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FINANCE AND DEVELOPMENT IN THE ESCWA REGION

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ABBREVIATIONS

ASRY	Arab Shipbuilding and Repair Yard
DOD	Debt outstanding and disbursed
ESCWA	Economic and Social Commission for Western Asia
GCC	Gulf Cooperation Council
GFCF	Gross fixed capital formation
GDP	Gross domestic product
GFS	Government finance statistics
IFS	International Financial Statistics
IMF	International Monetary Fund
ITC	International tax comparison
JD	Jordanian dinar
NFI/T	Net factor income and transfers
Non-GCC	Non-Gulf Cooperation Council Countries
PDRY	People's Democratic Republic of Yemen
SAR	Syrian Arab Republic
UAE	United Arab Emirates
X-M	Exports minus imports
YAR	Yemen Arab Republic

PART ONE

FINANCE AND DEVELOPMENT IN THE ESCWA REGION

INTRODUCTION

This study analyses the role of finance in the economic development of the ESCWA region. It attempts to explain how the pattern of finance and the economic policy environment have contributed to growth and development.

For the purposes of this study, the ESCWA countries are divided into two groups. The first comprises the countries of the Gulf Cooperation Council (GCC), namely, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates, which are predominantly oil-exporting countries; they are referred to as the GCC countries in the study. The second group comprises those countries with a relatively diversified economic base, i.e., Egypt, Iraq, Jordan, Lebanon, and the Syrian Arab Republic, in addition to the Republic of Yemen, which will be referred to as the non-GCC or non-oil economies.[1]

The countries of the ESCWA region comprise a heterogeneous group with wide disparities in size, population, natural resource endowments and absorbtive capacities. The differences, understandably, have affected their pattern of development during the last 15 years. However, notable similarities can be seen in their macroeconomic development pattern as consumption and investment levels rose with the alleviation of financial constraints. This posed novel and difficult policy choices for these countries, particularly after 1982 when oil revenues declined. The pattern of development depended ultimately on differences in natural and human resource endowments and policy choices.

This study focuses on the availability and allocation of finance, and the link between finance and development.

Chapter I of Part I presents the experience of the ESCWA countries with respect to the availability of financial resources from 1975 to 1990. Within the economic policy framework of these countries, the role of fiscal and monetary policies in mobilizing domestic savings is analysed. Chapter II presents an overview of how these financial resources were allocated for development. It analyses the pattern of investment in the ESCWA countries and attempts to determine whether the allocation and the quality of investment were commensurate with the objective of growth and sustainable development. Chapter III brings the findings of the two chapters together to explain the pattern of growth and development in ESCWA countries during the period 1975-1990.

In Part II, two case-studies, one on Egypt and the other on Jordan, are presented. The two countries are vastly different in size, natural and human resource endowments, and economic policy regimes. In contrast to the managed economic system of Egypt, Jordan has essentially relied on market forces for promoting development. Both countries, however, relied extensively on workers' remittances and grants from the oil-rich countries during the 1970s as a major source of finance for development. Both were also confronted with

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1/ On 22 May 1990, Yemen and Democratic Yemen merged to form the Republic of Yemen. The analysis, however, is conducted in terms of the pre-unification set-up.

difficult policy choices in the aftermath of the decline in these sources of revenue. Although each followed a different path in generating resources, both countries had to undertake structural adjustment programmes by the late 1980s.

A note on the data

The data for this study have been primarily taken from the International Monetary Fund (IMF) publications International Financial Statistics (IFS) and Government Finance Statistics (GFS) to ensure comparability. The indicators and parameters used in the analysis include data on the gross domestic product (GDP), net factor income/transfers, taxation, expenditures, money and banking and prices. The series are consistent (as much as possible) in definition across countries and time. For other data in the study, sources such as the Arab Monetary Fund (AMF), the World Bank, the United Nations Economic and Social Commission for Western Asia (ESCWA), the United Nations Development Programme (UNDP) and central bank reports of individual countries have been used. Although GDP estimates have been primarily derived from the IFS, in some cases the objective of comprehensiveness of coverage may have overridden consistency. In such instances, GDP estimates from other sources have been used which may differ slightly from those given in the IFS.

There are wide discrepancies between various macroeconomic data reported, especially GDP, between sources such as the Arab Monetary Fund reports, ESCWA National Account Studies, IFS, World Bank country reports, and central bank reports of individual countries and other national publications. Moreover, not all sources give detailed national account estimates -- especially data on net factor income and transfers -- which is one area of focus in this study. The discrepancies arise because of a variety of reasons including: frequent revisions of the series, which may not necessarily be communicated on time to the compiling agency; the methodology of compilation; and definition across countries.

I. AVAILABILITY OF FINANCIAL RESOURCES

The sharp rise in the price of oil after 1973 enabled the GCC countries to accumulate substantial financial resources in a short time, thus reducing the financial constraints on development. The ensuing rise in economic activity generated massive demand for physical and human capital from other economies in the region, in the process recycling petro-dollar savings into the deficit member countries and contributing significantly to their development effort.

As can be seen from table 1, the GCC countries accumulated huge savings, ranging between 45 and 70 per cent of GDP. Savings as a per cent of GDP were the highest in the United Arab Emirates, averaging 68.3 per cent during 1975-1982, followed by Saudi Arabia (58.4 per cent) and Kuwait (53.8 per cent).

The level of saving was related to resource endowments, size of the country, and its pattern of consumption and investment. Whereas Saudi Arabia and Kuwait accumulated the largest financial surpluses in absolute terms, Qatar and the United Arab Emirates, with a smaller population, enjoyed the highest per capita savings. In absolute terms, these savings were impressive. In 1980 alone, domestic per capita savings were $18,100 for Qatar, $13,604 for Kuwait, $15,800 for the United Arab Emirates and $4,619 for Saudi Arabia.2/

However, the high average savings for the GCC countries disguised large yearly fluctuations which resulted from changes in oil revenues (See figures I to IV). Growth in domestic savings for Saudi Arabia, which was 8.9 per cent and 16.2 per cent in 1976 and 1977, respectively, declined by 4.6 per cent in 1978 as the price of oil declined (table 1). Similar yearly fluctuations in oil revenues were observed in all other Gulf countries, where domestic savings declined considerably in 1976 and 1977. Oil prices rose sharply in 1979, and revenues peaked, again generating substantial oil revenues, and consequently financial surpluses to the oil-exporting countries. For example, domestic savings grew by 101.1 per cent in Kuwait in 1979 and by 92.3 per cent in Saudi Arabia in 1980.

The slackening in world demand for oil after 1982 and the drop in the price of oil translated into steadily declining oil revenues and financial surpluses for the GCC countries during the period 1982-1990. The growth in domestic savings in Saudi Arabia and Bahrain, which had averaged 14.2 per cent and 20.3 per cent annually during the period 1976-1982, respectively, turned negative, averaging -1.9 per cent for Saudi Arabia and -5.6 for Bahrain in 1983-1990, and slowed down to 3.4 per cent in the United Arab Emirates and 6.9 per cent in Oman during the same period (table 1).

The fact that by the mid-1980s most of the GCC countries had already invested in major development programmes, and were at a much higher level of consumption as well, contributed also to the decline in savings ratios. For

2/ ESCWA, National Accounts Studies of the ESCWA Region, Bulletin No. 11 (December 1989), pp. 13 and 17 (E/ESCWA/STAT/89/25).

Table 1. Domestic savings in GCC countries, 1975-1990

Years	Bahrain Percentage of GDP	Bahrain Percentage growth	Kuwait Percentage of GDP	Kuwait Percentage growth	Oman Percentage of GDP	Oman Percentage growth	Saudi Arabia Percentage of GDP	Saudi Arabia Percentage growth	United Arab Emirates Percentage of GDP	United Arab Emirates Percentage growth
1975	44.7	..	67.2	..	52.5	..	75.2	..	75.9	..
1976	41.4	28.9	62.0	1.5	52.2	21.5	67.9	8.8	75.9	27.6
1977	41.8	31.2	51.9	-11.6	45.6	- 6.4	63.3	16.2	70.0	50.7
1978	42.4	19.4	50.9	3.2	38.5	-15.7	54.9	- 4.6	65.9	7.2
1979	45.4	20.1	63.6	101.1	46.3	64.1	47.6	25.8	69.0	24.3
1980	55.0	37.8	58.9	4.6	47.4	62.5	61.0	92.3	71.8	27.6
1981	52.7	8.0	48.5	-25.2	49.9	28.1	55.9	4.8	61.7	7.7
1982	48.5	- 3.3	27.0	-50.8	42.3	-11.2	38.4	-44.0	56.6	- 1.5
1983	47.6	0.6	35.3	27.8	42.3	4.9	23.4	-50.3	54.8	- 8.7
1984	45.2	-0.6	36.5	9.2	42.7	12.3	20.2	-18.9	55.6	-10.9
1985	45.2	- 5.2	29.8	-18.1	40.2	6.8	13.0	-42.3	51.9	- 4.3
1986	39.9	-24.2	20.5	-45.1	30.4	-38.8	9.1	-39.4	38.2	1.3
1987	35.9	-10.5	31.9	86.0	38.6	36.2	11.7	29.8	40.9	7.3
1988	32.4	- 4.4	22.3	-36.4	27.0	-31.8	17.0	50.3	34.3	14.1
1989	29.7	- 5.3	29.7	61.5	30.0	22.8	22.3	43.0	38.3	15.2
1990	29.6	4.9	29.6	-34.4	33.9	42.9	22.3	12.4	45.1	13.2
Average										
1975-1982	46.5	20.3	53.8	3.3	46.9	20.4	58.4	14.2	68.3	20.5
1983-1990	38.2	- 5.6	29.5	6.3	35.7	6.9	17.4	- 1.9	44.9	3.4

Source: Annex tables A-1 to A-5,

.. = Not available.

Figure I.   Bahrain: domestic savings, 1975-1990
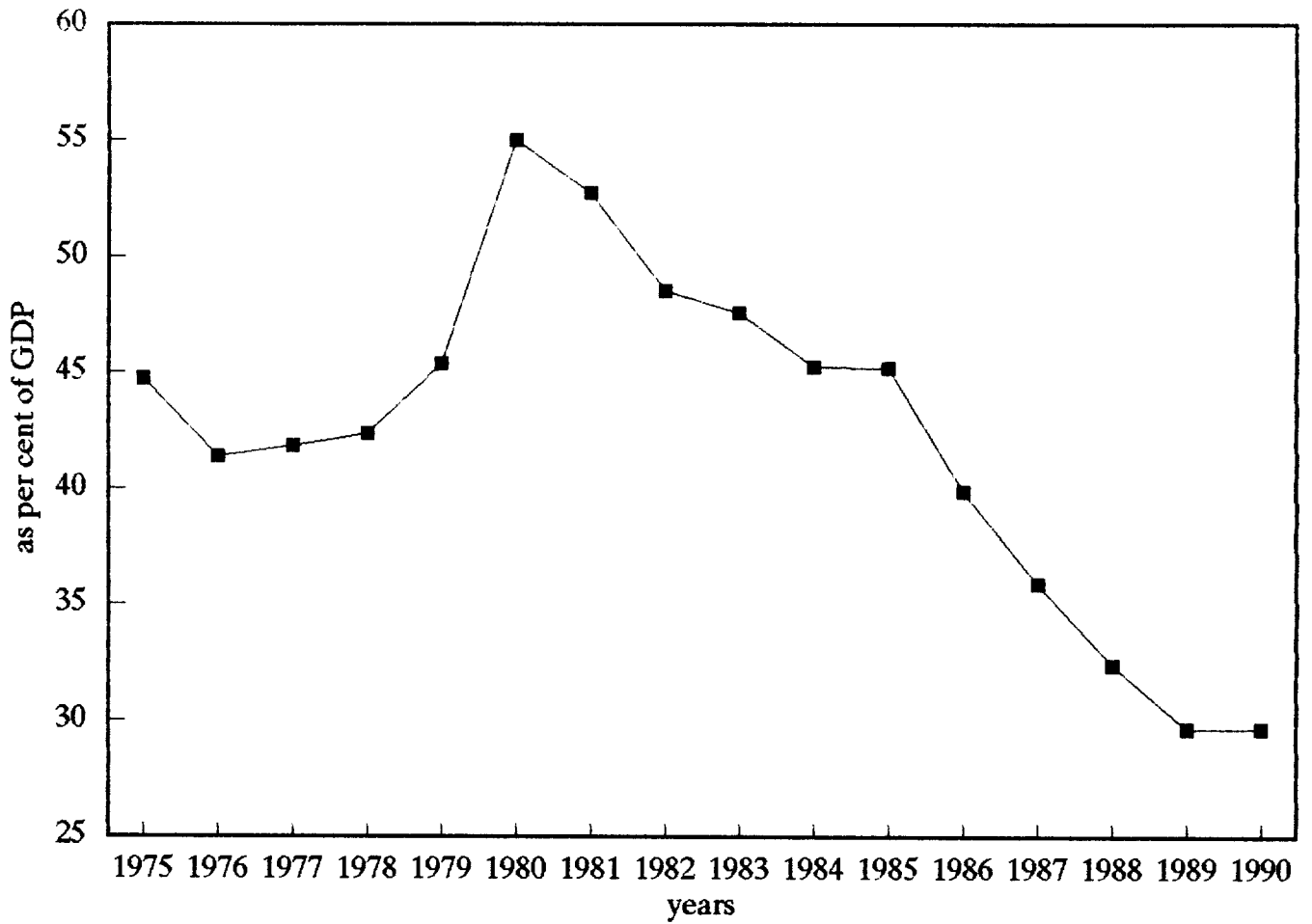
Source: Annex table 1.

Figure II. Kuwait: domestic savings, 1975-1990
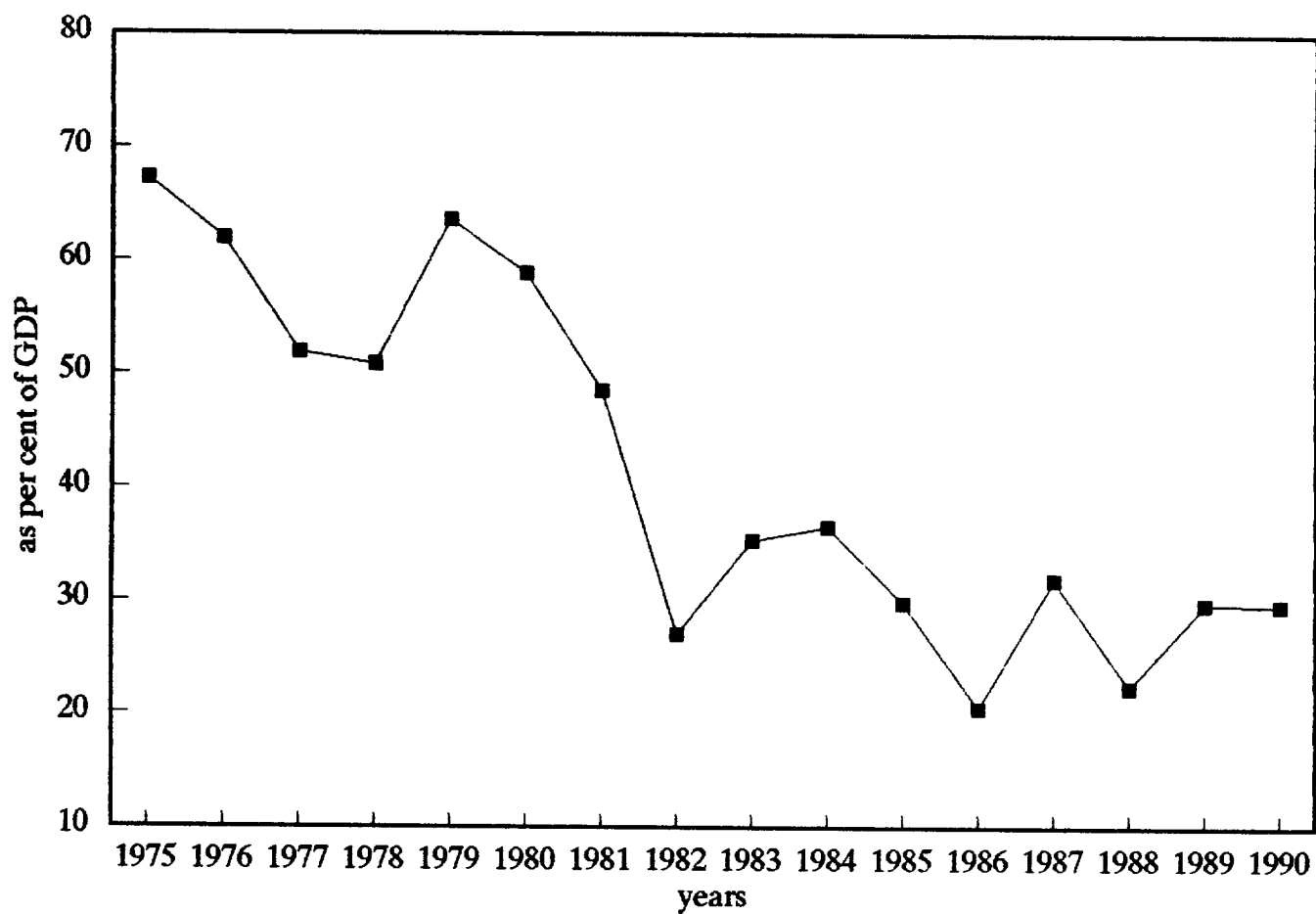
Figure III.   Saudi Arabia: domestic savings, 1975-1990
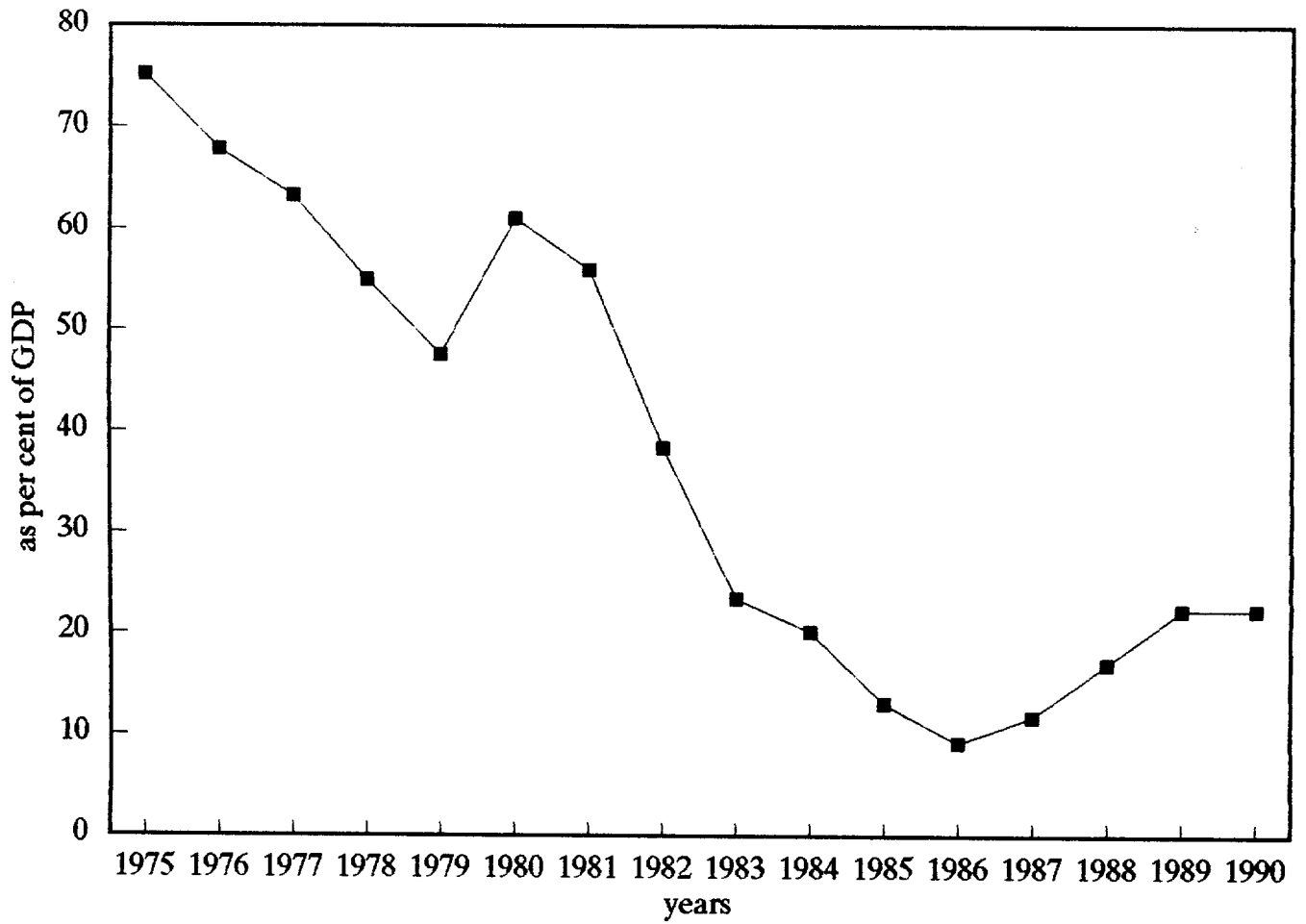
Source: Annex table 3.

