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REVIEW OF FISCAL AND MONETARY ISSUES AND DEVELOPMENTS IN THE ECWA REGION, 1984

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PREFACE

This report is the second and final output of programme element 1.1, "Review and analysis of developments and trends in development finance in the countries of Western Asia", envisaged as part of the Public Administration and Finance Programme under the Work Programme and Priorities of the Commission for the period 1984-1985. The first report (E/ECWA/DPD/84/14) was submitted to the Twelfth Session of the Commission held in April 1985.

This report examines fiscal and monetary developments during the past two years at both the national and regional levels and draws conclusions for possible action to be considered in critical areas 1/.

1/ An earlier brief version of this report was incorporated in the Survey of Economic and Social Developments in the ECWA Region, 1984, E/ECWA/DPD/85/4.

Table of Contents

Fiscal Developments

The public finance of the oil producing countries, continued to be adversely affected by the persistent sluggishness in the oil market in 1984. ECWA countries members of OPEC had to cut back their total production quota and reduce prices further1/. Oil revenues which form around 85 - 90 percent of total government revenues in these countries dropped for the third consecutive year except in Kuwait and Oman. To cope up with the falling revenues and reduce budgetary deficits, governments persisted in their policies of cutting or slowing down the pace of growth in actual public expenditures, especially those affecting, developmental programmes. No new developmental projects were initiated in many cases and spending was limited largely to small projects or those already initiated under previous programmes. As for current expenditures, attention was increasingly focused on the escalating costs of subsidies and the rationale for sustaining their burden on the budget. This was particularly true of subsidies on electricity and water which are offered at prices not covering a fraction of the costs of their production and leading to mis-allocation of scarce resources. In order to avoid hardship at various levels, a gradual reduction in the present level of these and other subsidies has been effected in some cases. Salaries of civil servants were also kept at their levels with no increases envisaged for the current fiscal year. In compliance with the GCC policy, customs duties were raised to the minimum level of 4 percent in the GCC countries.

With government expenditures in these countries being the principal or almost the sole activator of the economy, there was also a considerable decline in some non-oil economic activities with its adverse effects on income at all levels. Tables 1 & 2 reflect developments in governments' revenues and expenditures.

Facing falling revenues, which do not show prospects for improvement in the near future, and trying to curb government expenditures, the oil producing countries aim at limiting their increased involvement in the economy. The private sector is expected to increase its role by taking the initiative to raise its share in investments especially that the basic infrastructure and incentives such as tax holidays, subsidized electricity and water and other inducements are provided. For instance, Saudi Arabia intends as one of its goals under the fourth five-years plan, which will become effective in May 1985, to offer some public sector enterprises to private shareholders. Recently, 30 percent of the equity of Saudi Arabia Basic Industries Corporation (SABIC) was offered for public participation.

Notwithstanding these incentives, it is questionable whether the private sector will increase its activity in the short run to a significant extent due to inherent problems which include, *inter alia*, the present overall economic situation, at the global and regional level, shortage of indigenous skilled labour and importing such labour with restrictions imposed on work permits, large-scale investment needed in modern capital intensive industries, marketing difficulties and the small size of local markets. These factors along with others led to a preference by investors to real estate and imports for consumption which provided quicker and easier gains. However, the prices of real estate went down and imports declined

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1/ For further details, see Chapter II of Part One of the Survey of Economic and Social Developments in the ECWA Region, Baghdad, 1985.

during 1984, compounding the existing problems.

Despite the restraint on government expenditures, substantial budgetary deficits emerged in the oil producing countries for the second or third year as shown in tables 3 and 4. Coupled with deficits registered in the balance of payments due to sharp deterioration in both trade and current accounts of the countries except Kuwait, these deficits have led the countries to draw down on their reserves and liquidate part of their assets abroad. The reserves of these countries, excluding Iraq, fell by $3.22 billion in 1983 and is estimated to have fallen further in 1984 where Saudi Arabia's reserves alone fell by an estimated $3.7 billion in October. This has inturn led to lower investment income.

The slowdown in public and private economic activities led to slackened demand for expatriate labour. It is estimated that a considerable number of expatriates (estimated about 700,000) left the oil producing countries in 1984. This, in turn, led to a drop in local demand for goods and services especially in some of the thinly populated Gulf countries. Along with the squeeze in money supply and other factors it culminated in subdued rates of inflation, registering its lowest records for more than a decade and ranging between a fraction of one to barely 4 percent.

In additon to the adverse effects of the decline in oil revenues, the Gulf countries were also affected by the escalation in the five-year old Iraq-Iran war which has created a precarious atmoshpere discouraging investors and enterpreneurs. It also continued its adverse effects on transit trade dues and re-exports. And, above all, it has led to considerable rise in defence expenditures in almost all Gulf countries, thus forcing resources away from development programmes and escalating budgetary deficits.

The non-oil ~~economies~~ economie[1/] of the ECWA region, excluding Lebanon, were somewhat better off than the oil producing ones, by not having to struggle with the wide and unanticipated fluctuations in their revenues. Nevertheless, they experienced a significant decline in their economic growth during the last two years. The decline in the level of Arab and foreign aid, low demand for the exports of these countries, the level of which to GCC countries fell by abourt 8 percent between 1982 and 1983, lower market prices for some of their major exports, such as phosphate in Jordan, and the declining level of remittances all added to the budgetary problems of these countries. They are also faced with the problem of creating more job opportunities for the returning workers and for the increasing numbers of new graduates entering the labour force. Since the level of aid is expected to continue its ebb with the present prevailling situation of the world oil market and since the level of remittances is expected to stand at its present level if not to decline with the current slack demand for labour by the oil exporting countries, tough times lie ahead unless more serious measures are taken to improve

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1/ While some of the countries under this group do produce oil in small quantities, such as Egypt and the Syrian Arab Republic, they are treated as non-oil countries under this section.

the mobilization and allocation of domestic resources.

Although the non-oil countries have tried to reduce their imports bills, the relatively small increases in imports and decreases in exports have led to the widening of their trade gap and the balance of payments deficit in 1983, excluding that of Egypt. This has in turn led to a drain on their reserves, especially in Lebanon and Yemen followed by the Syrian Arab Republic which had the lowest reported reserves in the region since 1982.

To counter the decline in aid and the levelling off of remittances, Jordan and the Syrian Arab Republic pursued tight fiscal policies in 1984 restricting the growth of both development and current expenditures. There were efforts to stabilize subsidies in order to reduce their ratio to total expenditures. On the other hand, there was an increase in the efficiency of tax collection to raise local revenues. Taxes and custom duties were raised on a variety of products in Jordan to cut imports. Tight fiscal policies in these two countries are said to have succeeded in reducing budgetary deficits in 1984. One bright prospect in the dismal outlook of these countries is the discovery of oil in Deir-el-Zur in the Syrian Arab Republic and in al-Azrak in Jordan, the revenues of which will give a boost to their economic development.

Budgetary deficits in Egypt have grown in volume over the past three years. However, as a percentage of total expenditures and GDP these deficits are estimated to have slightly declined in 1984 relative to 1983 (see table 4). Up till now, the government has not been able to tackle the problem of subsidies, which have absorbed all the Suez Canal dues and the remittances of Egyptians abroad. Subsidies are exerting a heavy burden on the budget. The government, in bold step to encourage the flow of remittances, introduced recently a floating exchange rate based on the real market value of the Egyptian pound.

In Lebanon, the economic crisis is deepening to a critical level. The currency depreciated by 63 percent in 1984 and by an additional 80 percent during the first two months of 1985. Unemployment is high. The government has not yet succeeded to close illegal ports and stop smuggling which erode the base of its customs receipts. While custom receipts were budgeted at LL 3,000 million in 1984, the third of the total revenues, less than LL 500 million was actually collected. As expenditures on development were virtually halted, extensive increase in defense spending and maintaining of the public administration have led to escalating budgetary deficits and soaring public debt.

The economic situation in the least developed countries, namely, Democratic Yemen and Yemen, slightly improved in 1983 relative to 1982 in the aftermath of the natural disasters that hit these countries. Although the level of remittances went up, the drought which left its impact on the agricultural sector and the drop in aid below expectated levels have combined to exert severe pressure on both current and development expenditures. Development projects that lacked 75 percent of foreign financing were postponed. As a result of the curb on expenditures, budgetary deficit was

The Rapid Fall in the Value of the Lebanese Pound

Currencies of many countries, both developed and developing, have been depreciating vis-a-vis the U.S. dollar since mid-1980. The trend continued in 1984 with the U.S. dollar having reached new peaks against the French Franc and Pound Sterling and standing at an eleven-year high rate against the German Mark.

The currencies of the ECWA countries, have also been subjected to the severe pressure of the rising dollar. However, as the accompanying table suggests, a number of currencies did not depreciate vis-a-vis the U.S. dollar in 1984. The rates show nominal values and do not adequately reflect the real market exchange rates of the currencies involved. Moreover, some ECWA countries, like Egypt and the Syrian Arab Republic maintain multiple exchange rates which conceal the true exchange value of their currencies.

Lebanon is one of the few countries that has allowed market forces to determine the value of its currency. In 1984, the Lebanese Pound fell by another 63 per cent, after falling by 44 per cent in 1983. Furthermore, the U.S. dollar reached an exchange rate of 16 £ Leb. during the first months of 1985 - that is an additional 80 per cent depreciation of the Lebanese currency. This drastic decline deserves special focus.

Country	Currency and Symbol	Exchange rate 1983 a $ =	Exchange rate 1984 a $ =	% Change in Local Currency Value
Democratic Yemen	Dinar (Y.D.)	0.34	0.34	0
Bahrain	Dinar (B.D.)	0.37	0.37	0
Egypt	Pound (L£)	0.70/0.82	0.70/0.83	0/-1.2
Iraq	Dinar (I.D.)	0.31	0.31	0
Jordan	Dinar (J.D.)	0.37	0.39	-5.4
Kuwait	Dinar (K.D.)	0.29	0.30	-3.4
Lebanon	Pound (£ Leb.)	5.44	8.88	-63
Oman	Riyal (R.O.)	0.34	0.34	0
Qatar	Riyal (Q.R.)	3.63	3.64	-0.3
Saudi Arabia	Riyal (S.R.)	3.45	3.58	-3.8
Syrian Arab Republic	Pound (£ Syr.)	3.92	3.92	0
U.A.E.	Dirham (Dh)	3.67	3.67	0
Yemen	Riyal (Y.R.)	4.69	5.84	-24.5

a End of Year rates

Lebanon's GDP has been steadily shrinking due to the severe destruction of the economy since the start of the civil conflict in 1975. Moreover, Lebanon has lost its position as the region's main financial center in view of emerging centers elsewhere in the region. The withdrawal of multinationals with their financial dealings from the country as well as the loss of foreign exchange and income from services rendered in the field of education, tourism and health further adversely affected the Lebanese economy and the value of its currency. The Israeli invasion of Lebanon in 1982 resulted in further deterioration of economic conditions. During 1983 and 1984 the Lebanese Government's budget deficit sharply increased resulting in an unprecedented rise in public debt. This was primarily due to rising government defence obligations accompanied by falling revenues resulting from loss of customs duties, taxes and shrinking economic activities.

Up to 1982, Lebanon's current account had recorded surpluses and therefore helped ease the pressure on the Lebanese economy and currency. Starting in 1983, however, the current account recorded deficits and thus intensified, instead of alleviating, the pressure against the Lebanese economy and currency. Major factors contributing to the unfortunate change in Lebanon's current account and balance of payments include the following: (1) Sharp decline in transfers from Lebanese working abroad due to declining economic opportunities in the Gulf countries. Also, many heads of families who were working abroad and sending remittances to Lebanon decided to have their families leave Lebanon as well; (2) Many who left Lebanon during 1983 and 1984 have established houses and business overseas and thus transferred large amounts of funds from Lebanon; (3) Inadequate flow of financial aid for the reconstruction and development of Lebanon, despite decisions by friendly countries to assist in the reconstruction and development of the country, with the concomitant adverse effect on the balance of payments; (4) Reduction in the flow of resources for financing the activities of various feuding factions in the country; (5) The outflow of remittances by expatriates from Sri Lanka, Philippines and India, among others, continued to drain foreign exchange resources; and, (6) The falling Lebanese Pound failed to stimulate exports and curtail imports. Instead, inflationary pressures soared and balance of trade deficits widened.

reined in. In Yemen, taxes were increased while wages and salaries were kept at their previous levels. A bright prospect looms, for this country, namely the discovery of oil in commercial quantities which will enable it to carry out its development programmes. Dwindling Arab and foreign aid will, however, leave its marks on both least developed countries.

