MAIN FEES
(JD)

	Closed Accounts					Estimates	
	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
Fees collected by the Customs authorities	17,739	23,990	43,839	23,273	29,754	24,000	26,000
Trade licences fees	37,251	101,700	36,153	65,459	70,000	55,000	36,000
Transport licences fees	10,039	23,136	20,234	31,005	42,315	50,000	50,000
Driving licences and registration fees	1,353	3,533	9,703	10,712	13,143	12,000	15,000
Doctors and Pharmacists licences fees	1,329	1,303	1,913	2,453	1,037	100	100
Manufacturing and selling of tobacco licences fees	1,234	3,101	2,944	7,921	5,904	6,000	6,000
Manufacturing and selling of alcoholic beverages licences fees	734	1,771	1,903	2,757	2,373	2,500	2,300
Lawyers licences fees	323	130	117	-	-	-	-
Import and currency licences fees	114,912	140,623	129,132	133,631	214,431	410,000	252,500
Land registration fees	51,717	35,929	75,509	39,053	37,657	30,000	90,000
Court fees	50,994	35,633	90,947	33,752	97,735	90,100	91,000
Passport fees	46,353	33,766	40,474	51,364	51,692	50,000	55,000
Fees from West Jordan in 1950-51 ^a	136,673	-	-	-	-	-	-
Other fees ^b	53,917	97,401	109,534	146,025	133,565	123,975	336,300
Total fees	533,053	602,134	629,601	639,302	752,217	918,675	936,400

a. Not reconcilable with above breakdown.

b. See Appendix II for breakdown.

such licences were subject to a fee of 2 percent of CIF value of goods imported from soft currency areas (e.g. sterling bloc) and a 6 percent of CIF value of goods from hard currency areas (e.g. U.S.). From 5 July 1954, discriminatory fees were abolished and all licences were subject to a 2 percent fee. But these fees were again revised in February 1955. According to defence regulation No.1 for 1955¹ an import and currency licence fee of 5 percent of CIF value of imported goods is levied on every licence issued which also entitled the importer to obtain foreign exchange other than currencies of Arab States.² Imports made without a currency licence and imports from Arab States are subject to a fee of 2 percent of CIF value of goods.² In 1956, these fees were lowered from 5 to 4 percent and from 2 to 0.5 percent.¹ This accounts for the expected drop of revenues from JD 410,000 in 1955/56 to JD 252,000 in 1956/57.

Goods exempt from customs duties are also exempt from the Import and Currency licence fees.

(b) Court Fees: These include fees collected from actions before civil courts, religious courts and land courts. The fee collected by the court is a percentage of the disputed value. Court fees collected in 1954/55 amounted to JD 97,736 or 13 percent of total fees.

¹See Chapter I, pp. 35-37.

²Amendments in the conditions of the licence after its issue are subject to a fee of JD 4.- while the renewal of the licence is subject to a half percent fee of value to be renewed.

(c) Trades Licences Fees: According to the Trades Licences Law No.14 of 1952¹ no person is permitted to practice a trade unless he obtains a trade licence. The licence is for one year beginning April 1. The fee paid for the trade licence depends on various factors including the kind of business, the capital invested, the number of employees and the type of mechanical equipment used. Banks for example with a capital exceeding JD 25,000 pay JD 500 annually for a trade licence. In the towns of Nablus and Irbid the fee is one half that of Amman, while in other towns it is one third. Some trades like farmers, fishermen and employees, are exempt.

(d) Other Licences Fees: In addition to the Trades Licences fees, the government collects annual fees for the privilege of practising certain professions like medicine and pharmacy. Lawyers used to pay such fees but from 1953/54 they are paying the fee to their syndicate. Similarly, from 1955/56, medical doctors and pharmacists pay their fees to their respective syndicates. However, these professional fees have always yielded an insignificant revenue.

Fees are also collected annually for the privilege of manufacturing and of selling tobacco, cigarettes, and alcoholic beverages. Revenue from these fees are minor; in 1954/55 they totalled only JD 8,777.

Vehicle fees are paid for registration, ownership, driving and inspection of all kinds of vehicles. The rates vary with the capacity and horsepower of the vehicle. In

¹Official Gazette No.1101, March 1, 1952.

1954/55, fees collected for this purpose totalled JD 55,959.

(e) Land Registration Fees: These are levied as a percentage of capital values on transactions in real estate. The rates are as follows: new registration of land 2 percent; registration of sale or exchange 3 percent; transfer to heirs 2 percent; registration of mortgage, lease and rent titles 0.5 percent. Revenues from land registration have been steadily increasing, a reflection of the rising value of land specially in Amman and of increased speculation in land. In 1954/55, land registration fees collected amounted to JD 87,657 the highest yield as compared with the four earlier years.

(f) Passport fees: This is another fairly important source of revenue. Jordanian citizens have to pay a fee for procuring a passport or for renewing it. At present not many citizens have passports since they do not travel. But as the country advances economically and people's income rises, the demand for passports will expand with the consequent rise in the yield from passport fees. In 1954/55, JD 51,692 were collected.

4. Miscellaneous Receipts:

Miscellaneous Receipts include a wide range of items such as receipts from public enterprises (like the Posts, Telephones and Telegraphs); from new enterprises in which the Government has participated (like the Cement Co. and The Phosphate Co.); from various oil royalties; from interest on Government deposit accounts with the banks; and from profits derived by investing the currency cover in British securities. Receipts from all these items accounted for 28 percent of total domestic receipts in 1954/55. Receipts from public enterprises

amounted to JD 515,513 in 1954/55 which is 6.8 percent of total domestic receipts. Receipts from oil royalties amounted to JD 767,485 in 1954/55 or 10.2 percent of total domestic receipts. This income from oil royalties includes a non-recurrent payment of JD 402,106 as explained below and will therefore drop in future years if no oil is discovered.

Some of the significant items under Miscellaneous Receipts (see table 5) are discussed below.

(a) Fines and Confiscations: Most of this revenue item is derived from fines imposed on imports without an exchange permit. The system was established in May 1950 and accordingly importers were allowed to import without an exchange permit, subject to payment of a fine that varied according to the nature of the commodity and the source of imports, the fine being highest on luxury items from hard currency countries.¹ This peculiar system was abolished after February 1, 1955 and revenues under this heading are expected to decrease from JD 279,281 in 1954/55 to an estimated JD 70,000 in 1955/56 and later years.

(b) Interest on Government Bank Account: The Treasury maintains a deposit account with three banks and the interest receipts amounted to JD 35,900 in 1954/55. The distribution of the accounts are as follows: Ottoman Bank, JD 1 million at 2.5 percent per annum deposited at 21 days notice; the Arab Bank JD 100,000 and the British Bank JD 100,000 both at 3 percent per annum deposited for six months or more. Also the Government maintains a current account with the Ottoman Bank

¹See Chapter I pp. 35-36

TABLE V
REGULAR MINISTRIES BUDGET: MAIN MISCELLANEOUS RECEIPTS
(JD)

	Closed Accounts					Estimates	
	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
Fines and confiscations	170,103	260,070	359,410	145,556	279,281	70,000	70,000
Pensions fund	21,136	41,400	46,761	51,751	57,546	30,000	150,000
Posts, telephones and telegraphs ^a	143,923	220,529	274,359	319,209	351,840	350,500	335,000
Interest on Government bank accounts	5,109	20,160	6,412	39,970	35,900	25,000	75,000
Reimbursement for services to military units	-	-	-	173,345	173,345	-	-
Oil royalties from MAFLEH	49,626	240,764	443,292	303,536	304,379	300,000	300,000
Royalty from Petroleum Development Ltd.	73,819	73,819	73,819	122,750	402,106	-	-
Royalty from Faulcy Oil Prospecting Co.	-	-	-	-	-	14,235	17,500
Oil royalty from I.F.C.	60,000	60,000	60,000	60,000	60,000	60,000	33,000
Profits from currency cover investments	265,000	234,000	-	-	150,000	250,000	250,000
Oil royalty from Anglo-Iranian Oil Co.	500	500	500	500	500	500	500
Repayment of loans	-	10	215,575	23,302	63,432	50,000	210,000
Profits from Cement Co.	-	-	-	-	-	70,000	30,000
Profits from Phosphate Co.	-	-	-	-	-	10,613	25,000
Refund of Government subscription to Langanese Co.	-	-	-	-	-	-	50,000
Miscellaneous receipts from West Jordan 1950-51 ^b	145,730	-	-	-	-	-	-
Other receipts ^c	113,147	456,339	130,752	225,234	137,527	149,700	154,700
Total	1,053,102	1,635,704	1,665,330	1,465,933	2,066,456	1,410,603	1,327,700

a. Excludes radio sets fees which were classified under "Fees".

b. Not reconcilable with above breakdown.

c. See Appendix II for breakdown.

which is the Government's Bank.

(c) Pensions Fund: This represents the contributions of Government employees who pay 7 percent of their basic salary to this fund. Recipients of pensions also pay 5 percent of their pension receipts to this fund. Government payment to pensioners appear on the expenditure side of the Regular Ministries Budget as "Expenditure on Administration". Expenditures on pensions and gratuities in 1954/55 amounted to JD 53,568 as against receipts from employees of JD 57,546 in that year. Estimates for 1956/57 show an expected increase of pension receipts almost three times that of 1954/55. The reason for this is the expected application of the new scheme for job classification which combines the basic salary with the cost-of-living allowances. But this arrangement has not been implemented yet.

(d) Reimbursement for Services to Military Units: This receipt appears only in 1953/54 and 1954/55 and is shown as a payment to the government for services rendered to the military units. In fact it is a disguised aid from Britain to cover a would be deficit in the Regular Ministries Budget at that time. The sum of JD 173,345 shown here for each of these two years is part of an additional contribution of JD 750,000 granted to the military units.¹

(e) Oil Royalties from Tapline: This royalty is paid for the passage of crude oil in pipe lines across Jordanian territory. According to the agreement signed on June 5, 1952, Tapline undertook to pay Jordan a fixed yearly sum of U.S. \$600,000

¹See Chapter V, table I p. 135.

in equal semi-annual instalments on June 30 and December 31. The larger sum paid in 1952/53 was caused by the payment of some arrears. Apart from the U.S. \$600,000 royalty, Tapline undertook also to make available to the government, at an agreed upon price, 200,000 tons annually of crude oil. Until now, only a small part of this quantity has been utilized by the Jordan Cement Company and is paid for by the government on behalf of the Company. More of the crude oil allotment will be utilized if the proposed government oil refinery is constructed.

(f) Royalty from Petroleum Development Ltd: This company is a subsidiary of IPC (Iraq Petroleum Company). It possessed a blanket concession dated May 10, 1947 to prospect for oil in all of East Jordan. The concession was to last for 75 years. The agreement stipulated for a progressive annual royalty and the following sums have been paid until the termination of the concession:

<u>End of Year</u>	<u>British Gold pounds</u>
1947	15,000
1948	15,000
1949	15,000
1950	25,000
1951	25,000
1952	25,000
1953	40,000

On November 15, 1954, the concession was cancelled by mutual agreement and the Company paid to the Government JD 402,106 as a settlement payment. No wells were drilled by the Company during the period of the concession.

(g) Royalty from Pauley Oil Prospecting Company: With the cancellation of the above concession Jordan is free to grant new oil concessions. Such a concession was actually granted to Edwin W. Pauley of California. An agreement was signed on October 30, 1955, by which Mr. Pauley obtained the right to explore and prospect for oil in the entire Kingdom of Jordan during the first eight months after the ratification of the agreement. At the end of this period, he may select up to one-third of the Kingdom's area for actual drilling of wells. The agreement further provides for the equal sharing of profits when oil is struck and exploited. For 1955/56 and 1956/57 estimated oil royalties from this Company are JD 14,285 and JD 17,500 respectively. Any substantial rise in oil royalties will have to depend on the discovery of oil.¹

(h) Oil Royalty from Iraq Petroleum Company: The IPC still pays a fixed annual royalty of JD 60,000 for the pipe line (now inoperative) from Kirkuk in Iraq through Jordan to Haifa in Israel.

(i) Profits from Currency Cover Investment: Before July 1, 1950, the monetary unit operating as legal tender in Jordan was the Palestine Pound which was covered 100 percent by sterling. This sterling cover was invested in London in various kinds of securities and the dividend earned was shared between Palestine and Transjordan in proportion to the estimated amount of currency circulating in each country. The amounts shown under

¹The Company has been drilling wells at a place about 50 kilometers north east of Amman.

this heading for 1950/51, 1951/52 and totalling JD 500,000 represent Jordan's final share of profits from the Palestine Currency Board. Beginning with July 1, 1950 the Jordan Dinar was put into circulation. The Jordan Currency Board established has as one of its functions the investing of the currency cover.¹ The first earnings from the invested funds were transferred to the Treasury in 1954/55 and amounted to JD 150,000. Higher earnings amounting to JD 250,000 are expected in 1955/56 and 1956/57.

(j) Repayment of Loans: During years of drought, the government had been advancing short term loans to farmers to enable them to buy their seeds for the next sowing season. Repayment of these loans appear under this heading. The amount repaid fluctuates with outcome of the crop. In 1952/53, repaid loans amounted to JD 215,575; in 1953/54 a bad crop year repayments were JD 23,802; in 1954/55, a good crop year, repayments rose to JD 63,432, a figure much lower than what was expected.

(k) Profits from Various Industrial Investments: as explained elsewhere, recently the government initiated an industrial investment program by participating with private capital.² The purpose was to create confidence and mobilize private savings for investment in enterprises essential to the economy. These enterprises include a cement factory, a phosphate mining company and vegetable oil company. Budget estimates for 1955/56

¹See Chapter I p.47 for further details.

²See p.129 for details.

and 1956/57 indicate that the cement factory and the phosphate mining company are distributing profits. The manganese company was dissolved since the ore was found to be unexploitable and shareholders were reimbursed for their investment. The government's share of the refund appears in 1956/57 budget estimates.¹

5. External Loans:

The only external loan recorded as a receipt in the Regular Ministries Budget is the first British loan of one million Dinar granted in 1950. Since the Development Board was not established until April 1952, the loan was utilized directly by the various Ministries for a number of developmental projects indicated in Appendix III. Subsequent British loans were incorporated in the Development Budget, Part 2 of the General Budget.

B. Expenditures:

The expenditure side of the Regular Ministries budget is divided into two sections viz: ordinary consisting of recurrent expenses that must be met every year, such as salaries, wages, allowances, repairs, maintenance, stationary, fuel, electricity, telephone charges etc; and extraordinary consisting of non-recurring expenses that are chiefly but not entirely capital items.

For purposes of analysis in this thesis expenditures under the Regular Ministries Budget have been regrouped on a functional basis into six classes as follows: Administration; Social Welfare; Justice; Internal Security; Economic Activity;

¹See p.109, table 5.1

and Capital Expenditures.¹ The first five classes include all of the ordinary, and a small part of the extraordinary expenditures; most of the extraordinary expenditures are included in the capital class. Expenditures under these various classes are shown in table 6.

Current expenditures (under the first five classes) accounted for 77 percent and capital expenditure for 23 percent of total Regular Ministries expenditures in 1954/55. Approximately two-thirds of current expenditures go for salaries and allowances. The government is the largest single employer in the country. In 1954/55, there were 11,788 regular government employees including the police force but excluding the army.² This represented roughly 5 percent of the total labour force excluding refugees. Both the 1955/56 and 1956/57 Budgets provide for government employment of 13,140 and 14,490 persons respectively. Most of the increase is in the Ministry of Health, Ministry of Education and the Police. The total government contribution to the wage bill (including salaries paid to the army) in 1954 amounted to JD 8.8 million or 17.6 percent of total national income in that year, as against JD 7.9 million or 20 percent of national income in 1953.³

¹Original classifications as published by the Ministry of Finance is shown in Appendix I.

²Ministry of Finance, General Budget Law 1954/55. This figure includes 3912 police, 3057 teachers and 734 personnel in the Ministry of Health.

³See Chapter I, p.14 for national income estimates.

TABLE VI
REGULAR MINISTRIES BUDGET: SUMMARY OF EXPENDITURES
(JD)

I T E M	Closed Accounts					Estimates	
	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
Administration	1,525,733	1,712,241	1,593,275	1,741,141	1,933,412	1,442,375	1,317,933
Social Services (including Health, Education and Social Welfare)	334,030	439,350	433,513	500,043	1,415,223	1,922,533	2,415,510
Justice	71,625	82,450	34,523	81,640	100,350	205,630	244,100
Internal security	1,553,320	2,101,230	1,742,332	1,268,207	1,204,735	1,353,412	1,338,122
Economic activity	434,433	600,503	534,400	660,914	903,256	1,052,370	1,263,937
Capital expenditure	321,550	1,323,620	1,105,736	923,632	1,470,353	1,700,213	1,527,361
Total	4,365,753	6,500,331	5,548,734	5,231,501	6,333,367	7,634,533	8,650,022
<u>Percentages</u>							
Administration	31.4	26.0	23.3	33.0	17.0	13.3	21.0
Social Services (including Health, Education and Social Welfare)	6.0	7.0	3.7	11.3	23.0	25.0	27.9
Justice	1.5	1.4	1.5	1.7	3.0	2.7	2.3
Internal security	32.0	31.0	31.4	24.0	19.3	17.5	16.1
Economic activity	9.9	9.1	9.6	12.5	14.2	13.7	14.6
Capital expenditure	13.3	24.0	20.0	17.5	23.0	22.2	17.5
Total	100	100	100	100	100	100	100

The significant trends in the expenditure pattern over the last six years are:

(i) the very rapid expansion in social and economic activities;

(ii) the modest increase in capital expenditures becomes more pronounced if account be taken of capital expenditures under the Development Budget.

(iii) the relatively constant expenditure in administration if account be taken of the transfer of certain items from administration to other classes after 1953/54 where they rightfully belong; and

(iv) the relatively constant expenditure on internal security throughout the period.