Figure IV. United Arab Emirates: domestic savings, 1975-1990
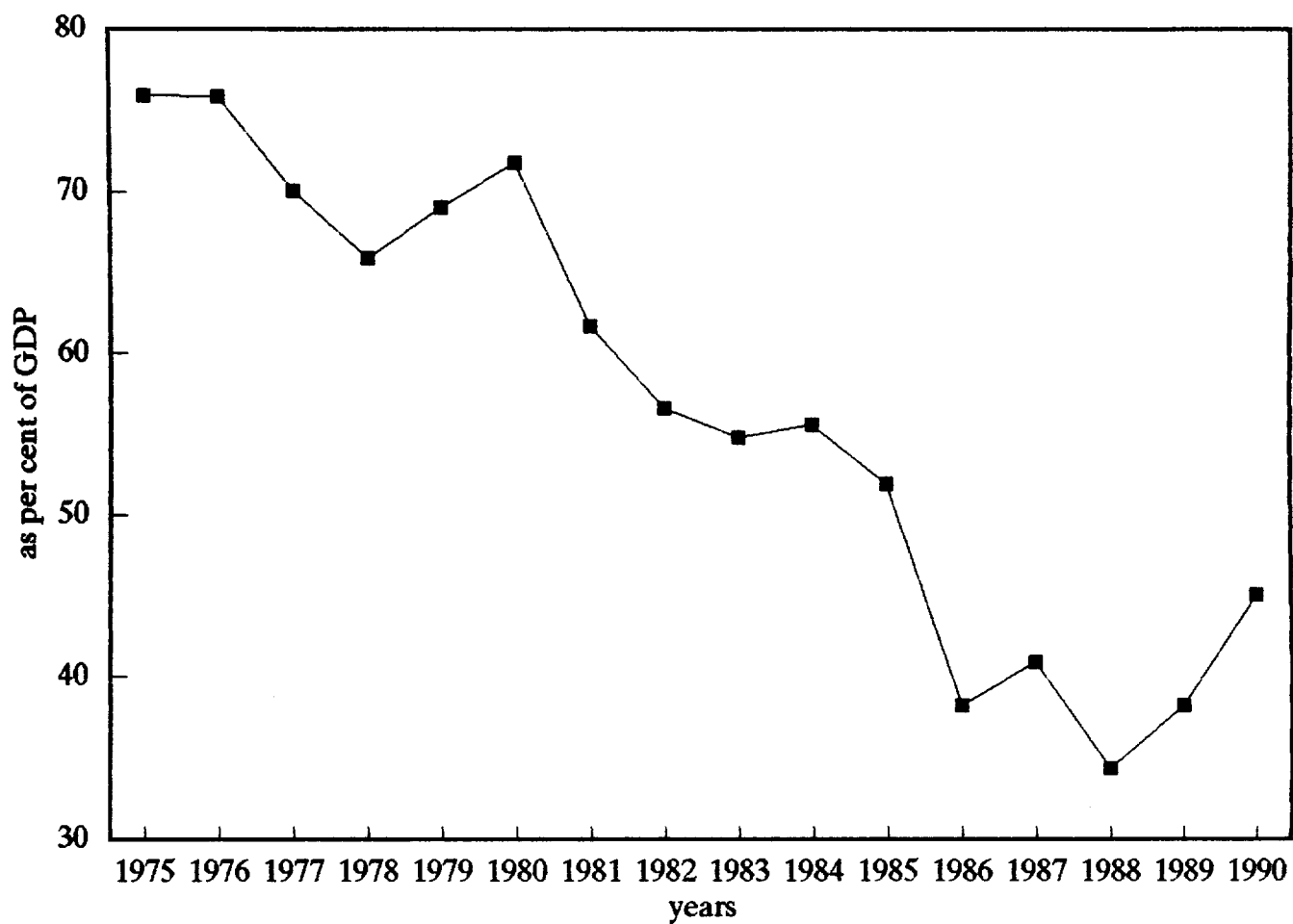
Source: Annex table 4.

example, in Kuwait, despite sizeable revenues from investment income from abroad, average domestic savings dropped from 53.8 per cent of GDP during the period 1975-1982 to 29.5 per cent during the period 1983-1989. The decline was most pronounced in Saudi Arabia, where domestic savings dropped from a high of 58.4 per cent of GDP between 1975 and 1982 to 17.4 per cent during the following period. In per capita terms, the decline was substantial too. By 1990, per capita savings in Saudi Arabia were $1,413 or 15 per cent of their 1980 level, while in both Kuwait and the United Arab Emirates they were 17 per cent of the 1980 level.3/

The accumulation of large surpluses by the GCC countries during the oil-boom era had important regional ramifications. Rapid development in these countries triggered a massive demand for skilled and unskilled labour to alleviate the manpower bottlenecks in their economies. This was partly met by labour export from other ESCWA countries, providing a conduit for financial resources in the Gulf countries to be channelled to these largely deficit economies. In addition, the GCC countries provided considerable assistance to these countries bilaterally and through funding institutions set up for that purpose, as in the case of Saudi Arabia and the United Arab Emirates. Between 1973 and 1977, concessional aid flows from oil-surplus countries averaged between 4 and 11 per cent of their GNP.4/ The major donors were Saudi Arabia, Kuwait, Qatar and the United Arab Emirates, which channelled around $11.3 billion in concessional loans and grants to Egypt, Jordan, Lebanon, Oman and the Syrian Arab Republic alone.5/

As shown in table 2, domestic savings were low or negative in the ESCWA non-GCC countries in 1975. In the following years, however, the lack of domestic savings was mitigated by workers' remittances and grants from the GCC countries (figures V to VIII).

In 1975, overall consumption in Jordan was greater than GDP by about one third, indicating a negative domestic savings rate equal to 29.9 per cent of GDP. In the same year, net factor income from abroad was 20.5 per cent of GDP, bringing the national savings rate to -9.4 per cent of GDP and alleviating considerably the pressures on the economy. By 1976, financial inflows from the GCC countries to Jordan had augmented the domestic saving effort to such an extent that national savings became positive for the first time. Despite the fact that these flows declined to 17.1 per cent of GDP during the subsequent period 1983-1988, they provided Jordan with the much needed resources to undertake the development effort at the scale it did.

The pattern was similar in the former Yemen, where consumption far exceeded GDP and external financial resources from the GCC countries provided the backstopping to undertake development programmes, especially when the

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3/ Based on data in the Arab Monetary Fund, National Accounts of Arab Countries, 1980-1990.

4/ ESCWA, Survey of Economic and Social Developments in the ESCWA Region, 1980, p. 4.

5/ ESCWA, Economic Integration in Western Asia, Francis Pinter (Publishers), London. p. 129.

Table 2. Savings in non-GCC countries, 1975-1990
(Percentage of GDP)

Year	Egypt Domestic savings	Egypt Net factor income/ transfers	Egypt National savings	Jordan Domestic savings	Jordan Net factor income/ transfers	Jordan National savings	Syrian Arab Republic Domestic savings	Syrian Arab Republic Net factor income/ transfers	Syrian Arab Republic National savings	Yemen Domestic savings	Yemen Net factor income/ transfers	Yemen National savings
1975	8.0	3.0	11.1	-29.9	20.5	- 9.4	12.5	..	..	-13.1	3.7	- 9.4
1976	13.4	2.1	15.3	-23.0	33.4	10.4	16.6	..	..	-28.3	3.4	-24.9
1977	19.4	5.3	24.7	-22.0	28.4	6.4	13.0	..	..	- 8.2	4.3	- 3.9
1978	17.2	10.0	27.2	-18.7	23.5	4.8	11.1	..	..	-22.7	5.2	-17.5
1979	17.7	6.2	23.9	-27.2	22.4	- 4.9	9.3	..	..	-24.7	6.3	-18.4
1980	12.3	10.9	23.2	9.0	20.9	11.9	10.3	..	..	-25.5	4.4	-21.2
1981	18.4	7.7	26.1	-15.0	27.4	12.3	5.9	..	..	-15.8	35.4	19.6
1982	14.5	2.2	16.7	-17.0	26.7	9.7	12.6	..	..	-17.6	34.0	16.4
1983	17.6	4.9	22.5	-19.2	24.4	5.2	11.5	..	..	-19.2	27.4	8.2
1984	13.4	7.2	20.6	-16.8	23.7	6.9	12.1	..	..	-14.0	24.7	10.7
1985	13.2	5.2	18.4	-12.5	17.2	4.7	11.2	..	..	-12.9	20.2	7.3
1986	12.0	3.3	15.3	-3.0	17.0	14.1	11.5	..	..	- 8.9	18.9	10.0
1987	6.6	6.1	12.7	-3.3	10.8	7.5	4.9	..	..	- 9.9	15.8	5.8
1988	8.2	12.3	20.5	-3.3	9.6	6.3	4.7	..	..	- 6.2	..	..
1989	5.7	11.5	17.2	-3.8	23.5a/	19.7	12.0	..	..	- 5.2	..	..
1990	4.8	..	4.8	16.9	21.8a/	4.9	15.0	..	..	- 5.2	..	..
Average												
1975-82	15.1	5.9	21.0	-20.2	25.4	5.2	11.4	..	..	-19.5	12.1	- 7.4
1983-88	11.8	6.5	18.3	- 9.7	17.1	7.4	9.3	..	..	-13.0b/	21.4b/	8.4b/
1989-90	5.9c/	3.8c/	9.7c/	-10.4	22.6	12.3	13.5	..	..	- 5.5	..	..

Source: Annex tables 6 to 9.

.. = Not available.
a/ = From balance-of-payments data.
b/ = Till 1987.
c/ = 1989-1991.

Figure V.   Egypt: domestic savings and net factor flows, 1975-1990
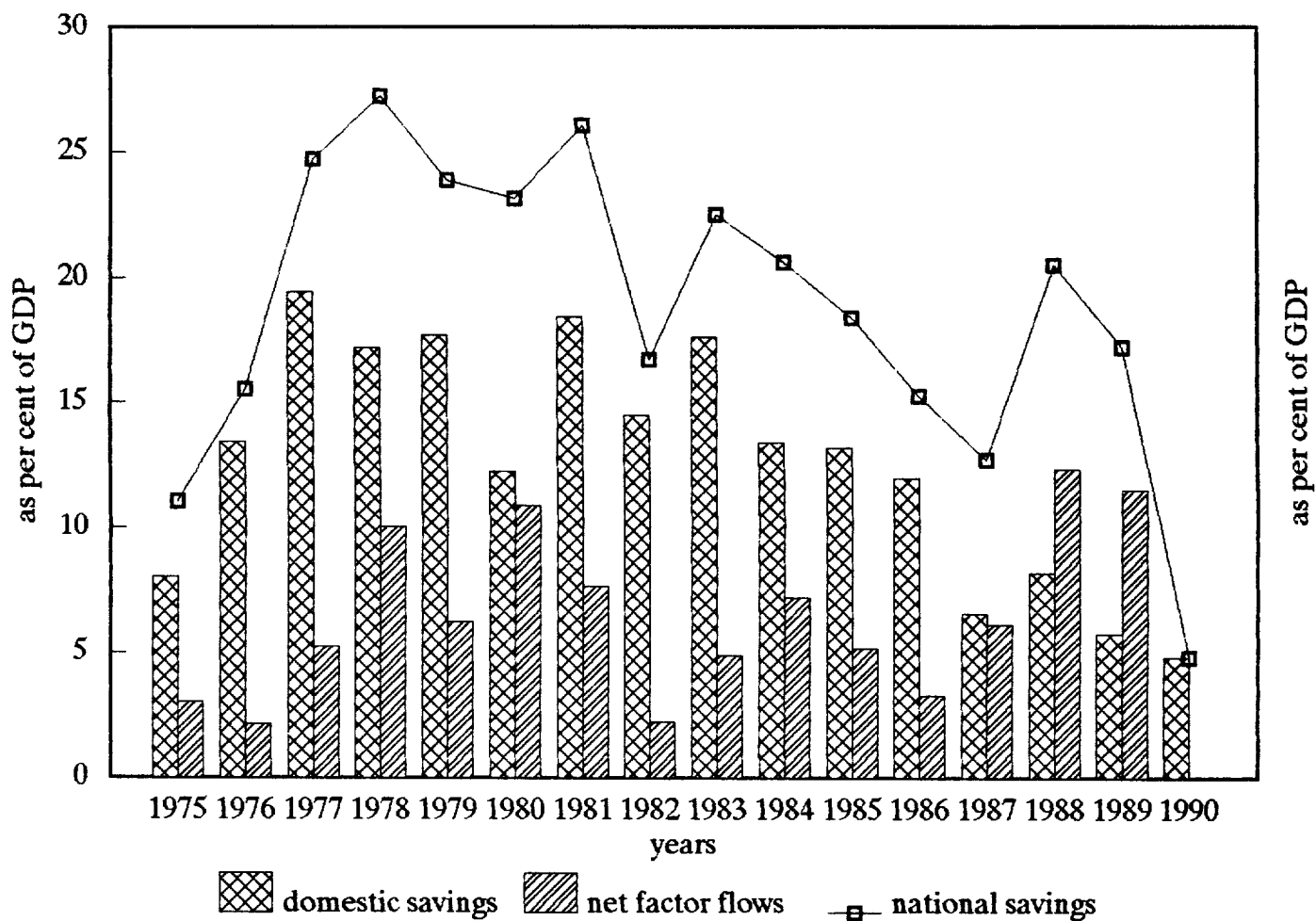
Source: Annex table 6.

Figure VI. <u>Syrian Arab Republic: domestic savings, 1975-1990</u>
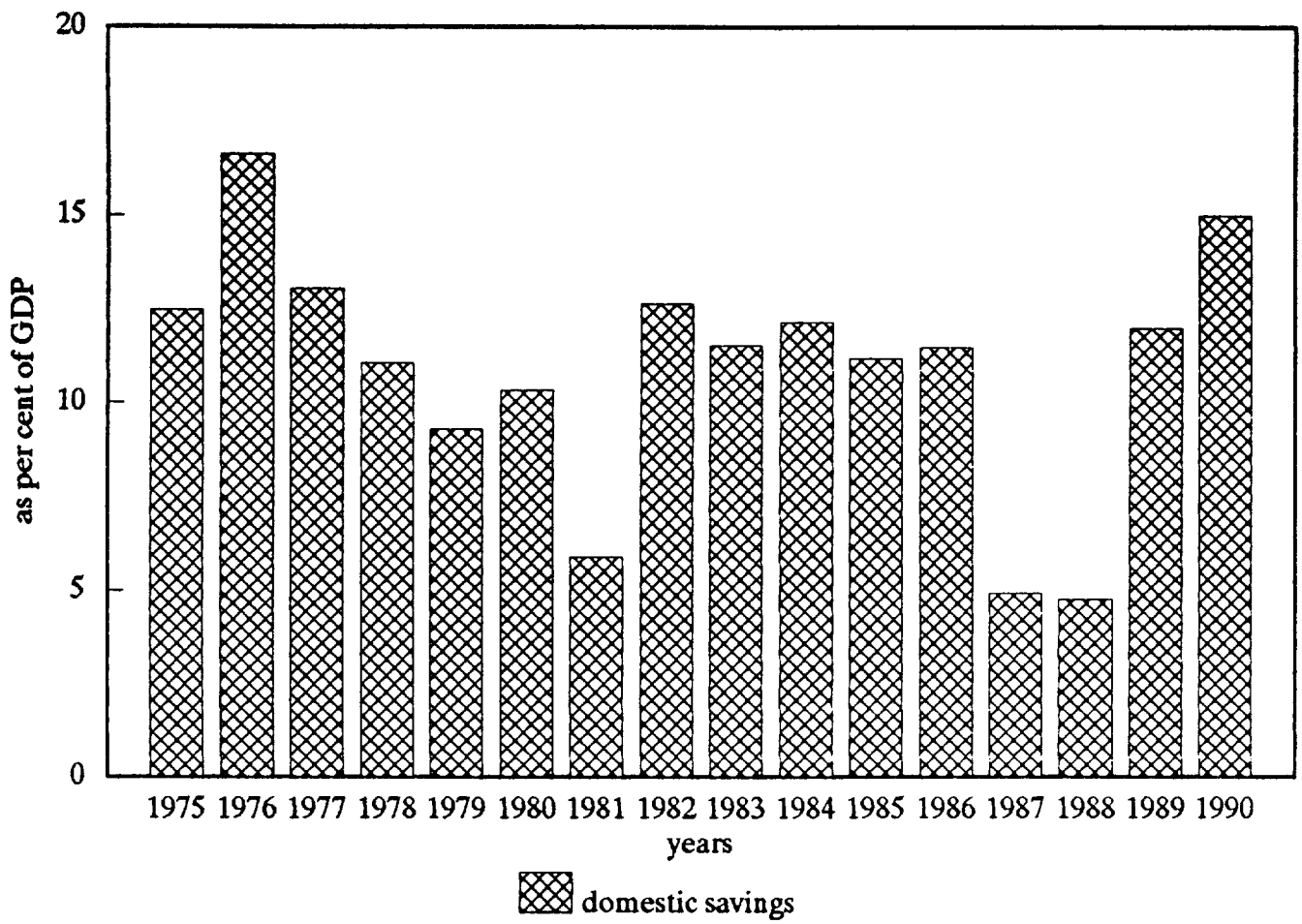
<u>Source</u>: Annex table 7.

Figure VII.   Yemen: domestic savings and net factor flows, 1975-1987
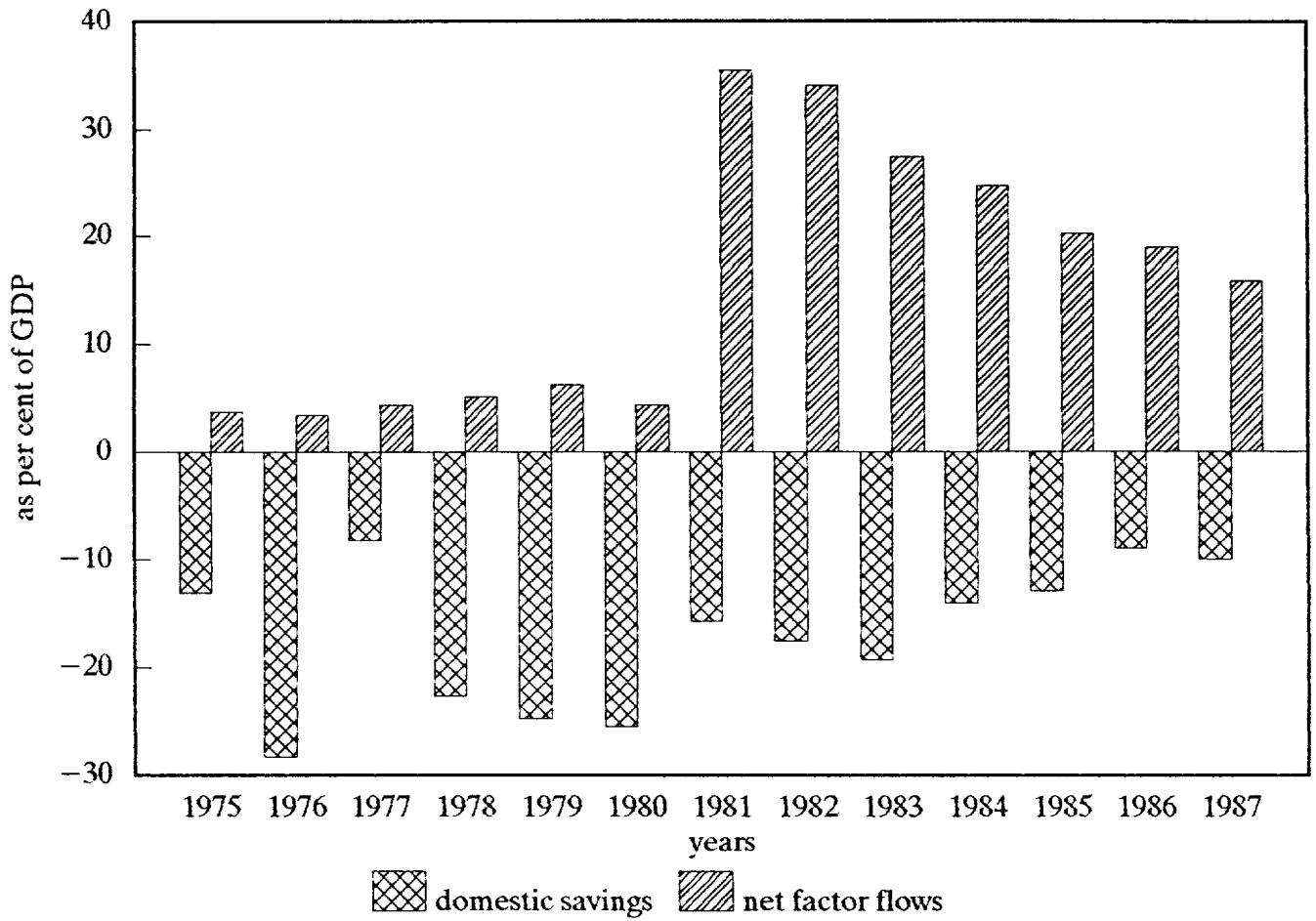
Source: Annex table 8.