Public Debt

Accumulative budgetary deficits and "excessive" demand for imports, accompanied by slackened exports in the non-oil and least developed countries of the ECWA region led to a fast growth in the size of their external debt. Total external indebtedness of all ECWA countries except Iraq has risen from about US 3.2 billion in 1973 to about $22.8 billion in 1982. It is estimated that external debt has risen further in 1983, where Oman's debt (disbursed) rose from about$730 million in 1982 to $1125 million in 1983 and that of Yemen's from $1312 million to $1574 million during the same period as reflected in table 5 . Total debt service paid annually by these debtor countries has soared from $656.6 million in 1973 to $2727 million in 1982[1/]

Of the oil producing countries, Iraq and Oman are the only countries that have resorted to external borrowing. Iraq's total debt is estimated to have soared since 1980 as a result of escalating defence expenditure and the sharp drop in its oil revenues. In 1983 and 1984, Iraq had to delay and re-schedule its debt repayments mainly to 1985. With the increasing capacity of the pipeline, that passes through Turkey, and the link of Iraq's sothern oil fields with Saudi East-West petroline that is expected to be ready in April 1985, Iraq has promised to pay the rescheduled debt during 1985. Estimates put Iraq's debt at around $30 billion to $37 billion.

Excluding Iraq, Egypt is the major debtor country in the ECWA region and one of the largest in the world. Its outstanding debt (disbursed) amounted to about 68 percent of the total ECWA countries in 1982, followed by the Syrian Arab Republic and Jordan. In terms of the ratio of external debt to exports, again Egypt has a high ratio even among major debtor countries such as Brazil and Mexico. Democratic Yemen comes next in the ECWA region where the ratio of total debt to GNP appears to have risen fastest going up from 17.7 percent in 1973 to 78.1 percent in 1982. For a least developed country, the implications of such a heavy debt burden are obvious.

1/ A study "External Debt: Implications for Debtor and Creditor Countries in Western Asia", unpublished ECWA.

With the record rise of the value of the dollar and the depreciation of the debtor countries' currencies vis-a-vis the dollar, reduced exports earning and rising imports as well as the decline in Arab aid, the burden of interest and debt servicing is becoming heavier for these countries.

The mood regarding public debt is changing. Public debt is claimed to be "the origin of many past, present - and in the absence of corrective measures - futrue problems". Greater public debt also indicates an increase in current spending at the expense of future generations.

The opinion that deficits were not a burden rested on a single equation that required real economic growth to be higher than real interest rates.1/ By the beginning of 1980s real interest rates began to rise just as growth slowed down. The only way to tackle the problem is to make the necessary adjustments though painful at first, will pay later.

Short remedies of cutting back on imports and on public sector investments, that most countries resorted to, do not pay in the long run. The alternative would entail increasing exports by drawing trade and price policies that provide incentives, greater domestic resource mobilization, a more efficient public sector management and creating more job opportunities.2/ Such remedies are supposed to lead to sustained growth under agreeable world economic situation.

Simultaneously, with the increase in external debt, most governments in the non-oil and least developed countries resorted to greater internal borrowing. In Jordan, for instance, public debt has more than doubled between 1979 and 1983 when it reached JD 307.6 million. In Lebanon, it is estimated that public debt grew by 50 percent in 1984 to LL 30,500 million.

Monetary Developments

Domestic liquidity in most oil producing countries3/ contracted sharply in 1983 and the first three quarters of 1984 due to lower government expenditures and capital flight. Tables 7 and 8 show the composition of money supply and its percentage increase.

Money supply, in its narrow definition continued its decline in absolute terms in four oil producing countries: Bahrain, Kuwait, Qatar and UAE. Oman and Saudi Arabia registered some increases in M1 in 1983 and second quarter of 1984 for Oman but at lower pace than in 1982.

1/ The Economist, February [illegible], 1985.

2/ World Bank Report, 1984.

3/ Iraq not included for lack of data.

The increase in time and saving deposits, however, outweighed the decline in currency in circulation and demand deposits in 1983 resulting in an increase in M_2. However, as indicated by third quarter data for 1984, Bahrain, Kuwait and Qatar had a parallel decleration even in M_2.

This was attributed to the capital outflow caused by the differential between local and international interest rates. It led to government action in Kuwait, Qatar and Saudi Arabia to raise local interst rates to reduce these capital outflows. Kuwait also introduced a two-tier exchange rate system which was successful not only in staunching the capital drain but also in reversing it by mid-summer 1984.1/

By contrast to oil producing countries, the non-oil countries had a rapid growth in M_1 in Egypt, Lebanon, Democratic Yemen and Yemen in 1983, though at lower pace than before. The syrian Arab Republic was the only country that experienced an accelerated increase in its M_1 of 25.5 percent relative to 18.9 percent in the preceding year. 1984 data available only for first quarter in Lebanon and until end of August for Jordan reflect a sharp deceleration in the rates of increase of M_1.

As regards M_2, the only country that witnessed a considerable deceleration in its rate of growth was Egypt, whose rate of growth became 21.7 percent in 1983 compared to a 33.5 percent in the year before. Jordan and the two Yemens has slight deceleration in the growth rate of M_2 while Lebanon and the Syrian Arab Republic had a similar increase from about 20 percent to about 26 percent. Regarding 1984, available data on Jordan and Lebanon indicate almost halving of the rate of increase for Jordan to just 8.4 percent while Lebanon has a negative growth of -0.6 percent in first quarter of 1984.

Some of the factors that influenced the change in money supply were the deceleration in credit to the private sector, a drop in net foreign assets and, in some cases, increases in public sector's internal borrowing from the Central Bank and the commercial banking system.

The squeeze on money supply coupled with stagnation in imported inflation, let to substantial reduction in the rates of inflation to their lowest levels in more than a decade in the oil producing countries. In Jordan and the two Yemens, the rate of inflation dropped remarkably to the range of 3-4 percent during 1984. While 1984 data is lacking for Egypt, Lebanon and the Syrian Arab Republic, their higher 1983 inflation rates and other estimates indicate that they still experienced relatively higher price increases than the other countries.

In all the ECWA countries, there is a clear declining trend in the ratio of currency incirculation plus demand deposit i.e. M_1 to M_2, except for Kuwait where the trend is not consistent,as well as Lebanon and Yemen.

1/ Kuwait, Economic and Financial Bulletin, No.7 published by the National Bank of Kuwait (SAK), Nov. 1984.

Arab Banking

Low rates of economic growth, falling real estate prices and monetary squeeze left the Arab banks with a reduction in their profits and small growth in their assets. This combined with some questionable banking practices of heavy lending to directors and shareholders of the banks themselves has created cause for concern. Feeling the need for dealing with the latter issue, authorities moved, in most Gulf countries and Egypt, to restrict the rate of lending by banks to directors and shareholders and requiring more detailed disclosure of financial data and balance sheets.

Authorities are also moving towards developing instruments of monetary control such as Banks Security Deposit Account (BSDA) in Saudi Arabia and certificates of deposit in UAE.

On the International scene, syndicated lending activity fell for the second consecutive year to $5716 million, the lowest since 1980. Of the total lending to Asian borrowers were increased while lending to Western Europe and other Arab contries declined1/.

Total assets of offshore Banking Units (OBU's) in Bahrain stood at $62.69 billion at end of 1984, a slight drop below $62.74 billion of 1983. Arab countries accounted for 46.7 percent of total assets and 65.6 percent of total liabilities. Of the total assets, 77 percent was held in US dollars and regional currencies accounted for 15.8 percent. On the liabilities side, foreign currency holdings were 71.3 percent compared to 21.8 percent share of regional currencies1/. The bulk of assets and liabilities 70 percent and 90.6 percent respectively, has short-term maturities.

After covering the general framework of development in the fiscal and monetary fields for the three groups of countries the following is a brief description of major developments that occured in 1983 and 1984 in each country of the region.

Bahrain, continued a tight fiscal policy in 1984 after it registered a deficit of BD 47 million in 1983 due to falling oil revenues. The slash in expenditures have cut development expenditures (see Table 1). Bahrain is undergoing an economic slowdown, however, a boom is predicted in the wake of the opening, of causeway that link it to Saudi Arabia.

As the economic slowdown has affected the island's financial services sector, the Bahrain Monetary Agency is keen on introducing stricter regulation on commercial banks particularly in respect of loans to directors and shareholders. It has increased its control of money changers by demanding for licences approval and asking them to audit their accounts.

1/ MEES, 14 January 1985.

2/ MEES, 18 February 1985.

Major Banks in Western Asia
(1983, in Million U.S. dollars)

Four of the leading banks in the ECWA region are among the largest five banks in the Arab World. While the first bank in Western Asia was established as early as 1898, money-changers and money-lenders continued to be the main financial intermediaries in many countries of the region up to the beginning of the 1960s. During the past 25 years, however, conventional banking grew sharply to the extent that it now plays the dominant role among financial intermediaries.

	Bank	Head Office	Established	Assets less Contra-accounts	Capital and Reserves
1.	Rafidain Bank	Iraq	1941	18,562	984
2.	The National Commerce Bank	Saudi Arabia	1938	14,887[1,2]	699
3.	Arab Bank	Jordan	1930	9,454	401
4.	The National Bank of Kuwait	Kuwait	1952	8,039[1]	475
5.	Arab Banking Corporation	Bahrain	1980	7,892	950
6.	Riyad Bank	Saudi Arabia	1957	7,513[3]	686
7.	Commercial Bank of Syria	Syria	1967	6,969[1,4]	112
8.	National Bank of Abu Dhabi	U.A.E.	1968	6,333	484
9.	The Gulf Bank	Kuwait	1960	6,266[1]	433
10.	Gulf International Bank	Bahrain	1975	6,178	414
11.	The Commercial Bank of Kuwait	Kuwait	1961	6,127	350
12.	National Bank of Egypt	Egypt	1898	5,723	154
13.	Banque Misr	Egypt	1920	5,554[1,3]	117
14.	Al-Ahli Bank of Kuwait	Kuwait	1967	4,981	336
15.	Banque du Caire	Egypt	1952	3,947[1,4]	441
16.	Arab African International Bank	Egypt	1964	3,687	208
17.	The Bank of Kuwait and the Middle East	Kuwait	1971	3,534	208
18.	Saudi American Bank	Saudi Arabia	1980	3,175	257
19.	Al-Bank Al-Saudi Al Fransi	Saudi Arabia	1977	2,846	204
20.	Bank of Alexandria	Egypt	1957	2,840[1,4]	93

1 Unconsolidated figures for main operating banks only.

2 Year-ended 17 October 1982.

3 Year-ended 23 April 1982.

4 Year-ended 30 June 1982.

Sources: The Banker, June 1983 and Arab Banking and Finance, April 1982.

The growth of conventional banks in the oil-exporting countries of the ECWA region was given a boost by the rapid rise in oil revenues during much of 1970s. Initially, the surpluses were channelled overseas with most of the business being undertaken by a relatively small number of major international banks. However, the desire and ability of local banks in Western Asia to be involved in the recycling process became stronger over time. Many banks in Western Asia increased their involvement in international banking operations by forming consortia with established concerns in Europe and the U.S. while others established overseas branches in key financial centers. Bahrain, by encouraging foreign banks to operate branches directly in the country, became a key off-shore banking center in the Gulf with an enhanced international banking reputation.

In Iraq, no data is available on the budgetary figures for the last two years. It had to some extent curtailed expenditure on development projects and gave priority to defence expenditures. Current expenditures budget has also been trimmed. There was a sharp cuts in imports in 1983 and 1984 but it is estimated that they are projected to increase by about 11 per cent in 1985. As was mentioned earlier, Iraq's debt has substantially increased and it had to reschedule part of its debt repayments in 1983 to the current year. Iraq's financial position is projected to improve upon the completion of the link to Saudi petroline and the new approved line through Turkey. Part of Iraq's debt is being settled in payments of crude oil.

In a move to protect foreign exchange reserves, a decree took effect on August 1984 encouraging Iraqi expatriates to invest in the economy by transfering funds either in goods and materials or in cash.

Unlike other Gulf countries, Kuwait's revenues picked up in fiscal year 1984 after two years of negative growth and are projected to rise further in fiscal 1985. Investment income, which is not included in the budget, went down. This is attributed to support operations after the collapse of Souk-al-Manakh, which obliged the government to liquidete some of its assets abroad at a time of high dollar interest rates. The Souk-al-Manakh was closed and a parallel market, supervised by a regulatory committee began operations in late 1984.

Government expenditures are projected to increase by about 7 per cent in fiscal year 1984 and 6.3 per cent in fiscal year 1985. While development expenditures went down in 1984, they are estimated to increase considerably in fiscal year 1985. Of current expenditures, subsidies on water and electricity form the bulk of these expenditures and inspite of the increasing awareness of the costs of these subsidies, no action has been taken yet.