1. Administration

This category, as shown in table 7, includes a wide variety of expenses, the largest single items being administrative expenses of the Ministry (previously a Department) of Posts, Telegraphs and Telephones, and the Ministry of Foreign Affairs. Of increasing importance are payments to pensioners which have risen from JD 53,568 in 1954/55 to an estimated JD 115,000 in 1955/56 and to JD 200,000 in 1956/57. The increase has come about from paying the retired employees a cost-of-living allowance equal to that of regular government employees.

The sharp decline in total expenditure in 1954/55 was caused by the transfer of two items, namely the cost-of-living allowances and books and stationery from the chapter

TABLE VII
REGULAR MINISTRIES EXPENDITURE: ADMINISTRATION
(JD)

	Closed Accounts					Estimates	
	1950-51 ^b	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
The Royal Hashemite Court	56,345	68,109	56,771	55,799	60,677	74,462	93,244
The Royal Hashemite Court ^a	35,583	43,141	-	-	-	-	77,241
Legislature (House of Parliament)	23,502	20,462	23,251	23,350	36,124	53,397	60,221
Pensions and Gratuities	39,706	42,566	45,637	52,242	53,563	115,000	200,000
Council of Ministers and Prime Ministers Office	39,712	33,526	26,075	31,514	32,706	43,043	43,735
Press and Publishing Department	-	1,150	-	-	-	-	3,133
Ministry of Interior	22,127	43,090	42,401	43,628	51,123	55,432	102,120
Passports Department	4,422	7,303	6,704	8,137	21,237	25,395	33,600
Compensation and Custody of Enemy Property	-	1,431	-	-	-	-	-
Ministry of Foreign Affairs	102,617	115,319	101,907	111,352	140,923	131,630	230,550
External Liaison Office	-	1,246	1,103	1,460	3,100	3,314	4,303
Broadcasting Station	-	34,402	28,053	31,001	42,526	43,701	74,573
Department of Civil Aviation	-	3,346	3,732	3,554	22,792	39,326	53,609
Ministry of Telegraphs, Posts and Telephones	64,655	35,264	102,354	107,564	242,201	239,430	340,617
Lands and Survey Department	31,650	35,437	34,277	33,281	37,343	110,520	130,409
Audit Department	6,532	13,140	12,915	15,015	23,027	30,651	42,133
Advances other than temporary	4,700	d	-	-	-	-	-
Ministry of Refugees	3,323	e	-	-	-	-	-
Civil Servants Department	-	-	-	-	-	13,676	15,662
General Expenditures	390,502	1,104,342	1,071,400	1,107,733	205,035	323,475	233,316
Assistance to Refugees ^a	33,431	f	-	-	-	-	-
Committee for Unification of Laws ^a	3,044	729	-	-	-	-	-
Loans ^c	40,564	-	-	-	-	-	-
General Expenditures ^a	39,990	-	-	-	-	-	-
Administrative expenditures in West Jordan	501,103	-	-	-	-	-	-
Total	1,525,783	1,712,241	1,593,275	1,741,141	1,033,412	1,442,375	1,817,933

a. From extraordinary section of Regular Ministries Budget; all other items are from the ordinary section of Regular Ministries Budget.

b. All items in 1950-51 are for West Jordan except last item which is not reconcilable with above breakdown.

c. Of which JD 40,000 consist of the still outstanding loan to the late King Abdallah. The balance represents payment of the first instalment of the telephone installation loan granted by Britain. Later settlements of this loan were shown in the extraordinary expenditures of the Ministry of Finance.

d. Transferred to "General Expenditures" below.

e. Discontinued.

f. Transferred to Ministry of Finance.

"general expenditures" to each Ministry concerned. For this reason "general expenditures" dropped from JD 1,197,733 in 1953/54 to JD 205,835 in 1954/55 (see table 7). Thus expenditures on "Administration" in 1954/55 and thereafter are not strictly comparable with figures of previous years.

The Lands and Survey Department originally included a section on afforestation and another on irrigation. But the Department of Forests became independent in 1951/52 and the Department of Irrigation and Water Resources in 1953/54; and since then both have been classified under "Economic Activity".

2. Social Services

Total expenditure on "Social Services", including health, education and welfare, although relatively low, have increased substantially since 1950/51. Some of the expansion in 1954/55 has been due to the transfer to these Ministries of certain expenditures formerly recorded elsewhere in the Regular Ministries Budget. Thus, total expenditure (ordinary and extra-ordinary) of the Ministry of Public Health increased by JD 149,561 in 1954/55 over 1953/54 of which the addition of the cost of living allowances transferred from the chapter "general expenditures" and the rent on buildings from the chapter "public works" accounted for JD 103,058 of the increase. However, there is no doubt that the last three years have recorded a noticeable increase in expenditure on public health services. Thus actual expenditures (ordinary and extraordinary) of the Ministry of Health were JD 362,882 in 1954/55 and are expected to rise to JD 513,725 and JD 558,757 in 1955/56 and

1956/57 respectively.¹

Jordan does not have as yet a social insurance system but welfare activities of the Ministry of Social Welfare have increased greatly since formation of the Ministry in 1951/52. In 1954/55, actual expenditure (ordinary and extraordinary) of the Ministry of Social Welfare amounted to JD 125,280, i.e. about four times actual expenditures in 1953/54. A small part of this expansion (JD 18,860) was due to transfers of cost of living allowances and rent on buildings. Of this total JD 40,000 were spent for purposes outlined in the Social Services Tax Act of 1954.² The rest were spent for increased direct aid to the poor, to students and to charitable institutions. This expanded program began by the Ministry in 1954/55 will be even larger for the next two years judging by the appropriations made.

The 1954/55 actual expenditures of JD 991,394 for the Ministry of Education showed a substantial increase of JD 634,503 over 1953/54, as indicated in table 8.³ Of this increase JD 547,041 was due to the transfer to this Ministry from

¹Excluded from these expenditures are the sums expended on the construction of new hospitals and dispensaries which are included under the chapter "public works extraordinary" since this latter Ministry is responsible for the execution of the work.

²See page 95 for a description of the tax.

³Excluded are expenditures on construction of new schools which are included under the chapter "public works extraordinary" since this latter Ministry is responsible for the execution of the work.

TABLE VIII
REGULAR MINISTRIES EXPENDITURE: SOCIAL SERVICES, JUSTICE AND INTERNAL SECURITY
(JD)

	Closed Accounts					Estimates	
	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
<u>Social Services</u>							
Ministry of Public Health	51,041	121,300	136,000	203,470	337,742	470,500	500,257
Ministry of Social Welfare	-	17,610	20,220	30,543	123,280	162,679	172,729
Ministry of Education	60,537	245,000	290,723	356,891	991,394	1,272,093	1,715,012
Department of Antiquities	4,075	6,830	5,373	7,125	12,310	17,132	20,512
West Jordan ^a	198,476	-	-	-	-	-	-
Total	334,030	460,356	483,513	593,043	1,465,226	1,922,533	2,416,510
<u>Justice</u>							
Ministry of Justice	31,147	60,350	65,172	71,343	143,137	152,492	130,353
Shari'a Courts	8,091	10,740	10,003	10,343	46,900	53,138	63,756
Islamic Science Committee	641	4,016	-	-	-	-	-
Tribal Court of Appeal	353	343	343	354	763	-	-
West Jordan ^a	31,308	-	-	-	-	-	-
Total	71,525	82,466	84,523	91,640	190,950	205,630	244,109
<u>Internal Security</u>							
Ministry of Defence - Police and Prisons (ordinary)	592,050	1,360,717	1,337,000	1,232,036	1,264,765	1,353,412	1,330,122
Ministry of Defence - Police and Prisons (extraordinary)	3,000	60,140	47,031	34,171	-	-	-
Royal Hashemite Regiment (ordinary)	148,674	172,722	-	-	-	-	-
Royal Hashemite Regiment (extraordinary)	7,665	-	-	-	-	-	-
Arab Legion Air Force	219,133	234,007	131,240	-	-	-	-
Dead Sea Guard	-	-	10,565	-	-	-	-
National Guard	-	-	213,403	-	-	-	-
National Guard (extraordinary)	177,730	243,951	-	-	-	-	-
Department of Customs (extraordinary)	401	-	-	-	-	-	-
West Jordan ^a	402,607	-	-	-	-	-	-
Total	1,553,320	2,101,236	1,742,332	1,266,207	1,264,765	1,353,412	1,330,122

a. Not reconcilable with above breakdown.

"general expenditures" of cost of living allowances, books and stationery; and the transfer from "public works", of the cost of school furniture and rent of buildings. The remainder of the increase was mainly for salaries of new teachers. The number of teachers in Government schools increased from 2560 in 1953/54 to 3,318 in 1954/55 and was scheduled to increase to 3,619 in 1955/56 and to 4043 in 1956/57. In each of 1955/56 and 1956/57 estimated expenditures of the Ministry of Education will be JD 1,272,093 and JD 1,715,012 respectively.

3. Justice:

Justice accounted for 3 percent of total Regular Ministries expenditure in 1954/55 as indicated in table 6. The considerable increase in 1954/55 over the previous year was due mainly to transfers of two items, the cost of living allowances and rent of buildings previously classified under the chapter "general expenditures".

4. Internal Security:

Jordan maintains a police force for internal security which is financed entirely from local receipts. Table 6 indicates that through 1952/53 nearly one-third of total Regular Ministries Budget was for internal security. Beginning 1953/54 expenditure on the Air Force, the Dead Sea Guard and the National Guard were transferred to the Military Budget and since then have been financed entirely by grants from the U.K. and the Arab League. This naturally relieved the local taxpayer from additional military responsibilities. However, since the

imposition of the National Guard Tax in December 1954 part of the responsibility of maintaining this force will be met from domestic revenues.¹ The British contribution was terminated as of April 1, 1957, and was supposed to have been replaced by aid from Egypt, Saudi Arabia and Syria.²

5. Economic Activity:

Like the previous four categories, this one also covers current expenses only, as capital items are included in the next class. "Economic Activity" includes ministries and departments whose services are of an economic nature i.e. have to deal with some economic resource. They are listed together with their expenses actual or estimated in table 9. In 1954/55, they accounted for 14.2 percent of total Regular Ministries Budget.

Roughly one-half of the expenditures on "Economic Activity" was for the Department of Public Works under either the chapter "public works", which covers salaries and allowances of office employees, or the chapter "public works recurrent", which covers the costs of maintaining roads, government buildings and other general repairs and upkeep. Beginning with 1954/55 two important transfers from "public works recurrent" were made, namely the rent on government buildings and schools, which was distributed among the different departments concerned; and secondly the cost of school furniture which was added to the expenditures of the Ministry of Education. These two transfers, totalling JD 147,242 in 1954/55, account for the lower

¹See p102 for description of the National Guard Tax.

²See Military Budget Chapter V pp 131, 135.

TABLE I.
REGULAR MINISTRIES EXPENDITURE: ECONOMIC ACTIVITY
(JD)

	Closed Accounts					Estimates	
	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
Ministry of Finance and Economy	23,356	50,034	a	-	-	-	-
Ministry of Finance	-	-	55,424	56,002	117,517	132,916	168,751
Department of Customs and Industry	34,620	48,303	-	-	-	-	-
Ministry of Commerce and Customs	-	-	52,533	55,050	113,755	-	-
Department of Customs and Excise	-	-	-	-	-	137,346	166,000
Ministry of Economy and Development	-	-	-	16,227	-	-	-
Ministry of Economy	-	-	4,062	-	2,032	15,915	13,524
Ministry of Reconstruction and Development	-	4,214	3,907	-	19,573	26,137	15,445
Yarmuk Committee	-	-	-	-	5,850	-	-
Department of Tourism	-	-	-	5,241	13,231	22,062	26,323
Ministry of Agriculture	35,971	54,300	53,107	72,063	106,241	108,973	135,931
Veterinary Department	9,472	16,773	14,432	14,936	23,193	37,317	44,053
Ministry of Public Works	14,042	50,702	53,474	36,706	74,173	89,042	97,040
Public Works Recurrent	156,032	336,303	253,243	351,762	236,944	321,450	365,500
Irrigation and Water Resources Department	b	b	b	11,003	61,373	45,235	53,303
Department of Forests	b	24,941	18,711	23,774	53,403	61,445	81,776
Department of Statistics	5,045	6,963	6,250	6,755	13,632	17,650	23,539
Department of Import and Export	(6,673	3,655	3,592	3,963	3,669	2,414	11,614
Currency Control Department	(	3,725	3,543	3,707	6,392	7,700	3,980
Aqaba Port Authority	-	-	205	-	-	-	-
Aqaba Port Management	-	-	1,146	-	-	-	-
Development Board	-	-	774	1,750	5,312	5,599	25,655
Cooperative Societies Department	-	-	-	-	3,499	13,120	20,297
West Jordan ^c	103,403	-	-	-	-	-	-
Total	404,433	600,503	534,403	660,814	903,256	1,052,370	1,263,937

a. Made into separate Ministries.

b. Included under Lands and Survey Department.

c. Expenditures not reconcilable with above breakdown.

estimated expenditure on "public works recurrent" in that year as compared with 1953/54. In fact had it not been for increases of other items under "public works recurrent" the apparent decrease of expenditure in 1954/55 would have been greater. As compared with 1954/55, appropriations for 1955/56 and 1956/57, for "public works recurrent" have increased by 12 and 27 percent respectively.

Among the ministries that have grown in importance recently is the Ministry of Economy. In 1950/51 and 1951/52 it was combined with that of Finance. Since the Government's recent industrialization program, it has grown so much in importance and activity that it has been made a separate Ministry. The Ministry proper is made up of six sections, namely, industrial, mining, trade and food supply, services dealing with the ICA (Point 4) and the U.N., the registration of trade marks and finally the administrative section. It has a staff of 30 employees and an administrative budget which has grown from JD 4,062 in 1952/53 to JD 9,932 in 1954/55 and to an estimated JD 18,524 in 1956/57. Furthermore, various departments have been attached to it including, Cooperative Societies Department, Statistical Department, Import and Export Department, and the Secretariat of the Development Board. Each of these departments has its own separate appropriations in the Budget but their activities fall under the jurisdiction of the Minister of Economy. The Ministry has also an advisory Economic Planning Unit financed by UNRWA and UNTAA. A description of the projects undertaken by the Ministry of Economy will be given

presently under "Capital Expenditures".

Another ministry whose responsibilities have recently been multiplied because of the urgency of its work is the Ministry of Agriculture. Thus, in 1954/55 actual current expenditures of the Ministry proper amounted to JD 106,241 as against JD 72,063 in the previous year. Appropriations for both 1955/56 and 1956/57 show a modest rise, (see table 9). The Ministry proper has seven sections namely: agricultural research service, field work section, horticulture section, plant protection section, education section, animal husbandry section and engineering section. Two departments are attached to it with separate appropriations: the Veterinary Department, and the Department of Forests.

Finally, mention should be made here of the Development Board which was established in April 1952. It is described in detail under the Development Board Budget next chapter. Suffice it to state at this juncture that appropriations appearing in the Regular Ministries Budget are to defray current expenses most of which are salaries for the ^{Board's} local staff. Rising appropriations particularly in 1956/57 reflect expansion of the Board's local personnel.

6. Capital Expenditures:

As pointed out earlier, most of the extraordinary expenditures under the Regular Ministries Budget consisted of capital expenditures undertaken by the various ministries and departments. These expenditures are primarily of an economic

developmental nature such as participation in industrial enterprises; small irrigation works; agricultural demonstration farms; construction of roads, schools, hospitals and other public buildings; others consist of the purchase of durable goods such as office fixtures, hospital equipment and electrical equipment for the Jordan Broadcasting Station and for other purposes; some minor expenditures are in the nature of membership fees in the IBRD, the IMF, and other international agencies; finally included are scholarships for specialized training of government officials. All of these capital expenditures are from domestic revenues except those financed from the one million Dinar British loan of 1950 which was spent in that and the following years¹ (see table 10). Through 1954/55, JD 978,097 were spent out of this loan, of which JD 224,098 were for agricultural projects, JD 622,545 for public works (mainly roads) and JD 81,454 for lands and surveys.

From the point of view of capital formation, one of the most significant developmental programs is the government's participation in industrial enterprises which, although should have been sufficiently attractive to private capital, would not have materialized without the government's promotional activities and capital participation.

¹Properly speaking expenditure of this loan should have been included under the Development Board Budget, if it were not for the fact that in 1950 the Development Board was not yet established. See Appendix III for a breakdown of expenditures under this loan.