Figure VIII.   Jordan: domestic savings and net factor flows, 1975-1988
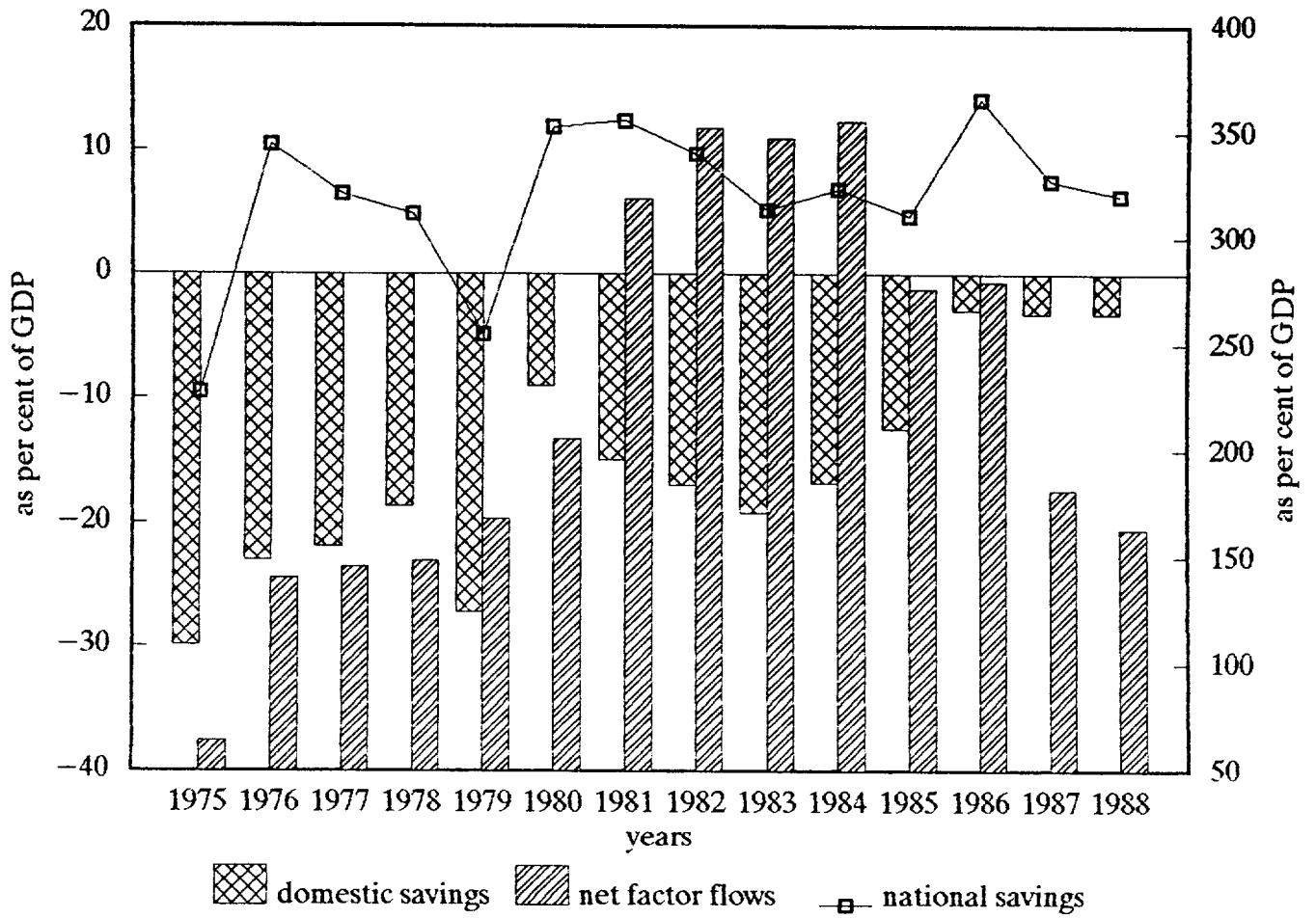
Source: Annex table 9.

domestic saving effort was a negative 19.5 per cent on average between 1975 and 1982. Financial resources flowing from the GCC countries in the form of workers' remittances and aid were equal to 12.1 per cent of GDP between 1975 and 1982, and 21.4 per cent during 1983-1987.

In the Syrian Arab Republic, domestic savings were positive, at 12.5 per cent of GDP in 1975, dropping to 11.1 per cent in 1978 and further to 9.3 per cent in 1979. By 1981, the domestic saving effort in the Syrian Arab Republic was a mere 5.9 per cent of GDP. The domestic resource mobilization effort decreased from 11.4 per cent during 1975-1982 to 9.3 per cent during 1983-1988.

Although Egypt had positive domestic savings, the effort was low, and finance remained a major constraint on development in the 1970s. After the 1979 rise in the price of oil, factor income flows to Egypt doubled; in 1980 alone these flows were 10.9 per cent of GDP, contributing about 47.0 per cent to the overall national savings effort. The relative importance of workers' remittances became much more pronounced in the overall availability of financial resources in Egypt in the later years, as the domestic resource mobilization effort declined from 11.8 per cent of GDP during 1983-1988 to 5.9 per cent of GDP during 1989-1990 and financial assistance ceased in the wake of Egypt's signing the Camp David Accords. Still, remittances and private transfers accounted for 3.8 per cent of GDP, and about 40 per cent of the national savings of Egypt during the period 1989-1991.

The economic policy environment

Finance is central to economic development as a major determinant of productive investment and growth. In general, rapidly growing economies have higher domestic savings rates than slower growing economies. Many factors can affect the rate of savings including the level of income, age composition of the population and the depth of the financial system.

However, a major prerequisite for growth and development remains a conducive economic policy environment which effectively links finance and economic development.

Governments can affect both the mobilization and allocation of resources through their choice of economic policy instruments. Monetary and fiscal policies can alter the pattern of savings and investment by altering essential prices in the economy such as the interest rate, exchange rate and inflation.

Governments can mobilize finance for development by:

(i)   The use of fiscal policy (i.e., the tax system);
(ii) Encouraging private- and public-sector saving;
(iii) Money creation;
(iv) Foreign savings (external borrowing).

Fiscal policy usually refers to the instruments employed by Governments to affect the level of prices and output in the economy through both taxation and expenditure policies. Taxation policies are the main tool for domestic resource mobilization. Excessive public-sector spending and budgetary deficits, on the other hand, can reduce national savings through borrowing from the banking system, often accompanied by adverse-effects on private-sector saving.

The financial system is another medium of mobilization of financial resources, by raising net returns, especially those to the private sector. Positive interest rates, ease of access and safety of funds are important prerequisites for encouraging private-sector saving and resource mobilization. In developing countries, Governments intervene in the working of the financial markets in the belief that the markets are unable to allocate resources according to a "social" rate of return and that regulation is desirable to ensure credit to preferred sectors in the economy.

The more commonly employed tool of monetary policy in the developing countries has been the regulation of the interest rate. Interest rate ceilings on deposits and lending provide impetus to current consumption over savings and presents an opportunity for low-return investments to be financed, thus reducing the efficiency of aggregate investment. Low deposit rates help encourage alternative forms of inefficient savings, mostly in non-productive assets.

A. Fiscal policy and domestic resource mobilization

From the beginning of the oil boom, the economic policy environment in the ESCWA countries was geared towards supporting government spending and investment. Fiscal policy, especially expenditure policy, was the primary tool for influencing output and prices. At the same time, monetary policy instruments were employed sparingly and primarily in support of the government expenditure policy. For example, interest rates in many countries were kept fixed to encourage investment, and credit was allocated to designated areas, often with public-enterprise monopolies. The effect of this economic regime was a lack of effort in domestic resource mobilization and an inadequate role for the financial system in encouraging financial savings.

1. Domestic resource mobilization and taxation

A unique feature of the GCC economies after the oil boom was the accumulation of substantial financial surpluses. An interesting aspect of this phenomenon was that these surpluses accrued within a short span and directly to the Governments. Since a greater portion of these surpluses could not be utilized domestically, there was no pressing need to use the financial system to mobilize domestic resources in the traditional sense. Most of the GCC economies are small with a narrow economic base, which poses considerable difficulties in imposing taxation measures. Government tax revenues accrued mostly from the royalties and fees on the foreign oil companies or from a low -- 2 to 4 per cent -- import duty.

Consequently, measures to tax the non-oil sector for generating domestic resources were limited. Even when oil revenues slackened after 1982, domestic resource mobilization efforts were not energetically pursued.

In Kuwait, tax revenues contributed a negligible portion of total government revenues (table 3). The bulk of these revenues came from non-tax sources, primarily oil income. In 1989, taxes provided only 3.8 per cent of total revenues, compared to 95.4 per cent derived from oil and investment income. With one of the highest per capita GDPs in the world, Kuwait had no personal income taxation, nor any sales tax during the period reviewed. The only form of taxation was a moderate corporate tax of up to 10 per cent, and

customs duties ranging between 2 and 4 per cent. In Qatar and the United Arab Emirates, non-oil tax revenues were a small proportion of total revenues, ranging from 1 to 2 per cent. In Oman, tax and non-tax revenues were 28 per cent and 71.5 per cent of total revenues, respectively, in 1980. In Bahrain, however, domestic resource mobilization efforts and declining income from oil contributed to an increase in the share of tax revenues (mostly on the corporate sector) from 13 per cent in 1980 to 25.6 per cent in 1990. At the same time, the share of taxes on oil dropped from 79.5 per cent in 1980 to 59 per cent in 1990.

Domestic resource mobilization efforts made a more significant impact on government revenues in other ESCWA countries (table 4). However, the tax systems in these countries remained lacking in terms of efficiency, equity and comprehensiveness.

In the Syrian Arab Republic, although the performance of the tax system improved, the overall domestic resource mobilization effort declined between 1976 and 1987. Tax revenues became an increasingly important source of government revenues by the mid-1980s, contributing around half of total revenues in 1986 and 70 per cent in 1989. This was primarily due to a major restructuring of the direct tax base with the share of direct taxes in total revenues increasing from 9 per cent in 1976 to 32 per cent in 1989. However, total government revenues as a percentage of GDP were far less (22 per cent) in 1987 compared to 1976 (39 per cent). The decline was due to the steadily declining contribution of non-tax revenues, primarily from public enterprises. Available data indicate that in 1976 non-tax revenues were 64 per cent of total revenues plus grants but dropped to 24 per cent by 1989. However, the complexity of the tax system in the Syrian Arab Republic, as well as the method of calculation, renders interpretation of the numbers difficult, especially since only planned government revenues are published and the transfers of public enterprises to the budget are not specified.

In Jordan, tax revenues as a share of total revenues and grants declined between 1976 and 1979 because budgetary grants formed a greater proportion of the total during this period. Table 4 indicates that by 1979, tax plus non-tax revenues formed 53 per cent of total revenues, the balance (47 per cent) representing grants. After the regional recession, following the decline in the price of oil in 1982, brought into sharp focus the need for additional domestic resource mobilization efforts, a restructuring of the tax system was undertaken in Jordan in 1986. However, growth in tax revenues was a mere 4 per cent from 1980 to 1988, partly because of the decline in income taxes and partly because the decline in regional and domestic economic activity had an adverse effect on tax revenues from international trade.6/

Although Egypt had a relatively established taxation system, the role of fiscal policy in mobilizing revenues was limited during the period 1976-1988. The bulk of government revenues was derived from oil income, Suez Canal dues and import duties during the 1980s. As government revenues became inadequateto meet growing expenditures, a tax reform -- which consolidated taxes, reduced exemptions and revised the exchange rate for valuation of trade taxes -- was undertaken. This resulted in an improvement in the mobilization of domestic resources after 1988.7/

6/ For more details, see the case-study on Jordan.
7/ For more details, see the case-study on Egypt.

Table 3. <u>Tax and non-tax revenues in selected GCC countries, 1980-1990</u>
(Percentage of total revenue)

Country	1980	1983	1986	1988	1990
Bahrain					
Tax	13.0	21.9	25.6	28.1	25.6
Non-tax	87.0	78.1	74.4	71.2	74.3
Of which: taxes					
on oil income	79.5	67.0	52.2	50.3	59.0
Kuwait					
Tax	3.5	7.9	4.8	3.3	3.8ª/
Non-tax	96.4	91.7	94.9	96.7	95.4ª/
Of which: taxes					
on oil income	..	..	..	..	..
Oman					
Tax	28.0	29.5	26.0	23.4	26.6
Non-tax	71.5	69.3	70.3	76.3	73.0
Of which: taxes					
on oil income	67.2	62.5	65.0	65.8	63.2

Source: International Monetary Fund, <u>Government Finance Statistics Yearbook, 1991</u>.

Note: 1. Saudi Arabia and Qatar are excluded due to unavailability of data.

2. Oil tax income is derived from dividends, royalties and taxes on oil income.

3. Totals may not add up to 100 because total revenue comprises tax, non-tax, and capital revenue (i.e. sale of stocks, fixed capital assets, land and intangible assets) not indicated in the table above.

a/ Figures for 1989.
.. = Not available.

Table 4. Tax and non-tax revenues in non-GCC countries, selected years
(Percentage of total revenue plus grants)

Country	1976	1979	1981	1986	1989
Egypt					
Taxes	59	69	62	59	58
Direct taxes	24	27	29	30	28
Indirect taxes	35	42	33	29	30
Non-tax revenue	28	24	36	34	32
Jordan					
Taxes	51	38	45	47	47
Direct taxes	7	7	9	9	11
Indirect taxes	45	31	36	38	36
Non-tax revenue	11	15	15	31	19
Syrian Arab Republic					
Taxes	29	27	28	49	69
Direct taxes	9	8	11	29	32
Indirect taxes	20	19	16	19	37
Non-tax revenue	64	32	42	43	24
Yemen					
Taxes	49	49	54	63	56
Direct taxes	2	4	6	11	23
Indirect taxes	47	45	47	52	33
Non-tax revenue	11	12	15	17	39

Source: International Monetary Fund, Government Finance Statistics Yearbook, 1991.

In Yemen, due to the low per capita income, the tax base was extremely narrow and the taxable capacity of the country small with the result that tax plus non-tax revenues accounted for around 60 per cent of the total government revenues from 1976 to 1979, the rest being met from external grants (table 4). Most of the tax revenue came from customs duties and taxes on domestic goods and services -- a tax base which was adversely affected by the slow-down in regional economic activity after 1982. However, Yemen made substantial progress in improving its direct tax base, especially in 1988; direct taxes contributed 23 per cent of total revenues plus grants in 1989, compared to only 11 per cent in 1986. At the same time, the discovery of oil in 1988 provided a new source of revenue from licences and fees; other non-tax income consequently increased from 17 per cent of total revenues in 1986 to 39 per cent in 1989.

2. Public dissaving

A low level of domestic taxation can be offset to some extent by a high level of public savings or by private savings mobilized through the financial system. Theoretically, Governments can be net savers in countries with either high levels of tax revenues or low levels of government expenditures which, in turn, imply a lower government share in overall economic activity.

In addition to an inadequate domestic resource mobilization effort, the Governments in most of the ESCWA countries were net dissavers during the period 1975 to 1990. Following the oil-boom era, most ESCWA countries embarked upon expenditure programmes aimed at achieving rapid growth through developing infrastructure and diversifying the industrial base. However, when oil prices declined after 1982, these large public expenditure programmes could not be reduced commensurately with the reduction in revenues, nor, for that matter, could expenditures related to defence and security. At the same time, recurrent expenditures increased due to increases in salaries and wages, subsidies on food and provision of social services, such as education and health, in many of the countries. Most of the countries were also at a much higher level of per capita consumption than in the pre-oil boom period which made adjustment a difficult policy choice since it implied a drop in the overall standard of living.

A low tax effort combined with public dissaving gave rise to unsustainable budget deficits in some countries after oil revenues and associated flows declined. Whereas some of the comparatively richer oil-exporting countries, such as Kuwait and Saudi Arabia, still ran current-account surpluses, in Bahrain and the United Arab Emirates deficits were met in the first instance by grants from other Gulf countries, and in the second, from contributions by individual Emirates.

With the availability of financial resources declining after 1982, budgetary deficits became particularly pronounced in the non-GCC countries. As table 5 indicates, the budget deficit as a percentage of GDP increased for all non-GCC countries after 1982 and the subsequent reduction in assistance from the Gulf countries. By 1986, most of these countries were borrowing heavily in both the domestic and the international markets to finance the deficits.

In Yemen, central government accounts indicate a steady worsening. Although starting from a surplus in the mid-1970s, the budget deficit peaked to 18.6 per cent of GDP in 1984 and was financed primarily by borrowing from the Central Bank. Based on the few years for which data are available, the Syrian Arab Republic financed the budgetary deficit primarily from non-bank sources until 1976, after which grants and external assistance helped reduce the pressures on the budget till 1980. The deficit soared to 15.5 per cent of GDP by 1984 as the availability of external financial resources declined. At the same time, a major effort was made to restructure the tax base and reduce expenditures. As a result, the deficit was reduced from 11.6 per cent of GDP in 1986 to 2.1 per cent by 1988 and was financed by the monetary authorities. In both Jordan and Egypt, unsustainable budgetary deficits were one indication of the structural problems besetting their economies, which to a large extent had evolved due to low domestic resource mobilization, high level of public expenditures and declining external assistance during the late 1970s and the

Table 5. Government deficit in non-GCC countries, selected years
(Percentage of GDP)

Country	1981	1984	1986	1988	1990
Egypt	-15.4	-22.5	-15.5	-20.0	-21.0
Jordan	-7.6	-7.8	-7.5	-9.3	-7.3a/
Syrian Arab Republic	-6.3	-15.5	-11.6	-2.1	-2.6
Yemen	-18.3	-18.6	-10.1	-13.0	-10.7b/

Source: Data on Egypt and the Syrian Arab Republic are from: Arab Monetary Fund, Arab Countries: Economic Indicators, 1980-1990. Data for Yemen are from: Arab Monetary Fund, Arab Countries: Economic Indicators 1979-1989. Figures on Jordan from 1986 to 1990 are from the Central Bank of Jordan, Twenty-Seventh Annual Report, 1990; for 1980 and 1984 from Central Bank of Jordan, Monthly Statistical Bulletin, January 1992, and Yearly Statistical Series (1964-1989).

a/ Preliminary estimates.
b/ Refers to 1989.

1980s. Budgetary deficits as a percentage of GDP in both countries continued to be high from 1981 to 1990, being symptoms of the macroeconomic imbalances which ultimately led the two countries to undertake adjustment programmes sponsored by the IMF.

3. External borrowing as a means of finance

In the face of declining financial flows, most non-GCC ESCWA countries resorted to borrowing abroad. Initially, it was thought that the drop in oil revenues and the decline in external grants was a temporary phenomenon.

External borrowing depends, among other things, on creditworthiness, which is a function of the capacity of the economy to pay back as perceived by creditors. Most of these countries borrowed initially in the regional market at highly concessional terms. But as finance became scarce due to competing claims from other countries, primarily Muslim Asian and African countries, the ESCWA deficit countries had to borrow increasingly from outside the region. The share of concessional debt in total debt consequently declined, exerting pressure on debt service and pay-back ability. As a result, the external debt of some of these countries reached unprecedented proportions.

Financing budget deficits in Jordan during the 1980s was mostly made through external borrowing, thus keeping domestic inflationary pressures down and allowing the country to achieve positive real growth rates. However, the total external debt of Jordan rose from $4.1 billion in 1984 to over $7.5 billion in 1988 (table 6). In 1989, Jordan entered with the IMF into an adjustment economic programme for, among other things, rescheduling its debt, which peaked at $9.1 billion in 1991. External debt in Egypt rose from $38.8 billion in 1984 to $51.7 billion in 1988. By 1987, Egypt had requested the Paris Club to reschedule its debt and entered into an IMF-led adjustment programme for restructuring the economy.

Table 6. <u>External debt in selected ESCWA countries, 1984-1991</u>
(Billions of dollars)

Country	1984	1986	1988	1990	1991
Egypt	38.8	46.1	51.7	44.4	42.4
Jordan	4.1	5.7	7.5	8.4	9.1
Oman	1.9	4.1	4.4	3.9	3.7
Syrian Arab Republic	7.8	12.6	16.4	16.0	14.8

Source: OECD, <u>Financing and External Debt of Developing Countries, 1991 Survey</u>; and <u>External Debt Statistics, 1992</u>.

B. <u>Monetary policy, the financial system and private savings</u>

Whereas fiscal policy was mostly expansionary, and not very effective in mobilizing financial resources during 1975-1988, the role of monetary policy in affecting private savings was also limited. The economic policies pursued generally rendered monetary policy and instruments such as the interest rate ineffective in mobilizing private savings. Indeed, in many countries, regulated interest rates formed part of government policy in support of the expansionary fiscal policy regime.

Interest rates were maintained in pursuit of a monetary policy which often followed contradictory goals of stabilizing exchange rates and at the same time financing budget deficits and curtailing inflation, which had soared in most ESCWA countries following the oil boom in the second half of the 1970s. Governments also regulated the interest rate in the belief that the financial system would be unable to allocate resources according to a "social" rate of return, and because regulation was desirable to ensure credit to preferred sectors in support of the government's development objectives.

Interest-rate ceilings on deposit and lending favoured consumption over savings and allowed low-return investments to be financed, thus reducing the overall efficiency of investment. Low deposit rates helped make investment in non-productive forms of assets more attractive. Further, fixed and low interest rates distorted the pattern of resource allocation by chanelling scarce resources into investments with inefficient mix of capital and labour, often with adverse consequences for growth.

