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with privatization

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Country presentation submitted by Jordan

The Jordanian Government turned to what is known as privatization for a number of reasons, principally the fact that it necessarily involves rationalization and avoiding waste of limited financial and economic resources. Privatization is also regarded as an important part of the Government's plans for decentralizing the running of the national economy.

In Jordan's case, the trend towards privatization is a positive one and a national policy. After decades of public-sector domination of economic activity in Jordan, during which time the infrastructure was laid, room had to be made for the private sector to assume its role in undertaking economic activities. Jordan currently has a large public sector, which controls some 68 per cent of local production and employs approximately 43 per cent of the total workforce. Given the lack of financial resources available to this sector, continuing growth can only be achieved through recourse to the private sector.

The Government defined its aims with regard to public enterprises, the ownership of which it will endeavour to transfer to the private sector, after conducting a comprehensive study in 1986 of all public enterprises: Royal Jordanian Airlines, the Wireless and Telecommunications Organization and the Public Transport Organization. As yet, however, there have been no practical and decisive steps in the direction of this transfer. On the

contrary, for the most part they have been limited to analyses of each of the above-mentioned organizations and the adoption of certain measures to run some of them along commercial lines. There follows a review of the action taken so far with regard to each of the organizations concerned.

1. Royal Jordanian Airlines

In past years, the national airline experienced various problems and difficulties, resulting in a series of financial crises adversely affecting its performance. The idea was mooted of transferring ownership of the organization to the private sector in order to increase its operational efficiency and thereby overcome its difficulties.

To that end, the Arthur Anderson company was commissioned to study the organization's financial, legal and administrative situation with a view to improving its financial and administrative performance and as a prelude to recommendations on such matters when ownership of Royal Jordanian Airlines is transferred to the private sector. Following this study, no further practical steps have been taken towards selling the organization to the public sector. The Government is now considering the possibility of transferring ownership to a Government-owned company, but the matter is still under review.

2. The Wireless and Telecommunications Organization

The idea of privatizing the Wireless and Telecommunications Organization arose out of a desire to increase its efficiency and ensure that its services keep pace with worldwide developments, particularly since this sector is directly linked with international commercial and industrial interests. However, this idea did not obtain the required consensus among all the parties concerned and was thus given a modified form: the Organization was to remain under public ownership and be given the necessary financial and administrative independence for it to be run along commercial lines, with the private sector being allowed to take part in providing some of the services it offers. The articles of the Organization were amended to allow the Cabinet to assign, for a fixed period, the provision of any services offered by the Organization - apart from the administration, operation, maintenance and development of the existing network of basic established communications (telephone and telex) - to any Jordanian company owned wholly by Jordanian partners and/or shareholders, provided that the assignment is made by way of public tenders specifying how the charges and prices schedule will be drawn up.

3. The Public Transport Organization

Developments have been no different with regard to the privatization of the Public Transport Organization. In 1992, it began leasing some of its transport lines to the private sector.

The study carried out on the transfer of ownership of the Public Transport Organization to the private sector emphasized the need for comprehensive reform of the entire public transport sector before any practical steps towards that transfer are taken.

The future trend

In the Economic and Social Development Plan 1993-1997, the Jordanian Government undertook to continue policies guaranteeing incentives to the private sector. Foremost among those policies are respect for the principle of freedom of economic activity, mobilization of the market forces of supply and demand, pricing of Government services to guarantee recovery of costs, and operation along commercial lines of the public enterprises providing services which, in addition, will be given sufficient financial and administrative independence to prepare them for a transfer of ownership to the private sector at a later stage, once they have been established as successful concerns.