TABLE 1
REGULAR MINISTRIES EXPENDITURES: CAPITAL EXPENDITURES
(JD)

	Closed Accounts					Estimates	
	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
Ministry of Finance and Economy ^a	10,205	348,039	162,932	352,712	605,667	540,250	179,500
Ministry of Trade and Customs	-	-	1,811	1,270	3,043	-	-
Department of Customs and Excise	-	-	-	-	-	7,500	9,000
Ministry of Public Health	5,679	22,901	-	3,342	25,140	43,156	50,500
Broadcasting Station	-	5,251	-	6,036	3,223	4,250	24,000
Department of Antiquities	505	4,065	4,996	2,312	5,391	5,550	1,000
Ministry of Agriculture	43,390	29,090	15,314	169,160	79,301	47,200	33,500
Veterinary Department	-	-	87,220	491	3,422	6,000	1,350
Ministry of Public Works	202,053	267,557	262,377	221,102	453,127	365,050	430,750
Ministry of Telegraphs, Posts, and Telephones	14,434	14,745	17,763	53,336	33,005	137,630	250,000
Department of Civil Aviation	-	2,070	5,923	3,243	3,344	10,450	10,750
Lands and Survey Department	55,000	73,473	37,612	8,305	6,244	14,230	14,000
Irrigation and Water Resources Department	-	-	-	42,113	20,745	47,000	50,000
Forest Department	-	330	9,645	-	-	2,000	4,000
Ministry of Refugees ^c	3,500	-	-	-	-	-	750
Cooperative Societies Department	-	-	-	-	-	-	-
Ministry of Social Welfare	-	-	-	-	2,000	-	-
Government Development Schemes ^d	-	613,125	300,101	-	-	400,000	400,000
Million Dinar Loan Projects	439,740	241,470	134,563	42,105	71,130	24,652	12,361
Ministry of Reconstruction and Development	-	-	13,654	-	-	2,500	-
Ministry of Interior	-	-	-	-	-	-	50,000
Capital expenditure in West Jordan in 1950-51 ^e	52,079	-	-	-	-	-	-
Total	301,556	1,623,629	1,105,796	923,662	1,470,353	1,703,213	1,527,361

- From 1952-53, Finance and Economy became two separate ministries.
- In 1950-51, includes expenditures on irrigation and forests; from 1951-52 the Department of Forests was created and from 1953-54 the Department of Irrigation and Water Resources was also created each with separate appropriations.
- The Ministry of Refugees was abolished after 1950-51 and refugee affairs were attached to the Ministry of Reconstruction and Development.
- For 1953-54 and 1954-55 included under the Ministry of Finance.
- In 1950-51 West Jordan had a separate budget, the breakdown of which was irreconcilable with this one.

(a) Government Industrial Enterprises.¹

The policy of encouraging industrialization was actively launched in 1951 under the administration of the Ministry of Economy. The aim of such a program is diversification of the national economy, raising employment and reducing the imbalance on current account. A by-product has been the development of a capital market for shares as evidenced by the large number of small shareholders.² These enterprises include a phosphate mining company, potash extraction plant, cement factory, olive oil and vegetable oil refinery, fishing company, an electricity production company and a petroleum refining company.³ Others under study are a soap factory, a tannery, a textile factory and a sugar refining factory. Table 11 gives a summary of the government's share in these enterprises that were already formed. Appropriations for these investments have been included in some years under the chapter "Government Development Schemes" and in others under the chapter "Ministry of Finance" (see table 10).

¹For a detailed account see UNRWA, Bulletin of Economic Development (Beirut, July 1956) pp 144-155.

²IBRD, The Economic Development of Jordan, op.cit., Vol.II p.269.

³A manganese company was formed but was dissolved when the manganese ore was found to be commercially unexploitable.

TABLE 11

GOVERNMENT SHAREHOLDINGS
(JD)

Type of Enterprise	Authorized Capital	Paid-up Governmen- Capital t's Share	
Jordan Phosphate Mines Co.	1,000,000	608,914	300,000
The Arab Potash Co.Ltd.	4,500,000	1,001,000	250,000
Jordan Cement Factories Ltd.	1,000,000	1,000,000	495,000
Jordan Vegetable Oil Co.	200,000	162,000	60,000
Jordan Central Electric Co.S.A.	250,000	230,000	20,000
Jordan Fishing Co.Ltd.	100,000	55,000	10,000
Jordan Petroleum Refining Co.Ltd.	4,119,000	1,750,000	130,000
TOTAL:	11,169,000	4,806,914	1,265,000

NOTE: In 1947/48, the Government has subscribed JD 7,500 to Arab Airways Limited.

CHAPTER V

MILITARY BUDGET AND DEVELOPMENT BUDGET

A. Military Budget, Part 2 of the General Budget.

The Military part 2 of the General Budget is the budget of the Arab Legion which is Jordan's regular army. Although the Security Police and the Arab Legion are linked in command, yet they each have separate budgets. Security Police appropriations, as pointed out in Chapter IV are met from domestic revenues. On the other hand, the budget of the Arab Legion is met almost entirely from foreign sources, notably Britain.

Britain's annual contributions to the Arab Legion were regulated by means of ^{an} alliance between Britain and Jordan concluded on 15 March 1948 replacing an earlier one of 1946. This alliance was to run for a period of 20 years and as far as mutual military aid is concerned, provided for: "Royal Air Force bases at Amman and Ma'fraq; a joint defense board for coordination of plans and training; standardization of Jordanian army equipment with that of Britain; and in the event of war access of British forces to all necessary means and lines of communication in Jordan and the stationing of British armed forces on Jordanian territory. In return, the U.K. promised to reimburse the Jordanian Government for these privileges and to furnish the necessary equipment to Jordanian forces."¹ On the basis of the last provision, yearly negotiations were conducted in London in order to fix the amount of the grant. These funds were not handed over to the Treasury but were put

¹Raphael Patai ed., Jordan, op.cit., p.75.

directly at the disposal of the British chief of staff of the Arab Legion, General Glubb.

In addition to the British subsidy, Jordan requested and obtained aid from some Arab States, members of the Arab League, to finance the National Guard, a force created after 1948 to defend the 350 miles long border between Jordan and Israel. The responsibility of financing the National Guard, the Dead Sea Guard and the Jordan Royal Air Force (created in 1948) was that of the Jordan Government. But soon under the pressure of financial need, the Government requested aid from the Arab States. Total aid granted in 1953/54 and 1954/55 was JD 607,000 and JD 682,000 respectively.¹ At the same time Britain, in response to a request from Jordan, agreed to provide an additional aid for these small forces beginning 1953/54. So, from that year (1953/54) the entries of the National Guard, the Dead Sea Guard, and the Royal Air Force were transferred from the Regular Ministries Budget to the Military Budget. After the imposition of the National Guard Tax² the Government plans to contribute to the partial support of the expanding National Guard beginning 1955/56 and thereafter.

An analysis of the trend in Military expenditures reveals two features. The first, is that Military expenditures accounted for over half the total expenditures of the General Budget, an unusually high proportion. The second feature is the substantial expansion in total expenditures during a relatively

¹In addition Syria has given Jordan some heavy arms in 1956.

²See Chapter IV, pp. 102-103.

short period. Thus in 1954/55, total military expenditures were JD 8,951,000 as compared to JD 4,898,000 in 1950/51 - an 81 percent expansion over the short span of five years. In 1956/57, military expenditures are expected to rise to JD 12,272,000, (see Table 1). This continuous expansion was necessitated by the unstable conditions in the area.

Clearly without foreign aid, Jordan could not have financed such a military budget. Since, practically all the funds for the military budget came from abroad there seems to be no adverse economic effects. For instance, no domestic productive resources have been diverted. The men in the army would have been otherwise unemployed. Hence, the opportunity cost of their services is nil. Furthermore, to the extent that the funds are of foreign origin, the economic cost was shifted to the suppliers of the funds. Foreign military aid has had some favourable effects. First, many illiterate men in the armed services are being taught to read and write and some are acquiring useful skills which they could employ should they leave the army. Second, in a country with much unemployment, the army has provided many jobs. Third, since over half the subsidy is paid out in the form of salaries and wages and payments for services, purchasing power was raised to that extent. Fourth, it was an important source of foreign exchange badly needed to provide the country with essential imports. Finally, it meant that taxes such as the Air Force Tax and the National Guard Tax which originally were meant to finance the army could be diverted to meet other needs.

With the election of a new parliament in October 1956, whose members were in favour of abrogating the preferential alliance with Britain, the picture has dramatically changed. The free elections were however, preceded by the ousting of General Glubb by King Hussein on March 2, 1956. The rest of the British officers in the Legion left the country shortly after. This move was much welcomed by Egypt, Syria and Saudi Arabia who had offered to compensate Jordan for the loss of the British subsidy if Glubb was relieved of his duties.¹

An agreement was signed in Cairo on January 1957 among Jordan, Syria, Egypt and Saudi Arabia. By the terms of this agreement, Egypt and Saudi Arabia pledged to contribute JD 5 million each annually while Syria would pay JD 2.5 million. The British alliance was cancelled subsequently by mutual consent and the subsidy stopped as of April 1, 1957. So far Saudi Arabia paid half its share in the spring of 1957 and promised to pay the other half in the fall. Egypt and Syria have since been on bad terms with Jordan and have not, therefore, fulfilled their promise. Under the circumstances, Jordan turned to the U.S. and Iraq for aid. The U.S. had given Jordan a first \$10 million on April 29, and another \$10 million on 30 June. It was reported that Iraq offered Jordan JD 1.65 million but it was not known if the money was actually paid and for what purpose it will be used.

These grim facts reveal Jordan's precarious fiscal condition which is manifested by its heavy dependence on foreign funds.

¹Raphael Patai ed. Ibid p.76.

TABLE I
MILITARY BUDGET - PART 2
(JD '000)

	C l o s e d A c c o u n t s					Estimates	
	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
<u>Receipts</u>							
Grants from U.K.	4,898	7,200	7,314	8,537	8,420	8,950	11,208
Aid from Arab League ^a	-	-	-	446	531	-	-
Reserve Fund	-	-	-	-	-	247	1,064
TOTAL:	4,898	7,200	7,314	8,983	8,951	9,197	12,272
<u>Expenditures</u>							
Military Units	4,898	7,200	7,314	7,961	7,887	7,559	9,178
National Guard ^b	-	-	-	385	885	1,250	2,400
Air Force ^b	-	-	-	549	144	353	660
Dead Sea Guard ^b	-	-	-	22	35	35	35
TOTAL:	4,898	7,200	7,314	8,917	8,951	9,197	12,272
Percent of General Budget	50	52	54	58	54	48	53

^aIn 1953/54 and 1954/55, aid from Arab League States was JD 607,000 and JD 682,000 respectively. Presumably unspent funds were used in the following years.

^bBefore 1953/54, expenditures were included in the Regular Ministries Budget, and were financed entirely from local receipts. Beginning 1955/56 part of the expenses of the National Guard will be met from the revenues of the National Guard Tax.

B. Development Budget, Part 3 of the General Budget:

This title is somewhat misleading since it conveys the impression that all development works are embodied in the Development Budget. It was shown earlier that the Government, in Part 1 of the General Budget, devotes some of its domestic receipts to economic development.¹ In addition, there are two international agencies which carry out development works in co-operation with the government. These are the UNRWA and the ICA Mission. The Development Budget, under discussion here, is specifically the budget of the Development Board created by Act No.37 of April 1952. Two considerations prompted the establishment of the Development Board. The first was the need for decentralization resulting from increased government functions. The second was the need to comply with the wishes of the creditor nation who preferred to see their funds separately administered and possibly to make sure that they are spent for the purposes for which they were given. The Development Board, therefore is nothing but an agency to supervise the expenditures of British loans granted to Jordan for development purposes. As presently constituted it does not have overall coordinating responsibility for all development activities in Jordan.

The Board is composed of nine members, including the Prime Minister as chairman, the Minister of Economy as vice chairman, and seven members appointed by the council of

¹See pp. 126-130.

Ministers. The seven members have been the Minister of Agriculture, the Minister of Public Works, the Under-Secretary of the Ministry of Finance, Director of Department of Lands and Surveys, Director of Point 4 in Jordan, the UNRWA Representative to Jordan, and a British Secretary-General of the Board.

The Board has formed a number of committees to study and report on the various projects to be financed from the British loans. The Development Board receives requestes for loans or grants from various government departments to finance particular projects. The projects are studied by the special committees appointed for the purpose. These committees include not only members of the Board but also engineers, technicians and experts from the various government departments or other foreign agencies in Jordan. At present there are about eight such committees, namely, communications (both roads and railways), Jerusalem and Amman civil airports, village loans and co-operative societies for West Jordan, village loans and cooperative societies for East Jordan, irrigation, mineralogical surveys, joint-fund (to discuss projects in which ICA is involved), and finally the personnel committee which appoints the staff of the village loans office as this office is financed from Development Board funds. The Secretary-General to the Board is an ex-officio member of all these committees. All projects financed from Development Board funds are executed directly by the government departments concerned except the village loans scheme which is administered directly by the two

committees created for that purpose.

It should be noted, however, that these committees do not have much flexibility in allocating funds as the broad outlines of expenditures are already established by an agreement in London following the yearly financial negotiations between the Jordanian and the British Governments.

Prior to the establishment of the Development Board, the first British loan of one million dinars in 1950 was spent directly by the Ministries and departments concerned. Subsequent British loans, however, were put at the disposal of the Development Board, funds being released from the loan upon recommendation of the Development Board. Such released funds are then shown as actual expenditures under the Development Budget.

To strengthen the status of the Development Board especially with regard to over-all coordinating responsibility for all economic developmental activities in Jordan, a new draft law was prepared in February 1956 and presented to the Council of Ministers. There are two striking differences between the new draft law and the present one. First, with regard to membership, the voting members of the Board are the Ministers of Economy, Finance, Communication and Agriculture, in addition to a Director who will have the rank of Minister and a Secretary-General who will be an economist. The Director and Secretary-General are appointed by the King upon recommendation of the Council of Ministers for 5-year terms. Secondly, among its responsibilities and duties, the Board is to investigate

approve development projects submitted to the Government by all foreign and international organizations prior to their incorporation in an overall plan to be prepared by the Board. The Board is to be responsible for following up these projects and for representing the Government in all dealings pertaining thereto. Furthermore, the Board must approve all development projects handled directly by the Ministries before their incorporation in the General Budget. Such a law will undoubtedly lead to much better coordination of developmental activity in Jordan. This law was to be debated before the new Parliament which was elected in October 1956. However, following political disturbances, this new Parliament was dissolved by the King in April 1957 and the fate of the law is not known.

1. Five Year Plan

In 1953, the Development Board prepared the Five Year Plan which envisaged the expenditure from future British loans of JD 23.48 million in the five year period from 1953-54 through 1957/58. This Plan was presented at the London annual financial talks and a loan of JD 0.5 million was accordingly obtained which, together with the carry-over of JD 0.93 million from the 1952/53 loan were to be spent in 1953/54. In October 1954, the Plan was revised in preparation for the annual financial talks with the United Kingdom in December 1954, to accord more nearly with the wishes of the creditor nation. The revised Five Year Plan envisaged planned expenditures from British loans (from 1953/54 through 1957/58) of

JD 13.69 million.¹ On the basis of the revised Plan, 54 percent of total planned expenditures were for communications, 28 percent for the extension of medium and long term credit to agricultural and industrial enterprises, 7 percent for industrial development and 6 percent for agricultural development including some minor irrigation works. The heavy emphasis upon communications reflects Jordan's need for better communication facilities to provide the external economies for industry and agriculture alike.

Despite the sharp reduction in planned expenditure from JD 23.48 million to JD 13.69 million, loans to the Development Board fell below planned expenditures with the result that the revised Five Year Plan lost much of its significance. Thus loans during the five years of this Plan (from 1953/54 through 1956/57) totalled JD 5.535 million as against planned expenditure of JD 13.69 million.²

¹As an approximation to an over-all development plan, the Development Board assumed the following developmental expenditures throughout the same period by other bodies:

	JD '000
Development Board	13,686
Government	19,063
ICA Mission	15,243
UNRWA	20,683
TOTAL:	68,675

The actual expenditure of these various agencies was also much lower than the above target. See appendix IV for a summary table of Five Year Plan.

²In addition to JD 5.535 million must be added a sum of JD 929,000 carried forward from 1952/53 and expended in 1953/54 to finance projects under the Five Year Plan.

Total interest free loans made to the Development Board since its inception are as follows:

<u>Year</u>	<u>JD Millions</u>
1952-1953	1.50
1953-1954	0.50
1954-1955	1.60
1955-1956	1.75
1956-1957	1.12 ^a
1957-1958	0.565
TOTAL:	7.035

^aThis is the amount the Jordan Government drew when the preferential alliance with Britain was abrogated effective April 1, 1957. The original loan for that year was JD 2.25 million. It was recently announced (August 6, 1957) that Britain agreed to extend the balance namely JD 1.13 million over two years (1957/58 and 1958/59) - half in the present year and the other half in the following year.

Unspent portions of a loan in a particular year are reallocated for the next year in a supplementary budget. For that reason actual expenditure in any year does not necessarily correspond to the loan granted.

Table 2 shows actual expenditures from these loans since the establishment of the Development Board.

In evaluating the work of the Development Board, six of the most important projects listed in table 2 will be presently described. These projects are: the village agricultural loans and Jerusalem City loans, cooperative societies, construction of roads, railway loans, Aqaba Port and airports. Some of the less important will be dealt with very briefly.¹

The item under agriculture consists of expenditure on two projects. The first is the Deir Alla research station

¹For more details see UNRWA, Bulletin of Economic Development, No.14 (Beirut July 1956) pp. 128-131.

TABLE 2
SUMMARY OF DEVELOPMENT BOARD EXPENDITURES
(Dinars)

ITEM	C l o s e d A c c o u n t s				Budget Estimate	TOTAL
	1952-53	1953-54	1954-55	1955-56	1956-57	
Agriculture	-	12,036	17,017	98,030	45,781	172,864
Irrigation	7,224	124,350	26,143	30,000	20,000	207,717
Afforestation	-	40,000	17,729	19,253	20,985	97,967
Famine Relief	50,000	49,039	-	-	-	99,039
Village Loans	152,926	372,644	327,000	346,200	310,600	1,509,370
Jerusalem City Loans	-	50,000	25,000	50,000	-	125,000
Cooperative Societies	-	48,121	37,400	111,800	125,832	323,153
Construction of Roads	199,001	286,149	523,765	526,190	993,000	2,528,105
Railway Loans	80,000	60,000	-	-	-	140,000
Aqaba Intermediate Port	10,334	51,817	35,731	15,422	21,565	134,869
Aqaba Main Port	-	-	-	44,365	370,000	414,365
Airports	19,200	75,166	154,350	152,505	273,100	674,321
Survey and Land Settlement	-	4,583	-	-	-	4,583
Construction of Village Schs.	-	-	38,250	-	-	38,250
Consultants' Fees	-	14,979	15,074	17,528	40,227	87,808
IBRD Membership Fee	50,000	-	-	-	-	50,000
Secretariat	1,786	3,226	3,069	2,248	2,239	12,568
Reserve	-	-	-	-	26,671	26,671
TOTAL:	570,471	1,192,110	1,220,528	1,413,541 ^a	2,250,000 ^b	6,646,650

SOURCE: Ministry of Finance.