Since investment income is not included in budgetary revenues, the budget deficit had been only a nominal one over the past years.

Kuwait is still experiencing a slow down in its economic activity relative to earlier years due to the implications of Souk-al-Manakh collapse, the Iraq-Iran war, the recession in other Gulf countries, the oil market uncertainty, and, as it is argued, the unintentional government policy of restraining budgetary allocations which reinforced recessionary trends. Consequently a committee to advise on ways of reactivating the economy and financial sector was formed in October 1984.

Oman is the only Gulf country to be undergoing bouyant economic growth because of increasing oil production and increasing the pace of expenditures in 1984. Budgetary deficit in 1985 is projected at OR 155 million, slightly lower than the OR 203.3 million of 1984. Deficits were financed by a $300 million loan from the Euromarket in 1983 and a recent $400 million loan and note issuance facility that was arranged in January 1985.

Defence spending still absorbs a substantial rate of government expenditures amounting to about 38 percent of the total.

The third development plan (1986-90) has a total spending of OR 1800 million, 25 percent higher than expected due to inclusion of additional projects. The plan stresses rural and agricultural development.

Qatar's fiscal stance witnessed a reduction in government revenues and expenditures in fiscal 1983 and 1984. Actual developments in 1983/84, however, was much better than the budgetary estimates for that year on the revenue side. On the expenditure side, actual expenditures fell below the budgeted level, thus, lowering the expected budgetary deficit. 1985 budget envisages a significant rise in budgetary allocations. Previous under-spending raises questionmarks on the fulfilment of this objective.

A noteworthy development that will influence the financial scene is the establishment of Qatar Liquified Gas Company which is to develop a $6,000 million liquified natural gas scheme.

The economic pressure led to a net outflow of about 82,000 expatriate workers between January 1983 and June 1984, greatly affecting Qatar's thin and volatile market. Customs duties were raised in compliance with GCC, recommended minimum of 4 percent. Economic prospects for 1985 loom to be better.

The wheel has not yet turned in increasing revenues in Saudi Arabia which took the major brunt of reducing its oil production quota in OPEC. Oil revenues fell steepily in fiscal year 1982/1983 and 1983/1984. Expectations of better revenues for fiscal year 1984/85 do not seem to have materialized and the just published budget of 1985/86 projects SRIs 200,000 million revenues, compared to SRIs 214,100 estimated in the preceding year, a reduction of 7 percent.

Although expenditures were cut down in 1982/1983 and 1983/1984 and were estimated to rise by about 13 percent in 1984/85, budgetary deficits were recorded in the last two years of about SRIs 23.8 million and SRIs 45.9 billion respectively. Defence expenditures are estimated to have escalated greatly over the past few years. Saudi Arabia had to draw substantial amounts from its reserves to finance the deficit, affecting its investment income. The new 1985/86 budget envisages a balanced budget with a sharp decline in expenditures to SRIs 200,000 million. Obviously both current and development expenditures suffered as well as foreign aid allocations, which dropped from SRIs 24.3 billion in 1981/82 to 11.0 billion in 1984/85. Defence was one of the few sectors to get an increase in its allocations of nearly 6 percent in 1984/85.

Balance between income and spending is the basic rule in the new budget and the 1985/90 five-year plan. The new plan stresses on rural development, development of local manpower and privatisation of some public enterprises.

A tax on petroleum products was imposed in 1984 while subsidies are being pared back. There was a slight increase in electricity tariffs not including agricultural and industrial users. While there was a cut official price paid to wheat farmers from SR 3.5 per kg. to SR 2 per kg, still above the world prices. Also in 1984, no civil service posts or salary increase were envisaged.

The development of liquified natural gas, and petrochemical industries and other revenues might improve prospects in the future.

The United Arab Emirates, similar to its neighbours, witnessed a sharp decline, in its revenues for the third year running as a result of the drop in Emirates' contributions which form the bulk of federal revenues. The contribution is supposed to amount to 50 percent of oil receipts of Abu Dhabi and Dubai. The decline in actual 1983 revenues was below budget estimates. To adjust for the decline in revenues, tight fiscal policies were pursued and expenditures fell in 1982 and 1983. Though federal expenditures were supposed to undergo a slight improvement in 1984, preliminary estimates reveal that actual expenditures was much behind the budgeted figures. Thus budget deficit is expected to be well below the projected 4,385 million dirhams, as was the case in 1983 when projected deficit was DH 5,462 dirhams while the actual one was only DH 1,327.3 million. Again defence spending emerged unscathed.

Egypt, the rapid growth of the Egyptian economy was mainly based on external resources that have weak linkages to the productive sectors. Government revenues and expenditures have been growing at a rapid pace. The main sources of revenue are oil revenues, Suez Canal dues and workers' remittances. Oil revenues are estimated to have dropped from $3,000 million to about $2,500 million in 1983 1/. Better tax and customs collection have raised the government revenues in 1983. A new wealth tax was approved in the second half of 1984, mainly affecting business people and executives and foreigners working locally.

1/ MEED Special Report on Egypt, 10 August 1984.

Subsidies on key commodities are exerting considerable pressure on the budget. For example, subsidies on energy cancels out the remittances and the food subsidy cancels out oil exports. There are also hidden subsidies arising from the control in prices on the finances of public agencies. In an effort to slightly tackle the problem, selective price increases were introduced on beans, sesame seed, wheat, sugar, cigarettes, pasta and cooking fat. These were met by popular demand, however, and the prices of pasta and cooking fat were returned to their old levels while the remaining increases were maintained. Egypt's strategy in this respect is to hold subsidies level but reduce them as a percentage of GDP.

The government was also successful in encouraging about $1,000 million of workers' remittances by offering a more attractive exchange rates.

The gap in gross budgetary deficit has been widening. In fiscal year 1984/85, it was forcasted at LE 5400 million in comparison with LE 5102 million in the preceding year. Deficits are financed from loans and aid, domestic savings, borrowing from local banks and at times, issuing more money.

Reform is needed in Egypt and the authorities are aware of it. Their basic goals in the new development plan are to increase the efficiency of the public sector where low productivity and over-staffing prevail, stimulate the private sector and maintain living standards.

Jordan's aggregate earnings in 1984 suffered from "a decline in merchandise exports, travel and workers' remittances and an excess in cereal imports"[1/]. The growth of Jordan's aggregate earnings decelerated sharply due largely to weak external demand for Jordan's manufactured exports and low world prices of phosphate products - the major export commodity. Meanwhile, the cost of imports of cereals was about 46 percent higher than the average of two preceding years due to drought that affected the agricultural sector in the ECWA region. Jordan was also affected by the decline in Arab aid below the budgeted levels.

In an effort to raise domestic revenues and curb the import bill by up to $30 million a year, taxes and customs duties were raised on a number of products. Measures involve raising duties on furniture (from 35 percent to 50 percent) on video and aircondition units (to 45%), car spare parts (from 23 percent to 30 percent), petroleum based lubricants (from 0.100 - 0.1500 a kilo) and or foreign cigarettes (a rise of 11 percent) plus the prices per packet of local cigarettes (from 0.220 to 0.350). Meanwhile

1/ IMF Survey, 4 February 1985

the prices of rice, sugar and fresh meat were cut as well as steel plates.

Facing the falling revenues, the government put a brake on spending. As Table IV- 7 shows expenditures increased by only 1.4 percent in 1983 relative to 1982 while they virtually stayed the same in 1984 at their previous level. Expenditures projected to rise by 4.5 percent in 1985, increasing the gross deficit from JD 327.7 million to JD 331.3 million.

In order to finance its deficit, Jordan obtained a $200 million loan in the Euromarket in April 1984 and a compensatory financing facility by the International Monetary Fund of SDR 57.4 million in early 1985.

A new government was formed in April 1985 to try to stimulate the aggregate economy and sustain its growth.

In Lebanon, the prolonged hostilities for the tenth year running left the economy in a crisis and struck the productive sectors especially industry, paralyzing exports and resulting in high unemployment.

The government's actual revenues have dwindled due to the dismal performance of customs duties which were forecasted at LL 3000 million but less than LL 500 million were actually collected. Tax revenues have also suffered from declining economic activity. The difference between budgeted revenues and actual ones have widened.

Although government expenditures on development projects were reduced, the soaring defence expenditures which exceeded by far budgeted levels and the falling revenues left the budget with large deficits. The deficit increased by almost 80 percent between 1981 and 1983 going up from LL 1965 million to LL 3530 million. In 1984, it was put at LL3543 million, but preliminary estimates indicate that it exceeded LL 5000 million.

The 1985 budget is an austerity one, almost halting capital spending. Fuel subsidies were abolished, while the sharp depreciation of the currency, which resulted in high spell of inflation, led the government to adopt during the beginning of 1985 a fixed exchange rate for assessing customs charges of LL 6 to $1.

Government internal debt soared up to LL 30,500 million to be financed by borrowing from Central Bank and by Treasury Bond.

The Syrian Arab Republic faced similar problems like other non-oil countries, that is, falling aid and an exceptionally dry weather that adversely affected its agricultural sector. To partly compensate for the resulting decline in government revenues, tax collection effeciency was raised and **restrictions** were imposed on imports, limiting their growth.

The 1985 budget forecasted only 6 percent increase in government revenues and expenditures. The priority has been accorded since 1984 to in the agricultural sector in order to increase output to meet domestic demand and exports. Defence continues to absorb more than half of current expenditures and about 30 percent of total outlays. The government aims at limiting subsidies by stabilizing prices at their previous levels. In addition, various measures aimed at curbing public sector deficits, borne by the Treasury, have succeeded in reducing net deficit from LL 3,992 million in 1982 to an estimated SL 3,480 million in 1984[1/].

Discovery of oil in Der-el-Zor, will greatly boost Syria's finances.

In Democratic Yemen, efforts were concentrated on trying to stabilize fiscal and monetary policies following the past flood reconstruction drive.

Although remittances continued their growth in 1983, drought and lower than expected level of loans and grants left their marks on a country heavily dependant on external aid to finance its development programmes.

Budget deficits are being controlled by lowering current and development expenditures. Measures planned to curb the deficit, in 1984, included a 10 percent cut in current expenditure, decreasing development expenditures below 1983 level and postponing projects not covered by 75 percent of foreign financing and further reducing subsidies of basic goods[2/].

According to World Bank Report[3/], resumption of growth will depend upon increases in external aid - which will bring its own problems. By mid-1983, total external debt outstanding (disbursed) was approximately equivalent to the country's GNP. Although much of it was as grants or on concessional terms, the country's debt service obligation began to rise and are projected to rise further in the future.

Despite the decline of aid to Yemen, by about 63 percent, and the decline in agricultural production, the country was capable of reducing its budgetary deficit in both 1983 and 1984. In 1985 the deficit is envisaged virtually to remain at its 1984 level of YR 2,668 million.

1/ MEED, 8 June 1984.

2/ The Arab Economies: Structure and Output, Arab Banking Corporation, 1984.

3/ World Bank Report, 1984.

This was achieved by cutting expenditures in 1984 to YR 8123 million from their level of YR 8720 million in the preceding year. i.e. by about 7 percent as reflected in tables 1 and 2 . The development budget was cut by around 22 percent. On the other hand, remittances increased from YR 5601 million in 1983 to YR 5617 million in 1984. Taxes were increased and customs duties rised by 2.7 percent to reach SR 2272 million inspite of the deline in imports due to greater efficiency in their collection.

Recent discovery of oil in Yemen will be a major factor in boosting its revenues. However, the country is still in need of more concessionary aid flows.

Brief overall assessment

The seventies and first half of the eighties are characterised by unusual developments in the money and finance sectors of ECWA member countries necessitating crucial adjustment and re-adjustment measures and policies.

The oil boom and the subsequent growth in government revenues during much of the seventies brought an unprecedented increase in government expenditures and economic activities with spill-over effects on the non-oil economies both in terms of increasing demand for these countries' labour and services and a sizeable amount of aid and grants.

In the early eighties, however, the pendulum swung to the other side. Oil revenues dramatically declined severely affecting all spheres of economic activity in both categories of countries. The downturn was not only unanticipated but lingered on much longer than early expectations. Currently, estimates indicate that the oil revenues for the countries of the region will not pick-up before the end of this decade. The downturn affected almost all countries of the region, and resulted in sluggish economic activity in general. Accordingly, it has become crucially important, particularly at this juncture, to increase the efficiency and effectiveness of resource mobilization, allocation and management, especially at the public sector level.

While the public sector comprises the central government as well as enterprises and other public institutions, the focus here is on central government since the budgets in the countries of the region cover the central government and as data on public enterprises and on other public institutions is either unreliable or not readily available.