Table 7 indicates that in the three GCC countries shown interest rates were only periodically changed. In Bahrain, low interest rates were maintained in the belief that "relatively low interest rates would assist economic growth, particularly important in a developing country like Bahrain."<u>8/</u> The rate on deposits, which was subject to greater regulation than lending rates, was 6.5 per cent from 1975 to 1978, while the inflation rate averaged 18.6 per cent. As a result, the real interest rate remained

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8/ Bahrain Monetary Agency, Economic Research Directorate, <u>Bahrain - An International Financial Centre</u> (1991), p. 166.

negative. From 1979 to 1989, interest rates were revised but remained between 5 and 9 per cent, while the annual average rate of inflation during the same period dropped to 4.9 per cent (1979-1984) and was actually negative, at -1.0 per cent (1985-1989). In Kuwait, interest rates remained fixed at 6.8 per cent from 1980 to 1989. In Qatar, interest rates on time deposits remained fixed at 7.0 per cent from 1978 to 1990, while inflation averaged 7.6 per cent.

In the non-GCC countries, interest rates remained much lower than the rates of inflation, rendering real interest rates negative during most of the period 1976-1990. In the Syrian Arab Republic and Yemen, deposit rates were far less than the annual rates of inflation (table 7). In Egypt the rate of interest increased from 3 per cent in 1976 to 8.3 per cent in 1980, while the average annual rate of inflation was 12.9 per cent. During the decade 1981-1990, although the rate of interest was periodically adjusted and rose from 10 per cent to 12 per cent, it still lagged behind the rate of inflation, which averaged 17.2 per cent.

Due to the uncertainty regarding the efficacy of monetary policy in general and the instability of domestic currencies in particular, growth in foreign-currency deposits held by the banking system outstripped that of deposits in local currencies in several ESCWA countries, which also experienced capital out-flows.9/ The Qatari riyal was revalued in 1978 and in 1979 by 0.5 per cent against the United States dollar, and four times by a total of 1.8 per cent in 1980, following an outflow of capital, which occurred in part as a result of the differential between domestic and international interest rates. The raising of interest on domestic-currency deposits contributed to raise average growth in riyal deposits from 14.7 per cent during

1976-1980 to 20.6 per cent during 1981-1984, at the same time that growth in foreign-currency deposits decelerated from 74.5 per cent to 11.3 per cent (table 8). The share of foreign-currency deposits in total bank deposits in Egypt increased from 39.5 per cent in 1983 to 50.4 per cent in 1988. In Jordan, after the devaluation of the dinar in 1988, foreign-currency deposits increased by 39.2 per cent while growth in domestic currency deposits was 3.5 per cent only.10/

Intervention by Governments through regulation of interest rates impairs the depth of financial markets and adversely affects private saving. Financial deepening occurs as more and more savings are channelled through the financial system. Generally, financial systems of more developed countries or rapidly growing economies are deeper (measured by the ratio of quasi-monetary deposits [i.e. time, savings and foreign exchange deposits]/GDP) than the financial systems of slowly developing economies. As financial systems mature and banking habits develop, the economy's preference for holding cash declines in relation to the more sophisticated financial instruments.

9/ ESCWA, Review of Developments and Trends in the Monetary and Financial Sectors in the ESCWA Region During the 1980s (E/ESCWA/DPD/89/7), p. 28.

10/ Ibid.

Table 7. Interest rates in selected ESCWA countries, selected years

	Interest rate (deposit rate)	Annual average rate of inflation
GCC countries:		
Bahrain		
1976-1978	6.5	18.6
1979-1984	6.8 to 9.0	4.9
1985-1989	5.0 to 7.3	-1.0
Kuwait		
1979	6.3	7.1
1980-1983	6.8	6.7
1984-1989	6.8	1.5
Qatar		
1979	6.0	..
1980-1990	7.0	7.6
Non-GCC countries:		
Egypt		
1976-1980	3.0 to 8.3	12.9
1981-1990	10.0 to 12.0	17.2
Jordan		
1976-1978	5.5	11.0
1979-1988	6.0 to 6.5	5.7
1989-1991	8.0 to 8.5	16.7
Syrian Arab Republic		
1975-1988	5.0	18.5
Yemen		
1975-1978	6.0 to 6.5	19.4
1979-1981	8.8 to 10.5	13.3
1982-1989	9.5	..

Source: IMF, International Financial Statistics Yearbook, 1992.

Table 8. <u>Qatar: annual growth in riyal and foreign-currency</u>
<u>deposits, 1976-1990</u>
(Percentage)

	1976-1980	1981-1984	1985-1990
Riyal deposits	14.7	20.6	3.2
Foreign-currency deposits	74.5	11.3	14.8

Source: IMF, <u>International Financial Statistics Yearbook, 1991</u>.

Table 9. <u>Financial deepening in selected ESCWA countries, 1975-1990</u>

Country	1975	1980	1985	1990
GCC countries:				
Bahrain	11.9	22.9	47.4	..
Kuwait	17.2	27.6	54.1	64.0a/
Saudi Arabia	2.6	3.8	20.8	28.3a/
Oman	6.4	8.3	17.6	19.1
Qatar	7.5	10.5	32.5	35.5
Non-GCC countries:				
Egypt	11.6	23.2	50.7	71.4
Jordan	16.8	34.7	53.1	79.4
Syrian Arab Republic	3.0	4.2	10.2	10.1
Yemen	5.2	12.7	18.1	19.2b/

Source: International Monetary Fund, <u>International Financial Statistics</u>
<u>Yearbook, 1992</u>.

Note: Financial deepening is defined here as quasi-monetary deposits
(i.e., time, savings and foreign-exchange deposits) as a percentage of GDP.

a/ 1989.
b/ 1987.
.. = Not available.

Financial markets in most ESCWA countries were at a rudimentary stage at
the time of the oil boom era. A large part of domestic liquidity was in the
form of cash. As can be seen from table 9, most ESCWA countries which started
with a low level of financial deepening have not gone far. As economic
activity picked up and banking habits developed, this ratio climbed
substantially in the GCC countries to reach 28.3 per cent in Saudi Arabia,
19.1 per cent in Oman, and 35.5 per cent in Qatar in 1990. In Kuwait,
quasi-money deposits were around two thirds of GDP in 1990.

Among the non-GCC countries, in both the Syrian Arab Republic and Yemen, the development of financial markets progressed at a relatively slow pace with a strong preference for cash transactions; this is evident from the high ratio of currency and demand deposits to total money supply. Quasi-monetary deposits grew from 3 per cent in the Syrian Arab Republic in 1975 to 10.1 per cent in 1990, and from 5.2 per cent to 19.2 per cent in Yemen between 1975 and 1987 (table 9). On the other hand, financial markets in both Egypt and Jordan were more sophisticated to begin with in 1975, and deepening progressed faster during the period. By 1990, quasi-monetary deposits comprised three fourths of the broad money supply in Egypt and four fifths in Jordan.

II. ALLOCATION OF FINANCE

The pace at which development proceeds is influenced by, inter alia, the size of the economy, the availability of natural resources, the level of human resources development and the availability of financial resources. However, increased finance and high investment ratios are not sufficient by themselves to bring about growth and development, which also depend on how efficiently resources are allocated and used.

In the aftermath of the oil boom, Governments in the ESCWA countries played a key role in efforts to diversify the economy and promote economic growth. Employing the financial resources available from oil revenues (in the case of the GCC countries) and workers' remittances and external assistance (in the case of the non-GCC countries), they embarked upon development programmes aimed at developing the infrastructure and establishing an industrial base.

Investment/GDP ratios in the ESCWA region rose rapidly following the oil boom. Among the GCC countries, investment as a percentage of GDP averaged 40.4 per cent in Bahrain, 32.4 per cent in the United Arab Emirates, 22.5 per cent in Saudi Arabia, and 22.8 per cent in Oman during 1975-1982 (table 10). A large part of this investment was undertaken by Governments. As a result of increased expenditures and heightened economic activity, private-sector activity also grew rapidly. Foreign and domestic trade, banking, tourism services, manufacturing and, most of all, the construction sector grew rapidly in response to rising demand, especially in countries with a tradition

Table 10. Investment/GDP ratios in ESCWA countries, 1975-1991
(Percentage)

Country	1975-1980	1983-1991
GCC countries:		
Bahrain	40.4	31.4
Kuwait	17.5	20.0a/
Saudi Arabia	22.5	24.3a/
United Arab Emirates	32.4	25.5
Oman	28.8	2.4b/
Non-GCC countries:		
Egypt	29.2	22.4
Jordan	34.5	25.1
Syrian Arab Republic	27.5	19.7b/
Yemen	34.1	15.8c/

Source: International Monetary Fund, International Financial Statistics Yearbook, 1992.

a/ 1983-1989.
b/ 1983-1990.
c/ 1983-1987.

of retail and services sectors such as Bahrain, where the Government sought to promote the services sector.

The sudden jump in demand in the GCC countries generated by the rise in investment and consumption expenditures, although met in large part by a surge in imports of goods and services, did not remove the bottlenecks facing the region's economies, most of which experienced high inflation during the 1970s.

This situation lasted till the beginning of the decline in oil prices in 1982. Falling oil revenues ushered in a period of recession. Investment levels fell in the GCC countries, except for Saudi Arabia and Kuwait, which were able to continue with their development programmes by drawing down their vast financial reserves (table 10).

The increased availability of financial resources from the GCC countries in the wake of the first oil boom led to an upsurge of investment in the non-GCC countries as well. Annual investment ratios were high at 29.2 per cent in Egypt, 34.5 per cent in Jordan, 27.5 per cent in the Syrian Arab Republic, and 34.1 per cent in Yemen during the period 1975-1982 (table 10). In response to the drop in financial flows from the GCC countries after 1982 -- both workers' remittances and aid flows -- the non-GCC countries also scaled down their investment expenditures, which fell to an annual average of 25.1 per cent of GDP in Jordan, 22.4 per cent in Egypt, and 19.7 per cent in the Syrian Arab Republic. Investment suffered most in Yemen, where it fell to half its average (15.8 per cent) level during the preceding period.

A. Pattern of investment

The sectoral pattern of investment indicates that during the period 1975-1982, most ESCWA countries undertook large investment projects aimed at strengthening infrastructure and promoting social development. The bulk of expenditures went to roads and highways, electric power, building of ports and airports, public housing, schools and health centres. This was the first phase in a longer-term perception of development, especially in the GCC countries, which emphasized building an industrial base and diversifying the economy. A major objective of the development strategies in the ESCWA countries has been to develop and diversify the oil-based and energy-intensive industries in the GCC countries, and agro-industries and mineral industries in the non-GCC countries.

Table 11 indicates that of total government spending between 1977 and 1979 the GCC countries annually spent around 20 to 30 per cent, on average, on developing agriculture, mining, manufacturing and infrastructure. Only in the United Arab Emirates did public spending on these sectors average less than 10 per cent of the total. At the same time, expenditures on education averaged around 10 per cent a year in Bahrain and Kuwait, and were much higher, at 15.2 per cent, in the United Arab Emirates during the same period.

Despite the slowing down of the GCC economies after 1982, the emphasis on education and health was maintained, with annual average spending on education rising during 1984-1990 to 12.3 per cent of total expenditures in Bahrain, 12.9 per cent in Kuwait, 14.2 per cent in the United Arab Emirates and 9.8 per cent in Oman. This was made possible by the completion of most of the infrastructural programmes in these countries which had been started during the mid-1970s.

Table 11.   Share of selected sectors in total government spending in GCC countries, 1977-1990
(Percentage of total expenditure)

Country	1977-1979	1980-1983	1984-1990a/
Bahrain			
Economic sectorsb/	30.2	30.3	25.9
Education	9.3	10.4	12.3
Health	7.2	7.4	7.2
Kuwait			
Economic sectorsb/	23.2	23.9	21.5
Education	10.5	9.3	12.9
Health	6.0	5.4	2.6
Oman			
Economic sectorsb/	22.6	23.0	16.9
Education	4.7	6.3	9.8
Health	3.0	3.1	4.7
United Arab Emirates			
Economic sectorsb/	8.5	6.4	4.6
Education	15.2	9.2	14.2
Health	9.1	7.2	6.9

Source: International Monetary Fund, Government Finance Statistics Yearbook (1985 and 1991).

Note: Qatar and Saudi Arabia were excluded due to unavailability of data.   The balance of expenditures went to defence, general public services, housing and communities, and social security and welfare.

a/ 1987-1989 in the case of the United Arab Emirates and 1984-1989 in the case of Kuwait.

b/ Economic   sectors   =   agriculture,   mining,   manufacturing   and infrastructure.

In the non-GCC countries too, the commodity sectors (i.e. agriculture, mining, manufacturing) and infrastructure were accorded priority.   In Jordan, substantial   investments   took   place   in   industry,   infrastructure   and construction.   Great strides were also made in expanding education and health facilities.   In the Syrian Arab Republic, public-sector investment emphasized agriculture, mining, large-scale manufacturing, energy and the banking sectors during 1975-1980.   In Jordan and the Syrian Arab Republic, the commodity-

producing sectors and infrastructure accounted for an average of 35.7 per cent and 46.8 per cent of total government spending between 1977 and 1979 (table 12). In Egypt and Yemen, their share was smaller, at 16.8 per cent and 11.0 per cent during the same period. Although a decrease in the availability of financial resources led to a scaling down of government expenditures in the

Table 12. **Intersectoral allocation of government expenditures in non-GCC countries, 1977-1989**
(Percentage of total public expenditures)

Country	1977-1979	1980-1983a/	1984-1990b/
Egypt			
Economic sectorsc/	16.8	7.4	8.8
Education	10.2	9.5	11.6
Health	3.3	2.5	2.6
Jordan			
Economic sectorsc/	35.7	30.0	18.1
Education	9.5	9.8	13.3
Health	3.8	3.7	4.6
Syrian Arab Republic			
Economic sectorsc/	46.8	34.0	28.7
Education	5.9	6.5	9.5
Health	0.9	1.0	1.4
Yemen			
Economic sectorsc/	11.0	11.0	17.4
Education	9.3	15.1	19.3
Health	3.4	4.3	4.0

Source: International Monetary Fund, Government Finance Statistics Yearbook (1985 and 1991).

Note: The balance of public spending was on defence, general public services, housing and communities, and social security and welfare.

a/ 1980-1982 in the case of the Syrian Arab Republic and 1981-1983 in the case of Jordan and Egypt.

b/ 1986-1989 in the case of the Syrian Arab Republic.

c/ Economic sectors = agriculture, mining, manufacturing and infrastructure.

course of the 1980s, public spending on these sectors still accounted, on average, for 18.1 per cent of total government spending in Jordan, 28.7 per cent in the Syrian Arab Republic, 17.4 per cent in Yemen and 8.8 per cent in Egypt in the period 1984-1989.

Education and health were also given priority in the non-GCC countries. These countries invested in building schools and hospitals and in the development of human resources. Most of these programmes came on line by the early 1980s, with huge recurrent cost implications for the budget. As a result, the share of education and health expenditures rose to 13.3 per cent in Jordan, 11.6 per cent in Egypt, 9.5 per cent in the Syrian Arab Republic, and a high 19.3 per cent in Yemen during the period 1984-1989.

B. Industrial-sector development

In Bahrain, the government established iron and steel and petro-chemical projects. A large aluminium smelter came on line in 1983. In order to exploit the comparative advantage the country has in energy resources, the Government of Kuwait encouraged the establishment of hydrocarbon-based production projects, including projects with backward linkages such as fertilizer plants, chemical products and plastics for domestic use and export. In addition, other industries such as non-metallic minerals, basic and fabricated metals, wood and wood projects were established.

In addition to the slow-down in the world economy, the GCC countries were severely affected by the decline in the price of oil and the consequent decline in the availability of financial resources which, in turn, adversely affected other countries in the region. Although major infrastructural programmes had been completed by the early 1980s, the scaling down of development expenditures affected economic activity in the region as a whole after 1982. The recession particularly affected the commodity sectors, where large projects in steel, aluminium, and petro-chemicals and other capital-intensive projects had been established in line with the strategy of diversification.

During the early 1980s, growth in real industrial value-added in Saudi Arabia averaged 7.8 per cent per annum (table 13), mainly because of new industrial capacity being added -- especially in petro-chemicals. However, regional recession and developments in the oil market affected the profitability of the large capital-intensive projects due to fluctuations in world prices of petroleum associated products. Consequently, growth in industrial value-added declined to 3.9 per cent per annum during 1986-1990. From 1980 to 1985, industrial value-added in Bahrain declined at an average rate of negative 3.1 per cent. Large capital intensive projects, which had been established in a bid to diversify the economy such as the Arab Shipbuilding and Repair Yard (ASRY), and the aluminium smelter, met with unfavourable market conditions and strong competition from Europe, and other countries in the region, and contributed to the negative value-added of -10.7 per cent in 1981, -28.8 per cent in 1982 and -3.6 per cent in 1983.[11] The growth rate of value added in industry, however, picked up (13.8 per cent per annum) after 1985 in response to the government's policy to promote the small-scale sector.

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[11] IMF, Bahrain Recent Economic Developments (13 February 1985), p. 17.

Table 13. <u>Growth in real industrial value-added in selected ESCWA countries, 1980-1990</u>
(Percentage)

Country	1980-1985	1986-1990
GCC countries:		
Bahrain	-3.1	13.8
Kuwait	-8.7	14.1
Saudi Arabia	7.8	3.9
Qatar	9.7	13.8
Non-GCC countries:		
Jordan	7.0	2.6
Syrian Arab Republic	-4.6	4.8
Yemen	13.5	..

<u>Source</u>: Based on data from the Arab Monetary Fund, <u>National Accounts of Arab Countries</u> (1979-1989 and 1989-1990); and <u>Arab Countries: Economic Indicators</u> (1979-1989 and 1989-1990). Data on Yemen from: Central Planning Organization, <u>Statistical Yearbook, 1985</u>.

<u>Note</u>: Industry comprises manufacturing, mining and utility sectors.

.. = Not available.

In Kuwait, industrial value-added averaged a negative 8.7 per cent from 1980-1985 (table 13). Part of the reason was that developments in downstream petroleum projects remained susceptible to fluctuations in world prices. Second, some of the large industrial plants suffered from capacity under-utilization due to competition from similar plants in neighbouring countries, as well as a small domestic market. Third, the production of wood and wood products, metals, etc. remained closely dependent on activity in the construction sector, which declined with the decline in government revenues.

In Qatar, the manufacturing sector was dominated by downstream processing; three large plants for cement, fertilizers and steel accounted for most of the industrial value-added. As in Kuwait, downstream activities and output of steel and cement were adversely affected by unfavourable trends in world prices and domestic recession. Real industrial value-added rose to 13.8 per cent from 1986 to 1990 as a result of the bid by the Government to promote small-scale industries (table 13).

The industrial sector in Jordan grew rapidly after 1975 due to substantial investments in mining and manufacturing. The greater portion of the investments was in phosphate fertilizers, potash, petroleum-refining and cement. However, the 7 per cent growth per annum in real industrial value-added from 1980 to 1985 came largely from expansion in consumer goods and construction materials production and other import-substituting

industries. These activities were afforded high protection in the form of low tariffs on inputs and high duties on competing imports. A number of small-scale manufacturing enterprises came on line in the late 1970s as a result of the expansion in the industrial sector. However,some of the import-substituting and export-oriented industries such as tiles, ceramics and sanitary equipment were dependent to a large extent on activity in the construction sector, which declined in the aftermath of the recession in the early 1980s. Moreover, Jordanian-manufactured exports suffered due to the decline in economic activity in the economies of its major trading partners in the region -- especially the Gulf countries. Real value-added declined to an annual average of 2.6 per cent for the period 1986-1990 (table 13). In the Syrian Arab Republic, industrial value-added was a negative 4.6 per cent per annum during the early 1980s. Large capital-intensive projects in the public sector were adversely affected by the recession and contributed to the poor performance. However, value added in the industrial sector picked up as the Government sought to promote private-sector participation during the latter part of the decade.

C. Economic diversification

Diversification (involving neither import-substituting nor export industries), which was a cornerstone of development planning in the ESCWA countries, showed relatively limited tangible results during the period 1975-1990. The expansion in the industrial sector in the GCC countries (table 14) took place mainly in resource-based industries. A number of consumer industries were established, but their share in overall industrial activity remained small. The industrial sector in the GCC countries was affected by: recession after the fall in the price of oil and in world prices of associated products; restrictive trade practices of developed countries towards the GCC countries, affecting notably petrochemicals; and the decline in international prices of primary commodities, which adversely affected the ESCWA countries' terms of trade.

Second, industrial development was mostly concentrated in oil and petroleum-based downstream activities, fertilizers, cement, and aluminium industries, giving rise to stiff competition from other GCC countries. Third, lack of a skilled labour force was one factor which encouraged large capital-intensive projects. These projects accounted for a major share of total industrial output and were badly affected by the recession, contributing to the decline in industrial value-added.

In the non-GCC countries, not much structural transformation, in terms of increased contribution to exports, took place (table 15). The resource-based projects were concentrated in food and textile industries, cement, and phosphate fertilizers. Moreover, the manufacturing sector did not develop adequate linkages with the agricultural sector. Although the small-scale sector was promoted, especially after 1985 in countries like the Syrian Arab Republic and Egypt, its share in total exports remained limited.