NOTE: Five Year Plan began in 1953/54.

^aIncludes JD 132,135 representing expenditure of supplementary budget.

^bActual expenditure of this loan amounted to JD 1.12 million, to which must be added a sum of JD 664,398 representing re-allocations from 1955/56 budget.

in the Jordan Valley. This station, established in 1951, covers an area of 396 dunums and is experimenting on the most suitable crops for irrigated farming. The second is the construction of grain storage in various localities by the Cereals Office. Total storage capacity of the new bins is 23,000 tons.

Under the heading "irrigation" some 5 small irrigation works were carried out by the Department of Irrigation. The area that benefited was only about 51,300 dunums of which more than one-half was already under light irrigation.

The afforestation item consist in allocations made to assist the Forestry Department to carry out its program of expanding the government-owned forested area to 1,800,000 dunums which is considered to be reasonably sufficient to provide the country with its requirements of timber and fuel. At present the government-owned forested area is 602,000 dunums, i.e. about one third the contemplated area. The Development Board is financing the 11 nurseries that exist in Jordan and has allocated a fund to be given as loans to those who wish to replace goats with sheep in accordance with the Goat Law of 1952.¹

As the name implies, famine relief consisted of the free distribution of wheat to villagers on the Jordan-Israeli frontier in 1952/53 and to the southern districts of Kerak and Ma'an which were stricken with drought in 1953.

(a) Village Loans and Jerusalem City Loans:²

This project began in October 1952 as a small loans

¹This Law prohibits the grazing of goats in registered forested areas because goats are a menace to forests.

²Ibid, pp 132-135.

program to the West Jordan frontier villages that had lost a part of their lands or means of livelihood as a result of the Palestine War. The program was such a success that it was extended to other villages in both East and West Jordan and to the City of Jerusalem.

The program is administered directly by the Village Loans Committee of the Development Board. Up to the 31 March 1956, loans advanced amounted to JD 1,145,009 of which JD 991,974 were to the villages and JD 153,035 to Jerusalem.¹ Village loans are either for terracing the hillside lands and planting them with fruit trees or vegetables or for irrigation which includes the purchase of pumps, engines, pipes, etc. Total loans for terracing amounted to JD 775,036 and for irrigation to JD 151,996. The loans to Jerusalem include a JD 50,000 to the Municipality to expand the water supply, the rest were for the rebuilding of residential quarters destroyed during the Palestine War and to stimulate light industries. Repayment is made by instalments over a long period ranging between 5-15 years and the interest rate is 4 percent.

(b) Cooperative Societies

The Cooperative movement in Jordan began in 1953/54 and aimed at reviving rural thrift and credit cooperatives which existed in West Jordan during the mandate and to promote new ones in East Jordan. The purpose of such cooperatives is the granting of short-term loans from 9-14 months to members on their personal guarantee and to advise them on farm management. In 1954/55, other forms of cooperative societies have

¹These figures exclude administrative expenses and, therefore, do not tally with figures shown in table 2.

developed, such as urban thrift and credit cooperatives and agricultural societies. The Cooperative Department of the Ministry of National Economy is responsible for this movement and obtains its loanable funds from the Development Board. In 1956/57, JD 125,832 were allocated, as against JD 81,800 in the previous year. To these annual allocations must be added the sums which were repaid by the loan recipients. Total number of cooperatives increased from 50 in 1953/54 to 68 in 1954/55 and 125 in 1955/56.

Of the 125 societies registered up to March 31, 1956, 109 were of the rural thrift and credit type, 8 agricultural, 3 consumers' cooperatives, 2 housing, one transport, one handicraft and one educational. Membership increased from 2118 members in 1953/54 to 3116 in 1954/55 and to 5682 in 1955/56.

(c) Construction of Roads:

The roads program is one of the most important items in the Five Year Plan in terms of volume of expenditure and potential impact upon the Jordanian economy. Its aim is to make main north-south highways from the northern border to Aqaba and to connect these with east-west branch highways. Total allocations by the Development Board in 1956/57 were JD 993,000, as against JD 581,407 in the previous year.

The immediate concern of the Government and the Development Board is to connect the expanding Port of Aqaba with the interior. Three alternative roads were proposed¹ and finally the Desert road from Amman via Ma'an to Aqaba was approved during the financial negotiations that took place in

¹See UNRWA, Quarterly Economic Bulletin, No.11 (Beirut July 1954) p.78 for a description of these roads.

London in December 1955. The advantages of the Desert road are manifold. It is relatively cheaper and easier to construct and has no steep gradients or sharp curves. At present, it is more frequently used by transport companies than the Middle road (Kerak road). The present Desert road and track is about 335 km long from Amman to Aqaba, of which about 125 km between Ma'an and Aqaba are already asphalted. The cost of constructing the remaining 210 km (excluding the 10 km at Wadi Yutum) with a 6-meter wide road was estimated at JD 2 million. In addition, the widening of the 38 km stretch from Ma'an to Ras en-Naqb (the southern terminus of the Hejaz RR) from 3 meters to 6 meters may cost about JD 175,000, thus bringing total cost to JD 2.175 million. In the 1956/57 budget, JD 700,000 or 32% of total road cost was allocated in addition to JD 60,000 in each of 1955/56 and 1956/57 for the Wadi Yutum, which is the steep decline for the last 10 km into Aqaba. Tender documents for constructing the Desert road have been prepared by the Department of Public Works and approved in principle by the Council of Ministers in June 1956. Invitation for tenders was issued in August 1956.

The second important road under construction is the Middle road which connects Amman via Kerak and the hill towns with Aqaba. The sections between Amman and Tafilah were already asphalted with the exception of the deep Wadi Mujib and Wadi El-Hassa crossings. The Wadi Mujib part of this road is under construction and JD 100,000 were allocated in each of

1955/56 and 1956/57. Originally this Middle road was meant to be the main road connecting Amman with Aqaba. It was thought, however, that because of the steep gradients encountered it will never become suitable for rapid transit of heavy lorries. Its usefulness, therefore, is restricted to connecting the large number of agricultural villages in the South with the main marketing center, Amman.

Another route for which funds were allocated is that which connects the Ghor Safi vegetable area on the southeast shore of the Dead Sea via Mazraa with Karak. Construction of this route is in progress and was to finish by end of 1956 if enough funds are made available. Allocations in 1954/55, 1955/56 and 1956/57 were JD 79,000, JD 78,000 and JD 60,000 respectively, that is a total of JD 218,000 which is about 70% of total cost.

The road program under the Development Board is being supplemented by another extensive program under ICA¹ (Point 4). Both road programs follow the recommendations of the report, A Road Program for Jordan by the US Bureau of Public Roads, 10 February 1953. This is a study made during December 1952 and January 1953 by Carmichael and other American engineers in which 7 primary routes were recommended for construction, the first one being the route from Aqaba in the south through Amman to Ramtha near the northern frontier which leads to Damascus.

¹See UNRWA, Bulletin of Economic Development, No.14 (Beirut, July 1956) pp. 177-178.

(d) Railway Loans:

The only railway line in operation is that part of the Hejaz railway starting at Damascus and traversing Jordan from Deraa (Nassib) on the Syria-Jordanian frontier to Ras en-Naqb, (below Ma'an) a distance of about 363 km¹. It is a narrow gauge (1.05 metres) constructed before World War I. Since its branch line in Saudi Arabia was destroyed during World War I and never reconditioned, the section in Jordan lost much of its usefulness and was not properly maintained. Now, with the increased importance of Aqaba Port and the fast development of the phosphate mines, it became very essential to improve and increase the present carrying capacity of the railway. The following table shows goods and passenger transport during 1954 and 1955:

	Internal		External	
	1954	1955	1954	1955
Goods transported - metric tons	120,250	148,101	126,387	157,562
Number of passengers in all classes	52,009	74,083	38,553	12,480

SOURCE: Ministry of Economy, Department of Statistics, Annual Statistical Yearbook, 1954 and 1955.

In 1952/53, the Senior Administration Board of the Jordan Hejaz Railway obtained a first loan of JD 80,000 from the Development Board. With this loan, 30 goods wagons at JD 54,867 CIF

¹When it was constructed the whole length of the line from Damascus in Syria to Madina in Saudi Arabia was 1408 kms, of which 141 kms in Syria, 437 kms in Jordan and 830 kms in Saudi Arabia. The section of the line between Ma'an and Ras en-Naqb was built by the British Military Authorities in 1942. See UNRWA, Quarterly Bulletin of Economic Development, No.13 (Beirut April 1956) pp.183-184.

Amman were purchased. The first loan will be repaid in fourteen equal annual instalments of JD 5,330 and one annual instalment of JD 5,380, the first instalment falling due on March 31, 1955. Two instalments due have already been repaid. In 1953/54, a second loan of JD 60,000 was made by the Development Board with which a workshop is being constructed and equipped at Ma'an station. Also telephone communications and water supply were improved at various stations. The terms of the second loan are similar to the previous one; JD 4,000 to be paid annually beginning August 31, 1956 until August 31 1970. A third loan of JD 100,000 was obtained in April 1956 from the 1955/56 Development Board budget. It is proposed to purchase rolling stock, weigh bridges, locomotives and 6 tank wagons and spare parts with this loan. All loans from the Development Board are interest-free but interest is collected at 4% on arrears. In addition to these acquisitions from Development Board loans, 3 first class locomotives were ordered from West Germany on 28 March 1954 and paid for from the Railway reserve fund. These locomotives were received and put into operation since April 1955. On January 17, 1955 the Railway Administration contracted a loan with the Belgian Company "Intercontinentale de Compensation" amounting to JD 450,000 at 4% in the form of supplies as follows:

	<u>Value in JD</u>
3 steam locomotives, first class	73,500
3 steam locomotives	52,464
120 wagons for phosphates and goods combined	284,640
Lucopulseurs	1,260
Railway engineering equipment	26,636
Transport costs	<u>11,500</u>
TOTAL:	450,000

All 120 wagons were delivered and after they were mounted in the DHP workshops in Beirut were sent to Jordan and are now in use. Also the lucopulseurs (small engines to move freight cars about in the yards) were received in December 1955.

This Belgian loan is to be repaid in 10 instalments at 6 months' interval commencing 1 March 1957 until 1 October 1961, the interest charge amounting to JD 62,407.

The Development Board in conjunction with the Railway Administration appointed the British firm of Rendel, Palmer and Tritton as consulting engineers to submit a plan for the improvement and modernization of the railway. Their report, completed in December 1954, stated that it would not be possible to rehabilitate the railway within the period of the Five Year Plan.¹ They suggested development in two stages. Stage I, costing JD 4,746,100 to meet the immediate traffic demand, will be executed within five years from 1955 to 1960. Stage II, costing JD 3,701,000 follows stage I and will take an additional 10 years to complete. By then it is expected that the railway will be completely rehabilitated. Total estimated cost of both stages is, therefore, JD 8,447,100, excluding the cost of extending the line 84 kilometers from Ras en-Naqb to Aqaba. Judging from the amounts spent on developing the railway it does not seem that the above plan is being implemented. Nor are there any immediate plans for connecting the Ras en-Naqb terminal by rail with Aqaba.

¹ Rendel, Palmer and Tritton, Consulting Engineers Report (Amman, December 1954).

Closely linked with the above developments is the scheme to recondition the destroyed sections of the old Hejaz Railway connecting Damascus in Syria with Medina in Saudi Arabia. On 24 January 1954, Jordan, Syria and Saudi Arabia signed a first protocol⁽²⁾ in which they agreed to recondition the Hejaz Railway. An executive committee was formed representing the three countries and tenders were called in September 1955, to carry out technical studies to be financed from the two million Syrian pounds (U.S. \$571,430 approx.) granted for this purpose by King Saud. In December 1955 a Polish company won the tender and undertook to finish the survey in a period of about nine months. It was reported in June 1956 that the contract with the Polish company had been cancelled and that new tenders have been called for. The cost of construction, estimated at about U.S. \$11.5 million, will be shared equally by the three countries as stipulated by the Agreement signed on 20 January 1955.⁽³⁾

(e) Aqaba Port

Aqaba Intermediate Port. Aqaba, Jordan's only outlet to the sea, lies at the north-east end of Aqaba Bay, an arm of the Red Sea. Ocean vessels anchor in the Bay a half kilometer from shore and cargo is carried to shore to be discharged at lighter wharves, one of which is owned by the Port Authority and one by the Arab Legion. The distance from Amman to Aqaba is 231 km by railroad, plus 34 km by road,

(2) Official Gazette No. 1233, annex 2, 13 July 1955.

(3) The IIRD Mission does not recommend the execution of this project because it believes the operation of the line will result in a heavy deficit. See IIRD, op.cit., Vol.II, p.322.

es compared to 363 km by railway from Amman to Beirut.

The Port of Aqaba is owned by the Jordan Government and administered by the Aqaba Port Authority created in June 1952. A port expert of the UNRWA, Mr. E. Hagorski, helps the authority in organizing port operations, establishing tariffs and regulations, attracting traffic and new steamship lines and preparing development plans.

Jordan's total annual foreign trade (via all frontiers) amounts to 200,000 - 230,000 metric tons of commercial imports and about 100,000 - 150,000 metric tons of exports. Exports have doubled in volume since 1952 and are expected to expand greatly in the near future, especially with the development of phosphate mining. Since 1940, about three-fourths of the country's overseas trade has been conducted via Beirut. As shown in the table below, Aqaba Port handled an estimated 30,000 metric tons of goods in 1951 and an estimated 200,000 tons in 1955 (military and civilian shipments). This consisted chiefly of imports. Phosphates constitute the main export commodity. Future prospects are very promising, especially after the Desert Highway links Aqaba Port with Amman.

Cargo Traffic at Aqaba

Yr.	No. of Ships	IMPORTS			EXPORTS			Total
		Commercial	Military	Phosphates	Other	Cargo	Traffic	
1951	..	..	..	..	..	..	30,000 ^a	
1952	..	..	..	..	..	..	50,350 ^a	
1953	122	25,740	41,317	3,200	..	..	71,694	
1954	173	30,031	40,031	11,355	..	..	82,351	
1955 ^b	222	33,261	51,305	55,350	1,234	..	200,377	
1955 ^b	..	21,032	23,153	22,233	1,304	..	70,013	

Source: Aqaba Port Authority, Amman.

a. Details for 1951 and 1952 are not available, but cargo handled was mostly imports.

b. For first half of year.

The development of Aqaba Port is a major step in Jordan's development program, not only because of the foreign exchange costs incurred by shipment through Syria and Lebanon which constitute a heavy drain on Jordan's limited foreign exchange availabilities, but also because of the relatively high freight and handling charges involved in shipment through Syria and Lebanon which reduce Jordan's competitive power to sell its products in world markets.

The Development Board, in conjunction with the Aqaba Port Authority, has initiated a short-range and a long-range program to improve the Port.

The short-range program was begun in August 1952 and was basically completed in 1954 but further improvements are being made in 1956 and 1957.

Expenditure on the intermediate stage amounted to JD 10,335; JD 51,817; JD 35,731 and JD 15,422 in 1952/53, 1953/54, 1954/55 and 1955/56 respectively and are estimated at JD 21,565 in 1956/57, when the additional improvements under the intermediate stage are scheduled to be finished.

The Port capacity by 1956 was up to 200,000 metric tons of cargo per year, i.e. twice as much as in 1954. Limited road and railway facilities northward impede the Port development. However, the improvements introduced to the railway recently have increased its carrying capacity in 1956 from 250 tons per day to about 500 tons per day and the construction of the Desert road will definitely increase truck haulage.

Port charges on vessels and cargo, which were introduced beginning January 1953, compare favourably with those of the Beirut and Latakia Ports. Port dues on vessels are 35 Jordanian fils (8.4 pence) per Net Registered Ton on the first 1000 NRT 25 fils (6 pence) on the next 1000 NRT and 15 fils (3.6 pence) thereafter. Quay dues on cargo discharged or loaded on Port Authority's wharves range from 150 fils (3s.) per ton, weight or measurement, for general cargo to 50 fils (1s.) per ton of bulk commodities, including seven days free storage in transit sheds or 10 days in open storage space. Outgoing and incoming passengers have to pay port dues of 400 fils (8s.) in first class, 200 fils in second class and 100 fils in third class.

Cargoes landed at Aqaba are forwarded by trucks to the railroad terminal of Ras en-Naqb, a distance of 84 km of newly asphalted road except for about 10 km in the deep Wadi Yutum. From Ras en-Naqb to Amman goods are transported on the narrow gauge (1.05 meters) Jordan Hejaz Railway via Ma'an, a distance of 281 kilometers. Goods landed at Aqaba take about two days to reach Amman as compared to 10-15 days from Beirut to Amman.

Two steamship lines have been operating regularly between England and Aqaba, namely, the Euxine Steamship Company and the British Conference Lines. In 1955, three more steamship lines began operating, namely, Hansa Line and Atlas Levante Line (both German) from Continental Europe and Isthmian

Line (US) from the United States. Freight rates for general cargo from England to Aqaba are about the same as to Beirut, but for bagged cargo, like sugar, rates to Aqaba are about 15s. higher per ton. From Continental Europe freight rates are about 25 to 30 shillings per ton higher than to Beirut. In both cases, however, the difference is more than offset by lower port charges and cheaper inland transportation.

Aqaba Main Port: The plan for the development of the main port is underway and is expected to be completed by the end of 1958. The plan consists of building a marginal wharf for general cargo and a row of strong dolphins for phosphates alongside which ships can moor. The loading of phosphates in bulk will be direct from shore to ship by belt conveyors at a rate of 500 tons per hour. At present there are no facilities for economically loading phosphates in bulk.