Few observations can be made from figure 1 which shows the ratio of central government expenditures to GDP for some ECWA countries. First, the high percentage share of central government expenditures to GDP which range from 50 to more than 100 percent, (excluding Bahrain). This reveals the considerable impact of government expenditures on the economy and the crucial role of the public sector at the early stages of development in providing the basic infrastructure whether physical in the form of roads, electricity, dams...or human in the form of education and training of the labour force. If the expenditures of local governments, public enterprises and other government institutions, engaged in providing the utilities, are included, the ratios will be much higher 1/.

Second, two of the three public sector-oriented economies namely Iraq and Democratic Yemen have had consistently (with the exception of 1979) the highest government expenditure ratios to GDP. However, the difference between them and some private sector-oriented economies was very narrow in 1977, but became wider in 1983.

Third, the rate of increase in the ratio of total expenditures to GDP in Lebanon and the two Yemens rose very steeply. The ratio increased by about three-folds in Lebanon and Yemen between 1979 and 1983, while in Democratic Yemen it went up from about 65 to 100 percent in only about five years.

Fourth, there seems to be a close relationship between oil revenues and the ratio of government expenditures to GDP. In 1978, when oil revenues decreased, the expenditure ratio declined for Bahrain, Iraq, Kuwait, Oman and Saudi Arabia. It went up in 1981 as oil revenues increased and dropped again between 1982 (except Oman) as oil revenues declined sharply.

By comparing the ratio of expenditures (figure 1) with that of tax revenues to GDP (figure 2), the wide gap between the two becomes clear, and the low tax effort in most ECWA countries becomes apparent. By contrast, the gap between the two ratios is quite narrow in developed countries 2/. This gap manifested itself in rising deficits in the non-oil ECWA economies, and shows the dependence on oil revenues in the oil economies.

Tax and GNP ratio is typically quite low in developing countries. In Latin American countries with per capita income below $400, the ratio is

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1/ In comparison, the ratio of total government expenditures (all levels of government) to GDP in some major industrial countries was: 36.0 in USA, 42.0 in UK, 45.8 in France, 41.9 in West Germany and 61.5 in Sweden. (Richard and Peggy Musgrave, Public Finance in Theory and Practice, 4th ed., p.135)

2/ Tax receipts as per cent of GDP in 1980 were 32.7 in the USA, 40.6 in UK, 45.4 in France, 42.8 in West Germany, and 56.5 in Sweden, op.cit., p. 135.

Figure 1. Ratio of Total Government Expenditure to GDP for Some ECWA Countries 1977 - 1983

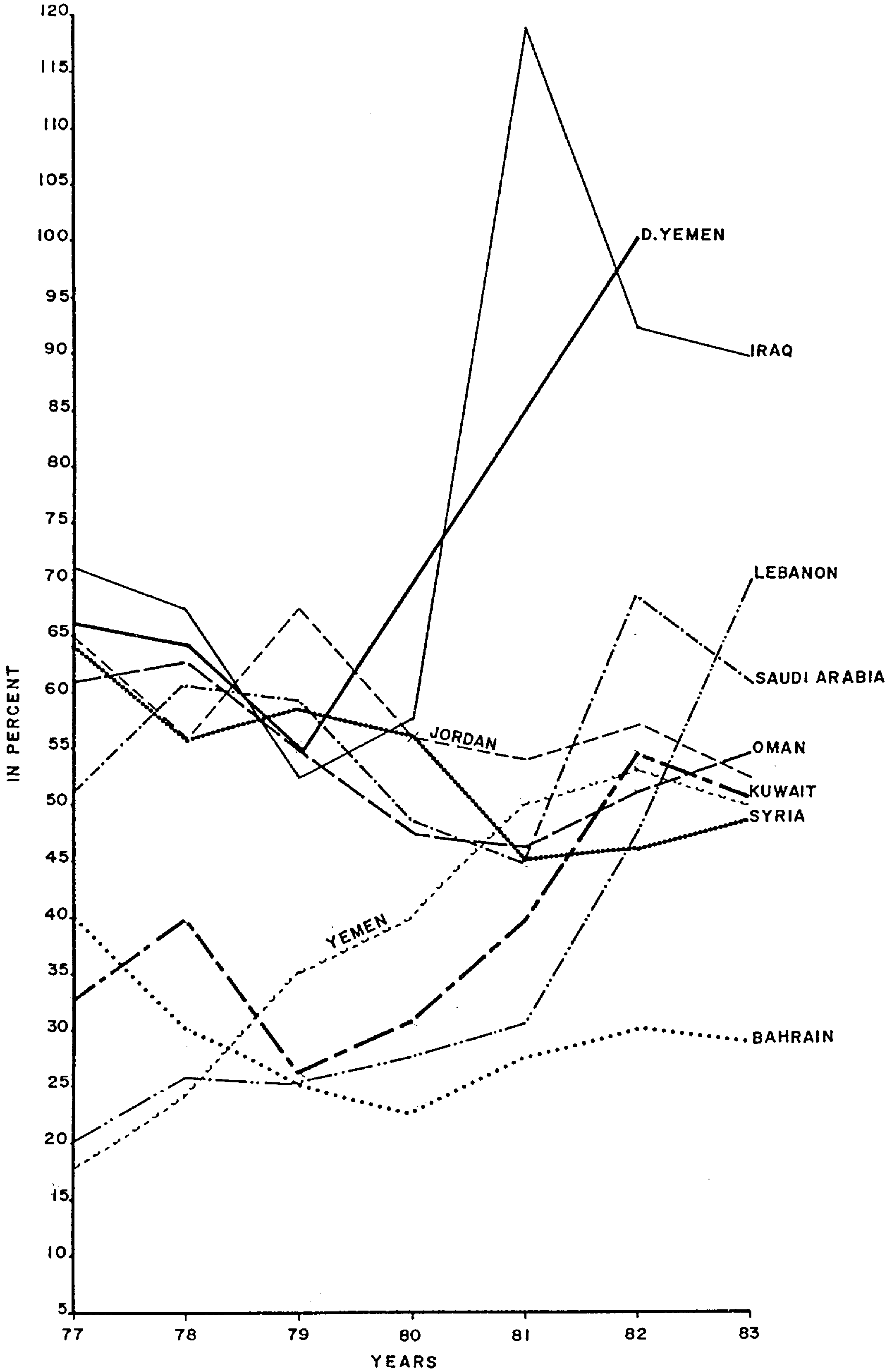
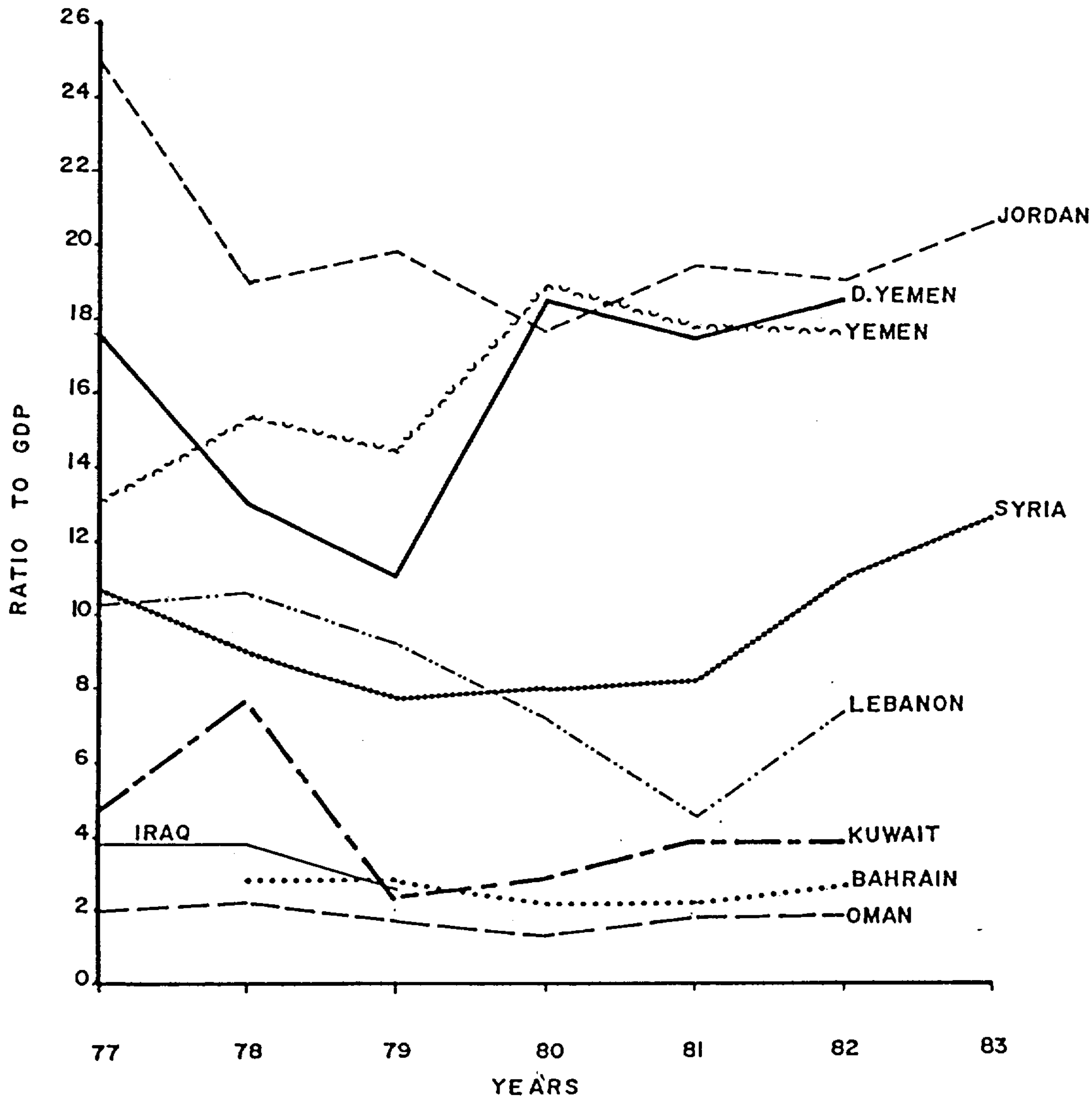


Figure 2. Ratio of Tax Revenue to GDP for Some ECWA Countries 1977-1983



around 14 percent, while with some countries it is as low as 8 percent. The ratio for African and Asian countries with similar per capita incomes is somewhat higher. This compares with developed countries ratio of 40 percent and more.

Figure 2 also shows that the oil economies have the lowest tax percentage to GDP in the ECWA region with the ratio being below 4 per cent. Lebanon and the Syrian Arab Republic are in the middle of the range, having rates of 7.5 and 11 per cent, respectively in 1983. Jordan and the two Yemens, however, have the highest tax ratios ranging from 17.1 for Yemen to 19.1 for Jordan. According to some assessments, 18 is the minimum tax to GNP ratio that developing countries are expected to achieve in order to raise their saving and capital formation despite their differant settings. Assuming one-half of this to be spent for economic current services and adding private sector saving of 3 per cent, an overall saving rate of 12 percent would be achieved 1/.

While the oil economies had abundant financial resources during the oil boom, some were forced to liquidate part of their assets abroad and cutting their expenditure programmes as oil revenues declined. It is, therefore, an apportune moment to reconsider their fiscal policy instruments with particular emphasis on:

1. Increasing tax effort by obtaining an increasing amount of revenue from other sources and decreasing the dependence on oil revenues which had undergone severe fluctuations.

2. Curb luxury consumption, which is believed to have increased in the oil economies during the past decade, thus providing incentives for savings and investment.

3. Encouraging the retention and reinvestment of earnings by introducing necessary changes in the structure and level of taxes.

4. Achieving more equitable distribution of income especially through graduated taxes on income and wealth coupled with appropriate consumption and investment expenditure policies.

1/ See W. A. Lewis, the Theory of economic Growth, Homewood, III., Irwin.

5. Affecting the efficiency of resource utilization through a system of tax incentives and penalties.

6. Affecting the balance of foreign trade mix and influencing domestic production of goods and services through a prudent manipulation of taxes and duties on imports and exports.

Evidently, tailoring a tax system which will achieve the above objectives is not an easy task as most of them tend to either compete or clash. For example, taxes aimed at more equal distribution of income might have an adverse effect on saving and investment incentives. Moreover, the tax structure differs with the stage of economic development, as well as the perculiarities of the economy concerned,including the attitude of the public toward taxation. Difficulties in effective tax enforcement especially in rural areas or small businesses and introduction of modern tax methods (such as the Pay As You Earn) due to poor administration and shortage of well-trained personnel render tax reform a very tedious pre-occupation for policy-makers and administrators in almost all developing countries. Hence,a delicate balance should be reached among these competing and/or conflicting objectives depending on their priorities and relevance to overall developmental goals.