Import substituting or non-oil export industries did not develop sufficiently in the GCC countries. Non-oil exports ranged from less than 1 per cent of total exports in Saudi Arabia in 1979 to 6 per cent in Kuwait (table 14); in turn, manufactured exports constituted only 0.3 per cent and 2.4 per cent of the total, respectively. During the 1980s, however, the

Table 14. **Non-oil exports in GCC countries, 1979, 1985 and 1990**
(Percentage of total exports)

	1979	1985	1990
Bahrain			
Non-oil	18.4	11.9	21.8
Of which: Manufactured exports	11.3	9.0	16.3
: Chemicals	0.3	0.2	3.2
: Others[a]/	6.8	2.7	2.3
Kuwait			
Non-oil	6.0	10.7	17.7[b]/
Of which: Manufactured exports	2.4	3.7	9.9[b]/
: Chemicals	0.8	1.7	3.0[b]/
: Others[a]/	2.8	5.3	4.8[b]/
Saudi Arabia			
Non-oil	0.9	6.1	9.7
Of which: Manufactured exports	0.3	0.9	1.6
: Chemicals	0.1	3.0	5.7
: Others[a]/	0.5	2.2	2.4
United Arab Emirates			
Non-oil	5.6	11.2	17.6
Of which: Manufactured exports	2.3	4.5	8.7
: Chemicals	0.1	0.5	0.8
: Others[a]/	3.2	6.2	8.1

Source: Arab Monetary Fund, Arab Countries: Economic Indicators (1979-1989 and 1980-1990).

[a]/ Other = machinery and transport, food and beverages, crude materials and miscellaneous.

[b]/ 1988.

policy of diversification was intensified and by 1990 manufactured exports grew to 1.6 per cent of total exports in Saudi Arabia and 9.9 per cent in Kuwait. In 1979, Bahrain, endowed with very small reserves of oil, had a more diversified economic base with the non-oil sector contributing 18.4 per cent of total exports. However, this declined to 11.9 per cent in 1985 before rising again. By 1990, the share of non-oil exports (21.8 per cent) in total exports was only slightly greater than in 1979. In all GCC countries, despite considerable diversification, the share of non-oil exports remained less than one fifth of total exports.

Despite a relatively more diversified economic base, the regional recession exacerbated the structural disequilibria in the non-GCC economies. In 1979, non-oil-sector exports contributed around two thirds of Egypt's total exports, with manufacture accounting for more than 20 per cent of the total (table 15). Oil exports almost doubled by 1985, but the share of non-oil exports and of manufacture therein declined to 31.8 per cent and 13.2 per cent, respectively.[12] In the Syrian Arab Republic, oil exports dominated with their share in the total remaining around three fourths from 1979 to 1985. Manufactured exports formed a small proportion (8.2 per cent) of total exports in 1985. In Jordan, exports of manufactured goods were less than 20 per cent of the total in 1979. During the recession in the early 1980s, the share of manufactured exports remained the same primarily because of the increasing importance of exports of raw materials and chemicals (primarily potash and phosphate), which comprised the bulk of Jordanian exports. In Yemen, before the discovery of oil, total exports (i.e. non-oil exports) were equal to about 1 per cent of total imports, and consisted mainly of exports of food and beverages, crude materials and some manufactured goods.[13]

During the second half of the 1980s, the non-GCC countries, faced with acute structural imbalances, increasingly sought to diversify their economies and widen their export bases. Egypt and Jordan entered into IMF-sponsored structural adjustment programmes in 1988 and 1989, respectively, which focused on policy reforms, including reduction of balance-of-payments and budget deficits, and improving export earnings. In the Syrian Arab Republic, the Government moved gradually towards opening up the economy to greater participation by the private sector. In Yemen, the discovery of oil increased the availability of financial resources and consequently imports of raw materials for domestic processing.

By 1990, non-oil exports in most non-GCC countries surged. In Egypt, while oil exports dropped to half their 1985 level, non-oil exports more than doubled, with their share rising to around 70 per cent of the total in 1990 (table 15). This was due primarily to a fivefold increase in manufactured exports to 44.1 per cent of total exports. In the Syrian Arab Republic, non-oil exports also increased fivefold between 1985 and 1990 mainly due to a rise in exports of manufactured goods, food and beverages and crude materials—a large part of which came from the private sector. In Jordan, the share of manufactured exports in the total declined from 18.7 per cent in 1985 to 13.9 per cent in 1990 and was replaced by greater exports of crude materials. In Yemen, oil exports came to dominate exports, consequently hiding the substantial increases in exports of manufactured goods, crude materials and food and beverages. Manufactured exports increased from $2.2 million in 1985 to $3.7 million in 1990. However, the greatest increase was in the exports of crude materials and food and beverages, which jumped from $1.5 million and $9.0 million in 1985 to $12.5 million and $56.5 million, respectively, in 1990.

12/ For more details on economic policies in Egypt during this period see the case-study on Egypt (Part Two, Chapter I).

13/ Arab Monetary Fund, Arab Countries: Economic Indicators 1980-1990.

Table 15. <u>Oil and non-oil exports in non-GCC
countries, 1979, 1985 and 1990</u>
(Percentage of total exports)

Country	1979	1985	1990
Egypt			
Oil	41.6	68.2	30.5
Non-oil	58.4	31.8	69.5
Of which: Manufactured exports	20.7	13.2	44.1
Other<u>a</u>/	37.7	18.6	25.4
Jordan			
Oil	0.0	0.0	0.0
Non-oil	00.0	100.0	100.0
Of which: Manufactured exports	17.0	18.7	13.9
Other<u>a</u>/	83.0	81.3	86.1
Syrian Arab Republic			
Oil	72.2	74.1	45.2
Non-oil	27.8	25.9	54.8
Of which: Manufactured exports	6.0	8.2	22.6
Other<u>a</u>/	21.8	17.7	32.2
Yemen			
Oil	0.0	0.0	84.4<u>b</u>/
Non-oil	100.0	100.0	15.6<u>b</u>/
Of which: Manufactured exports	18.5	16.8	0.8<u>b</u>/
Other<u>a</u>/	81.5	83.2	14.8<u>b</u>/
Memorandum (Millions of dollars)			
Manufactured exports	2.5	2.2	3.7<u>b</u>/
Crude materials	1.5	1.5	12.5<u>b</u>/
Food and beverages	6.7	9.0	56.5<u>b</u>/

<u>Source</u>: Arab Monetary Fund, <u>Arab Countries: Economic Indicators 1980-1990</u>.

<u>a</u>/ "Other comprises chemicals, crude materials, food and beverages, and miscellaneous.

<u>b</u>/ 1988.

III. GROWTH AND DEVELOPMENT IN THE ESCWA COUNTRIES, 1976-1990

The role of finance in the development of the ESCWA region during the period 1976-1990 was considerable. The abundant financial resources accumulated during the oil-boom era and the investment of these resources by Governments spurred the economies of the ESCWA countries to rapid growth and development.

Table 16 indicates that the GCC countries achieved high growth rates in output following the rise in oil prices in 1974. Since most of the GCC countries were at a relatively early stage of development at the beginning of the oil boom, the increase in economic activity quickly translated into high rates of GDP growth. In 1976 alone, Bahrain, Saudi Arabia, Oman and the United Arab Emirates recorded real GDP growth rates of 23.7 per cent, 15 per cent, 15.9 per cent and 15 per cent, respectively.

During the period which witnessed the two major rises in the price of oil, i.e., up to 1982, the economies of Bahrain, Saudi Arabia, Oman and the United Arab Emirates recorded average annual growth rates of 5.5 per cent, 6.8 per cent, 12.9 per cent and 10.9 per cent, respectively.

The spillover effects of heightened economic activity in the GCC countries induced high economic growth in the non-GCC countries. In 1976 alone, real GDP grew by 21.2 per cent, 9 per cent, and 12.1 per cent, respectively, in Jordan, the Syrian Arab Republic and Yemen. Real growth during 1976-1982 averaged 9.3 per cent in Egypt, 6.1 per cent in the Syrian Arab Republic, 11.2 per cent in Jordan, and 6.8 per cent in Yemen.

The high average growth rates achieved during this period, however, disguise large year-to-year fluctuations. These were influenced by variations in the level of government expenditures which, in turn, were essentially derived from variations in the level of oil revenues, in the case of the GCC countries, and from financial flows in the form of workers' remittances and transfers from these countries in the case of other countries. During the period 1976-1990, economic activity and growth in the ESCWA region were particularly influenced by the fluctuations in the price of oil in the international market. When oil prices dropped in 1977 and then again in 1983, the reduction in oil revenues accruing to the GCC countries had an adverse impact on the economies of both the GCC and the rest of the region. The generally depressed regional and world economic conditions throughout most of the 1980s affected the export markets of most ESCWA countries. The non-GCC countries were particularly affected by the decline in concessional financial flows and accumulated high external debts during the decade.

The unfavourable international economic environment and the regional recession adversely affected growth of the ESCWA countries. From 1983 to 1990 real GDP growth averaged only 1.3 per cent per year in Bahrain, while it actually declined by 3.4 per cent in Kuwait, 0.7 per cent in Saudi Arabia and 1.1 per cent in the United Arab Emirates (table 16). In 1990, per capita income in Bahrain was 11 per cent lower, at $7,287, than in 1979, while per capita income in Saudi Arabia, which was $10,879 in 1979, dropped by about 40 per cent to $6,265 by 1989.[14/]

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14/ Arab Monetary Fund, Arab Countries: Economic Indicators 1980-1990.

Table 16. Nominal and real GDP growth rates for ESCWA countries, 1976-1990
(Annual percentage change)

Year	Bahrain N	Bahrain R	Egypt N	Egypt R	Jordan N	Jordan R	Kuwait N	Kuwait R	Oman N	Oman R	Saudi Arabia N	Saudi Arabia R	Syrian Arab Republic N	Syrian Arab Republic R	United Arab Emirates N	United Arab Emirates R	Yemen N	Yemen R
1976	39.4	23.7	28.4	16.5	35.1	21.2	10.1	6.6	22.1	15.9	20.4	15.0	20.0	9.0	29.1	15.0	31.4	12.1
1977	28.7	14.7	30.8	16.0	22.0	6.3	5.6	-2.4	7.1	17.7	24.7	6.1	9.3	-1.5	24.3	17.4	26.7	2.6
1978	17.9	8.0	19.2	7.3	22.9	14.9	5.2	7.3	0.0	17.6	9.9	6.6	19.9	7.7	-4.3	-2.4	23.9	8.4
1979	12.2	-1.0	28.8	17.1	19.1	4.4	60.9	13.8	36.2	4.7	45.0	10.1	20.3	3.7	31.8	25.1	14.9	8.1
1980	13.7	6.5	22.7	1.8	30.7	22.3	13.0	-20.4	58.7	5.7	50.2	7.9	31.5	12.1	37.3	26.2	8.4	4.3
1981	12.6	-5.4	10.9	0.4	18.3	4.8	-9.2	-18.9	21.7	17.1	14.3	1.7	28.3	9.5	10.3	2.8	26.0	6.0
1982	5.1	-7.8	21.8	6.0	13.5	4.4	-11.7	-11.7	4.9	11.5	-18.4	0.0	4.6	2.1	-7.2	-8.3	24.7	6.2
1983	2.5	7.5	18.9	2.5	7.7	2.4	-2.1	8.0	4.8	16.0	-18.5	-10.9	6.5	1.4	-8.5	-2.6	9.7	6.8
1984	4.6	5.3	12.3	-4.1	5.3	-0.3	5.6	5.2	11.2	16.7	-5.9	-2.1	2.8	-4.2	-1.1	4.5	13.2	2.4
1985	-5.1	-2.7	16.6	4.0	7.2	8.7	0.4	-4.2	13.3	13.8	-10.7	-4.1	10.5	6.2	-2.4	-2.5	25.1	5.1
1986	-14.0	0.6	10.8	-10.5	2.1	3.9	-20.3	8.6	-18.9	3.3	-13.5	5.7	20.1	-4.9	-20.0	-21.2	24.0	9.7
1987	-0.5	-0.9	25.6	4.9	2.8	2.9	19.7	-4.1	7.2	-3.6	1.5	-1.5	27.8	1.9	9.8	3.5	13.5	4.2
1988	6.0	6.7	20.6	2.5	1.0	-4.6	-9.2	3.5	-2.6	5.9	3.6	7.6	45.7	13.2	-0.2	-0.1	59.2	..
1989	3.3	-9.9	20.2	-0.9	7.5	-10.6	21.4	-8.6	10.4	1.2	9.0	0.1	12.2	-10.0	15.8	10.5	21.5	..
1990	5.0	4.0	20.3	3.0	8.9	-0.1	34.2	-35.5	26.4	..	12.1	-0.1	33.2	12.3	22.9	..	20.9	..

Average

Year	Bahrain N	Bahrain R	Egypt N	Egypt R	Jordan N	Jordan R	Kuwait N	Kuwait R	Oman N	Oman R	Saudi Arabia N	Saudi Arabia R	Syrian Arab Republic N	Syrian Arab Republic R	United Arab Emirates N	United Arab Emirates R	Yemen N	Yemen R
1976-82	18.7	5.5	23.2	9.3	23.1	11.2	10.6	-3.7	21.5	12.9	20.9	6.8	19.1	6.1	17.3	10.9	22.3	6.8
1983-90	0.2	1.3	19.2	0.6 a/	5.3	0.3	-2.3	-3.4	6.5	7.6 b/	-2.8	-0.7	19.9	2.0	2.1	-1.1	23.4	5.6 c/

Source: Annex tables 1 to 9.

N = Nominal.
R = Real.

a/ 1983-1991.
b/ 1983-1989.
c/ 1983-1987.

.. = Not available.

The non-GCC countries did not fare much better. In Egypt, real GDP grew at an average annual rate of 0.6 per cent between 1983 and 1991, primarily because the pace of growth slowed down considerably, with output declining by as much as 10.5 per cent in 1986 and recovering modesty in the later years. In Jordan, growth slowed down to an average of 0.3 per cent during the same period compared to 11.2 per cent during 1975-1982. In the Syrian Arab Republic, the rate of growth fluctuated from year to year, being negative in 1984, 1986 and again in 1989. Towards the end of the 1980s, a gradual opening up of the economy with greater participation by the private sector led to considerable increase in output and growth, especially in 1990 when real GDP grew by 12.3 per cent.

Growth as measured by the increase in total or per capita GDP is one measure of development in an economy. It is, however, increasingly being supplemented by other measures of development primarily because: (a) increases in aggregate output may not portray the increase in the standard of living or the increasing availability of goods and services in the economy; (b) increases in output may be unequally distributed across various income groups or across regions; and (c) increases in output may not be spread evenly across productive sectors and may not be conducive to sustainable development in the long run.

Human resource development, or investing in people, is increasingly seen to be as important as investment in physical resources. According to the UNDP, "the real objective of development is to increase people's development choices. Income is one of these choices...but it is not the sum-total of human existence. Health, education, a good physical environment and freedom -- to name a few other components of well-being -- may be just as important... Just as economic growth is necessary for human development, human development is critical to economic growth. This two-way link must be at the heart of any enlightened policy action."15/

Since growth in GDP in the ESCWA region is largely determined by the level of government expenditures, this parameter alone disguises the progressive increase in the well-being of the people that has taken place in the ESCWA countries since the mid-1970s. A better understanding of the improvement in the standard of living could be gained, therefore, by looking at some other key indicators of well-being. Development is then defined to include activities which raise the overall standard of living of the population in a country.

Table 17 indicates that the ESCWA countries made substantial progress in achieving a high level of human development during the period 1979-1990. Compared to developing countries as a group, the GCC countries had by 1990 achieved a higher rate of literacy, life expectancy and access to both safe water and health services. In Bahrain, the rate of literacy increased from 47 per cent in 1979 to 73 per cent in 1985, while improved health and hygiene facilities increased life expectancy from 68.2 years to 71 years in 1990. In Saudi Arabia, the increase in the standard of living was even more remarkable. The Government provided free education and health facilities to the

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15/ United Nations Development Programme (UNDP), Human Development Report 1991, p.1 and p.13.

population, and various subsidies on basic food and other consumption items were introduced to keep the cost of living down. Literacy in the Kingdom jumped from 9 per cent in 1975 to 55 per cent in 1985. The access of the population to safe water increased from 64 per cent in 1975 to almost 100 per cent by the mid-1980s. The pattern of human development was similar in Kuwait and the United Arab Emirates (table 17).

Table 17. Human development indicators in GCC countries

Country	Adult literacy (Percentage)	Life expectancy (Years)	Population with access to health services (Percentage)	Access to safe water (Percentage)
Bahrain				
1979	47	68.2	..	..
1990	73a/	71	100	100
Kuwait				
1979	54	68	..	..
1990	71a/	73.4	100	..
Saudi Arabia				
1975	9	56	..	64
1990	58a/	64.5	97	97
United Arab Emirates				
1979	16	65	..	..
1991	60	71	90	77
Total developing countries				
1990	60	62.8	63	62

Source: UNDP, Human Development Report, 1991, pp. 122-23.

a/ 1985.

.. = Not available.

Considerable progress in human development was also realized in the non-GCC countries. Adult literacy increased from 47 per cent in 1970 to 74 per cent in 1985 in Jordan, and at least to 32 per cent in 1990 in Yemen (table 18). By 1990, the majority of the populations in these countries had access to safe water and health services, with the greatest increase realized in Jordan, which invested substantially in human development.

Table 18.   Human development indicators in non-GCC countries

Country	Adult literacy (Percentage)	Life expectancy (Years)	Population with access to health services (Percentage)	Access to safe water (Percentage)
Egypt				
1970	35	46.1[a/]	..	75
1990	45[b/]	60.3	..	73
Jordan				
1970	47	54.1[a/]	..	61[c/]
1990	74[b/]	66.9	97	96
Syrian Arab Republic				
1970	40	49.7[a/]	..	..
1990	59[b/]	66.1	76	76
Yemen				
1970	8	36.5[a/]	..	..
1990	32[b/]	51.5	35	46
Total Developing Countries				
1990	60	62.8	63	62

Source: UNDP, Human Development Report, 1991, pp.122-23 and 126-27.

a/   1960.
b/   1985.
c/   1978-1980.

..   = Not available.

IV. SUMMARY AND CONCLUSIONS

A country's ability to achieve sustainable development depends on the availability of finance, the capacity of the economy to translate finance into investment and the economic policy environment, which provides the effective link between finance, investment and growth. Governments can affect both the mobilization and allocation of resources through their choice of economic policy instruments. Monetary and fiscal policies can influence the pattern of savings and investment by altering essential prices in the economy such as the interest rate, exchange rate and inflation.

This study examined the role of finance in development of the ESCWA countries during the period 1975 to 1990. It reviewed the availability of financial resources -- both domestic and external -- to the ESCWA countries, and analysed how these resources were allocated across sectors to contribute to growth and development.

The role of finance in the development of the ESCWA region during the period 1975-1990 was considerable. The oil-boom era and the consequent availability of financial resources constituted a unique phenomenon and opportunity, and at the same time raised novel and difficult development issues and policy choices. Although the countries differed from one another in many important respects, similar macroeconomic developments were experienced.

The sudden jump in the price of oil in 1974 generated revenues which far exceeded the spending and absorbtive capacities of the GCC countries. As a result, massive surpluses were accumulated -- with significant spillovers benefiting the non-GCC countries in the form of external assistance. The heightened economic activity in the GCC countries also generated massive demand for goods and services which was filled by an increase in labour flows from the non-GCC countries, creating another important economic link between the financial surplus and deficit economies of the region.

In almost all countries, per capita consumption patterns underwent a marked change, with imports increasing manyfold in the face of bottlenecks which appeared in the goods and services markets. A substantial portion of oil revenues in the Gulf countries, and workers remittances/grants in the diversified economies, was used to finance higher consumption levels. Whereas in the GCC countries, financing higher levels of consumption was not a problem, in the diversified economies the new consumption patterns were maintained at a high opportunity cost to the economy.

In all ESCWA countries, the increased availability of financial resources generated a substantial rise in public expenditures on development and welfare. However, the close link between government spending and oil revenues rendered the GCC countries highly vulnerable to changes in the international price of oil, obliging Governments to scale down expenditures whenever the price declined -- as was demonstrated in 1976 and again in 1982 -- with adverse consequences for output and growth.

Economic management in most ESCWA countries was limited to expansionary expenditure policies to promote growth and employment. Despite the high

levels of per capita income, measures to encourage domestic resource generation in the non-oil sector in the case of the GCC countries and to improve the tax base in the non-GCC countries remained limited.

The policies followed by many ESCWA countries rendered the role of monetary policy ineffective in the traditional sense of employing monetary instruments such as the interest rate to mobilize savings. Regulation of the financial markets adversely affected the generation of private savings and often led to capital flight.

The pattern of allocation of financial resources produced only a limited impact on diversification. Industrial development was concentrated in a few industries such as petrochemicals, fertilizers, basic metallurgy and cement. In the GCC countries, Governments placed greater emphasis on establishing infrastructure and providing basic economic and social services. In some countries, however, a genuine and concerted effort was made to diversify the economy away from the crude-oil sector.

Despite policies aimed at diversification, the ESCWA GCC countries remained primarily monosector economies. Oil remained the dominant sector with oil revenues providing the primary vehicle for growth. Lack of diversification also remained a problem in the other countries, with far-reaching implications for their development. The lack of a sustainable economic base was felt more acutely after the decline in remittances and grants -- especially in countries such as Egypt, Jordan and Yemen, which were highly dependent on these sources of finance. When oil prices and revenues declined, the decrease in financial flows from the GCC countries created serious financial imbalances, necessitating the adoption of stabilization and structural adjustment programmes.