The revised cost estimates for the main port are JD 800,000 for the general cargo berth and JD 700,000 for the phosphate berth. For 1956/57, JD 370,000 were allocated by the Development Board in addition to JD 365,382 allocated in the two previous years. If finances are regularly made available, the construction of the main port should be completed by the end of 1958.

(f) Airports:

Jerusalem Airport. This airport, 11 kilometers from Jerusalem, is an important link for the pilgrims and tourist trade. Since August 1952 the landing strip has been widened

from 25 meters to 45 meters and lengthened from 1250 to 1850 meters. It is proposed now to extend the main runway by an additional 300 meters, thus bringing the total length to 2,150 meters. A new terminal building is under construction by a local firm since early 1955 and was finished in August 1956. For 1957, it is planned to install lights on the runway and the surrounding hills to receive planes at night, at a cost of about JD 80,000.

Total expenditures in 1954/55 and 1955/56 were JD 68,547 and JD 68,479 respectively. Allocations for 1956/57 were JD 228,000.

Amman Airport. This airport was small and unimportant until the military airport with two runways was built adjacent to it. Construction started in October 1953 and finished by December 1954. Total cost estimated at JD 750,000 was paid by the RAF. Since the completion of the military airport, new developments were introduced to the Amman civil airport. Thus a new terminal building was constructed and finished in June 1956 at a cost of JD 100,000. An apron was constructed during 1955/56 at a cost of JD 60,000 with a tract connecting the airport with the main road. Planes use the landing strips of the military airport which is connected to the terminal building by newly constructed runways.

Both the Jerusalem and Amman airports, will be provided with workshops, wireless system, aeronautical stations and runway lights for night landings. Jordanian students are being sent abroad for specialization in the various fields, mostly at ICA expense.

CHAPTER VI

AUTONOMOUS BUDGETS

The autonomous budgets in Jordan are independent of Parliament in their finances but their accounts are subject to the post-audit control of the Audit Department. Autonomous budgets exist for the Agricultural Bank, Aqaba Port, the Jordan Hejaz Railway and the municipalities. Each of these budgets is discussed below.

A. Agricultural Bank Budget

The Agricultural Bank is a Government enterprise, created in 1922. It is administered by a Board of Directors composed of the Undersecretaries of the Ministries of Interior, Finance and Agriculture, the Manager of the Agricultural Bank and a representative of the Department of Lands and Surveys.

The Bank has its own budget which it submits annually to the Council of Ministers for their approval. Its operating receipts, derived chiefly from interest on loans, amounted to JD 22,098 in 1954/55 and its operating expenses totalled JD 11,729 in 1954/55. In 1953/54 operating receipts amounted to JD 22,566 and operating expenses to JD 13,330 according to the unpublished profit and loss statement of the Agricultural Bank.

The capital of the Bank is derived from annual grants from the Land Tax (and earlier the Tithe Tax), from non-interest Treasury loans and from accumulated profits.¹ To replenish

¹Originally the Bank took over the assets of the defunct Ottoman Agricultural Bank which amounted then to the equivalent of JD 3500. To this the Government added JD 3500 annually from 1933 to 1946. This sum was obtained from an additional levy of 1% to the Tithe Tax (11% instead of 10%). From 1947 the contribution was raised to JD 15,000 annually being now taken from part of the proceeds of the Land Tax.

its capital, the Bank depends also upon the repayment of its loans to farmers. Bank loans have been chiefly medium and long term from one to ten years. The maximum loan is JD 1,000 and the interest rate ranges between 4-6%. Following the severe drought in 1947, Bank activities have been slowed down on account of the moratorium placed on all agricultural debts for a period of four years. The moratorium was extended in 1951 and again in 1953 as a result of poor crops in both years. These measures, which applied also to private money lenders, helped to check, for a while, the transfer of land to private money lenders.

TABLE I
LOANABLE FUNDS OF AGRICULTURAL BANK
(Dinars)

End of fiscal year	Accumula- ted Capital	Reserves	Total loans outstanding owed by Bank to Treasury	Total loanable funds of Bank (loaned already or available for loans)
1951/52	205,190	6,332	306,590	518,112
1952/53	224,210	8,227	188,580	421,017
1953/54	335,196 ^a	9,821	157,224	502,241
1954/55	416,509 ^a	11,377	128,137	556,023

SOURCE: Unpublished information from Agricultural Bank. Later figures are not available.

^aIncludes JD 50,000 granted each year by the Treasury to raise the capital of the Bank.

Loanable funds have been increasing in recent years, mainly because of an annual contribution of JD 50,000 by the Treasury to the capital of the Bank in each of the four years from 1953/54 to 1956/57. In addition to these contributions,

the Treasury has made special loans to enable the Bank to extend badly needed short-term credit to the farmers affected by the droughts. Without these special contributions and loans, the Bank's activities would have come to a standstill since practically all of its capital was frozen by the moratorium. The first of these Treasury loans was made in 1947/48 and amounted to JD 178,000, repayable in 15 equal yearly instalments. The balance outstanding at the end of March 1955 was JD 86,067. The second Treasury loan was advanced to farmers through the Bank in 1951/52 and amounted to JD 213,089 of which JD 190,208 were used for winter crops and the balance for summer crops. Up to the end of March 1955, JD 40,405 of the second loan were still outstanding to the Treasury.

About 60% of the loans advanced by the Bank to farmers were against a first mortgage on immovables. Some loans given to tribesmen are guaranteed jointly and severally by the contractors.

The moratorium was supposed to end in 1953 and all farmers were required to repay their arrears in three annual instalments beginning October 1953. But the Council of Ministers decided to postpone the payment due in October 1953 to August 1954. The moratorium ended in August 1954, as 1954 was a good crop year but the debts were so large that many farmers could pay only a part of the instalments due. The crop of 1955 was poor because of the drought and farmers have again requested postponement of debts due this year. The Council of Ministers has again taken a decision to postpone

payment of all arrears until August 1956. Table 2 shows the loan turnover of the Bank since 1950/51.

TABLE 2
AGRICULTURAL BANK LOANS
(Dinars)

	1950-51	1951-52	1952-53	1953-54	1954-55
Total loans outstanding at beginning of fiscal year	113,173	162,656	183,811	296,917	379,729
Loans granted during fiscal year	106,921	41,492	315,336	137,399	90,475
Repayments during fiscal year	57,438	20,337	202,230	54,587	575
Total loans outstanding at end of fiscal year	162,656	183,811	296,917	379,729	469,629

SOURCE: Unpublished records of Agricultural Bank. Later figures are not available.

There are certain weaknesses in the operation of the Agricultural Bank of which the following are the most important. Most of its loans are either medium or long-term, thus reducing the rate of turnover and depriving farmers of the much needed short-term credit. The Bank lacks branches in the chief villages, thus making it difficult for small farmers to obtain loans. At present the Bank has 6 branches in all Jordan - 2 in West Jordan and 4 in East Jordan. The Bank lacks an inspection system to see that the loans are used for the purposes for which they were given.

B. Aqaba Port Budget.

Aqaba Port was included in Part 1 of the General Budget

in 1952/53. From 1953/54 the Aqaba Port Budget has been completely independent with its own revenues and expenditures, (subject to approval by the Council of Ministers). The budget, as shown in table 3 relates only to administrative operations. Development expenditures are covered in the Development part of the General Budget.¹

TABLE 3

AQABA PORT BUDGET
(JD)

	Closed Accounts			Estimates
	1953-54	1954-55	1955-56	1956-57
Expenditures:				
Port Authority ^a	1,277			38,298 ^b
Port Management ^a	3,175			3,238
TOTAL:	4,452	5,838	22,923	41,536
Receipts:				
Dues on vessels	3,200	4,767	7,408	10,000
Wharfage	43	3	66	100
Quay dues on cargo	3,815	6,017	13,608	15,000
Storage	1,961	2,604	14,894	10,000
Crane dues	504	1,013	2,313	2,801
Pilgrim dues			2,143	2,000
Others				50
TOTAL:	10,290	14,404	40,432	39,951
Deficit(-) or surplus(+)	+5,838	+8,566	+17,509	-1,585

SOURCE: Unpublished records of Aqaba Port Authority.

^aMost of the expenditures represent salaries and wages.

^bIncludes some expenditures which should be charged to Port Management.

The closed accounts from 1953/54 to 1955/56 show a pro-

¹See pp. 151-155.

gressive rise in receipts, a reflection of increased port activity. Each of these three years ended with a surplus which in 1955/56 amounted to JD 17,509. The estimates for 1956/57 envisage a small deficit of JD 1,585 owing to the expansion of the port management facilities. Thus expenditure on administration in 1956/57 is expected to increase by JD 18,613 or 81 percent over the previous year.

The Treasury undertakes to meet all deficits; and surpluses are to revert to the Treasury. As the development works described earlier are carried out, the budget of the Aqaba Port is expected to expand considerably.

C. The Jordan Hejaz Railway Budget:

The much disputed legal status of the Railway was finally settled on 18 April 1947 when the three countries concerned (Saudi Arabia, Jordan and Syria) declared the Railway Wagf, i.e. Moslem religious property. As such the Jordan Hejaz Railway is a public trust administered by a board of five directors including a general manager, under the chairmanship of the Minister of Public Works.¹ The annual budget of the Railway is prepared by the general manager, approved by the Senior Administration Board and authorized by the Prime Minister. Surplusses are transferred to a reserve fund from which deficits are met. If the reserve fund is depleted, the Railway may borrow, with the approval of the Board and the Prime Minister using its immovable property as collateral.²

¹IBRD, op.cit., Vol.II p.323.

²Ibid., Vol.II, p.323.

Table 4 shows total receipts and current expenditures of the Railway for the period 1950/51 to 1955/56. Surplus earnings have resulted from increased current earnings. Thus from 1 April 1948 up to 31 March 1954, accumulated surplus amounted to JD 300,908 most of which was spent to purchase new equipment.¹ It should be noted, however, that current expenditures does not include any provisions for depreciation of assets estimated at JD 54,000 per year. For the years 1954/55 and 1955/56, provisional estimates indicate a surplus (excluding depreciation) of JD 70,500 and JD 30,000 respectively.

As explained earlier, capital expenditures have so far been met from the Reserve fund, from three loans, amounting to JD 240,000, granted by the Development Board and from a loan by a Belgian Company.² Total capital expenditure from reserve fund from 1950/51 to 1954/55 amounted to JD 194,000.

With the expansion of traffic and the use of the newly ordered diesel engines, surplus revenue will rise substantially enabling the Railway to increase its capital expenditures.

D. Municipal Budgets:

There are at present 39 municipalities in Jordan each of which has its own budget. The municipalities are directed by municipal councils which are authorized by law to carry out various functions such as town planning, health services, education services, public works, water and electricity, fire protection etc.

¹ Ibid., Vol.II, p.324

² See pp. 148-151.

TABLE 4
JORDAN HEJAZ RAILWAY BUDGET

	Closed Accounts				Provisional Estimates	
	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56
I. Current Earnings, Total	207.3	278.1	299.7	389.9	391.0	380.0
(a) Passenger traffic	22.2	22.8	37.2	39.0	36.0	43.0
(b) Goods traffic	178.9	240.2	254.7	346.6	350.0	330.0
(c) Miscellaneous	6.2	15.1	7.8	4.3	5.0	7.0
II. Operating Expenditures, Total	183.4	224.4	231.6	284.0	320.5	350.0
(a) Administration	39.2	40.3	43.9	52.1	68.1	
(b) Repairs & maintenance	120.0	150.9	141.8	176.6	181.4	
(c) Operating expenses	18.8	22.3	28.5	31.1	36.6	
(d) Miscellaneous	5.8	10.9	17.4	24.2	34.4	
III. Surplus Current Revenue	23.9	53.7	68.1	105.8	70.5	30.0

SOURCE: Unpublished information from Jordan Hejaz Railway.

NOTE: Operating expenditures exclude provisions for depreciation of assets, estimated at JD 45,000 annually.

Each municipality is required by law to prepare a yearly budget approved by the municipal council and sanctioned by the Minister of Interior. Despite this legal requirement, statistical information on municipal finance is neither complete nor up-to-date. The tables used in this section were obtained from the Department of Statistics in Amman but were especially compiled at the request of the IBRD Mission.¹ Table 5 shows the consolidated budgets of all municipalities.

¹ See The Economic Development of Jordan, op.cit., Vol.III, pp.491-496. No explanation could be given to the slight discrepancy between total receipts of tables 5 and 6 and those given by the IBRD.

TABLE 5
CONSOLIDATED BUDGET OF MUNICIPALITIES
(JD)

Closed Accounts	1951-52	1952-53	1953-54
<u>Receipts</u>			
Current revenues	682,370	801,395	864,126
Loans	215,660	347,592	103,678
Total receipts:	898,030	1,148,987	967,804
<u>Expenditures</u>			
Ordinary	501,402	521,406	559,113
Extraordinary	461,701	543,302	524,038
Non-development	(91,645)	(218,449)	(171,153)
Development	(370,056)	(324,853)	(352,885)
Total expenditures:	963,103	1,064,708	1,083,151

SOURCE: Tables 6 and 7 which follow.

The above table shows that both receipts and expenditures have increased during the three year period. Figures for 1954/55 and 1955/56 show that actual receipts amounted to JD 1,224,498 and JD 1,106,098 respectively; while actual expenditures amounted to JD 919,790 and JD 1,030,728 respectively.¹

The importance of municipal finance as a factor affecting the Jordan economy is rather limited. The proportion of municipal expenditure to that of the Central Government was 5.5 percent in 1954/55. If the special Military Budget is excluded the percentage would rise to 13 percent.

1. Receipts:

The description of Jordan's tax structure would not be complete without a brief account of the relative importance of

¹Ministry of Economy, Department of Statistics, Annual Statistical Yearbook for 1955 and for 1956, (Amman).

the principal sources of municipal revenues. The right of the municipalities to levy taxes and fees are defined in municipal law No.29 of 1955.¹ About 40 percent of revenues are composed of surtax on or shares in national taxes collected by the Central Government. The rest comprise taxes and fees administered by the municipalities themselves and revenues from water and electricity services. Table 6 shows a detailed breakdown of the source of receipts. A brief description of the main taxes and fees follows:

(a) Buildings and Lands Tax This is a surtax levied on buildings and lands within municipalities which are subject, also, to the Buildings and Lands Tax of the Central Government.² The Ministry of Finance collects this tax on behalf of municipalities at the rate of 5% of the annual net rental value of buildings and surrounding yards as assessed under the General Budget; 5% of the annual net rental value of lands as assessed under the General Budget. Exemptions from this tax are similar to those allowed under the tax of the General Budget. Buildings and lands within the walls of Jerusalem, although exempt from the Central Government tax, are subject to the municipal tax which is collected by the Jerusalem municipality itself. The revenues collected from this tax by the Ministry of Finance are transferred to the respective treasuries of municipalities in whose territory the buildings and lands fall. According to the previous municipal law No.9 of 1938³ the rate of this tax ranged between

¹Official Gazette No.1225, 1 May 1955.

²See p. 89.

³Official Gazette No.586, 1 February 1938.

1% and 5% and was determined by the various municipalities.

In 1953/54, JD 115,590 were collected from this tax forming 13% of total current revenues.

(b) Customs Duties: The Customs Authorities collect for the benefit of municipalities additional dues on imports at the following rates:

- 10 fils on every gallon of benzine and its substitutes;
- 5 fils on every gallon of kerosene;
- 20 fils on every liter of pure alcohol;
- 2 percent of CIF value of imports subject to customs duties, except fruit and vegetables.

As there is no customs duties item in table 6 it is believed collections of this tax appear under two separate heads "consumption tax" and "fuel tax". Revenue from both these items totalled JD 260,077 or 31 percent in 1953/54 of total current revenues. This tax together with the preceding Buildings and Lands Tax are the most important source of municipal taxes.

(c) Transport Licence Fees: Out of the revenues collected by the Central Government on ownership and driving of vehicles, 35 percent of total is allotted to municipalities. In 1953/54, the amount was JD 8,647. The apportioning of this tax and the previous one among the various municipalities is determined by the Council of Ministers upon the recommendation of the Minister of Interior.

(d) Fresh Fruit and Vegetables fees: A fee on the sale of fresh fruits and vegetables brought to public markets is collected from the seller at rates varying with different municipalities. The Amman municipality imposes the following rates:¹

¹
Official Gazette, No.1223, 3 April 1955

- 5 fils on fresh fruits and vegetables weighing between 5 to 10 kg.
- 20 fils on fresh fruits and vegetables weighing over 10 to 50 kg.
- 40 fils on fresh fruits and vegetables weighing over 50 to 100 kg.
- 400 fils on fresh fruits and vegetables weighing over 100 to 1000 kg.

This fee which is generally collected through tendering amounted to JD 51,933 in 1953/54.

(e) Slaughter-house fees: All livestock must be slaughtered in proper slaughter houses provided by the municipality so that they may be inspected. A fee is collected through tendering which varies with municipalities. The Amman municipality imposes the following rates for various services provided in this connection.

	Tax rate in fils per head
Sheep and goats	175
Lambs	100
Cows	1,040
Pigs	1,050
Oxen and camels	1,550

An inspection fee of 10 fils, is collected on every kilogram of meat brought from outside for sale in the Amman municipal area. In 1953/54, collections amounted to JD 16,960.

(f) Auctioneering Tax: The municipality levies this tax on purchases of movable property, including fruit and vegetables sold by auction within the municipal boundary at the rate of 3% of the final bid. This tax is paid by the purchaser.