The ECWA countries, similar to other developing countries, rely heavily on taxes on external trade - mainly customs duties which contribute the bulk of tax revenues . The weight of sales or consumption taxes in the ECWA countries is negligible. The contribution of direct taxes to total tax revenues is also quite low in the ECWA countries as well as in other developing countries.

The annex table on a comparative presentation of the tax structure in the ECWA region shows a distinct variation in tax structure between the oil and non-oil economies. The tax structure in the oil economies - with the exception of Iraq - is rather simple. In Kuwait, Oman, Qatar and UAE there are no taxes on individual income or consumption. The only taxes imposed are those on the profits of companies. Customs duties are imposed at low rates, generally at 4 per cent. Saudi Arabia has an individual income tax on self-employed only and a 1 1/4 percent Zakat on citizens of the GCC member countries, excluding the UAE, for carrying business in the Kingdom. Iraq's tax structure, on the other hand, is more complex and resembles more that of the non-oil economies. This reflects more the degree of sophistication in the structure of the economy rather than a result of the need to raise more revenues.

The non-oil economies have, in general, a more complex tax structure. Individuals and legal entities are subject to income tax in addition to various other levies. In some cases, there are withholding taxes on dividends and interest. However, despite the more complex nature of the tax structure and the need for tax revenues in this group of countries, tax revenues have remained low well behind the recommended minimum ratio of 18 per cent with the exception of the two Yemens. The largest share in tax revenue comes from indirect rather than direct taxes which is understandable given the present stage of economic development. It is expected, however, that as ECWA economies develop more tax handles will emerge in various sectors, thus, necessitating an early consideration of the need for developing administrative capabilities to ensure effective tax enforcement.

Indications are that the impact of the burden of the tax system in the non-oil countries is felt more by wage and salary earners since the tax is withheld at source, while it is more difficult to tax income of agricultural labour and other rural activities, income of self-employed and liberal professions and income from small commercial establishments. The taxation of more complex entities, i.e. joint stock companies and corporations, on the other hand, require more technical training and experience on the part of tax personnel. In all these cases, the probability of tax avoidance and/or evasion remains high.

Introducing tax enforcement measures, including penalties for avoiding/or evading taxes, increasing the efficiency of tax administration by up-grading the technical competance of tax personnel, certification of accounts, introducing computers when possible, educating tax payers and others will help in increasing compliance with and, hence the revenues, and economic efficiency of the tax system. The present situation indicates that neither the tax structure nor the meager percentage of taxes to GDP in most ECWA countries is conducive to using taxes as a fiscal tool in the allocation, distribution and stabilization functions of economic policy.

Turning to government expenditures, the importance of capital expenditure i.e. public sector investment, for economic development is obvious in developing countries. It is explained mainly by the undeveloped state of money and capital markets, scarcity of entrepreneurial skills, the huge outlays needed in both physical and human infrastructure and the social cost-benefits of such projects which call for public investment. The ECWA countries, in general, have made remarkable progress during the past decade in increasing capital expenditures towards providing these infrastructures. Concern has now shifted, in a number of cases, towards the development of the rural areas and to giving more attention to the agricultural sector as reflected in the development plans adopted recently. The use of cost-benefit analysis in selecting between projects is crucial. However, the evaluation of such projects is a very complex task as it involves determining both real costs and benefits. Real benefits and costs may be also direct or indirect, tangible or intangible. Indirect or intangible benefits and costs are hard to assess. Sometimes the prices of capital and labour or other factors are distorted and might have misleading results 1/. Here the use of "shadow" prices may be necessary. Also the use of the "proper" discount rate also has an effect on the evaluation of a project. All these aspects makes cost-benefit analysis rather difficult and complex. Yet the importance of long-term planning and the evaluation of individual projects in the context of a development plan cannot be over-emphasized.

The need for social cost-benefit analysis has been recognized by an increasing number of ECWA countries. In an effort to make use of increased oil revenues for development projects at the national and regional levels, some projects carried out suffered from poor technical and economic analysis involving commercial and social cost-benefits. In some instances this situation has led to misallocation of resources, excess capacity and losses.

A major category of expenditures especially current is that an wages and salaries. There has been a considerable growth in the size of the civil service in the ECWA countries. While this was mainly due to the bigger role of the public sector, it was also partly a result of numerical padding 2/. Expenditures on wages and salaries as percentage of total expenditures and lending minus repayment was about 17 percent in Kuwait (1979), 40 percent in Bahrain, 30 percent in Egypt and 53 percent Yemen in 1978 3/.

The Arab Organization for Administrative Science (AOAS) and the national public administration institutes have exerted noticeable efforts in up-grading the technical capabilities of civil servants. Yet, efforts need to be further intensified to up-grade civil service capabilities and standards of its performance.

Decreases in government revenues have also emphasized the need for public enterprises to be come self-financing and profit-oriented thus reducing their dependence on budget transfers. Much needs to be desired as far as their personnel policies, accounting methods, managerial capabilities and decision-making are concerned.

1/ Some causes of distortions are the minimum wage rates, subsidies and allowances, preferential exchange rates, tariff exemptions, which overprice the cost of labour and underprice the cost of capital.

2/ Yusif A. Sayigh, 1973-1983: An Unusual Decade, "The Arab Economies: Structure and Outlook", Arab Banking Corporation, p. 16.

3/ IMF, Government Finance Statistics Yearbook, 1980.

The present stringency has led the governments of the region to rationalize government expenditures. Efforts are made to reduce the burden of subsidies on the budget and to raise the effectiveness of government expenditures. It has also raised the need for the private sector to play a bigger role. Most governments in the ECWA region feel that they have furnished the infrastructure needed by the private sector and are now trying to stimulate this sector to increase its activity. In many ECWA countries investment encouragement laws have been promulgated However, investment activities in the private sector have lagged behind expectations. In this context, it is important to note that, in general, a widespread use of tax incentives for investment purposes in developing countries has not been totally effective. Within the context of an inadequate fiscal system, such incentives are not only likely to remain ineffective but may add to the anomalies. Tax incentives to foreign capital should aim at maximizing the use of domestic sources of production and thus contributing to national income. It is, therefore, worth examining these laws and incentives as well as the hindrances confronting private investors with the view to drawing fruitful lessons from these experiences and guiding future policy action.

Closely related to the discussion of government revenues and expenditures is the budgetary techniques and classifications in use in ECWA member countries. Expenditures are largely based on the traditional organization-cum-object classification of the budget which ensure accountability. It does not assist in the analysis of the impact of these expenditures on the economy. Moreover, it does not lead to better resource allocation and management. Efforts need to be intensified to introduce the economic and functional classification of budgetary transaction. For better resource allocation and management, the use of the Programme and Performance Budgeting (PPB) technique could be seriously considered. However, care should be taken so as to ensure that PPB is adapted - rather than adopted - to the specific conditions of each country. Otherwise, it will fail for it won't fit in the administrative-legal and economic structure of the country concerned. When considering improving their budgetary systems, it is important that ECWA member countries share not so much the budgetary techniques as such but rather their experience in administrative concepts, methods and terms and make budgeting a sequential stage of a rational administrative process 1/.

With relatively less developed money and capital markets in the ECWA countries, the manipulation and maneuverability of the monetary policy is also rather limited. However, the region witnessed a big stride forward in the banking and financial sector over the past decade, not only in terms of the rate of growth in capital, deposits, loans and other transactions of financial institutions but also in terms of range and

1/ For more details see: "Some Reflections on Introducing New Budgetary Techniques in The ECWA Region", by Juan Jimenez, Baghdad (E/ECWA/STAT/84/28), Aug. 1984.

quality of services and sophistication of techniques used. Despite the relative slow-down in the volume of transactions during the last year, central banks are nonetheless trying to improve their rules and regulations and to develop the tools of monetary policy. These developments are important in providing a healthy climate in the banking sector and to strengthening the role of monetary policy. Hence, the move to restrict lending by banks to directors and shareholders in a number of countries and the requirements for greater disclosure of details was an essential step needed. The success of dealing in Bank Security Deposits Account (BSDA) in Saudi Arabia and Certificate of Deposit in UAE may encourage further developments in this field.

Table 1. Government Revenues and Expenditures in the ECWA region
1981 - 1985
(Million of national currencies)

Country	1981	1982	1983[a]	1984[b]	1985[b]
Oil Exporting Countries					
Bahrain					
Total revenues	540.6	556.1	484.8	545.0	575.0
Oil	399.2	401.9	328.6	...	...
Non-oil (of which)	141.4	154.2	156.2	...	...
grants and loans	62.2	57.7	47.7	...	...
Total expenditures	472.6	532.2	531.6	545.0	575.0
- Current	298.3	309.9	321.5	343.0	364.0
- Development	174.3	222.3	210.1	202.0	211.0
Iraq					
Total ordinary rev.	4010.0	3690.0	...	...	...
Oil	...	...	...	...	...
Non-oil	...	...	...	...	...
Total expenditures	11920.6	12049.8	13290.0	...	...
- Current	5177.8	5349.8	7940.0	...	...
- Development	6742.0	6700.0	5350.0	...	...
Kuwait[c]					
Total revenues	4675.9	3008.6	2602.0	3037.0	3227.0
Oil	4434.2	2764.1	2334.6	2787.6	2912.6
Non-oil	241.7	244.5	267.4	249.4	314.4
Total expenditures	2629.6	3097.4	3158.0	3376.3	3578.5
- Current	1745.5	1989.8	2231.6	2713.9	2615.9
- Development	492.3	658.4	706.5	662.4	812.6
- Land purchase	391.8	444.2	219.9	150.0	150.0

Table 1 (Cont'd)

Country	1981	1982	1983[(a)]	1984[(b)]	1985[(b)]
Oman					
Total revenues	1262.2	1235.4	1333.9	1562.7	1719.0
Oil (net)	1143.5	1136.2	1207.8	1104.3	1292.0
Non-oil	118.7	99.2	126.1	458.4	427.0
Total expenditures[(d)]	1174.5	1365.4	1488.3	1765.0	1918.0
- Current	785.2	866.8	970.9	...	...
- Development	389.3	478.6	517.4	...	...
Qatar[(e)]					
Total revenues	19243.0	...	14961.0	11521.0	11970.9
Oil	17189.0	...	12688.0	9745.0	10349.0
Non-oil	2054.0	...	2273.0	1776.0	1622.0
Total expenditure	14743.0	...	13780.0	12026.0	15653.0
- Current	11113.0	...	10038.0	9048.0	11584.0
- Development	3630.4	...	3742.0	2978.0	4069.0
Saudi Arabia[(f)]					
Total revenues	348119.0	368006.0	246182.0	206419.0	214100.0
Oil	319305.0	328594.0	186006.0	145123.0	150900.0
Non-oil	7417.0	9191.0	12193.0	14329.0	28200.0
Investment income	21397.0	30221.0	47983.0	46967.0	35000.0
Total expenditures	236570.0	284648.0	244912.0	230185.0	260000.0
- Current	65147.0	82723.0	89885.0	86913.0	89570.0
- Development	123141.0	145664.0	124431.0	109462.6[(g)]	141180.0[(g)]
Foreign aid	24557.0	24286.0	13594.0	12962.0	11000.0
Transfer to specialized institutions	23705.0	31975.0	17002.0	20848.0	18250.0

Table 1 . (Cont'd)

Country	1981	1982	1983(a)	1984(b)	1985(b)
UAE (Federal)					
Total revenues	23193.7	16100.4	14393.0	12854.0	...
Emirates contribution	22614.8	15616.5	13699.4	12050.0	...
Other revenues	578.9	483.9	693.9	804.0	...
Total expenditures	20633.6	19979.8	16220.3	17239.0	...
- Current	17682.6	17648.2	14745.6	15639.0	...
- Development	1345.4	1630.6	1188.1	1600.0	...
equity participation	1605.6	700.9	286.9	...	...
Non-Oil Economies*					
Egypt(c)					
Total revenues	...	7890.0	8693.0	11197.0	12877.0
-Tax	...	5480.0	5924.0	6916.0	7646.0
-Non-tax	...	2410.0	2769.0	3058.0	3891.0
Total expenditures	...	11416.0	13538.0	16209.0	18277.0
- Current	...	7148.0	8754.0	...	...
- Development (invest. budget)	...	3112.0	3101.0	4400.0	4870.0
(capital transfers)	...	1156.0	1683.0	...	...
Jordan					
Total revenues	598.5	606.6	629.5	759.0	794.0
Total local revenues	308.6	338.0	424.1	449.0	479.0
-Tax	227.2	257.6	303.5	...	...
-Non-tax	81.4	80.4	119.6	...	...
-Grants and loans	250.9	391.0	336.0	289.0	269.6
Total expenditures	635.5	765.0	775.4	776.7	811.2
- Current	387.4	381.9	471.4	459.0	487.6
- Development(h)	248.1	383.1	303.9	317.7	323.7

Table 1 . (Cont'd.)