However, despite numerous problems, the ESCWA countries achieved substantial development during the period 1975-1990. The visible effects of development in the GCC countries include high per capita incomes and consumption patterns, a network of modern infrastructure, provision of basic facilities to the majority of the population, and a highly subsidized social welfare system which is comparable to that of some of the middle-income countries of the world with a much longer history of development. The non-GCC countries too have made rapid advances during this period, achieving rapid rises in per capita incomes together with the provision of social services and an overall rise in the standard of living of the average person.

At the same time, however, the trends observed in this study point to the need for policies by the ESCWA Governments to energetically promote the mobilization of domestic financial resources to complement oil revenues in the case of the Gulf countries, and reduce excessive dependence, in the case of the non-GCC countries, on workers' remittances and aid. The efficacy of public expenditures should be further enhanced by restructuring and rationalizing intersectoral government expenditures towards more efficient investments. At the same time, monetary policies should be geared towards enhancing the role of the financial systems in mobilizing private savings. Well-developed financial markets and positive interest rates would contribute towards financial deepening and efficient mobilization and allocation of resources.

Policies to actively promote diversification of the economy would contribute to sustainable development. The development of an export base capable of generating foreign-exchange earnings would complement the domestic resource mobilization effort and support long-term development.

An important area, although not the subject of the present study, to which greater attention should be paid, is that of regional cooperation. Given the wide disparities in economic size, structure, natural and human resource endowments, and the stages of economic development characterizing the ESCWA countries, it is crucial that mechanisms and incentives be provided to take advantage of existing similarities and differences. The GCC countries are generally savers, while finance is the major impediment in the non-GCC countries. On the other hand, some physical and human resources are relatively more abundant in the diversified economies, which could provide raw materials for industry in the GCC countries. Trade is one area where such cooperation could be of great benefit to individual ESCWA countries. Although the subject of regional cooperation is not new and much of the foundation has already been laid, it does not appear to have taken deep roots and therefore remains an area which should receive fullest attention of the Governments of the ESCWA countries.

PART TWO

CASE-STUDIES

V. FINANCE AND DEVELOPMENT: THE CASE OF EGYPT

INTRODUCTION

In 1974, Egypt was in a stage of transition following the 1973 Arab-Israeli war and a major experiment in "socialization" of the economy that had taken place during the preceding two decades. Since the "revolution" of 1952, Egypt had steadily reversed earlier policies of free-market enterprise, in favour of a greater involvement of the public sector in the economy, central planning, public ownership of the means of production, wide-ranging administrative controls and policy dictates. During this time, the economy grew at a rapid rate; both industry and services increased their share of output and employment, primarily at the expense of agriculture. However, by the late 1960s, political exigencies, mainly due to the Arab-Israeli conflict of 1967, led to an increased diversion of resources to defence; consequently, GDP growth declined as did domestic investment and savings. However, increased defence expenditures were not the only reason for the shift in the structure of production and decline in growth. The adoption of the socialist pattern of governance in the 1950s, with the associated policies of land reform, nationalization of financial and industrial sectors, price controls, and implicit taxation of agriculture had given rise to important distortions and imbalances in the economy.

Following the Arab-Israeli war in 1973, Egypt undertook to "rebuild" the economy, the first step in which was the "El-Infitah" (the opening-up) as was outlined in the Government's "Working Paper" of October 1974. While maintaining the triple objectives of (a) defence preparedness, (b) rebuilding the economy, and (c) preservation of the social welfare system, the shift in policies emphasized an "outward-looking" regime characterized by trade, investment, and foreign-exchange reforms for liberalization of the economy. A key objective of this approach was to stimulate foreign and domestic private capital. Although there was to be no privatization of the public sector, regulations were enacted to provide incentives to the private sector and improve the investment climate.

The initiation of the liberalization of the economy in 1974 coincided with the oil-boom era and accorded Egypt an opportunity to harness foreign financial resources, which had started to flow from Egyptian workers' remittances in the Gulf, and transfers and assistance from the GCC countries, and channel them into rebuilding the economy.

This chapter reviews the relationship between finance and development in Egypt during the period 1975 to 1990. The major focus is on analysing how financial resources were generated and invested for growth and development in Egypt during this period.

The chapter starts with a review of the availability of domestic financial resources -- primarily domestic savings -- from 1975 to 1990. Total savings are the sum of public and private savings — which in turn are a function of fiscal policies affecting government revenues and expenditures, on the one hand, and monetary policies affecting the financial markets (and private savings) on the other. Section A analyses economic policies in Egypt, the interaction of which determined the level of domestic savings. It also analyses the availability of foreign financial resources - primarily external

borrowing - which supplemented domestic resources in Egypt to a large extent, especially during the 1980s.

Section B examines the allocation of financial resources among sectors and their contribution to growth. Section C brings the findings of the preceding two sections together to sum up the role of finance in growth and development during the period 1975-1990.

A note on the data

The data on national accounts, money and banking have been taken from the IMF publication International Financial Statistics (IFS). For government revenues and expenditures, the data are from the IMF's Government Finance Statistics Yearbook.(GFS)

Although the data given in both the IFS and the GFS are consistent with each other, the IFS data on national accounts for the four years from 1975 to 1978 gives net factor income/transfers as negative. This is primarily because of the overvalued exchange rate. In addition, GDP deflators are not available for the period 1975 to 1981. Therefore, for this period, the World Bank estimates on the deflator have been used. Other sources have been used in connection with exports, imports and other indicators such as reports of ESCWA and the Arab Monetary Fund.

A complete set of data from one source would have been preferable. However, it does not detract from the validity of the analysis because the time-series analysis in this study focuses on trends rather than on absolute values.

A. Availablilty of financial resources

The "opening up" of the Egyptian economy in 1974 coincided with the emergence of three major sources of finance which helped relieve the financial constraints on development and provided the country with an opportunity to ease the process of reform and liberalization and undertake substantial development programmes. After the rise in the price of oil in 1974, oil revenues became a major source of finance. At the same time, Egypt was the recipient of substantial assistance, mainly from the Gulf countries. In 1973 alone, Egypt received $700 million in Arab assistance, of which 97 per cent was concessional. This assistance peaked in 1975, reaching $2,525 million. Although Arab financial assistance was suspended after 1979 due to political reasons, Egypt received more than $9.3 billion in Arab assistance.16/

In 1975, Egypt had a positive domestic savings/GDP ratio of 8 per cent (table 19). Domestic savings rose very rapidly to reach 13.4 per cent of GDP in 1976 and 19.4 per cent in 1977. This was a period when substantial financial resources were flowing from the GCC countries through workers' remittances and transfers (figure IX). Workers' remittances, during 1975-1982 averaged 5.9 per cent, accounting for around one third of total national savings.

16/ Pierre van der Boogaerde, Financial Assistance from Arab Countries and Arab Regional Institutions. International Monetary Fund Occasional Paper No. 87. 1991, pp. 66, 70 and 72.

Both an increase in domestic savings and in the availability of financial resources from oil exports, Suez Canal dues and workers remittances during the period 1975 to 1982 eased the financial constraints on development in Egypt. However, Arab financial assistance was suspended in the wake of the Camp David Accords.

By 1988, due to the continuous decline in the domestic resource mobilization effort and the increase in public dissaving, financial disequilibria -- in the form of budgetary and balance-of-payments deficits -- widened and domestic savings declined between 1983 and 1990, primarily because of both an increase in expenditures and a lower level of resource mobilization. The growth in domestic savings, which averaged 41.3 per cent per annum during 1975-1982, dropped to 10.7 per cent during 1983-1988. As a percentage of GDP, this translated into a drop from an average of 15.1 per cent during 1975-1982, to 11.8 per cent during 1982-1988. In 1990, domestic savings were only 4.8 per cent of GDP.

Egypt attempted to supplement existing resources in four ways: (a) taxation; (b) domestic borrowing, which resulted in a crowding out of the private sector; (c) money creation, which reached unprecedented proportions and gave rise to inflationary pressures which, in turn, affected growth; and (d) external borrowing, which ultimately led to excessive debt.

B. **The economic policy environment and mobilization of financial resources**

This section reviews the economic policies followed during the period 1975-1990 to mobilize domestic financial resources in Egypt.

1. **Fiscal policy and the availability of financial resources**

The twin problems in Egypt from 1975 to 1988 were the inadequacy of domestic financial resources and large budgetary expenditures which gave rise to increasing public dissaving.

The success of fiscal policy in the mobilization of revenues during 1975-1988 was limited. Although Egypt had an established institutional structure of taxation in place in 1975, the cornerstone of fiscal policy was expenditure policy, which was extensively used to affect output and employment -- especially in the large public sector. This is not to say that the level of taxation in Egypt was low. On the contrary, in an international tax comparison (ITC) study in 1979, Egypt was 12th among a group of 47 countries, which were ranked in descending order according to their per capita income, taxable capacity, and structure and openness of the economy (although the study concluded that the tax effort in Egypt was on the decline).17/

Between 1975 and 1982, taxes in Egypt contributed about two thirds of total revenues. Of this, 40 per cent came from direct taxes. Although direct taxation, including social security taxes, was comparatively higher than in

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17/ Alan A. Tait, et al., "International comparisons of taxation for selected developing countries, 1972-76", IMF, Staff Papers (March 1979), Vol.26, No. 1. p. 130.

Table 19.   Egypt: domestic savings and net factor income, 1975-1991
(Percentage of GDP)

Year	Domestic savings	Net factor income/transfers	National savings	Growth in domestic savings
1975	8.0	3.0	11.1	..
1976	13.4	2.1	15.5	114.8
1977	19.4	5.3	24.7	98.5
1978	17.2	10.0	27.2	5.5
1979	17.7	6.2	23.9	32.4
1980	12.3	10.9	23.2	-14.8
1981	18.4	7.7	26.1	66.2
1982	14.5	2.2	16.7	- 4.2
1983	17.6	4.9	22.5	44.6
1984	13.4	7.2	20.6	-14.5
1985	13.2	5.2	18.4	14.9
1986	12.0	3.3	15.3	0.6
1987	6.6	6.1	12.7	-31.2
1988	8.2	12.3	20.5	49.8
1989	5.7	11.5	17.2	-15.4
1990	4.8	..	4.8	0.5
1991	7.0	..	7.0	83.5
Average				
1975-1982	15.1	5.9	21.0	41.3
1983-1988	11.8	6.5	18.3	10.7
1988-1991	5.9	3.8	9.7	22.9

Source: Annex table 6.

.. = Not available.

Figure IX. Egypt: domestic savings and net factor flows, 1975-1990

domestic savings   net factor flows   national savings
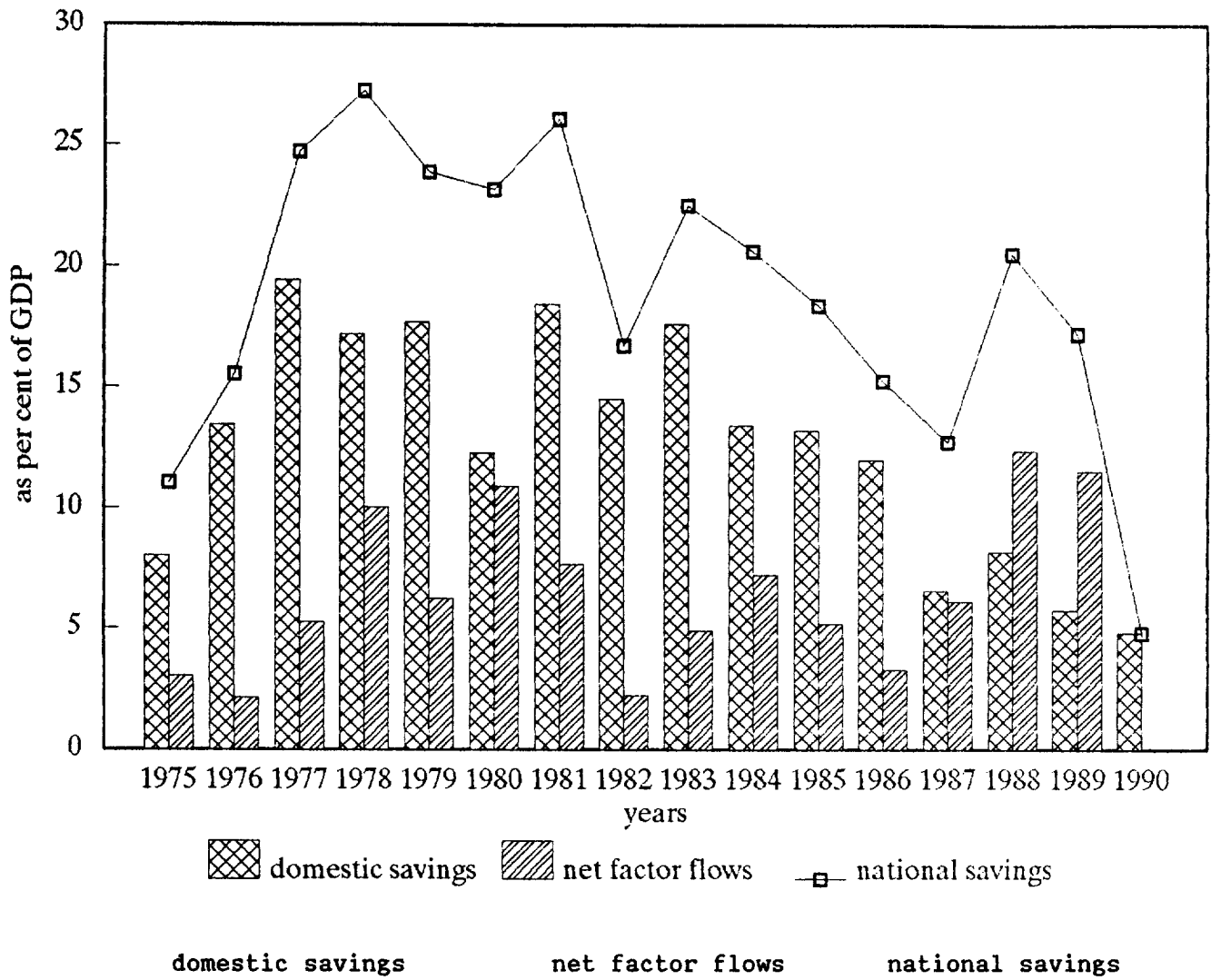
Source: Annex table 6.

other ESCWA countries, most of the tax revenue was generated by indirect taxes, which contributed 60 per cent of tax revenue. Another important source of revenue -- especially after 1980 -- was non-tax revenue, which included retained earnings from public enterprises, oil revenues and Suez Canal dues.

The tax ratio in Egypt during the period 1975-1982 was, on average, 27.5 per cent of GDP. This dropped in the subsequent period 1983-1987 to 25.3 per cent, and further to 21.0 per cent in 1988-1989 (table 20). Most of the decline came as a result of the drop in revenues from indirect taxes (especially taxes on international trade), which declined from an average of 16.6 per cent of GDP during 1975-1982, to 13.2 per cent during 1983-1987, and to 10.8 during 1988-1989.

The declining tax effort in Egypt is evident from the "buoyancy" estimates given in table 21. The buoyancy of tax revenues during the period 1976-1982 was 1.1, indicating that revenues were increasing at a faster rate than the rate of growth of GDP.$\underline{18}$/ Buoyancy of tax revenues declined after 1982, indicating a tax effort substantially less than the growth in GDP, primarily because of: inelasticity of the tax base; a myriad of exemptions, valuation of international trade taxes at the overvalued official exchange rate; and inefficacy of tax collection and administration. However, the situation improved slightly after the Government made efforts to improve domestic resource mobilization by a tax reform which concentrated on consolidation of duties and taxes, simplification of the tariff structure, a reduction of exemptions and the use of an appropriate exchange rate for customs valuation -- the effect of which started to be felt only after 1988.

Government as a dissaver

Public dissaving was the main determinant of the low domestic resource mobilization effort in Egypt from 1975 to 1990. Three main items in the government budget were essentially responsible for the deficit, which reached unsustainable proportions by the end of the 1980s. First, the Government in the late 1960s instituted a policy of being the "employer of the last resort," which committed the Government to providing employment to every university graduate who could not find a job within six months of graduation. Moreover, frequent salary adjustments, which included higher bonuses and cost-of-living rises, continued to place an increasing burden on public finances. Second, defence preparedness continued to exert substantial pressures on the budget. Third, the Egyptian economy continued to maintain an extremely complex system of price controls and subsidies which consumed a large portion of revenues. Price controls and subsidies gave rise to three types of financial transfers from the budget: (a) transfers in the form of direct subsidies, which occurred due to the pricing of products such as bread and edible oil at much below their cost of production (or import); (b) transfers which were essentially

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18/ The averages for this period may not be representative and should be interpreted with caution since certain tax revenues, such as taxes on international trade, and non-tax revenues exhibit wide fluctuations and distort overall aggregates (see annex tables 13 and 14). For example, indirect taxes jumped in 1977 due to an exchange-rate devaluation and an unprecedented growth in imports. If such odd years are taken out, the major tax instruments have a buoyancy estimate of less than one.

Table 20. **Egypt: structure of taxation, 1975-1989**
(Percentage of GDP)

	1975-1982	1983-1987	1988-1989
Total revenues and grants	42.7	43.0	36.8
Total revenues	41.2	42.1	35.5
Tax revenues	27.5	25.3	21.0
Direct taxes	10.9	12.1	10.2
Indirect taxes	16.6	13.2	10.8
Of which: taxes on goods & services	4.5	4.8	3.9
Taxes on international trade	9.9	6.1	4.6
Other a/	2.2	2.3	2.3
Non-tax	12.1	14.9	12.6
Memorandum: as percentage total revenues and grants			
Tax revenues	65	59	57
Direct taxes	26	28	28
Indirect taxes	39	31	29
Non-tax revenues	28	35	34

Source: Annex tables 11 and 12.

Note: Total revenues = current revenues and capital revenues. For more details, see annex tables 11 and 12.

a/   Includes, fines, fees and surcharges.

Table 21. **Egypt: buoyancy* of government revenues, 1976-1989**

	1976-1982 Average	1983-1987 Average	1988-1989 Average
Total revenues	1.1	0.6	0.8
Tax revenues	1.1	0.5	0.9
Direct	1.3	0.5	0.8
Indirect	1.0	0.6	0.9
Non-tax	1.0	0.6	0.8

Source: Annex tables 14.

*   Buoyancy is defined as the ratio of the annual percentage change in the taxes to the percentage change in GDP.

indirect subsidies covering the deficits (operating losses) of public enterprises; and (c) hidden subsidies due to the differential in the domestic and the international price of tradeables, either due to a domestic ceiling (such as on petroleum products) or the distortion in the official exchange rate, which valued imports at less than their true cost to the economy. The first two were a direct financial drain on the budget inasmuch as they were essentially cash outflows; the third, however, had serious implications in terms of opportunity costs and distortions in the economy over the long run. For example, one of the most seriously affected sectors was agriculture (cotton), which as a result of the government pricing policies penalized the farmer through the mechanism of producer prices lower than the farmer would have been able to obtain in the international market. Although the immediate financial aspect of the hidden subsidies was not apparent at the time, it constituted substantial financial and economic costs in terms of revenues forgone by the Government as a result of the low pricing of products. Pricing and subsidy policies reduced the efficiency, productivity and distortions due to earnings of the large public-enterprise sector in Egypt to the extent that public-corporation losses constituted a major drain on government finance and were a major determinant of the deficit.

Table 22 and figure X indicate that total expenditures (plus lending, minus repayments) consistently outpaced financial resources available for the budget from government revenues and grants. During 1976-1982, total expenditures and lending minus repayments averaged 58.3 per cent of GDP, of which a substantial proportion went towards meeting investment expenditures on economic services such as agriculture, mining, manufacturing and construction, and infrastructure. However, even during this period, debt-servicing payments accounted for a substantial portion of total expenditures. Most of the growth in total expenditures came from current expenditures, which increased at an annual average rate of 26.1 per cent during 1975-1982, accounting for 40.6 per cent of GDP.

Expenditures on increases in wages, budgetary subsidies and recurrent costs related to completed projects could not be reduced when financial resources declined during 1983-1987. Most of the cutbacks came from reducing investment expenditures. Whereas investment expenditures as a percentage of GDP dropped from 10.2 per cent during 1975-1982 to 6.6 per cent in 1983-1987, current expenditures still accounted for about 40 per cent of GDP.

During 1991-1992, Egypt adopted certain expenditure-reducing policies as part of the structural adjustment programme agreed upon with the IMF and World Bank, a special focus of which was the reduction of government current expenditures -- especially subsidies -- by bringing prices in line with costs.

2. **Monetary policy, the financial system and private savings**

Monetary policy in Egypt has been expansionary and geared to support the fiscal imbalances of the Government. The lack of financial resources was offset by resorting to borrowing and expanding the money supply.

Interest rates (both lending and deposit rates) in Egypt remained low -- and negative in real terms -- for a long time. Between 1976 and 1988, real interest rates were negative except in one or two years. In 1975 and 1987, they were revised upward, but the revisions were not sufficient to make the

Table 22.   Egypt: central government expenditures, 1975-1989
(Percentage of GDP)

	1975-1982 Average	1983-1987 Average	1988-1989 Average
Total revenues and grants	42.7	43.0	36.8
Total expenditure and lending minus repayments	58.3	53.1	44.2
Current expenditures	40.6	39.6	32.7
Capital expenditures	10.2	6.6	6.2
Deficit	-15.6	-10.1	-7.5
Memorandum: growth in current expenditure	26.1	10.5	16.2
Growth in capital expenditures	39.0	8.9	11.1

Source: Annex table 18.