All sales by auction are conducted through auctioneers appointed by the mayor. At the beginning of every fiscal year the municipality lets by public auction to private bidders the right of collection of this tax against payment of a lump sum to

TABLE 6
MUNICIPAL RECEIPTS
(JD)

	1951-52	1952-53	1953-54
<u>Taxes collected by Government</u>	<u>298,435</u>	<u>391,643</u>	<u>392,236</u>
Lands and buildings tax	76,923	105,196	115,590
Consumption tax	101,703	119,332	113,624
Fuel tax	114,396	149,952	146,453
Transport licencing tax	5,384	6,579	8,647
<u>Fees collected through Tendering^a</u>	<u>111,025</u>	<u>143,436</u>	<u>128,172</u>
Fees for sale of fruit and vegetables	41,529	47,214	51,933
Fees for sale of animals	7,650	7,085	8,162
Slaughter-house fees	17,575	17,453	16,960
Rent of municipal property	9,816	10,582	12,362
Other fees	34,445	62,102	38,735
<u>Taxes and fees collected by Municipalities</u>	<u>32,934</u>	<u>30,620</u>	<u>41,810</u>
Trade and industries fees	22,584	17,137	22,913
Building fees	7,279	9,657	15,027
Entertainment taxes (cafes, cinemas etc.)	1,324	1,534	1,809
Peddler's fees	1,747	2,292	2,061
<u>Water and electricity</u>	<u>133,896</u>	<u>149,050</u>	<u>170,933</u>
Water	125,583	138,212	156,770
Electricity	4,622	5,350	8,432
<u>Various revenues</u>	<u>106,080</u>	<u>86,646</u>	<u>130,975</u>
Education taxes	11,375	13,222	14,655
Fines	1,081	1,201	1,364
Collection of arrears	2,923	6,223	3,869
Other revenues	90,701	66,000	111,087
TOTAL CURRENT REVENUES:	682,370	801,395	864,126
Loans and Subsidies:	215,660	347,592	103,678
GRAND TOTAL:	898,030	1,148,987	967,804

SOURCE: Unpublished statistics from the Department of Statistics.
See also UNRWA, Quarterly Bulletin of Economic Development,
No.13 (Beirut, April 1956) p.189.

NOTE: A similar breakdown of municipal receipts for later years is not available.

^aThat is, the municipality auctions off to private bidders the right to collect these taxes in return for payment by the bidder to the municipality of a lump sum. The municipality receives the lump sum bid by the successful bidders and the bidder then receives the taxes he collects.

the municipality by the successful bidder. Receipts shown under this tax are the sums paid by the successful bidders and appear in table 6 probably under "other fees" collected through tendering. Taxes collected by the successful bidder are retained by him. This type of tax farming known as "Talzim" was the normal system in Ottoman days.

(g) Fines: All fines collected by the government on traffic, sanitary and municipal contraventions are transferred to the different municipalities in a proportion determined by the Council of Ministers upon the recommendation of the Minister of Interior. The proceeds from this source are minor and are classified in table 6 under the general heading "various revenues".

(h) Al-Ma'aref Tax or Education Tax: This tax was levied on occupiers of urban houses at varying rates ranging from 1 to 3 percent of the annual net rental value. The revenue then collected in East Jordan was pooled in a special "Ma'aref Fund" which the Ministry of Education used for educational purposes. In West Jordan collections went directly to the municipalities and were spent directly by them. Revenues from this tax were small, amounting to JD 14,655 in 1953/4. The new municipal law No.29 of 1955 has abolished this tax.

(i) Animal Tax: This tax was levied on the sellers of animals in the markets and was collected through tendering. The rate was set for each animal as follows:

	Tax rate in fils per head
Sheep and goats	10
Sheep and goats under 1 year	5
Donkeys	20
Cows, horses, mules, camels & oxen	80
under 1 year	40

(j) Other receipts: In addition to the above taxes and fees, the municipalities collect fees directly from various sources such as entertainment houses, peddlers, builders' licences and businesses for inspection. Municipalities may levy special taxes on property whose value was enhanced as a result of opening up roads and the development of other community facilities.

Finally, many municipalities undertake to provide water and electricity to the inhabitants against payment of a subscription fee.

(k) Loans and subsidies: Recently, there has been a number of loans made to municipalities by the Treasury, the Ottoman Bank, the Development Board and the ICA Mission. All of these loans are used to finance developmental projects. The Treasury extended JD 100,000 on June 15, 1950 to the Amman Municipality for a period of 5 years at 2 percent. Repayment was to be in ten equal instalments beginning 1953/54. Up to this date (March 1957) the Amman Municipality has not repayed any principal or interest on this loan and the Treasury, it seems, has not pressed for repayment. Although article 3 of the loan agreement gives the Ministry of Finance the right to deduce due instalments from the taxes and dues collected on behalf of the Municipality, the Ministry has not exercised this right.

Bank

Loans provided by the Ottoman/^aare guaranteed by the government and are from 5 to 8 years with interest 1 percent higher than the discount rate of the Bank of England. The minimum rate is, however, 4.5 percent.¹

^a
The Development Board extended/JD 50,000 loan to the

¹IBRD, op.cit., Vol.III p.495.

Jerusalem Municipality under its "Village and Jerusalem City loans scheme" to expand the City's water supply.¹

A non-official source of credit has been the ICA Mission which made "community loans" for civic improvements on long term basis and free of interest. Through June 1956, 39 loans were advanced amounting to JD 78,000.²

Total loans owed by municipalities to these bodies as of 31 March 1955 amounted to JD 601,766 - a sum considered by the IBRD Mission as not excessive.³ Loan charges were estimated at JD 127,000 in 1954/55 which represent an annual financial burden of about 14 percent of total ordinary municipal revenue.⁴

2. Expenditures:

Table 7 shows a breakdown of municipal expenditure. The list of items is divided into ordinary and extraordinary. The ordinary are all non-capital and of a recurring nature. In 1953/54, 4 out of the 39 municipalities, namely, Amman, Jerusalem, Nablus and Irbid accounted for 60.5 percent of total ordinary expenditures; while Amman alone accounted for 26 percent.⁵ Of total municipal expenditure in 1953/54, 63 percent were ordinary while the remainder were extraordinary.

In 1953/54, of total ordinary expenditure, 17 percent were on administration, 19 percent on public works, 14 percent on health

¹See pp.143-144.

²See p. 58.

³Ibid.p.496.

⁴Ibid.p.496

⁵UNRWA, Quarterly Bulletin of Economic Development, No.13 (Beirut, April 1956) pp.192-193.

and education services and 15 percent on water and electricity supply. Most but not all extraordinary expenditures are for development. The "others" under extraordinary expenditures in table 7 are non-recurrent but not of developmental nature. Of total municipal expenditure in 1953/54, 32 percent were on development. Such a sizable proportion of expenditure on development was possible mainly because of the availability of borrowing facilities and to a lesser extent because of some accumulated surpluses.

TABLE 7
MUNICIPAL EXPENDITURE
(JD)

Item	1951-52	1952-53	1953-54
<u>Ordinary Expenditures:</u>			
General Administration	132,402	109,270	117,850
Public Works	82,122	84,843	129,298
Health Services	83,796	83,600	82,184
Water Supply	92,389	145,929	77,887
Electricity Supply	18,613	17,165	25,421
Education	18,784	14,861	11,662
Debt Service	17,211	71,520	129,450
Other Expenditures	73,296	65,738	114,811
TOTAL:	518,613	592,926	688,563
<u>Extraordinary Expenditures:</u>			
Development	370,056	324,853	352,885
Others	74,434	146,929	41,703
TOTAL	444,490	471,782	394,588
GRAND TOTAL	963,103	1,064,708	1,083,151

SOURCE: Unpublished statistics from the Department of Statistics. See also UNRWA, Quarterly Bulletin of Economic Development, No.13 (Beirut, April 1956) pp.192-193.

NOTE: No comparable figures are available for later years.

CHAPTER VII

EVALUATION OF THE FISCAL SYSTEM

A. Evaluation of Budgetary Structure and Management:

"A central government budget has two purposes: one is to serve as the major tool of executive management and legislative control and the other is to reveal information significant to economic analysis and at the same time provide the framework for a policy of stability and development."¹ In Jordan, the present classification of budget accounts indicates that it has been styled to serve the first purpose. Little attention was paid to the problem of budgetary reform despite the fact that the country is in a frenzy of development. Consequently, analysis of the effect of government activity on the economy as well as the planning of programs become difficult. The U.N. Department of Economic Affairs made general suggestions for budgetary classification and it is in the light of these that this appraisal is made.²

The first thing that comes to one's notice is the apparent lack of unity of the General Budget especially as far as part I and part III are concerned. On the expenditure side, it is desirable to divide the accounts between current and capital

¹U.N. Department of Economic Affairs, Budgetary Structure and Classification of Government Accounts (New York, February 1951), pp.3-4.

²U.N. Department of Economic Affairs, Budgetary Structure and Classification of Government Accounts (New York February 1951). A revised version of this study to be entitled Manual on the Classification of Government Accounts, is under preparation by the same Department.

whatever the source of finance.¹ Economic and administrative considerations should be the criteria determining the classification of accounts rather than the source of revenues. The division into ordinary and extraordinary expenditures could be continued, but all ordinary expenditures should coincide with current expenditures. This means that all non-developmental expenditures which are now classified as extraordinary should be put in a separate account under ordinary expenditures. It also implies that certain non-capital expenditures now included in the Development Budget should come under ordinary expenditures.² Only if this classification is adopted could the total contribution of government to development be precisely determined. Military expenditures could be left in a separate account as they are. It is also desirable to have current expenditures divided into (i) purchases of goods and services (with a subdivision into wages and salaries, and payments for goods and services), (ii) transfer payments and (iii) subsidies such as losses incurred by the Cereals Board in maintaining the price of wheat. This last suggestion does not necessarily imply that the present classification on a

¹On the problem of delineating the types of transactions, it is suggested that capital account should include not only "revenue producing" assets but also other government outlays that add to the country's assets. See, Ibid. pp.14-15.

²Cf. IBRD, op.cit., Vol.III, pp.478-479.

departmental basis should be abandoned. Rather, a supplemental classification of expenditures should be shown either on an aggregate basis or better on a functional basis. Capital expenditures, on the other hand, should distinguish between (i) revenue producing real assets and non-revenue producing real assets, (ii) transfers to private capital accounts which includes the purchase of lands and buildings and the advancing of loans, (iii) Loans and advances to other government units.

The classification on the receipts side is even less satisfactory from the point of view of economic analysis. Part of the blame falls on the nature of the surtaxes. Receipts should also be broadly classified into current and capital. Current revenues should be sub-classified to show tax revenues and non-tax revenues. Tax revenues could be divided into direct taxes and indirect taxes. Non-tax revenues should show (i) fees for services rendered and sales of goods other than of enterprises (ii) profits of government enterprises (iii) Profit from currency cover and interest of government bank accounts (iv) royalties from oil companies (v) other current income. Capital revenue should show (i) transfers from private capital accounts such as recoveries of subscriptions, repayments of advances and loans and proceeds from sale of state property (ii) grants-in-aid (iii) loans from abroad.

The U.N. Study on budgetary structure and classification emphasizes the fact that "government accounts should be

comprehensive in order to present a complete picture of the financial program of the government."¹ As far as this requirement is concerned, it seems that with the exception of very few cases all receipts and disbursements of the Treasury are reflected in the General Budget.

In view of the importance of the money supply concept as an indicator of inflationary or deflationary tendencies and of the role played by the government's cash position in influencing the money supply, it is suggested that the Reserve Fund account² be replaced with one showing the net change in cash and claims at the end of each fiscal year. This implies abolishing the present practice of delaying for six months after the end of the fiscal year the closing of accounts in order to permit the payment of obligations incurred during the fiscal year. Such transactions will have to be recorded in the current year and all unobligated appropriations would automatically lapse at the end of each fiscal year.³ Obviously, the Government's cash account should exclude any sums held in trust for others; such funds should appear in a separate account.

¹U.N. op.cit., p.7.

²Discussed in Chapter III, pp.78-79.

³IBRD, op.cit., Vol.III, pp.479-480.

As far as budgetary management is concerned it seems that there are no serious shortcomings except for the complaints of the Audit Department concerning certain violations of the financial regulations and fraud. The gravity of these charges is not quite clear. Should they prove to be serious enough, then one possible solution is to grant the Audit Department judicial powers to deal effectively with all contraventions.¹

On the problem of budget presentation, it is useful that the budget law should show budget estimates for the coming year, revised estimates for the current year and closed accounts for the past year. A cash account should be included showing the net cash and claims position of the government together with the Development Board and the Arab Legion.²

B. Evaluation of the Tax System:

Jordan's tax system is naturally a reflection of its salient economic features. Jordan's economy, it was observed, is characterized by three basic features. The first is that it is an import economy dependent largely on foreign sources for the supply of its essential requirements. The second is that a large part of the national product is derived directly or indirectly from agricultural activities. The third is that the economy is burdened by a large supply of idle labour from Palestine who are taken care of by UNRWA.

¹See Chapter II pp.70-72.

²Ibid., p.480.

Each of these features has left its imprint on the fiscal system. For example, from the first feature stems the government's heavy reliance on Customs Duties and Excise Duties from protected local industries. Closely connected with imports are the taxes and fees collected directly from the commercial sector. The second feature has not been taken advantage of as much as the first. The yield from both the Agricultural Land tax and the Animal tax is relatively low. There, is, thus, scope for improvement.

The last feature, the economic burden caused by the influx of Arab refugees from Palestine, was largely mitigated through foreign assistance. Since conditions are not much better today than they were 10 years ago, it is incumbent upon Jordan that it seek foreign aid if a general collapse of the economy is to be avoided.

Any evaluation of the tax system or, for that matter, the whole fiscal system is hampered by the lack of basic statistical data such as consumption patterns and income distribution. Even where statistical information is available, it is usually highly inaccurate as for example the national income study for the years 1952 to 1954 which has never been published. For these reasons only generalizations and speculative conclusions could be given which may shed some light on this highly precarious fiscal system.

By far the greater part of the public revenues represents collections by the central government. Collections by

municipalities, as mentioned earlier, accounted for only a fraction of total government receipts.

Total receipts of the General Budget amounted to JD 17,667 million in 1954/55. This is 52 percent higher than in 1950/51. The outstanding characteristic of the composition of receipts is the substantial amount of foreign aid which in 1954/55 was 58 percent of total receipts. As regards domestic receipts, out of a total of JD 7.495 million 67 percent consisted of tax revenues.¹ Table 1 shows per capita income and tax burden for Jordan, Syria, Lebanon and Iraq, all of them underdeveloped countries. The comparative figures show that Lebanon enjoys the highest per capita income and Jordan the lowest. The total per capita tax burden was also highest in Lebanon and lowest in Jordan. Iraq and Syria which have almost the same per capita income show similar total per capita tax burden. The low percentage of taxes to income in Lebanon indicates that the government's share in the economy is quite low. In Jordan, the percentage of taxes to income is low too, but tax revenues are supplemented by considerable foreign aid. A more accurate picture of the governments participation in the economic life of the country is reflected in the ratio of per capita expenditures to per capita income. For Jordan, this ratio was 33 percent in 1954/55.

¹Tax revenues as used here include not only the direct and indirect taxes classified in Chapter IV above, but also certain fees which are shiftable.

TABLE I
PER CAPITA INCOME AND TAX BURDEN
(in U.S.\$)

	Jordan	Syria	Lebanon	Iraq
Per capita income	100	121	315	120
Total per capita taxes	10	15	26	15
Total taxes as percent of income	10	13	8	13

SOURCE: Figures for Syria, Lebanon and Iraq from UNRWA
Quarterly Bulletin of Economic Development, No.13
(Beirut April 1956) p.XXI.

NOTE: Figures for Syria and Lebanon refer to calendar year
1955. Income estimate for Iraq refers to 1955 but
tax figures are for fiscal year 1954/55. Income
estimate for Jordan refers to 1954 but tax figures
are for fiscal year 1954/55.

1. The Effect of the Tax System on Business:

The effect of the tax system on business comes about through a group of taxes and fees like the Trades licences fees, Transport licences fees, Driving licences and Registration fees, Revenue Stamp tax, Registration of Companies fees, Trade Marks Registration fees, Selling of Alcoholic Beverage licences fees, Selling of Tobacco licences fees, and Import and Currency licences fees.

All such taxes and fees are business costs and are likely to affect prices and hence volume of sales. Some of them like the various licences fees are on an annual basis and vary with the type of business, while others like the Revenue Stamp tax vary with the volume of business. Their incidence cannot be determined, but they most likely are liable to

fall on the ultimate consumer. Their present yield is relatively small and the IBRD Mission made suggestions with respect to the Revenue Stamp tax.¹ The Mission recommended that stamp duties on checks and commercial bills be either abolished or at least lowered so as to promote deposits with banks and develop credit on a discount basis; also stamp duties on property titles, applications for tenders and cinema tickets should be raised.

More important taxes entering into business costs are those levied on commodities used by business. They include, Customs Duties, Excise Duty on alcoholic beverages, Excise Duty on tobacco and matches, Inspection fees on imports, Extra Duty on imports, Air Force tax and National Guard tax. While the yield of these indirect taxes is substantial, it is difficult to determine what proportion is consumed by business as against the household sector. Furthermore, it is not known with any certainty, to what extent they impede production and penalize the domestic producer. It may be observed, however, that certain domestic industries, producing arak, alcohol, soft drinks, cigarettes, matches and cement, which appear to be heavily taxed are compensated by complete prohibition of imports. Similarly, the tariff law provides protection to some domestic industries in the form of high tariff rates. With such protection from foreign competition, the taxes tend to be largely shifted to the ultimate consumer. However, this should not imply

¹Ibid., p.487.

that businesses are not affected by indirect taxes. Such taxes affect costs, prices, volume of sales and, therefore, gross profits.