Country	1981	1982	1983 (a)	1984 (b)	1985 (b)
Lebanon (b)					
Total revenues	3255.0	3024.0	5080.0	7032.0	8208.0
-Tax	790.0	935.0	...	...	...
-Non-tax	2465.0	2089.0	...	...	...
Total expenditures	5220.0	5945.0	8610.0	10575.0	10892.0
- Current	4560.0	4669.0	...	...	...
- Development	660.0	1276.0	...	...	...
Syrian Arab Republic (b)					
Total revenues	30480.0	33345.0	37253.0	41289.0	43766.3
-Tax	5519.6	7947.0	9582.9	11867.0	...
-Non-tax	24960.4	25398.0	27670.1	29422.0	...
Total expenditures	30480.0	33345.0	37253.0	41289.0	43766.3
- Current	16700.5	16750.0	18671.8	23438.8	25200.0
- Development	13779.5	16595.0	18581.2	17850.2	18566.3
Least Developed Countries					
Democratic Yemen (b)					
Total revenues	105.2	99.5	...	...	...
-Tax	87.9	81.1	...	...	...
-Non-tax	17.4	18.4	...	...	...
Total expenditures	230.5	318.1	...	...	...
- Current	139.4	164.4	...	...	...
- Development	91.2	153.8	...	...	...
Yemen					
Total current revenues	3329.2	3692.1	5302.4	5455.0	6228.0
-Tax	2308.2	2715.8	3793.4	...	...
-Non-tax	1020.9	976.3	1509.0	...	...
Total expenditures	6835.3	8474.2	8720.0	8123.0	8895.0
- Current	3325.3	5180.7	5068.3	...	...
- Development	3510.0	3293.0	3651.7	...	...

Table 1 . (Cont'd.)

Source: ECWA, based on national and international sources.

(a) Provisional.

(b) Budget estimates.

(c) Fiscal year ending June 30.

(d) Civilian and non-civilian expenditure.

(e) 1981 budget covered 1401 Hijri year. The next budget was for 18 months covering the period 1/1/1402 to 3/6/1403. 1984 figures are preliminary actuals (Source: Economic Survey of Qatar, 1983, October, 1984).

(f) Hijri fiscal year, i.e. less by 11 days from calendar year. 1984 figures are preliminary actuals.

(g) Includes expenditure on operations and maintenance.

(h) Including development loans.

* Some of the countries in this group are producing oil on small scale. For purpose of this section these countries are treated as non-oil.

... Denotes data not available.

Table 2. Percentage Change in Government Revenues and Expenditure 1981-1985

Countries	1982/1981	1983/1982	1984/1983	1985/1984
Bahrain				
% change in gov. rev.	2.9	-12.8	12.4	5.5
% change in gov. exp.	12.6	- 0.11	2.5	5.5
Iraq				
% change in gov. rev.	-8.0	...	...	...
% change in gov. exp,	1.1	10.3	...	...
Kuwait				
% change in gov. rev.	64.3	-13.5	16.7	6.3
% change in gov. exp.	17.8	2.0	6.9	6.0
Oman				
% change in gov. rev.	-2.1	8.0	17.2	10.0
% change in gov. exp.	16.2	9.0	18.6	8.7
Qatar				
% change in gov. rev.	--	-22.2*	-23.0	3.9
% change in gov. exp.	--	-6.5*	-12.7	30.2
Saudi Arabia				
% change in gov. rev.	5.7	-33.1	-16.2	3.7
% change in gov. exp.	20.3	-14.0	-6.0	13.0
UAE (Federal)				
% change in gov. rev.	-30.6	-10.6	-10.7	...
% change in gov. exp.	-3.2	-18.8	6.3	...
Egypt				
% change in gov. rev.	...	10.2	28.8	15.0
% change in gov. exp.	...	18.6	19.7	12.8
Jordan				
% change in gov. rev.	9.5	25.5	5.9	6.9
% change in gov. exp.	20.4	1.4	0.2	4.5

Table IV 2. Percentage Change in Government Revenues and Expenditure 1981-1985 (Cont'd) (Cont'd)

Countries	1980/1981	1983/1982	1984/1983	1985/1984
Lebanon				
% change in gov. rev.	-7.1	68.0	38.4	16.7
% change in gov. exp.	13.9	44.8	22.8	3.0
SAR				
% change in gov. rev.	9.4	11.7	10.8	6.0
% change in gov. exp.	9.4	11.7	10.8	6.0
Democratic Yemen				
% change in gov. rev.	-5.4	...	...	...
% change in gov. exp.	38.0	...	...	...
Yemen				
% change in gov. rev.	10.9	43.6	2.9	14.2
% change in gov. exp.	24.0	2.9	-6.8	9.5

Source: Based on table IV-10

* These represent changes of 18-month 1982/1983 budget over 1981 12-month budget.

Table 3 . Budgetary Surplus or Deficit 1981-1984

(million of national currencies)

Country	1981	1982	1983[a/]	1984[b/]	1985[b/]
Oil exporting countries					
Bahrain	68.0	23.9	-46.8	...	...
Kuwait	2046.0	-88.8	-556.0	-339.3	-351.5
(Including Investment Income)	3789.0	1275.2	1101.0	...	...
Oman (gross)	87.7	-130.0	-154.0	-202.3	-199.0
(Including Grants and Loans)	+100.0	+55.7	+213.5	...	...
Qatar	4500.0	...	1181.0	-505.0	-3682.1
Saudi Arabia	111549.0	83358.0	1270.0	-23766.0	-45900.0
U.A.E	2560.1	-3879.4	-1827.3	-4385.0	...
Non-oil economies					
Egypt[c/]	...	-3526.0	-4845.0	-5102.0	-5400.0
Jordan (gross)	-326.9	-427.0	-351.3	-327.7	-331.3
(Including Grants and Loans)	-37.0	-158.0	-145.9	-17.7	-17.2
Lebanon	-1965.0	-2921.0	-3530.0	-3543.0	-2684.0
Syrian Arab Republic[d/]	-10483.0	-13161.0	...	...	...
Democratic Yemen	-125.3	-218.6	...	...	...
Yemen[c/]	-3506.1	-4782.1	-3417.6	-2668.0	-2667.0

Source: Table IV-10 on Revenues and Expenditures.

... denote data not available.

a/ Provisional.

b/ Budget estimates.

c/ Gross deficit, i.e. excluding grants and loans.

d/ Budget estimates are balanced. No actual figures are published; hence the deficit figures are IMF estimates.

Table 4 . Ratio of Budget Surplus or Deficit to Total Expenditures and to GDP*

Country	1981	1982	1983[a/]	1984[b/]	1985[b/]
Oil Economics					
Bahrain					
Ratio to Expenditures	14.4	4.5	-8.8	-	-
Ratio to GDP	4.0	1.4	-2.6	-	-
Kuwait					
Ratio to expenditure	77.8	-2.9	-17.6	-10.0	-9.8
Ratio to expenditure including investment income	144.1	41.2	34.9	...	...
Ratio to GDP	30.4	-1.6	-8.9	-5.1	...
Ratio to GDP including investment income	56.2	22.3	17.7	...	...
Oman[c/]					
Ratio to expenditures	7.5	-9.5	-10.4	-11.5	-10.4
Ratio to GDP	3.5	-5.0	-5.6	-6.8	...
Qatar					
Ratio to Expenditures	30.5	-	8.6	-4.2	-23.5
Ratio to GDP	14.3	-	5.0	-2.3	...
Saudi Arabia					
Ratio to Expenditures	47.2	29.3	0.5	-10.3	-17.6
Ratio to GDP	21.3	20.1	0.3	- 6.1	...
U.A.E.					
Ratio to Expenditures	12.4	-19.4	-11.3	-25.4	...
Ratio to GDP	2.1	- 3.4	- 1.8	- 4.3	...
Non-oil economies					
Egypt [c/]					
Ratio to Expenditures	...	-30.9	-35.8	-30.9	-29.6
Ratio to GDP	...	-15.6	-19.8	-18.9	...

Table 4 . Ratio of Budget Surplus or Deficit to Total Expenditures and to GDP* (Cont'd)

Country	1981	1982	1983 a/	1984 b/	1985 b/
Jordan					
Ratio to Expenditure (Gross)	-51.4	-55.8	-45.3	-42.2	-40.8
Ratio to Expenditure (including loans)	-5.8	-20.7	-18.8	-2.3	-2.1
Ratio to GDP (gross)	-27.6	-31.9	-23.6	-20.0	...
Ratio to GDP (including loans)	-3.1	-11.8	-9.8	-1.1	...
Lebanon					
Ratio to Expenditures	-37.6	-49.1	-41.6	-97.3	-24.6
Ratio to GDP	-11.7	-23.2	-28.7	-22.0	...
Syrian Arab Republic d/					
Ratio to Expenditures	-34.4	-39.5	...	...	...
Ratio to GDP	-15.8	-18.3	...	...	...
Democratic Yemen					
Ratio to Exp.	-54.4	-68.7	...	...	...
Ratio to GDP	-47.8	-70.4	...	...	...
Yemen c/					
Ratio to Exp.	-51.3	-56.4	-39.2	-32.8	-30.0
Ratio to GDP	-26.0	-30.1	-20.3	-14.8	...

* Negative sign indicates budget deficit. GDP figures used are at current prices.

a/ Provisional.

b/ Budget estimates.

c/ Gross deficit i.e. excluding grants and loans.

d/ Budget estimates are balanced in the Syrian Arab Republic, hence the deficit figures are IMF estimates.

... denote data not available.

Source: ECWA, based on national and international sources.

Table 5 : Outstanding Public Debt and Interest Payments in the ECWA Region

(Million U.S $)

Country	1980	1981	1982	1983
Democratic Yemen				
- Public debt outstanding disbursed	498.9	639.8	760.5	...
- Public debt outstanding including undisbursed	1240.7	1271.5	1317.5	...
- Interest payments	6.6	5.3	7.7	...
Egypt				
- Public debt outstanding disbursed	12785.5	14271.2	15468.0	...
- Public debt outstanding including undisbursed	17874.3	19106.0	19904.1	...
- Interest payments	306.2	516.5	390.0	...
Jordan				
- Public debt outstanding disbursed	1265.0	1481.1	1685.8	...
- Public debt outstanding including undisbursed	2485.7	2475.7	2516.1	...
- Interest payments	57.7	65.7	60.8	...
Lebanon				
- Public debt outstanding disbursed	194.0	246.2	212.8	...
- Public debt outstanding including undisbursed	425.1	384.8	332.1	...
- Interest payments	5.6	13.0	19.0	...
Oman				
- Public debt outstanding disbursed	450.5	543.1	729.7	1125.0
- Public debt outstanding including undisbursed	943.5	921.9	1390.4	1680.7
- Interest payments	40.2	34.4	33.6	52.5
Syrian Arab Republic				
- Public debt outstanding disbursed	2405.6	2512.3	2616.1	...
- Public debt outstanding including undisbursed	4596.6	4339.2	4220.0	...
- Interest payments	102.2	97.7	91.6	...
Yemen				
- Public debt outstanding disbursed	899.7	1116.7	1311.9	1573.9
- Public debt outstanding including undisbursed	1655.1	2019.0	2380.8	2403.0
- Interest payments	5.5	9.9	10.4	13.2

Table 5 (Cont'd)

Country	1980	1981	1982	1983
Total ECWA				
- Public debt outstanding disbursed	18499.2	20810.4	22784.8	...
- Public debt outstanding including undisbursed	29221.0	30518.1	32060.2	...
- Interest payments	524.0	742.5	602.7	...

Source: World Debt Tables 1983-1984 Edition and 1983-1984 First and Third Supplements, World Bank.

... denote data not available.

Table 6 . External Indebtedness of ECWA Member Countries 1982-1983

(Million US $)

	End December 1982		End June 1983	
	Total Debt	Non-Bank Trade Related % of Total	Total Debt	Non-Bank Trade Related % of Total
Oil exporting countries				
Bahrain	741.0	31.0	681.0	38.2
Iraq	3935.0	92.6	5251.0	87.1
Kuwait	4431.0	7.6	4767.0	17.8
Oman	566.0	31.3	677.0	25.3
Qatar	412.0	37.9	414.0	37.2
Saudi Arabia	9493.0	73.7	11242.0	76.3
UAE	2872.0	8.4	4038.0	22.8
Sub-total	22450.0	...	27070.0	...
Non-oil exporting countries				
Egypt	10211.0	50.4	10932.0	48.9
Jordan	1386.0	54.0	1486.0	60.0
Lebanon	1144.0	16.5	1139.0	18.4
SAR	902.0	35.0	786.0	20.1
Democratic Yemen	65.0	66.2	91.0	74.7
Yemen	182.0	22.5	243.0	34.6
Sub-total	13890.0	...	14677.0	...
Total ECWA	36340.0	...	41747.0	...