Note: Lending minus repayments is defined by the International Monetary Fund as "consist(ing) of government lending for public policy purposes — less repayments to Governments — and government acquisition of equity participation for public-policy purposes — less any sales of such equities by Government."

real rate of interest positive. Low interest rates distorted incentives and led to distortions in the economy. In the face of high inflation, low deposit rates adversely affected the growth of private savings, discouraged workers' remittances, and induced investors to hold their savings in foreign-denominated assets. Although private savings have been progressively channelled through the financial system in Egypt, devaluations and uncertainty about currency stability — especially in the face of large budgetary deficits in the 1980s — led to a higher proportion of the deposits being held in foreign currencies. Between 1983 and 1988, the share of foreign-currency deposits in total deposits increased from 39.5 per cent to 50.4 per cent.[19]

In the absence of data on private savings, time savings and foreign currency deposits provide a proxy for the growth in private savings. Despite real negative interest rates, these deposits have commanded an increasing percentage of GDP, from 13.1 per cent in 1976 to 71.4 per cent in 1990 (table 23). In Egypt, lack of alternatives for holding wealth in the form of productive assets could be one reason that investors continue to keep their financial savings despite erosion of their value.

Financial savings provided additional resources for financing the budgetary deficits. Where financing is arranged through the monetary authorities, it leads to an increase in liquidity and inflation. Borrowing from the deposit money banks, on the other hand, crowds out private investment, and in case the efficiency of the public sector is lower than the private sector (as was the case in Egypt), it will have an adverse effect on growth.

As Table 24 indicates, Egypt relied to a large extent on domestic borrowing and the banking system to finance its budgetary deficits. Financing from the domestic banking system during 1975-1982 was, on average, 34 per cent of total financing needed to cover the budget deficit. The balance was met by borrowing from the domestic private sector and international market. The average contribution of external borrowing dropped to 1.0 per cent of GDP during the period 1983-1987. Over 80 per cent of the financing was provided from the monetary authorities, which contributed to an average rate of inflation of 21.4 per cent per annum during this period.

Table 23. Interest rates in Egypt, 1976-1990

	1976	1980	1984	1988	1990
Deposit rate	3.0	8.3	11.0	11.0	12.0
Lending rate	8.0	13.3	15.0	17.0	19.0
Rate of inflation	10.2	20.5	17.1	17.6	16.8
Memorandum: Time savings & foreign-currency deposits as percentage of GDP	13.1	23.2	48.4	62.3	71.4

Source: International Monetary Fund, International Financial Statistics Yearbook, 1992.

3. External debt as a source of finance

The external debt of Egypt increased in the face of deepening structural imbalances. Between 1983 and 1989, Egypt's external debt increased by $19.6 billion or 65 per cent (table 25), to reach $50.0 billion.

Egypt's external debt was the result of an increasing need to finance internal imbalances with external resources during the late 1970s and the 1980s. As early as 1979, about 40 per cent of gross disbursements of foreign

19/ ESCWA, Review of Developments and Trends in the Monetary and Financial Sectors in the ESCWA Region During the 1980s (E/ESCWA/DPD/89/7), p. 28.

Table 24. Central government budget deficit and financing, 1975-1989
(Percentage of GDP)

	1975-1982 Average	1983-1987 Average	1988-1989 Average
Deficit	-15.6	-10.1	-7.5
Financing	15.6	10.1	7.5
Domestic	10.3	8.8	8.1
Of which: Monetary authorities	5.3	8.2	8.3
Deposit money banks	2.7	0.8	-0.5
Other	2.3	-0.2	0.3
External	5.3	1.0	-0.6a/
Memorandum: rate of inflation	10.6	21.4	19.4

Source: Annex table 16.

Note: Details may not add up to totals because of rounding.

a/ Due to negative unallocable amortization abroad, net external financing is negative.

Table 25. External debt of Egypt, 1979-1989

	1983	1986	1989	1990	1991
Total identified debt (billions of dollars)	30.4	46.1	50.0	44.4	42.4
Debt service (billions of dollars)	3.9	3.5	4.6	3.9	2.4
Debt service as percentage of exports of goods and services	63	59	33	21	8

Source: OECD, Financing and External Debt of Developing Countries, 1991 Survey; and External Debt Statistics 1992. Figures on exports from IMF, International Financial Statistical Yearbook, 1992.

Figure X. **Egypt: government revenues and expenditures, 1975-1989**

Total revenues + grants   Total expenditures + lending − repayment

deficit
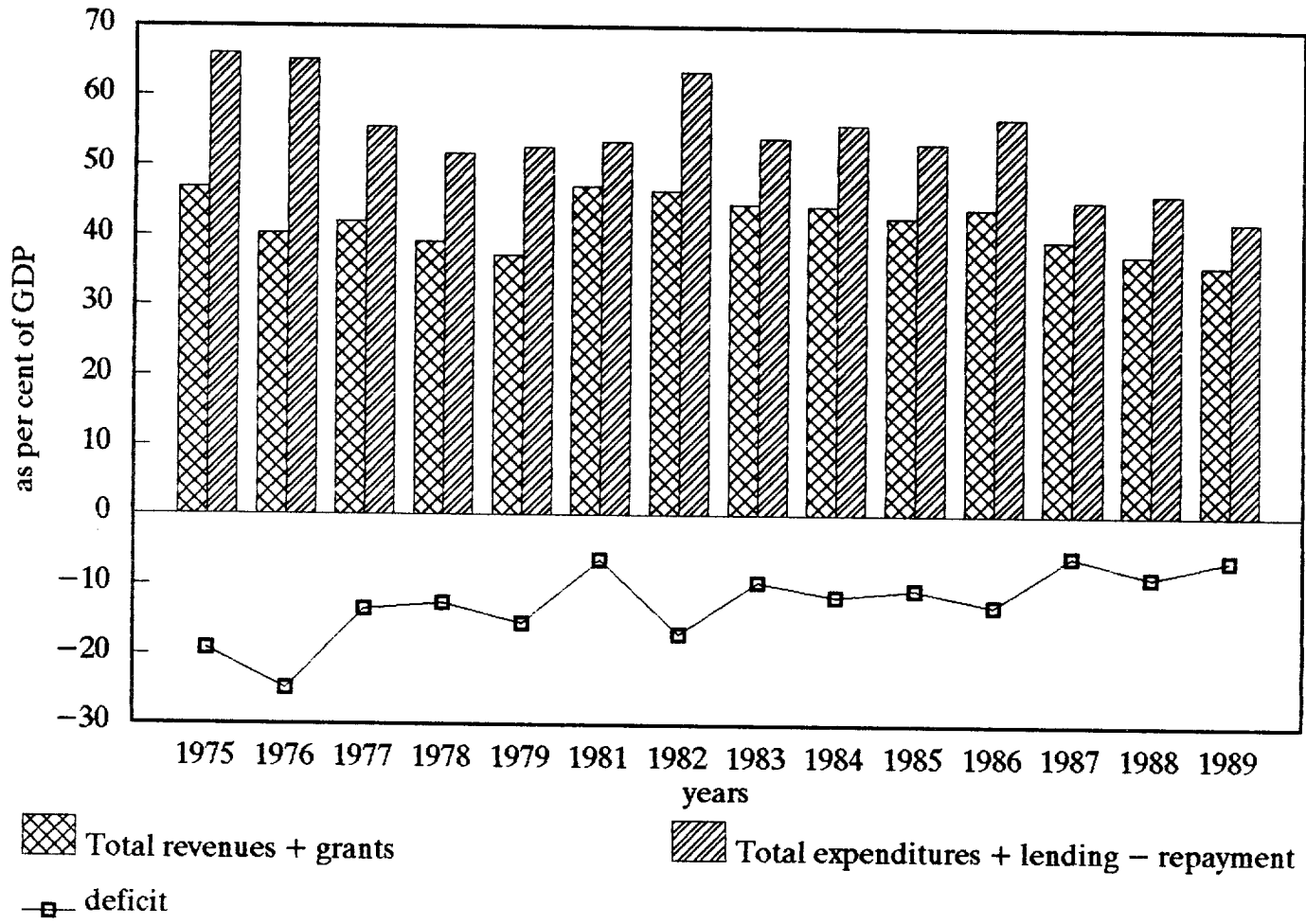
<u>Source</u>:   Annex table 16.

civilian loans and credits were used to finance new investments, while the remaining 60 per cent went to service the debt.[20] Higher indebtedness and debt-service payments, as well as an erosion of creditworthiness, contributed to the overall unsustainable level of the total debt and the eventual drying up of this source of finance by the late 1980s.

C. Allocation of finance

Since 1974, available financial resources were used to finance both a high level of investment and increasing consumption expenditures. Gross fixed capital formation averaged 29.2 per cent of GDP per annum during the period 1975-1982, while consumption was 84.4 per cent (table 26); the gap was met by external sources. After the decline in external in-flows, consumption continued to grow, reaching 89.5 per cent of GDP on average during 1983-1988. A substantial part of the financing gap was met by cutting down on investment, which dropped to an average of 22.4 per cent of GDP during this period.

Table 26. Investment and consumption in Egypt, 1975-1991
(Percentage of GDP)

	1975-1982 Average	1983-1988 Average	1989-1991 Average
Gross fixed capital formation	29.2	22.4	21.7
Total consumption	84.4	89.5	94.0

Source: Annex table 6.

1. Pattern of allocation

A significant portion of public-sector expenditures (current and capital) was made in the social sectors, i.e. education, health, social security and housing, which was in line with overall government policy. After 1982, these sectors grew at an increasing rate primarily because of the large recurrent costs associated with maintaining schools, health centres and the social security network. Spending on social sectors increased from an average of 26 per cent of total expenditures during 1975-1982, to 31 per cent during 1983-1987 and 36 per cent during 1988-1989 (table 27).

Budgetary outlays on commodity sectors averaged 8.6 per cent of GDP during 1975-1982, 4.0 per cent in 1983-1987 and 3.3 per cent in 1988-1989. In addition, substantial investment in the economic sectors was undertaken by public enterprises outside the budget. Egypt's public sector comprises: (a) central and local governments; (b) State-owned entities (which are basically service-oriented) such as institutions of higher education, science and technology, university hospitals and sanitary and sewerage departments, the

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20/ The World Bank, Arab Republic of Egypt: Country Economic Memorandum: Economic Readjustment with Growth (February 1990), p. 55.

finances of which entities are part of the government budget; (c) semi-autonomous corporations for public utilities, including the Suez Canal Authority, Petroleum Authority, General Authority for Supply of Commodities, and others operating the railways, the telephone, transportation, and electricity services and the post office, the finances of which were detached from the budget in 1980 but whose deficits continued to be shown as transfers in the budget; and (d), the 399 financial and non-financial public enterprises, most of which were formed during the 1960s, which are outside the budget. This group of public enterprises encompasses most of the tradeable and productive sectors of the economy, but is especially dominant in manufacturing, construction, trade and transport, accounting for the major share of employment (54 per cent not including agriculture).21/ Of total public investment (comprising all public entities), the major portion was undertaken in the commodity sectors. During the period covering first and second plans, from 1982 to 1992, about half of total public-sector investment was in agriculture, irrigation, manufacturing, mining, petroleum, electricity, and construction; another 28.3 per cent was in the supportive and services sectors (transportation and communication, trade and finance, tourism) and the rest in the social sectors (education, health, housing, and other public services).22/ This was in pursuance of the strategy to revitalize the infrastructure, and expand the productive capacity of the public sector. As a corollary, it also aimed at diversifying the economy in view of the declining importance of the oil sector after 1982.

2. Efficiency of investment

Investment in infrastructure and social sectors generates growth and output by increasing factor productivity over time. But in Egypt, investments in these sectors were not adequate to provide a base for sustainable growth. Output declined during the 1980s. The major problem was that liberalization of the economy after 1975 was only partial. Continuing price controls, subsidization, an overvalued exchange rate, negative interest rates and fiscal imbalances distorted investment incentives in the economy. Investment in infrastructure was not reflected by a commensurate increase in the commodity-producing sectors of the economy.

After 1973, considerable investment took place in agriculture, which traditionally suffered from limited availability of land and an intense cropping pattern. The major portion of public investment in agriculture and irrigation went towards building dams and land reclamation projects. However, these large projects suffered from poor management and a lack of critical evaluation of reclamation sites which affected performance in the long run. Agricultural output accelerated in the aftermath of increased investments in the 1970s, only to decline after 1978.23/ The major problem besetting agriculture was a serious distortion in prices of agricultural commodities, which was part of the economic policy regime of general price control. In the case of agriculture, it was a conscious policy choice to keep

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21/ The World Bank, Arab Republic of Egypt: Public Sector Investment Review (1992), p. 44.

22/ Ibid., p. 50.

Table 27. Overall pattern of government expenditure, 1975-1989
(Percentage of GDP)

	1975-1982 Average	1983-1987 Average	1988-1989 Average
Total expenditures	50.8	45.5	38.9
Social sectors	15.3	16.5	15.9
Commodity sectors	8.6	4.0	3.3
Memorandum: Percentage share in total expenditures and lending - repayment			
Social sectors	26	31	36
Economic sectors	14	8	8

Source: Annex tables 18 and 19.

Note: Lending minus repayments consists of government lending for public-policy purposes, less any repayments, and government acquisition of equity participation for public-policy purposes less any sales of such equity by Government. Social sectors: education, health, social security and housing. Economic sectors: agriculture, mining, manufacturing, and construction; transport and communications; fuel and water; and other economic services. (See: IMF, Government Finance Statistics Yearbook, 1991.)

prices low in order to subsidize the consumer and promote industrial development. According to one estimate, this implicit taxation of agriculture was equal to as much as 30 per cent of value added even after adjustment of subsidies on certain agricultural inputs.[24] The taxation of agriculture was also the major reason for labour outflow from the sector, misallocation of land and the decline in value added.

The increased availability of financial resources after 1973 contributed to the rapid growth of the industrial sector by alleviating the foreign-exchange constraint for the purchase of raw materials and equipment. Economic liberalization and the rapid rise in demand following increased economic activity imparted further momentum to the growth of the industrial sector. Real industrial value-added grew at an average rate of 7.1 per cent between 1974 and 1979, and at 9.2 per cent between 1979 to 1981.[25] Part of

23/ The World Bank, Arab Republic of Egypt: Current Economic Situation and Economic Reform Program (22 October 1986), p. 27.

24/ The World Bank, Arab Republic of Egypt: Recent Economic Developments and External Capital Requirements (November 1979), p. 4.

25/ The World Bank, Arab Republic of Egypt: Current Economic Situation and Economic Reform Program (October 1986), p. 27.

this was due to expansion and rehabilitation in public enterprises, which initially contributed to the expansion in output.

The regulated economic environment adversely affected the manufacturing, trade, construction and transport sectors -- dominated by the public sector. In addition, the central-planning approach and the high protection accorded to imports led to the establishment of the economically inefficient manufacturing industry. Between 1975 and 1990, performance indicators for 371 public enterprises concentrated in manufacturing and trade indicated a worsening trend. Price controls, tariffs and a high level of protection created distortions in incentives and eroded the rates of return, which declined from 16 per cent in 1975 to 7 per cent in 1990 (table 28). At the same time, high investments for expansion and rehabilitation, coupled with lower output value, led to a decline in the incremental output-capital ratio from 0.43 in 1975 to 0.24 in 1987 and further to 0.19 in 1990.

Table 28. Egypt: performance indicators of non-financial public enterprises*

	1975	1981	1987	1990
Financial rate of return (percentage)	16	14	6	7
Incremental output/ capital ratio$^{a/}$	0.43	0.34	0.24	0.19

Source: The World Bank, Arab Republic of Egypt Public Sector Investment Review (1992), p. 49.

* 371 public enterprises.

a/ Incremental output/capital ratio measures the increase in output brought about by a one-unit increase in capital.

Structural disequilibria and price controls remained pervasive throughout the economy and generated a bias against efficient industries. For example, based on raw material from agriculture, Egyptian downstream industries in textiles, edible oils and food processing had a comparative advantage over others such as chemical and metallurgy and engineering industries. However, the complex system of controls and subsidization effectively penalized both textiles and food production. Between 1973 and 1982, domestic resource cost, which was lowest for food and textiles, had a high degree of implicit taxation. Cotton textiles, in which Egypt has a comparative advantage vis-à-vis other domestic industries, was implicitly taxed at the rate of 28 per cent during this period, while the implicit taxation on edible oils and processed food was 94 per cent and 70 per cent, respectively.[26]

26/ The World Bank, Arab Republic of Egypt: Current Economic Situation and Economic Reform Program (1986), p. 29.

Exchange-rate and trade policies imparted a bias against exports. The share of manufactured exports declined between 1979 and 1985 as the share of petroleum and associated products rose. Oil exports rose from 41.6 per cent in 1979 to 68.2 per cent in 1985; at the same time manufactured exports declined from 20.7 per cent of the total in 1979 to 13.2 per cent in 1985 (table 29). Due to the distorted incentive structure, export earnings, which were equal to 48 per cent of total imports in 1979, declined and were able to finance only 37 per cent of imports in 1985 and 34 per cent in 1990.

Table 29. Egypt: structure of exports, 1979-1989
(Percentage)

	1979	1985	1989
Oil exports	41.6	68.2	30.5
Non-oil exports	58.4	31.8	69.5
Manufactured exports	20.7	13.2	44.1
Crude materials	26.5	12.3	11.8
Memorandum: exports as percentage of imports	48	37	34

Source: Based on data from the Arab Monetary Fund, Arab Countries: Economic Indicators (1979-1989 and 1980-1990).

D. Patterns of growth

The path of the Egyptian economy in the 15 year period 1975-1990 can be divided into two distinct periods. From 1975 to 1982, a favourable external environment and the introduction of growth-conducive policies of liberalization produced rapid growth (table 30). However, structural disequilibria which had set in in the past decade continued to impair the efficiency of the economy. The momentum of growth could not be maintained during 1983-1988 despite the fact that expansionary fiscal policies were employed to raise output. Real GDP grew rapidly after the opening up of the economy and the inflow of financial resources. Between 1976 and 1982, growth in GDP averaged 9.3 per cent per year. In the face of declining workers' remittances, grants and oil income after 1982, Egypt resorted to borrowing from the domestic market and from abroad. However, failure to address the structural disequilibria confronting the economy depressed output growth.

Real GDP actually declined by an annual average of 0.1 per cent per year during 1983-1988, and improved marginally only in 1990 and 1991 after the initiation of the structural adjustment programme.

With its large population, the pressure of population on economic resources in Egypt has been high, retarding the process of development. A high growth rate of population, at around 1.8 to 2.3 per cent per annum during the period 1975 to 1990, added around 900,000 people each year and put

Table 30.   Egypt: trends in growth, 1976-1991
(Annual percentage change)

	1976-1982	1983-1988	1989-1991
Nominal GDP	23.2	17.5	21.9
Real GDP (1985 prices)	9.3	-0.1	2.2

Source: Annex table 6.

Table 31.   Egypt: key development indicators, 1970-1990

	Variable (years)		Variable (years)	
Exports/imports (percentage)	48	(1979)	34	(1990)
Life expectancy (years)	46.1	(1960)	60.3	(1990)
Literacy (percentage)	35	(1970)	45	(1987)
Enrolment ratio (primary & secondary)	55	(1970)	81	(1987)
Population with access to safe water	75	(1975-1980)	73	(1988)
Population/doctor	..		770	(1984)
Food import dependency ratio (percentage)	18.6	(1969-1971)	45.2	(1986-1988)

Source: UNDP, Human Development Report 1991.

..   = Not available.

immense pressure on the country's limited resources. The rapid increase in population put pressure on cultivable land and water and gave rise to increased demand for education, health, infrastructure and other facilities. It also aggravated the unemployment problem and led to increased food imports, thus aggravating the balance-of-payments position. Overall, resources have had to be diverted from productive investment to consumption.

Table 31 presents some key development indicators for Egypt during the period 1970-1990. As can be seen from the table, social indicators show a marked improvement: literacy increased from 35 per cent in 1970 to 45 per cent

in 1987; life expectancy jumped from 46.1 years in 1960 to 60.3 years in 1990; and the combined primary and secondary enrolment ratio increased from 55 per cent in 1970 to 81 per cent in 1987.

However, despite these advances, Egypt remains one of the only two countries in the region with a low level of human resource development (the other one being Yemen).27/ Whereas other ESCWA countries made rapid progress in improving human resource development, the effort was constrained in Egypt, due in part to its large population. It is notable that the food import dependency ratio, which was 18.6 per cent in the period 1969-1971, rose to 45.2 per cent by 1986-1988. At the same time, Egypt had to spend an increasing portion of total resources on expanding and maintaining education and health facilities. Despite investment in water resources, the availability of safe water to population actually went down, from 75 per cent in 1975-1980 to 73 per cent in 1988.

CONCLUSIONS

The role of finance in the development of Egypt during 1975-1990 can be divided into two distinct time periods. The substantial financial inflows* during 1975-1982 eased the constraints on development to a considerable extent. The subsequent period witnessed a reduction in the country's three major sources of finance, namely workers' remittances, oil revenues and aid, accentuating both internal and external imbalances. The domestic resource mobilization effort was a major constraint. However, the most serious economic disequilibria were caused by increasing public expenditures. Fiscal policy, which was expansionary during most of the period, became the prime instrument affecting output, employment and prices. Monetary policy was largely passive, with the monetary authorities largely providing support to the budgetary deficit. Interest rates were kept low to encourage investment, particularly in industry, which (along with other sectors in the economy) faced distorted incentives due to a regulated environment.