On the positive side, the tariff law includes measures to raise production by exempting from duty such imports as agricultural and industrial machinery, raw materials, fuel oils, fertilizers, insecticides etc. Further, the "Law for the Encouragement and Guidance of Industry" exempts certain listed but non-existing industries from customs duties and all surcharges on imports; and exempts their products from export duties.¹

Finally, business is affected by direct taxation of profits and income. These taxes include, the Income tax, the Urban Buildings and Lands tax, the Agricultural Land tax, the Animal tax and the Social Services tax. In order to assess the nature of the burden on business, a brief analytical discussion of these taxes follows.

The Income tax does not distinguish between the taxation of business income and private income, although it makes a special provision for income from companies. In the final analysis, however, it seems that this differential is applicable both to non-resident companies and to foreigners who may own shares in a Jordanian company. It is not possible to calculate the proportion of the tax from business income and from private income since both are lumped together. The Income tax is

¹See p.32 for a list of these industries. For further privilege provided by this law see below.

generally light on account of the generous deductions permitted. One of the incentives for risky undertakings is the provision allowing the carrying forward of losses for a six-year period.

Non-compliance particularly by businesses was widespread and contributed to lower yields. The IBRD Mission in its report indicated that the Income tax yield failed to rise sufficiently with the rise in incomes. It, therefore, recommended certain measures to correct the situation. These include the improvement of the administration machinery; taxes paid on urban and rural property should not be offset against Income Tax liability; and agricultural income should be taxed in accordance with Income tax law.¹

The Urban Buildings and Lands tax, likewise, does not distinguish between business property and private property in municipal areas. Business property in rural areas (outside municipalities) are subject to half the tax rate imposed in urban areas. Since most property is used for non-business purposes, it is logical to assume that a greater proportion of this tax falls on non-business property. To improve the yield of the Urban Buildings and Lands tax, the IBRD Mission suggested that reassessment of properties should be undertaken every 3 years instead of every 5 years and that the rate on vacant urban land should be considerably raised over the present rate of 5 percent of the assessed annual net rental value. The suggested rate is between 15 percent and 20 percent and is

¹ Ibid., Vol.III, pp.484-485.

meant to discourage land speculation and at the same time act as a levy on capital gains.¹ An imperfect alternative for taxing capital gains from land speculation is to raise the Land Registration fees.

To foster certain types of yet non-existing industries essential for the economy, the "Law for the Encouragement and Guidance of Industry" exempts these industries from the Income tax, the Social Services tax and the Urban Buildings and Lands tax, for the first three years from the start of production and the reduction of these taxes to 50 percent in the two succeeding years. These exemptions are a direct subsidy at the expense of the budget.

Another direct tax on business is the Agricultural Land tax levied on the productive potential of the land. Therefore, it penalizes those landlords who make uneconomic use of their land or keep it completely idle. On the other hand, the tax rates seem to be light, specially as far as the few large land owners are concerned. Since agricultural income is not taxable under the income tax, large landowners who earn large incomes from agriculture escape with but a light tax payment. In this respect those affected enjoy an advantage over those in other types of occupations. The IBRD Mission estimated the yield of the new tax law to "be less than 1 percent of the gross value of agricultural production, so that the rate can be increased without adversely affecting production."²

¹ Ibid., Vol.III, p.485.

² Ibid., p.486

They recommended, therefore, the gradual increase of the rates so that yield will be about 6 percent of the gross value of agricultural production. Small farmers earning subsistence income should be privileged with total or partial tax exemption depending on minimum subsistence requirements of land.¹

The Social Services tax is just a surcharge on the Animal tax, the Agricultural Land tax, the Income Tax and imports subject to Import Duty. Its burden, therefore, depends on the extent that it raises the rates of these various taxes. It is, perhaps, less complicating if these surcharges are added to the original tax.

The Animal tax is rather moderate but could not be raised significantly for fear of increased evasions. It could be considered proportional since the rate is specific per head of animal. The IBRD Mission suggested the raising the rate on goats to 150 fils per head and lowering that on sheep to 100 fils per head.² The reason for this is obviously the substitution of sheep for goats which are a menace to forests.

2. Effect of the Tax System on the Consumer:

It seems from the foregoing that the ultimate consumer bears the brunt of the burden of the tax system. While this statement could not be supported statistically, yet there are very good reasons indicating that this is so. In order to measure the equity of the tax system, it is significant to calculate the over-all tax burden for consumers at different income levels and in different occupations. With existing

¹Ibid., p.486.

²Ibid., p.487. See also p.94 above for existing Animal tax rates.

statistical data this is not possible. But following the analytical description made on the nature of each individual tax, it is not far from the truth to conclude that the tax system tends to be regressive and therefore falls more heavily on the lower income groups, though perhaps not on the lowest. This conclusion is supported by the following arguments. First, a large proportion of tax revenue comes from indirect taxes. Thus, total domestic taxes in 1954/55 amounted to JD 5.058 million of which JD 4.165 million or 82 percent were indirect taxes. The bulk of the indirect taxes were shown to be composed of customs duties, surcharges on imports and excise duties. These major indirect taxes are levied on commodities of general consumption as well as luxuries. But since consumption of luxuries is limited to a very small rich class, they contribute a small share to indirect taxes. There is no doubt that the middle and lower income consumers who form the overwhelming majority of the population bear, through higher prices, a disproportionate burden in relation to their income. Second, direct taxes are moderately progressive except for the Agricultural Land tax which tends to be regressive. In general, this moderate progressiveness tends to be more than offset by the large indirect taxes and to a lesser extent by evasions of the direct taxes, especially by those who can better afford to meet them. Third, the great inequality in income distribution is definitely a repercussion of the tax system. The trend may be for further concentration of wealth. Finally, the IBRD Mission

rightly indicated, that the "Jordan tax system shows a relatively limited response to changes in production" and hence income, if resort to levying new taxes and tax remissions to agriculturalists in poor crop years are both ignored.¹

While such a behaviour is an indication of cyclical inflexibility of the taxes, it also suggests that the tax system is not progressive.

Beyond this general and tentative conclusion, it is difficult to go, except, perhaps, to qualify it by mentioning that any regressiveness in the system may be partly offset through the provision of free services by the government.

3. Effect of Government Expenditure on Business and the consumer:

The government's participation in the economic life of the country is significant, thanks to foreign aid. The ratio of per capita expenditures to per capita income was shown to have been 33 percent in 1954/55. Table 2 shows total government expenditure in 1954/55 by major services or functions. There are three outstanding facts which this table shows, namely, the disproportional expenditure on internal and external security amounting to 61.7 percent of total General Budget expenditure in 1954/55; the relatively sizable expenditure on capital formation amounting to 16.3 percent; and from the point of view of growth of national income, significant expenditure on health services, education services and social welfare services, amounting to 8.8 percent.

In view of the foregoing, the effect of government expend-

¹Ibid., p.482.

iture on business should be substantial especially in an economy which lacks sufficient demand to generate full employment.

TABLE 2
GENERAL BUDGET EXPENDITURE IN 1954/55
(JD)

	Total	Per Capita	Percent of Total
Administration ^a	1,279,262	0.8	7.8
Social Services (incl. Health, Education & Social Welfare)	1,465,226	1.1	8.8
Internal and External Security	10,216,035	7.2	61.7
Economic Activity	908,256	0.6	5.4
Capital Expenditure	2,691,386	1.8	16.3
TOTAL:	16,560,165		100.0

^aIncludes Justice.

As a seller the government does not offer any important competition since it has no exclusive industries which it operates. Beyond certain public services such as health and education it has not trespassed. Even in these, there are deficiencies which have enabled private and religious institutions to operate. It runs certain public utilities such as the posts, telephones and telegraphs, the railway and the Aqaba port. These functions are normally within the sphere of government activity especially when there is an acute shortage of private capital resources. Recently, the government began promoting certain types of industries in cooperation with private capital as part of a general industrial program. The operation of these industries is exclusively in private hands,

although the government is represented on the board of directors. Since such industries have been granted monopoly power, the government fixes the price of the products. These industries are of a type that did not exist previously in Jordan and would most probably not have been established at this stage without the government's promoting activities. As such they should offer no direct competition on existing industries. To the contrary some of them like the electric company and the petroleum refinery are supposed to provide external economies.

The effect of government expenditure on the consumer springs from the fact that it is individuals, and not impersonal business, who reap the advantages and benefits of government services. Since Jordan spends each fiscal year over twice as much as it collects from domestic receipts, it is obvious that the value of government services which individuals get is substantially greater than the price they pay for them. Government expenditure have contributed to capital formation and to a rise in national income. Estimates on the contribution of the private sector to capital promotion are not available but are believed to be much less than those of the government.

In addition to the provision of various services either free or at nominal cost, and to the small direct aid given to religious and charitable institutions, the government provides employment (excluding the army but including the police force) for about 5 percent of the labour force. The government's salary scale is comparable with that of the private sector except for certain types of skilled occupations and

professions where the government rates are lower. This disparity caused the transfer of employees in this category from government employment to private employment either in Jordan or in neighbouring oil rich countries. It has also deprived the government of the service of able professionals and technicians which the government badly needs to assume the responsibilities of its expanding functions.

C. Economic Development and Fiscal Policy:

During the three decades of Jordan's existence as a state, fiscal policy aimed at financing developmental investments was not known. There are at least three reasons for this lack of interest in promoting economic development. First, the country was generally self-sufficient and the people were primitive. They had little need beyond the rudimentary requirements of simple living. Second, national economic awakening was completely absent. Thus one of the essential factors for economic growth was conspicuously lacking. Finally, the country is poorly endowed with natural resources and did not, therefore, attract foreign interests.

Since 1948, however, economic and political conditions have dramatically changed, thus influencing government fiscal policy. The fiscal system is at present consciously used to pursue specific objectives. These objectives revolve around the increase in the national product, employment of the surplus population and the reduction of the country's dependence on foreign assistance.

In order to pursue these objectives, the Government greatly expanded its expenditures on development and formulated the Five Year Plan which was administered by the Development Board. Table 2 shows that total government expenditure on development was JD 2.69 million or about 5 percent of national income. This is a remarkably high percentage since it does not include the investment of the private sector as well as those of the ICA Mission and UNRWA.¹

In 1955, the government invited an IBRD Mission to visit Jordan and study its economic potentialities and advise it on a long-range development program which will fulfil its objectives. In response to this request the IBRD sent a Mission which visited the country from March 1955 through July 1955. A draft report has been submitted to the government embodying a ten year plan of development beginning 1955/56 through 1964/65.² As table 3 shows, the plan envisages a total capital expenditure by the Central Government in the ten year period of JD 37,790,000. These estimates exclude appropriations for the Potash plant and the Jordan Valley irrigation project.

The Central Government capital expenditure program shows a heavy bias towards agriculture and communications.

¹In 1954/55, UNRWA spent JD 694,000 on rehabilitation projects and JD 514,000 on education. The ICA Mission contributed, in the same year, JD 2,691,000 which includes salaries and capital expenditures; actual expenditure out of this contribution is not available. See UNRWA, Bulletin of Economic Development (Beirut, July 1956), table 1, p.121.

²The draft report is in 3 volumes, volume I is a summary; volume II and III are the main report.

TABLE 3
TOTAL PROGRAM OF PUBLIC CAPITAL EXPENDITURES
(JD'000)

ITEM	Total for ten years from 1955/56 - 1964/65	Percent of Total
Land Use	17,155	46.4
Mines and Minerals	2,390	6.3
Industry	1,045	2.6
Transport & Communications		
Education	2,003	5.2
Health	640	1.6
Housing	1,000	2.6
Administrative Buildings	600	1.4
Other	1,500	3.9
TOTAL:	37,790	100.3

SOURCE: IBRD, The Economic Development of Jordan, (draft, December 1956) Vol.III, p.502, table 1.

Thus 46.4 percent of total capital expenditure are for agricultural purposes and 30.3 percent are for communications. The emphasis on agricultural activities is justified on the grounds that land is the main natural resource in Jordan and that a majority of the population is directly engaged in agriculture. As to communications, the country is poorly provided and the severance of ties with Palestine necessitated the diversion of the main arteries of communications in other directions.

In addition to the above capital expenditures, the Mission estimated that current expenditures of the Central Government during the ten year period will amount to JD 72,980,000.¹

¹Ibid., p.503, table, 2. This estimate excludes military expenditures which the Mission assumed to continue to be the responsibility of the U.K. or some other foreign country.

Thus total contemplated expenditure, both current and capital is JD 110,770,000.

The development program of the Central Government outlined above is to be supplemented by a much smaller one by municipalities. Total estimated expenditures by municipalities thus amount to JD 15,305,000.¹

The financing of this huge program will have to come from both domestic and foreign resources. In the initial stages of the program foreign borrowing will be quite heavy and will taper off to an almost negligible amount towards 1964/65. The reduction of dependence on foreign assistance achieved by 1964/65 will be made possible by rising internal revenues resulting from the expenditure program.

The government has so far not resorted to internal borrowing. In view of the substantial sums needed for developmental purposes, it seems prudent that the government should begin paving the way for a mobilization of private savings for public investments. At present domestic borrowing is handicapped by two factors: the absence of a capital market and the absence of financial institutions specialized in mobilizing savings. As a start the IBRD Mission recommended that the government should experiment on a postal savings system to begin in Amman and later extended to other towns and villages. In the field of bond issue the government should experiment with short-term bonds from three to five years, so as to give the bonds

¹Ibid., p.515, table 6.

some measure of liquidity. Although these measures may not result in substantial funds being mobilized, yet they are essential to establish confidence and start a capital market functioning.¹

It should be pointed out, however, that the Mission assumed military aid from abroad will continue to be forthcoming even after the ten year period. This means in fact that the Jordan economy cannot afford such heavy military expenditures at any time. Another important reservation made in the Report is that, while this program will assist in securing Jordan's economic independence, "it will not be possible to provide a living from the country's own resources for the population that...can be expected in 1965."² For this reason, the Mission concluded that "continued external assistance for the support of refugees will be necessary."³

¹For more details, see Ibid., p.488-490.

²Ibid., p.505. Assuming the present natural increase and excluding emigration.

³Ibid., p.522.

APPENDIX I.

GENERAL BUDGET: PART I. REGULAR MINISTRIES EXPENDITURES

(JD)

I T E M	Closed Accounts					Estimates	
	: 1950-51 : B. Jordan only	1951-52	1952-53	1953-54	1954-55	: 1955-56 :	1956-57
A. Ordinary							
The Royal Hashemite Court	56,345	62,102	56,771	55,790	60,677	74,462	93,244
Legislature (House of Parliament)	23,502	20,462	23,251	22,350	33,124	53,327	60,221
Pensions and gratuities	39,706	42,566	45,637	52,240	53,563	115,000	200,000
Council of Ministers and Prime Ministers Office	30,712	33,536	26,975	31,514	32,706	43,943	43,735
Press and Publishing Department	-	1,150	-	-	-	-	3,133
Ministry of Interior	22,137	43,066	42,401	40,623	31,128	30,432	102,123
Passports Department	4,420	7,303	6,734	8,137	21,937	25,525	33,023
Compensation and Custody of Enemy Property	-	1,431	-	-	-	-	-
Ministry of Justice	31,147	62,359	65,172	71,343	143,137	152,432	130,353
Shar'ia Courts	3,091	19,743	12,302	19,943	46,300	53,133	133,753
Islamic Science Committee	641	4,010	-	-	-	-	-
Ministry of Finance and Economy	23,356	50,034	-	-	-	-	-
Ministry of Finance	-	-	55,424	56,932	117,517	132,910	163,751
Department of Customs, Commerce and Industry	34,622	40,303	-	-	-	-	-
Ministry of Commerce and Customs	-	-	52,533	55,359	113,755	-	-
Department of Customs and Excise	-	-	-	-	-	137,846	166,623
Ministry of Economy and Development	-	-	-	16,227	22,505	-	-
Yarmuk Committee	-	-	-	-	5,350	-	-
Ministry of Reconstruction and Development	-	4,214	3,907	-	-	26,137	15,445
Ministry of Economy	-	-	4,002	-	-	15,015	10,524
Department of Tourism	-	-	-	5,241	13,231	22,032	26,323
Ministry of Public Health	61,941	191,339	166,630	203,479	337,742	470,560	500,257
Social Welfare Department	-	17,619	-	-	-	-	-
Ministry of Social Welfare	-	-	20,222	30,543	123,230	102,679	172,729
Ministry of Foreign Affairs	102,619	115,319	101,007	111,352	140,923	131,630	230,552
External Liaison Office	-	1,246	1,133	1,460	3,130	3,314	4,305
Broadcasting Station	-	34,402	23,053	31,001	42,526	40,701	74,573
Ministry of Education	69,537	245,000	220,723	350,391	991,394	1,272,000	1,715,012
Department of Antiquities	4,073	3,032	5,073	7,125	12,810	17,192	20,512
Ministry of Agriculture	35,971	54,000	53,107	72,063	100,241	100,070	135,931
Veterinary Department	2,472	13,773	14,432	14,236	22,123	37,517	44,053
Ministry of Public Works	14,042	50,702	53,474	36,706	74,173	82,042	97,640
Ministry of Public Works Recurrent	150,332	336,303	253,243	351,732	230,944	321,450	365,500
Department of Civil Aviation	-	3,946	8,732	8,554	22,732	32,025	53,600
Ministry of Telegraphs, Posts and Telephones	34,655	25,264	102,894	107,564	242,209	200,430	349,517
Lands and Survey Department	21,656	66,400	64,277	50,201	97,943	110,520	130,409
Irrigation and Water Resources Department	a	a	a	11,003	31,373	45,235	53,303
Department of Forests	a	24,941	13,711	23,774	53,400	61,445	31,776

ANNEX I (Continued)

(JD)