Source: MEES 27:32 21 May 1984.

From Bank of International Settlements (BIS)/OECD Statistics on External Indebtedness, April 1984.

Table 7. MONEY SUPPLY IN THE ECWA REGION*

1980 - 1983

(millions of national currencies)

Country/End of Period	Currency in Circulation		Demand Deposits		Time & Saving Deposits		Total money supply (M2)		Total Money (M1)	
	Amount	% of total (1)	Amount	% of total (2)	Amount	% of total (4)	Amount	% of total (3) + (4)	Amount	As % of M2 (1)+(2)=(3)
Oil Exporting Countries										
Bahrain										
1980	58.3	11.1	133.9	25.6	331.8	63.3	524.1	100.0	192.2	36.7
1981	63.4	8.7	185.4	25.4	481.8	66.0	730.6	100.0	248.8	34.0
1982	71.5	9.2	196.5	25.2	513.3	65.7	781.3	100.0	268.0	34.3
1983	73.5	8.7	176.5	20.9	593.1	70.4	843.1	100.0	250.0	29.6
1984(3rd quarter)	76.5	9.6	162.4	20.3	560.9	70.1	799.8	100.0	238.9	29.9
Kuwait										
1980	251.3	8.8	418.4	14.6	2187.8	76.6	2857.5	100.0	669.7	23.4
1981	284.7	7.4	930.1	24.0	2652.9	68.6	3867.8	100.0	1214.8	31.4
1982	342.7	8.2	837.0	20.0	3003.1	71.8	4182.8	100.0	1179.7	28.2
1983	340.6	7.8	772.9	17.7	3254.3	74.5	4367.8	100.0	1113.5	25.5
1984(3rd quarter)	316.7	7.3	637.1	14.7	3368.1	77.9	4321.9	100.0	953.8	22.1
Oman										
1980	94.8	29.7	65.3	22.8	159.1	49.8	319.2	100.0	160.1	50.2
1981	116.2	26.2	101.5	22.7	226.6	51.0	444.3	100.0	217.7	49.0
1982	129.8	23.4	125.8	22.3	299.6	54.9	555.2	100.0	255.6	46.0
1983 b)	140.4	21.1	141.9	21.3	383.0	57.6	665.3	100.0	282.3	42.4
1984(3 quarter)	160.5	22.4	131.2	18.3	425.1	59.3	716.8	100.0	291.7	40.7
Qatar										
1980	811.1	15.4	1466.0	27.8	3003.0	56.9	5277.1	100.0	2277.1	43.2
1981	991.5	13.3	2411.6	32.3	4072.0	54.5	7475.1	100.0	3403.1	45.5
1982	1151.3	13.4	2643.5	30.9	4772.1	56.7	8566.9	100.0	3794.8	44.3
1983	1068.4	12.6	2556.1	30.1	4863.2	57.3	8487.7	100.0	3624.5	42.7

Table 7. MONEY SUPPLY IN THE ECWA REGION (Cont'd)

1980 - 1983

(millions of national currencies)

Country/End of Period	Currency in Circulation		Demand Deposits		Time & Saving Deposits		Total money supply (M2)		Total Money (M1)	
	Amount	% of total (1)	Amount	% of total (2)	Amount	% of total (4)	Amount	% of total (3) + (4)	Amount	As % of M2 (1)+(2)=(3)
Saudi Arabia										
1980	25198.8	37.5	30448.5	45.3	11630.0 b)	17.3	67277.0 b)	100.0	55647.3	82.7
1981	26144.0	31.4	37265.0	44.7	19994.0 b)	24.0	83404.0 b)	100.0	63409.0	76.0
1982	30421.0	29.6	46167.0	44.8	26367.0	25.6	102954.7	100.0	76588.0	74.4
1983	35320.0	30.6	51800.0	44.8	28400.0 c)	24.6	115520.0	100.0	87120.0	75.4
UAE										
1980	2142.5	9.1	5211.8	22.1	16239.5	68.8	23593.8	100.0	7354.3	31.2
1981	2770.8	9.5	6198.0	21.2	20196.3	69.2	29165.1	100.0	8968.8	30.8
1982	2989.0	8.9	6749.0	20.0	23990.0	71.1	33728.0	100.0	9738.0	28.9
1983	2878.8	7.9	6245.4	17.2	27291.6	74.9	36415.8	100.0	9124.2	25.1

Table 7. MONEY SUPPLY IN THE ECWA REGION (Cont'd)

1980 - 1983

(millions of national currencies)

Country/End of Period	Currency in Circulation		Demand Deposits a)		Time & Saving Deposits		Total money supply (M2)		Total Money (M1)	
	Amount	% of total (1)	Amount	% of total (2)	Amount	% of total (4)	Amount	% of total (3) + (4)	Amount	As % of M2 (1)+(2)=(3)
Non Oil Economies										
Egypt										
1980	3407.0	37.8	1446.0	16.0	4158.0	46.1	9011.0	100.0	4853.0	53.9
1981	4301.0	34.2	1780.0	14.2	6485.0	51.6	12566.0	100.0	6081.0	48.4
1982	5517.0	32.9	2238.0	13.3	9020.0	53.8	16775.0	100.0	7755.0	46.2
1983	6493.0	31.0	2540.0	12.4	11385.0	55.8	20418.0	100.0	9033.0	44.2
Jordan										
1980	351.6	35.7	243.1	24.7	390.0	39.6	984.8	100.0	594.7	60.4
1981	412.3	34.9	289.3	24.5	478.2	40.5	1179.9	100.0	701.6	59.5
1982	470.0	33.5	317.5	22.6	615.8	43.9	1403.3	100.0	787.5	56.1
1983	516.0	32.0	353.4	21.9	745.7	46.2	1615.2	100.0	869.4	53.8
1984 (end Aug.)	570.9	32.6	349.4	20.0	831.0	47.4	1751.2	100.0	920.3	52.6
Lebanon										
1980	3982.0	13.8	3684.0	12.8	21160.0	73.4	28826.0	100.0	7666.0	26.6
1981	4625.0	11.4	4380.0	10.8	31392.0	77.7	40397.0	100.0	9005.0	22.3
1982	5582.0	11.5	5488.0	11.3	37487.0	77.2	48557.0	100.0	11070.0	22.8
1983	6958.0	11.3	5887.0	9.6	48775.0	79.2	61620.0	100.0	12845.0	20.8
1984 (1st quarter)	6955.0	11.4	6186.0	10.1	48095.0	78.5	61236.0	100.0	13141.0	21.5

Table 7. MONEY SUPPLY IN THE ECWA REGION (Cont'd)

1980 - 1983

(millions of national currencies)

Country/End of Period	Currency in Circulation		Demand Deposits		Time & Saving Deposits		Total money supply (M2)		Total Money (M1)	
	Amount	% of total (1)	Amount	% of total (2)	Amount	% of total (4)	Amount	% of total (3) + (4)	Amount	As % of M2 (1)+(2)=(3)
Syrian Arab Republic										
1980	13421.7	55.8	8433.5	35.1	2175.7	9.0	24030.9	100.0	21855.2	91.0
1981	14046.6	50.4	10785.8	38.7	3009.1	10.8	27840.9	100.0	24831.0	89.2
1982	17347.5	51.8	12170.8	36.3	3992.2	11.9	33511.2	100.0	29518.3	88.1
1983	20499.3	48.5	16542.4	39.2	5203.8	12.3	42245.5	100.0	37041.7	87.7
Least Developed Countries										
Democratic Yemen										
1980	171.1	59.8	63.5	22.2	51.5	18.0	286.1	100.0	234.6	82.0
1981	192.6	59.8	66.5	20.7	62.7	19.5	321.8	100.0	259.1	80.5
1982	223.8	58.5	73.1	19.1	85.6	22.4	382.5	100.0	296.9	77.6
1983	244.3	54.6	87.3	19.5	115.6	25.8	447.2	100.0	331.6	74.2
Yemen										
1980	6894.5	79.7	688.0	8.0	1065.6	12.3	8648.1	100.0	7582.5	87.7
1981	7043.5	75.0	891.8	9.5	1453.5	15.5	9388.8	100.0	7935.3	84.5
1982	8940.5	74.6	1332.5	11.1	1705.2	14.2	11978.2	100.0	10273.0	85.8
1983	10733.0	71.1	2402.1	15.9	1964.9	13.0	15100.0	100.0	13135.1	87.0

Source: IFS for Egypt and PDRY, Statistical Abstracts or Central Bank Reports for rest;

* Excluding Iraq. Figures may not add to total due to rounding .

a/ Includes foreign currency deposits : Egypt , Lebanon, Qatar, the Syrian Arab Republic and UAE.

b/ According to adjustments made by SAMA.

c/ IFS December 1984.

Table 8 . Annual Percentage Change in Money Supply in the ECWA Region, 1980-1983

Country	Currency in Circulation	Demand Deposits	Total Money (M1)	Time and Saving Deposits	Total Money Supply (M_2)
Oil Exporting Countries					
Bahrain					
1981/80	8.8	38.5	29.4	45.2	39.4
1982/81	12.8	6.0	7.7	6.5	6.9
1983/82	2.8	-10.2	-6.7	15.6	7.9
1984/83 (3rd quarter)	4.1	-8.0	-4.4	-5.4	-5.1
Kuwait					
1981/80	13.3	122.3	81.4	21.3	35.4
1982/81	20.4	-10.0	-2.9	13.2	8.1
1983/82	-0.6	-7.7	-5.6	8.4	4.4
1984 (3rd quarter)	-7.0	-17.6	-14.3	3.5	-1.0
Oman					
1981/80	22.6	55.4	36.0	42.4	39.2
1982/81	11.7	23.9	17.4	32.2	25.0
1983/82	8.2	12.8	10.4	27.8	19.8
1984 (2nd quarter)	14.3	-7.5	3.3	11.0	7.7
Qatar					
1981/80	22.2	64.5	49.4	35.6	41.6
1982/81	16.1	9.6	11.5	17.2	14.6
1983/82	-7.2	-3.3	-4.5	1.9	-0.9
Saudi Arabia					
1981/80	3.8	22.4	14.0	71.9	24.0
1982/81	16.4	23.9	20.8	31.9	23.4
1983/82	16.1	12.2	13.8	7.7	12.2

Table 8. (Cont'd)

Country	Currency in Circulation	Demand Deposits	Total Money (M_1)	Time and Saving Deposits	Total Money Supply (M_2)
U.A.E.					
1981/80	29.3	18.9	22.0	24.4	23.6
1982/81	7.9	8.9	8.6	18.8	15.6
1983/82	-3.7	-7.5	-6.3	13.8	8.0
Non-Oil Economies					
Egypt					
1981/80	26.2	23.1	25.3	56.0	39.4
1982/81	28.3	25.7	27.5	39.1	33.5
1983/82	17.7	13.5	16.5	26.2	21.7
Jordan					
1981/80	17.3	19.0	18.0	22.6	19.8
1982/81	14.0	9.8	12.2	28.8	18.9
1983/82	9.8	11.3	10.4	21.1	15.1
1984 (end August)	10.6	-1.1	5.8	11.4	8.4
Lebanon					
1981/80	16.2	18.9	17.5	48.4	40.1
1982/81	20.7	25.3	22.9	19.4	20.2
1983/82	24.6	7.3	16.0	30.1	26.9
1984 (1st quarter)	-0.04	5.1	2.3	-1.4	-0.6
Syrian Arab Republic					
1981/80	4.6	27.9	13.6	41.8	15.8
1982/81	23.5	12.8	18.9	32.7	20.4
1983/82	18.2	35.9	25.5	30.3	26.1
Least Developed Countries					
Democratic Yemen					
1981/80	12.6	4.7	10.4	21.8	12.5
1982/81	16.2	9.9	14.6	36.5	18.9
1983/82	9.2	19.4	11.7	35.0	16.9
Yemen					
1981/80	2.2	29.6	4.6	36.4	8.6
1982/81	26.9	49.4	29.5	17.3	27.6
1983/82	20.0	80.3	27.9	15.2	26.1

Source: Table IV 16. on Money Supply.

Annex Table Summary of Tax Structure in the ECWA Countries*

Country	Taxes on Companies I	Taxes on Individuals II	Withholding Taxes III	Consumption Taxes IV	Customs Duties V
Oil-Economies					
Bahrain	1. Corporate income taxation (on oil companies) at rate of 46% of their net profits. 2. Other taxes related to doing business. a) Municipal tax on rented commercial property at a rate of 12½%. b) Transfer tax of 2% on immovable property. c) Social security employer contribute 14% by employer (only 3% for non-Bahraini employees) and 7% by Bahraini employee.	1. No personal income tax. 2. Municipal tax of 10% of rent for residency and 12½% of rented commercial property.	No taxes.	1. Tax on gasoline levied at a low rate.	Rates on locally sold good are subject to rates ranging from 5 to 50%.
Iraq	1. Income tax 1/ range: from 10% for ID up to 5000 to 55% for over ID 85,000. 2. Other taxes on companies a) Property tax of 7% of rental value of property. b) Social security: 12% of gross salaries. c) Stamp duty: some fixed rates some proportional.	1. Income tax a) salaries b) other income i) residents up to ID 3000, 5% over ID 75,000, 75%. ii) non-residents up to ID 3000, 10% over 75,000, 75%. 2. Other taxes on Individuals a) Estate tax ranging from 5-35% on amount ID 10,000-20,000 and over ID 110,000 respectively. b) Social security 5% of gross salary (employees).	1. Interest, annuities and annual payments 20%. 2. Patent and know-how royalties: royalty is subject to income tax in full at usual rates. 3. Tax on salaries in II 1.a.	No taxes.	Customs duties ar generally ad valorem. 1. Duties range from nil to 150%. 2. Levy for national defence of 15% of customs duty. 3. Import licence levy of 0.5% for capital goods or 1% for consumer goods.

1/ Rates vary between Industrial limited liability companies, Non-industrial limited liability companies, Industrial joint stock companies and Non-Industrial joint stock companies.

Annex Table (Cont'd)

Country	Taxes on Companies I	Taxes on Individuals II	Withholding Taxes III	Consumption Taxes IV	Customs duties V
Kuwait	1. Corporate income taxation range: KD 5251-18750, 5% over 375,000 50% + 5% surtax. 2. Other taxes related to doing business a) Social insurance of 15% payable by both employer (10%) and employee (5%).	No taxes	No taxes	No taxes	1. Standard rate of 4% on (cif) value of goods. 2. 15% to protect local industry.
Oman	1. Tax on business income range: RO 5000 -18,000, 5% over RO 500,000 50% (when Omanies hold 51 percent or more of the equity a flat tax rate of 15% is applicable excluding the first RO 20,000). 2. Other taxes related to doing business a) Training levy for Oman employees b) Commercial registration fees c) Motor Vehicle registration fees	No taxes	No taxes	1. Municipality tax of - 5% on hotels and restaurant bills - 2% on electricity bills exceeding RO 50 - 3% on lease rentals.	1. Generally 4% except : a. Tobacco 50% b. alcoholic beverages 100% c. essential goods are exempt, ex. meet, milk, rice, sugar, fruit.....
Qatar	1. Income tax range QR 70,000-250,000 5% over QR 5,000,000 50%. 2. Other taxes related to doing business a) municipality taxes which are negligible.	No taxes	No taxes	No taxes	1. -4% ad valorem -tobacco 30% -alcoholic drinks 75% -steel 20% -cement 40% -certain products are exempted

Annex Table (Cont'd)

Country	Taxes on Companies I	Taxes on Individuals II	Withholding Taxes III	Consumption Taxes IV	Customs Duties V
Saudi Arabia	1. Tax on business income range first SR 100,000 25% over SR 1,000,000 45%. 2. Other taxes related to doing business a) Zakat of 2.5% on joint stock companies and 1.25% on other persons paid by Saudi shareholders and Saudi, Kuwaiti, Bahraini and Qatari citizens carrying business in the Kingdom. b) Social insurance 13% of total salaries paid by employer (5%) and employee (8%).	1. Income tax levied on self-employment income range: first SR 16,000 5% over SR 66,000 30%. 2. Zakat: Saudi, Bahraini, Kuwaiti and Qatari, citizens carrying on business in the Kingdom at rate of $1\frac{1}{4}$% on capital resources.	No taxes	No taxes	1. 4% ad valorem is generally levied. Some items exempted and others subject to increased rate o of 20%.
United Arab Emirates	1. Corporate income taxation range: DH 1,000,000-2,000,000 10% above DH 5,000,000 50%. 2. Other tax related to doing business. All Emirates except Abu Dhabi levy municipal taxes at rate of 5% of rental value of a company manager's residence and 10% of office premises rental value.	No taxes	No taxes	No taxes	Standard rate is 4%. Some items are exempted.

Annex Table (Cont'd)

Country	Taxes on Companies I	Taxes on Individuals II	Withholding Taxes III	Consumption Taxes IV	Customs Duties V
Non-Oil Economies					
Egypt	1. Income tax rates ranging from 32% to 40.55%. 2. Other taxes on companies a) Tax on income from movable capital: applies to interest, royalties and foreign source dividends. b) Stamp duty: various rates. c) Land tax on annual rental value of land and buildings about 30% . d) Social Security: 40% of total wage and allowance paid by employer (24%) and employee (16%).	1. Income tax a) Salaries range: E£ 0-480 2% over 3,840 22% b) Tax on industrial and commercial profits range: E£ 0-1000 20% over E£ 12500, 40% c) Tax on non-commercial profits (individuals engaged in liberal professions) range EL 0-1000 18% over 4500 30%. d) Tax on income from movable capital s me as (I.2.a.). e) General income tax range LE 2000-LE3000 8% over 200,000 65%. 2. Other taxes on individuals a) Capital gains: only on sale of real estate within boundaries of cities: taxed at 5 % of value of property. b) Estate duty: on estates valued in excess of LE 5000 with progressive rates ranging from 5% to 40%. c) Gift and inheritance taxes variety of rates depending on family relationship.	1. Taxes withheld at source for I.2.a, II.1.a,b and c.	1. Consumption tax on both sales and the importation of many commodities.	1. ad valorem rates vary from 2-40% but reach 500%. 2. Economic Development tax on cif value at rate of 10%. 3. Statistical duty of 2% on cif value on all imports (except foodstuffs) imported by Min. of Supply except wheat. 4. Municipal levy at 3% of customs duty itself. 5. consumption tax 6. Pavement duty for pier handling 7. Minor duties include a marine duty of 0.25% of (cif) value of goods imported through ports.

Annex Table (Cont'd)

Country	Taxes on Companies I	Taxes on Individuals II	Withholding Taxes III	Consumption Taxes IV	Customs Duties V
Jordan	1. Tax on business income range: JD 0-1000 5% above JD 36,000 55%. 2. Other taxes related to doing business a) Tax on land on property -income tax on land purchased after 1/1/82. -municipality tax of 17% on the assessed rental value. -social welfare surtax of 5% . b) Social security 15% of salary paid by employer (10%) and employee (5%). c) 1% university tax on net after tax profits.	1. Income tax range same as to companies subject to maximum rate of 45%. 2. Other taxes on individuals a) Zakat; Muslims must pay Zakat. b) capital gains. c) Social security see I.2.b. d) Social welfare tax of 10% of income tax due from each employee. e) Sales tax of 10% levied on sale, transfer or gift of immovable property paid between vendor and purchaser.	1. Dividends are exempt. 2. Interest: any person paying taxable interest must deduct 10%. 3. Wages and salaries: both income tax and social welfare tax must be deducted by employer.	1.a) A sales tax is imposed at rate of 10% on sale, transfer or gift of immovable property. b) A variety of taxes is imposed on goods and services.	1. Vary in percenta and in taxable base (either ad-valorem or on basis of specific amount per unit i.e. weight or conten
Lebanon	1. Business profits tax on commercial, industrial, and handicraft professions or enterprises range: up to LL 5000, 5-6% over LL 750,000, 39-44% with the lower range for non-commercial activities and higher range for commercial. 2. Other taxes related to doing business a) minor taxes on municipal and tax on built-up property at a rate of 8% of net annual revenue and graduated tax on annual aggregate net income exceeding LL 20,000 from buildings owned by tax payer. b) Social Security. c) Tax on movement of capital flat rate of 10 12%	1. Personal income tax a) individual carrying on business taxed under I.1.a.b. and c. (schedular system) b) Taxes on wages and salaries range first LL 4,800 2% over LL 120,000 28% + reconstruction surcharge of 3% of tax. 2. Other taxes on individuals a) tax on movable capital: applies to proceeds of invested capital flat rate of 10-12%.	1. Dividends 12% withholding tax. 2. Interest: subject to tax on movable capital. 3. Patent and Know-how royalties: portion of amounts paid in or from Lebanon to individuals or companies not having business office in Lebanon. 10% and tax withheld at a flat rate of 12% + 15% municipality tax + 3% reconstruction surcharge if tax exceeds LL 1000. 4. Service fees. A portion of amounts paid in Lebanon to individuals or companies not having a business office in Lebanon. 50%, tax withheld at flat rate of 12% + 15% surcharge of tax paid.	No taxes	1. All imports subject to varyin rates. 2. Municipal tax of 3.5% on all goods except Arab goods. 3. Stamp duty of 1.2 on all goods. 4. Surcharge of 10% of applicable customs duty on certain textile and clothes. 5. Harbor dues in goods entering Beirut Port Free Zone.

Annex Table (Cont'd)

Country	Taxes on Companies I	Taxes on Individuals II	Withholding Taxes III	Consumption Taxes IV	Customs Duties V
Syrian Arab Republic	1. Business profits tax due by individuals or legal entities on all profits derived from activities in Syria. -11% on fraction of profit between minimum exempted and SL 10,000. - 66% on fraction of profit exceeding SL 700,000. 2. Other taxes related to doing business a) income from personal property taxed at 7.5% (residents), 15% (not residents). b) income from real property rates range from 17-60% + 30% war surtax. c) property registration fees, 10% of value of property. d) stamp duty.	1. Personal income tax a) due to schedular nature of income tax system, an individual is liable to some taxes as companies (see I.1 and 2). b) taxes on wages and salaries range: on the first LS 1000, 5% on the excess of LS 4000, 15% + war tax at 15% of total tax due 2. Tax on deemed income (see I.2).	1. Dividends: No tax. 2. Interest: Subject to tax from personal property (flat rate of 7.5%) see I.2. 3. Patent and Know-how royalties: a withholding tax of 15%. 4. Service fees taxed either under business profits or personal property.	1. No sales tax. 2. Consumption tax levied on gasoline and kerosene, and supply tax due on sweets, sugar and rice.	1. Vary from 1% on essential items to over 100% on luxury goods. 2. Unified tax on import, the rate of which varies according to customs tariff levied on goods.
Democratic Yemen	1. Corporate income taxation rate of tax varies according to the residential status of the corporation. standard rate: 37,5% non-resident standard rate also 37.5%. 2. Other taxes related to doing business a) defence tax from US$ 104-345 payable annually.	1. Personal income tax three different tax-rate scales for resident "individuals", residents and non-residents range: for resident individuals the first YD 200 2.5%, over YD 9000 25.0% for resident and non-resident the rates are on the first YD	1. Dividends: company shall deduct tax from any dividend paid to any shareholder. 2. Interest resident company will deduct tax from payments of debenture interest .	No taxes	1. All imports subject to customs duties except imports to free zones.

Annex Table (Cont'd)

Country	Taxes on Companies I	Taxes on Individuals II	Withholding Taxes III	Consumption Taxes IV	Customs Duties V
		Over YD 10,000, 75% for both resident and non-resident. a) salaries and wages rates: YD 470-500 0-5% over 5000 47½%. 2. Other taxes on individuals a) surtax on income earned by individuals at a rate of 10% . b) defence tax of 3% withheld from total monthly salaries of public sector employees.			
Yemen	1. Tax on commercial and industrial profits range: 7% on first 7500 riyals 25% on excess of 30,000. 2. Other taxes related to doing business a) tax of 2.5 percent of paid-up capital on all establishments. b) stamp duties: fixed, proportional or gradual.	1. Personal income taxes a) tax on income from professional activities: tax levied on net income at rates. Exempt are the first 3000 riyals and 18% on any amount in excess of 15,000. b) tax on wages and salries rates exempt first 150 riyals 15% any amount in excess of 750 riyals. c) immovable property tax rate: half month rental per year for property used by owner. -one month rental per year for property leased to others.	No taxes	1. No turnover taxes. 2. Excise tax levied on, inter alia, sugar, tobacco, soft drinks and petroleum.	Duties are levied on ci.f value and range from 5 to 50% + defence tax (5%)+ statistical tax (2%) + cooperation tax (2%)

Source: International Bureau of fiscal Documentation: up to Supplement No. 29, April 1985.

* Note: only the minimum and maximum rates of taxes are mentioned here. For more details please see original source.