		Closed Accounts				Estimates			
		1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	
Ministry of Defence - Police and Prisons									
Royal Hashemite Regiment	592,252	1,362,717	1,377,000	1,232,030	1,204,765	1,253,412	1,500,122		
Arab Legion Air Force	143,474	172,722							
Head Bee Guard	213,133	234,307	131,240	b	b	b	b	b	
National Guard	-	-	10,505	b	b	b	b	b	
Audit Department	6,502	13,140	12,515	15,015	27,023	33,051	42,133		
Tribal Court of Appeal	353	343	343	354	703				
Department of Statistics	5,045	6,533	6,250	6,755	13,002	17,050	23,532		
Department of Import and Export	(6,679)	3,455	3,522	3,300	3,000	3,414	11,314		
Emergency Control Department	()	3,725	3,540	3,707	3,302	7,700	3,300		
Advances (other than temporary)	4,700	-	-	-	-	-	-		
Ministry of Refugees	3,320	-	205	-	-	-	-		
Alqaba Port Authority	-	-	1,140	-	-	-	-		
Alqaba Port Administration	-	-	774	-	-	-	-		
Development Board	-	-	-	-	-	-	-		
General Expenditures	390,592	1,104,042	1,071,400	1,750	5,310	5,592	25,355		
Civil Servants Department	-	-	-	1,167,733	205,005	320,475	230,313		
Cooperative Societies Department	-	-	-	-	3,403	13,070	15,302		
						13,120	20,297		

Total Ordinary Expenditure									
	2,253,705	4,524,332	4,300,025	4,323,570	4,017,503	5,270,320	7,054,420		
Extra-Ordinary									
Ministry of Finance and Economy	10,205	343,087	-	-	-	-	-		
Ministry of Finance	-	-	102,032	352,712	503,367	540,250	173,500		
Department of Customs, Commerce and Industry	401	-	-	1,270	3,040	-	-		
Ministry of Trade and Customs	-	-	1,011	-	-	-	-		
Department of Customs and Exercise	5,070	22,301	-	3,342	25,140	7,500	3,000		
Ministry of Public Health	-	5,051	4,000	2,030	3,223	4,250	24,000		
Broadcasting Station	505	4,005	15,314	2,312	5,321	5,550	1,300		
Department of Antiquities	40,300	29,000	37,223	139,160	79,301	47,200	33,500		
Ministry of Agriculture	202,553	237,557	202,377	491	3,422	1,000	1,350		
Veterinary Department	-	2,070	5,022	221,102	453,197	303,050	430,750		
Ministry of Public Works	-	-	-	2,240	3,344	10,450	10,750		
Department of Civil Aviation	14,434	14,743	17,700	53,333	33,006	137,330	250,000		
Ministry of Telegraphs, Post and Telephones	15,000	73,473	37,013	3,305	3,244	14,230	14,000		
Land and Survey Department	-	-	-	-	-	-	-		
Irrigation and Water Resources Department	7,365	-	-	42,113	20,745	47,000	30,000		
Royal Hashemite Regiment	-	-	-	-	-	-	-		
Ministry of Defence - Police and Prisons	3,320	30,143	47,031	34,171	-	-	-		
National Guard	177,733	243,351	-	b	-	b	b		
Royal Hashemite Court	35,533	43,141	-	-	-	-	77,241		

APPENDIX I (Continued)

(JD)

I T 2 1.	Closed Accounts					Estimates	
	1950-51 B. Jordan Only	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
Forest Department	-	339	9,045	-	-	2,000	4,000
Cooperative Societies Department	-	-	-	-	-	750	750
Assistance to Refugees	33,481	-	-	-	-	-	-
West Bank Administration expenses	781,073	-	-	-	-	-	-
Committee for Unification of Laws	9,044	729	-	-	-	-	-
Ministry of Refugees	9,580	-	-	-	-	-	-
Loans	40,564	-	-	-	-	-	-
General expenditures	92,996	-	-	-	-	-	-
Government development schemes	-	613,125	300,191	-	-	400,000	400,000
Ministry of Reconstruction and Development	-	-	13,654	-	-	2,500	-
Million Dinar loan projects	489,748	241,470	134,563	42,105	71,130	24,632	12,261
Ministry of Social Welfare	-	-	-	-	2,000	-	-
Ministry of Interior	-	-	-	-	-	-	50,000
Total Extra-Ordinary Expenditure	1,224,373	1,226,529	1,152,764	157,332	1,470,353	1,703,213	1,604,602
Total Part 1 Budget	4,243,576	6,590,931	5,543,739	5,221,510	6,333,367	7,634,533	8,659,022

a. Included with Lands and Survey.

b. Transferred to Part 2 of General Budget.

ANNEX II

FISCAL BUDGET: PART I. REGULAR ADMINISTRATIVE RECEIPTS

(JD)

I T E M	Closed Accounts					Estimates	
	: 1950-51 : E. Jordan : only	1951-52	1952-53	1953-54	1954-55	: 1955-56 : :	1956-57
1. Customs and Excise	2,312,032	2,017,117	1,277,532	2,235,330	2,362,034	2,730,000	3,354,000
Customs duties	1,503,100	1,534,733	1,435,335	1,727,424	2,233,327	2,230,000	2,500,000
Excise duty on alcoholics	3,360	13,565	13,530	12,635	13,376	12,000	13,000
Excise duty on tobacco and matches	122,407	173,321	173,300	173,203	217,711	203,000	249,000
Inspection fees on imports	97,700	30,210	101,510	103,925	134,543	110,000	150,000
Miscellaneous fees	17,739	23,000	43,833	23,276	29,754	24,000	23,000
Panderol tax on matches	7,647	3,365	3,750	7,024	7,330	7,000	4,000
Panderol tax on cigarette paper	7,031	6,360	7,030	3,535	5,632	5,000	6,000
Panderol tax on playing cards	1,315	230	321	1,206	1,715	1,000	2,000
Extra duty on imports	173,640	151,351	160,142	123,431	237,353	200,000	230,000
Inspection fees on exports and export tax	13,542	12,033	16,106	19,753	13,077	13,000	13,000
Excise duty on salt	12	3,204	7,333	7,647	10,002	11,000	9,000
2. Licences and Taxes	320,322	1,133,173	1,356,323	1,136,746	1,524,321	1,305,375	1,474,000
Trades licences fees	37,251	101,700	36,163	35,453	70,100	35,000	30,000
Doctors and pharmacists licences fees	1,323	1,300	1,313	2,453	1,307	100	100
Transport licences fees	19,030	23,136	29,234	31,305	42,316	50,000	30,000
Driving licences and registration fees	6,353	3,500	3,700	13,712	13,143	12,000	15,000
Forests licences fees	672	4,343	4,355	3,700	2,030	2,000	2,000
Stone crushers fees	322	330	474	2,120	2,027	2,500	2,500
Selling of alcoholics licences fees	754	1,771	1,300	2,757	2,073	2,500	2,500
Selling of tobacco licences fees	1,234	3,101	2,344	7,321	5,004	6,000	6,000
Miscellaneous licences fees ^a	1,135	2,037	1,045	6,352	7,732	6,125	7,000
Animal tax	56,250	103,751	103,313	137,432	132,521	130,000	110,000
Income tax (employees and merchants)	353,440	320,235	320,114	372,102	347,305	330,000	320,000
Land tax (new)	60,303	94,302	157,474	116,463	152,600	75,000	125,000
Buildings and land tax	54,742	104,044	151,000	151,575	130,317	175,000	175,000
Toll, tithe and unified taxes	3,000	355	1,720	300	1,000	1,000	400
Revenue stamp tax	33,740	77,504	115,336	125,603	156,131	100,000	120,000
Water springs of Ma'in fees	240	304	672	741	663	650	700
Fines and confiscations	170,103	200,070	350,410	145,556	279,231	70,000	70,000
Cinema films tax	-	2,043	2,572	2,542	3,073	2,500	2,500
Social Services tax	-	-	-	-	30,611	30,000	120,000
National guard tax	-	-	-	-	42,271	255,000	255,000
Lawyers licence fee	323	130	117	-	-	-	-

ANNEX II (Continued)

(JD)

	Closed Accounts					Estimates	
	1950-51 : Jordan only	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
3. Courts and Departments fees	349,971	495,193	520,073	565,595	601,493	352,390	316,000
Court fees	56,334	55,693	59,347	63,752	67,736	30,100	31,000
Land registration fees	51,717	55,923	75,593	69,356	67,357	30,000	30,000
Land settlement fees	8,411	8,470	10,531	7,630	8,301	3,000	10,000
Passport fees	46,353	36,756	43,474	51,363	51,692	50,000	55,000
Citizenship certificate fees	492	432	404	213	393	300	1,000
Residence fees	1,155	2,013	5,232	4,660	3,310	3,000	3,000
Touring and museum fees	-	453	342	1,105	2,566	1,500	1,300
Sanitation fees and hospital income	5,545	11,563	12,334	13,772	17,323	20,000	20,000
Animal quarantines fees	31,637	17,131	16,630	24,060	34,277	30,000	40,000
Income from Government schools	323	10,155	4,132	2,312	1,706	2,000	1,000
Examination fees	5,326	7,171	455	2,034	3,173	2,500	3,000
Income from agricultural schools	523	3,567	1,933	2,399	4,507	3,000	4,000
Sale of maps, prints and official Gazette	-	-	-	-	-	-	-
Sale of office equipment	2,112	2,332	3,634	5,133	3,254	7,000	6,200
Pensions fund	4,173	4,424	3,273	3,233	14,111	3,000	3,000
Miscellaneous reimbursements	21,133	41,496	46,761	51,751	57,546	60,000	150,000
Trade marks registration fees	3,732	367	1,548	2,262	1,151	1,000	2,000
Import and currency licence fees	3,102	5,133	4,243	2,302	1,263	2,000	1,000
Civil (landing fees) aviation fees	114,312	140,623	123,132	133,631	214,431	410,000	252,500
Birth and death certificates fees	-	3,354	14,432	13,532	10,320	20,000	12,000
Registration of companies fees	-	4,721	5,334	3,251	3,333	7,500	2,000
Survey fees	-	233	709	732	975	750	750
Town planning	363	337	553	493	513	500	500
Sale of nurseries products	-	522	733	613	320	300	725
Auditing for non-government offices fees	-	5,723	5,032	9,729	12,360	5,500	3,000
Consular services fees	-	665	360	1,056	2,373	2,300	2,000
Fishing fees	-	26,213	31,411	55,717	23,304	27,000	35,000
Income from renting out air planes	-	-	-	1,402	3,902	7,000	3,000
Income from renting steam rollers	-	-	-	-	3,255	5,000	1,500
Miscellaneous fees and revenues not specified above	-	233	-	-	-	-	-
4. Posts, Telephones and Telegrams	143,922	235,300	234,349	331,014	335,340	334,500	410,000
Sale of stamps	22,336	44,333	36,228	70,335	74,512	92,000	100,000
Postal orders and transfers (commission)	491	1,740	931	1,146	1,251	1,000	1,000
Installation charges of telephones	33,331	53,125	52,547	72,333	39,363	36,000	36,000
Telephone calls charges	32,305	37,311	114,331	117,553	132,443	120,000	130,000
Telegram charges	13,220	23,371	30,021	37,203	40,331	40,000	45,000
Parcel post charges	3,761	5,316	4,772	1,503	6,273	4,000	5,000
T.O.P. charges	1,344	2,103	1,990	2,431	1,349	2,500	3,000

ANNEX II (Continued)

(JD)

	Closed Accounts					Estimates	
	1950-51 E. Jordan only	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
Miscellaneous receipts	935	2,330	2,953	3,217	5,051	5,000	5,000
Radio sets fees	-	2,330	10,400	11,723	14,000	14,000	25,000
5. Revenue from State Property	27,354	25,244	36,326	35,996	52,705	35,200	33,000
Revenue from lands and buildings	5,334	4,314	3,035	7,327	14,910	5,000	3,000
Revenue from forests	13,334	13,163	23,556	22,330	27,732	25,000	25,000
Sale of public domain	3,213	2,333	2,270	5,554	7,125	5,000	5,000
Leased lands rent	2,273	301	2,144	1,576	1,457	600	600
Sale of land according to Nissan agreement	-	347	720	175	1,530	600	600
Other revenues	-	67	-	-	-	-	-
6. Interests and Profits	271,135	254,163	5,412	32,970	185,500	353,113	433,000
Profits from investment of currency cover	265,000	234,000	-	-	150,000	250,000	250,000
Profits of government shares in Cement Co.	-	-	-	-	-	70,000	80,000
Profits of government shares in Phosphate Co.	-	-	-	-	-	13,613	25,000
Interest on bank accounts	5,133	20,163	5,412	30,270	55,000	25,000	75,000
Interest on loans	-	-	-	-	-	500	3,000
7. Miscellaneous Revenue	263,143	775,405	533,455	723,175	387,333	423,733	430,000
Miscellaneous revenues	35,322	324,065	51,553	25,910	37,457	35,000	35,000
Oil royalties from Iranian Oil Co.	500	500	500	500	500	500	500
Reimbursement from non-government departments	37,532	20,775	41,063	40,733	17,195	15,000	15,000
Oil royalty from ITC	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Royalty from Petroleum Development Ltd.	70,310	70,310	72,319	122,750	402,103	-	-
Royalty from Fauley Oil Prospecting Co.	-	-	-	-	-	14,235	17,500
Repayment for irrigation expenses	-	-	-	-	-	17	-
Oil royalties from IMLIM	43,626	243,764	443,222	303,536	304,379	300,000	300,000
Reimbursement from expenditures in past years	-	5,509	2,414	1,227	1,365	1,000	2,000
Reimbursement for services to military units	-	-	-	173,345	173,345	-	-
Reimbursement from ITC and British Government	-	36,000	-	-	-	-	-
Refund of government subscription to Hengese Co. (dissolved in June 1955).	-	-	-	-	-	-	50,000
8. Recovery of Advances (other than temporary)	1,240	2,271	300	1,002	2,162	3,530	4,000

APPENDIX II (Continued)

(JD)

I T E M	Closed Accounts					Estimates	
	1950-51 : L. Jordan : only	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57
9. <u>Air Force Tax</u>	<u>400,400</u>	<u>512,007</u>	<u>404,230</u>	<u>404,710</u>	<u>540,400</u>	<u>500,000</u>	<u>725,000</u>
10. <u>Repayment of (Agricultural)</u> <u>Loans</u>	<u>-</u>	<u>10</u>	<u>215,575</u>	<u>23,002</u>	<u>33,432</u>	<u>50,000</u>	<u>210,000</u>
11. <u>One Million Dinar Loan</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Part 1.	5,300,254	5,450,703	5,571,000	5,707,357	7,404,703	6,070,773	7,044,000

a. Includes weapons and hunting licences fees.

APPENDIX III.

REGULAR MINISTRIES EXPENDITURES: CAPITAL WORKS FINANCED

FROM THE FIRST BRITISH LOAN OF ONE MILLION DINAR

(JD)

I T E M	: Actual Expenditures : in 5 fiscal years : 1950-51 through 1954- : 55 ^a
<u>Agriculture, total</u>	<u>224,093</u>
Research in Jordan Valley	43,499
Agricultural machinery	49,734
Fujeij agricultural station (project abandoned since August 1952)	11,217
Northern District agricultural station for the improvement of seeds	52,531
Animal husbandry	15,799
Bees, poultry	10,373
Purchase of trees	10,726
Encouragement of oil industries	25,110
Others	45
<u>Public Works, total</u>	<u>622,545</u>
Shuneh-Kreimeh-Arda-Damia road	310,744
Model villages	121,979
Mechanical equipment	54,753
Mechanical shop	46,353
Rent of buildings	5,124
Madaba-Irbid road	123,093
Loan to railway	1,414
<u>Lands and Surveys, total</u>	<u>31,454</u>
Azrak irrigation scheme	636
Jordan Valley survey (Al-Zarqa Basin)	17,237
Afforestation of state land	51,596
Mechanical equipment for irrigation projects	11,835
Grand Total	<u>973,037</u>

a. See Table 10, p.123 for breakdown expenditures by years.

APPENDIX IV.

FIVE YEAR PROGRAMME OF EXPENDITURE ON ECONOMIC DEVELOPMENT BY THE
DEVELOPMENT BOARD, AS REVISED OCTOBER 1954^e

(JD)

ITEM	1953-54	1954-55	1955-56	1956-57	1957-58	Total
Agriculture	12,035	111,476	124,420	112,790	56,700	417,331
Irrigation	124,350	43,907	20,030	20,000	20,000	228,287
Afforestation	40,000	21,000	21,000	25,000	25,000	132,000
Relief	100,000	-	-	-	-	100,000
Credit Operations	424,255	441,735	1,401,000	1,373,300	259,200	3,918,000
Construction of Roads	270,149	604,300	1,137,000	533,000	324,000	2,968,449
Railways	60,000	-	940,000	540,000	340,000	2,880,000
Agaba Intermediate Port	51,016	23,100	32,000	272,500	172,500	109,316
Agaba Deep Water Port	-	125,000	230,000	272,500	172,500	800,000
Airports	75,136	203,350	343,020	93,300	13,900	738,735
Survey and Land Settlement	4,583	20,000	35,000	26,417	-	86,000
Education and Training	-	25,000	15,000	-	-	40,000
Industrial	-	-	750,000	250,000	-	1,000,000
Project Investigation and Consultants Fees	14,979	44,300	67,200	52,000	44,000	223,169
Secretarial and Administration	3,226	5,530	9,000	9,000	9,000	35,756
Actual Expenditures under Development Budget	1,136,560	1,675,193	5,191,440	3,753,217	1,374,000	13,536,414
	1,192,110	1,220,523	1,413,541	1,120,000		

e. The original Five Year Programme called for the expenditure by the Development Board of JD 23,475,403 as follows:

1953-54	3,742,641	1956-57	4,261,646
1954-55	3,335,026	1957-58	2,383,430
1955-56	3,295,610	Total	23,475,403

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