The second major constraint to Egypt's development during the period under review was the prevalence of price controls throughout the economy, leading to serious distortions in resource allocation and inefficiencies in investment. The effective input and output price structure taxed agriculture throughout this period. With declining yields and output, Egypt became more dependent on food imports for its rapidly growing population. In the industrial sector, the distortion in prices for many commodities — especially those produced by public enterprises -- led to low productivity and resource misallocation.

27/ According to a composite human development index (combining per capita national income, adult literacy and life expectancy at birth) prepared by the United Nations Development Programme in the Human Development Report 1991, Egypt was placed in the group of countries with a low level of human development and ranked 114 among the 160 countries reviewed in the report.

* Consisting of aid (up to the year 1978) and workers' remittances.

Despite attempts at liberalization starting in the mid-1970s, the economic policy regime in Egypt was not conducive to rapid development. The structural disequilibria which had set in during the past could not be removed easily to take full advantage of the opportunity of increased availability of finance during the 1970s. Although growth momentum was maintained after financial resources declined in the 1980s, it was at an increasing cost to the economy that Egypt was ill-equipped to bear in the long run. Borrowing in the external markets exacerbated the imbalances and merely postponed the need for restructuring the economy.

VI. FINANCE AND DEVELOPMENT: THE CASE OF JORDAN

INTRODUCTION

Jordan is a small country of 3.3 million people with limited natural resources besides phosphate rock, potash, and some construction material (stones and marble). Agriculture is limited to 500,000 hectares of arable land, of which 30,000 hectares (12,000 hectares in the Jordan valley) are irrigated. Water remains a major constraint. With limited resources, the structure of output and employment has been geared towards the services sector and increasingly towards manufacturing, supported by an educated labour force.

Finance has been a major constraint on development in Jordan. With its poor resource base, Jordan has tried to take advantage of its proximity to the Gulf States and its well-developed human-resource base to overcome this constraint.

This chapter analyses the availability of financial resources and their relation to the level of investment and the pattern of economic development in Jordan during the period 1975-1991. The most significant feature of the early part of this period was the availability of substantial external financing. Given the countrys' limited domestic resources, external flows formed the cornerstone of the development effort in Jordan during the following decade. In this sense, the case of Jordan is different from that of most non-GCC countries which have a relatively more diversified resource base. The Jordanian economy has been closely tied to the economies of the GCC countries. This close linkage also largely shaped the country's economic policy choices.

Section A reviews the availability of domestic resources, domestic savings and consumption patterns, and financial flows from the GCC countries. It also analyses the policies affecting domestic savings, both private and public. Section B discusses the sectoral allocation of these resources and analyses their contribution to growth. Section C reviews the extent of development achieved during the period 1975-1991.

A. Availability of financial resources

Domestic savings in Jordan have traditionally been negative, with consumption far exceeding GDP. In 1975, domestic savings were JD -93.4 million, or -29.9 per cent of GDP, i.e., total consumption exceeding GDP by about 30 per cent. The gap was met by external financial flows. With the acceleration in regional economic activity after the oil boom, Jordan pursued liberal and outward-looking policies in the area of labour migration, foreign-exchange transfers and trade to take advantage of the newly opened opportunities in the GCC countries. External financial flows in the form of workers' remittances and aid from the oil-rich countries of the region, as well as earnings from the export of goods and services, started to rise rapidly in the mid-1970s.

From 1975 to 1982, financial flows from the GCC countries in the form of workers' remittances and transfers averaged 25.4 per cent of GDP, turning savings positive (table 32). These flows were by far the most important source of financing for Jordan during this period (figure XI). Through these

Table 32. Jordan: domestic savings and net factor income flows, 1975-1990
(Percentage of GDP)

	1975-1982 Average	1983-1988 Average	1989-1990 Average
Domestic savings	-20.2	-9.7	-10.4
NFI/T[a]/	25.4	17.1	22.6
National savings	5.2	7.4	12.3

Source: Annex table 9.

a/   NFI/T = Workers' remittances /private transfers.

linkages, financial flows to Jordan during the 1970s and the 1980s remained tied to the economic fortunes of the major oil-producing countries in the region. With Jordan intricately dependent on remittances and transfers to finance a major part of its consumption and investment expenditures, movements in oil prices and revenues were ultimately reflected in domestic activity and output.

The decline in the price of oil in the early 1980s and the regional recession which followed affected Jordan by: slowing down the export of Jordanian labour and reducing remittances; a substantial reduction in external assistance from the GCC countries; and a reduction in the demand for Jordanian goods and services, which were concentrated in the Gulf market. By 1985, it was clear that action was urgently needed to raise domestic savings, reduce consumption expenditures and find alternative sources of finance. Domestic savings improved during 1986-1988, but consumption, on average, continued to outpace GDP by 9.7 per cent. During most of the 1980s, reduced financial flows, coupled with expansionary domestic economic policies, led to structural disequilibria culminating in large budgetary and balance-of-payments deficits and a rapidly mounting debt. Jordan requested a rescheduling of its external debt in 1989 and entered into an IMF-sponsored structural adjustment programme to correct imbalances in the economy.

B.   The economic policy environment and mobilization of financial resources

1.   Fiscal policy and taxation

Between 1975 and 1982, domestic revenue and grants represented, on average, 46.7 per cent of GDP (table 33). Of this, domestic revenues were a little more than half. Over 40 per cent of the total budgetary resources came from external grants.

Jordan is one of the few countries in the ESCWA region where the tax effort has been considerable. In the 1980s, tax revenues averaged around 20

Figure XI. Jordan: domestic savings and net factor flows, 1975-1988
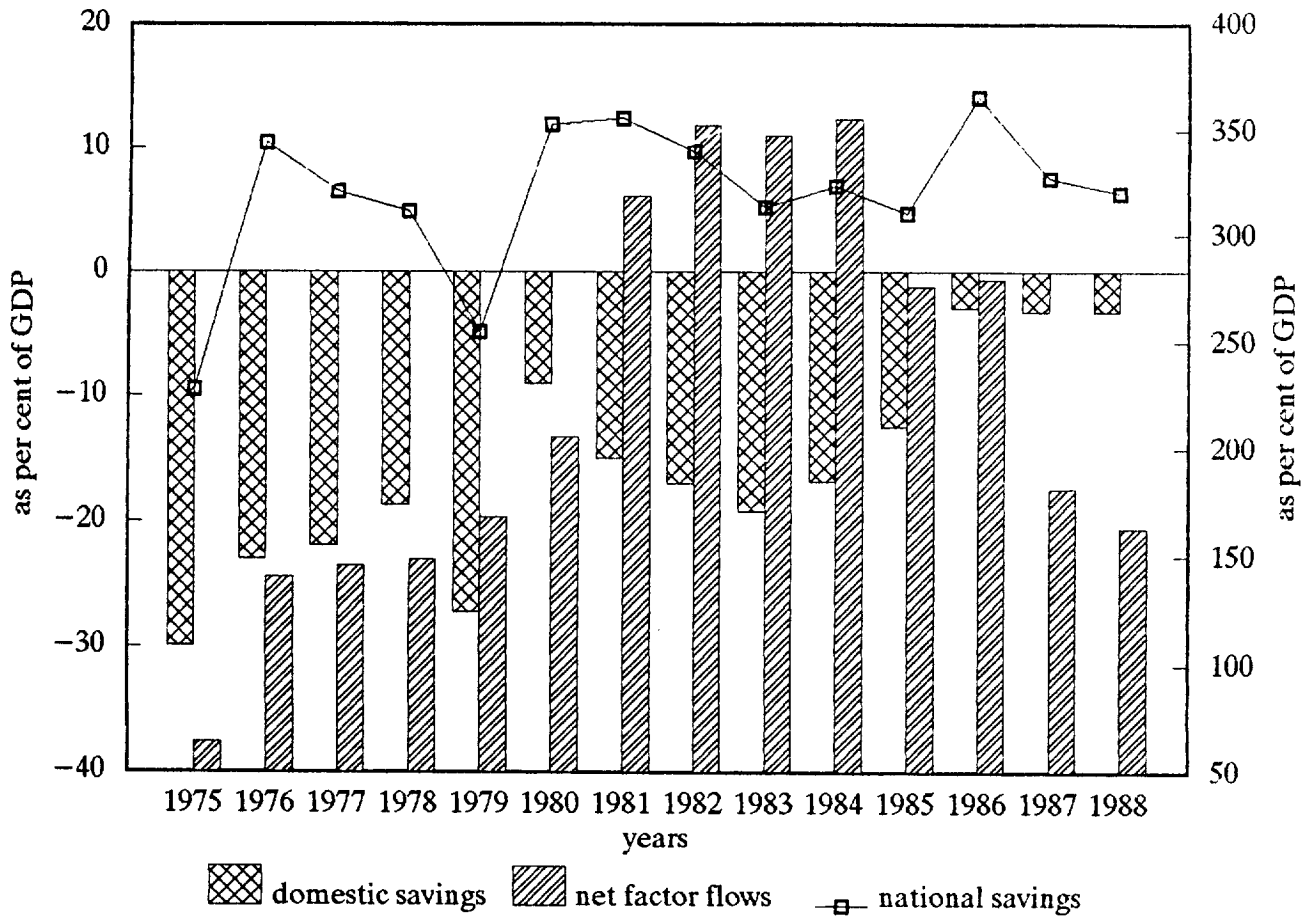
Source: Annex table 9.

per cent of GDP during 1975-1982 and reflected an effort comparable to that of countries with a larger resource base and a longer history of development efforts.28/ Notwithstanding, the level and structure of taxation exhibited a low level of income taxation and an undue reliance on trade taxes. In 1985, trade taxes provided 37.2 per cent of total revenues, compared to 13.9 per cent in other non-oil developing countries, and 1.2 per cent for industrial countries as a whole; while income tax contributed only 8.7 per cent in Jordan, compared to 19.6 per cent in non-oil developing countries and 37.1 in industrial countries.29/

The change in the structure of taxation in Jordan during the 1980s was mainly due to the changing external environment rather than change in the level of taxation. The overall growth in tax revenues during the period 1976-1982 averaged 25 per cent per annum. However, most of this growth occurred directly after the rise in oil prices and revenues and was due to rapid increases in both direct and indirect taxes. The tax effort, in fact, slackened during the latter part of this period, especially after 1979, and this trend continued during the 1980s.

Total financial resources available from domestic revenues and grants dropped to 39 per cent of GDP during 1983-1987, and further to 36.8 per cent during 1988-1991. Tax revenues declined from 20 per cent of GDP in 1975-1982, to 19.8 per cent in 1983-1987 and further to 13.7 per cent during 1988-1991, primarily due to the decline in the rate of growth of all major tax items (table 33).

Table 34 presents buoyancy estimates for key taxes in Jordan for the period 1976-1991 which measure the change in the tax relative to that in GDP. As can be seen from the table, the buoyancy of tax revenues declined from 1.0, on average, during 1975-1982, to 0.7 during 1983-1987, primarily due to the inelasticity of the direct tax base and taxes on international trade (which actually declined as GDP rose). Most other taxes also exhibited a similar trend.

The efficiency of the Jordanian tax system during the 1980s went down perhaps as a result of the substantial inflow of aid, which relaxed the domestic resource mobilization effort in the initial period, and the smallness of the tax base, which made an extra tax effort subsequently more difficult. In addition, the recession in the Gulf economies affected Jordan's economy, particularly the trade sector. This affected taxes on international trade, which registered no growth at all during the 1980s. At the same time, grants, which had grown at an average rate of 24 per cent during 1976-1982, declined considerably. Although overall domestic revenues (i.e. tax plus non-tax revenues) increased due to an increase in non-tax revenues during this period, the availability of financial resources through domestic revenues and grants was severely restricted.

28/ Based on a comparison with the average tax revenues/GDP of Korea, Turkey, Thailand, Philippines, Greece, Tunisia, Egypt, Chile, Morocco, Argentina and Indonesia.

29/ Based on data from the International Monetary Fund, Government Finance Statistics Yearbook, 1991.

Table 33. Jordan: government revenues, 1975-1991

	1975-1982 Average	1983-1987 Average	1988-1991 Average
(Percentage of GDP)			
Total revenues and grants	46.7	39.0	36.8
Domestic revenues	25.8	29.2	28.1
Tax revenues	20.0	19.8	13.7
Direct taxes	3.5	3.9	3.1
Indirect taxes	16.5	15.9	10.6
Of which: taxes on international trade	9.0	7.4	5.0
Non-tax revenue	5.8	9.5	14.4
Grants	20.8	9.8	8.7
(Percentage of total revenues and grants)			
Total revenues and grants	100	100	100
Domestic revenues	56	75	76
Tax revenues	44	51	37
Direct taxes	8	10	8
Indirect taxes	36	41	29
Of which: taxes on international trade	20	19	14
Non-tax revenue	13	24	39
Grants	44	25	24
Memorandum: annual percentage change in:			
Tax revenues	25[a]/	4	6
Non-tax revenues	25[a]/	18	20
Grants	24[a]/	-1	24

Source: Annex tables 21, 22 and 23.
a/ 1976-1982.

Table 34. Buoyancy* of tax and non-tax revenues, 1976-1991

	1976-1982 Average	1983-1987 Average	1988-1991 Average
Total revenues and grants	1.0	0.7	2.5
Domestic revenues	1.1	2.4	1.8
Tax revenues	1.1	0.7	-4.4
Direct taxes	1.3	-0.2	-4.6
Indirect taxes	1.1	0.9	-4.2
Of which: taxes on international trade	1.2	-0.5	2.6
Non-tax revenue	1.3	6.9	11.5
Grants	1.3	-2.6	6.6

Source: Annex table 24.

* Defined as the ratio of the annual percentage change in the taxes to the percentage change in GDP.

Despite the fact that Jordan had a higher level of tax effort in 1976 compared to other ESCWA countries, domestic revenue mobilization through the tax system remained circumscribed by: the smallness of the economy; the narrowness of the tax base; the dependence on the regional economies, especially on the oil-rich countries; and the difficulty in imposing an extra tax burden in a period of general recession.

(a) Government as a dissaver

Government expenditures in Jordan have consistently and largely outpaced domestic revenues. Government current and capital expenditures rose rapidly during the period 1976-1982. Total expenditures during this period were 58.8 per cent of GDP, and far exceeded the financial resources available from both domestic revenues and external grants (figure XII). Table 35 indicates that domestic revenues during this period covered 70 per cent of recurrent expenditures. The remaining gap was met by grants and borrowing externally.

The Government made a serious effort to reduce expenditures, which declined to an average of 52.5 per cent of GDP during 1983-1987 and further to 43.4 per cent during 1988-1991. However, expenditures remained much higher than revenues, partly because of rising interest payments, salaries and wages, subsidies and recurrent-cost financing of education, health and other social-sector programmes initiated after the oil boom, and which were difficult to reduce (figure XIII). From 1983 to 1987, the budget deficit averaged 14 per cent per year; it declined slightly, to 12 per cent during 1988-1991.

Table 35. Jordan: budgetary deficit, 1975-1991
(Percentage of GDP)

	1975-1982 Average	1983-1987 Average	1988-1991 Average
Revenues and grants	45.4	38.5	30.9
Total expenditures	58.8	52.5	43.4
Deficit	-14.0	-14.0	-12.0
Memorandum: Domestic revenue as percentage of current expenditures	70	87	83

Source: Annex table 25.

Budget deficits have been a major factor behind Jordan's debt in the 1980s. As table 36 indicates, the major portion of the deficit was financed by external borrowing. During the period 1980-1986, domestic financing (from the monetary authorities) was kept low in a bid to keep domestic inflationary pressures down. Between 1980 and 1984, about 30 per cent of the total financing requirements were met by borrowing domestically. This declined substantially in the following years so that in 1986 less than 10 per cent was financed by the monetary authorities. However, by 1987 the pattern was reversed and almost all the financing for meeting the budget deficit came from domestic borrowing because the level of debt attained had rendered additional borrowing difficult. At the same time, foreign commercial borrowing rose to finance imports, which were twice the level of exports, further exacerbating external indebtedness.

(b) External debt as a source of finance

One consequence of the reduction in the availability of financial resources in the 1980s was a gradual rise in the external indebtedness of Jordan. The bulk of this debt was contracted to finance the government budget deficit owing to limited opportunities for domestic borrowing.

The external debt of Jordan rose rapidly during the 1980s (table 37). In 1979, debt outstanding and disbursed (DOD) was slightly above $1 billion, equal to 42 per cent of GDP. With debt service only 8 per cent of total exports of goods and services, the debt remained manageable because most of it was on concessional terms, secured bilaterally from the GCC countries. However, declining financial resources throughout most of the 1980s led to a sharp rise in external debt to finance both internal and external imbalances.

The structure of debt also changed during the 1980s, with bilateral (concessional) borrowing forming a decreasing portion of the overall DOD. By 1989, the DOD had reached 145 per cent of GDP, with exports of goods and

Figure XII. <u>Jordan: government deficit, 1975-1982</u>
(Percentage of GDP)

Total Expenditures

Deficit

Revenues + Grants

■ Total expenditures   ▨ Domestic revenues   ▨ Deficit
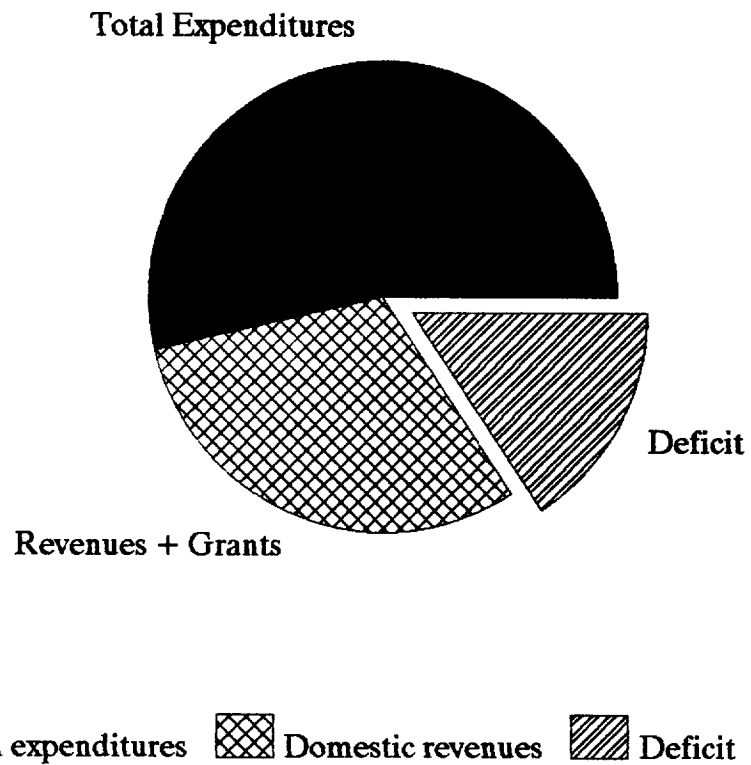
<u>Source</u>:   Annex table 25.

*   average for 1975-1982.

Table 36. Financing the budget deficit, 1980-1989
(Percentage of total financing requirements)

	1980-1984 Average	1985	1986	1987	1988	1989
Foreign	59.7	76.3	90.6	2.4	22.0	62.1
Domestic	29.9	23.7	9.4	97.6	78.0	11.8
Discrepancy[a]/	10.4	0.0	0.0	0.0	0.0	26.1

Source: The World Bank, Economic Report Jordan: Public Expenditure Review (1990), p. 9.

a/ The difference between the recorded overall budget deficit and financing from monetary authorities.

services equal to 19 per cent of the debt-service burden. Jordan had to request a rescheduling of its debt and accept an IMF stand-by agreement on a medium-term adjustment programme.

2. Monetary policy, financial system and private savings

Monetary policy in Jordan during the 1980s was geared towards preserving the stability of the Jordanian dinar, ensuring the stability and growth of the banking system, and supporting investment. The interest-rate policy supported expansion of credit to the private sector by keeping rates low.

The level of interest rates in Jordan remained generally stable, adjusted by the Central Bank from time to time. As can be seen from table 38, nominal interest rates (discount, savings and lending) were low. With higher rates of inflation, real interest rates were often negative during the period 1976-1980. Low lending rates were maintained to encourage investment. Low (and negative) deposit rates did not have the expected effect on the growth of private savings by eroding the real value of savings and in effect acting as an implicit tax on savings in Jordan. Despite negative real deposit rates, there was a steady growth in time and saving deposits, which rose from 16.8 per cent of GDP in 1976 to 38.3 per cent in 1982, reflecting perhaps greater financial deepening, i.e., the channelling of a larger part of total private savings through the financial system. Overall, despite low and often negative interest rates, the financial system in Jordan has been relatively successful in mobilizing savings, compared to other countries in the region. This was brought about in part by a rapid rise in banking facilities and services, including the proliferation of branches, and preference for safe holdings.

There is no doubt that had interest rates been positive, they would have attracted more private savings to the domestic banking system. Negative real rates on private savings provided incentives, at least for some investors, for investing money in non-financial assets, especially speculative assets such as real estate, prices of which soared in Jordan during the 1980s. The effect of

Figure XIII.   Jordan: government revenues and expenditures, 1975-1990

Total revenues and grants

Total expenditures plus lending minus repayments

Deficit
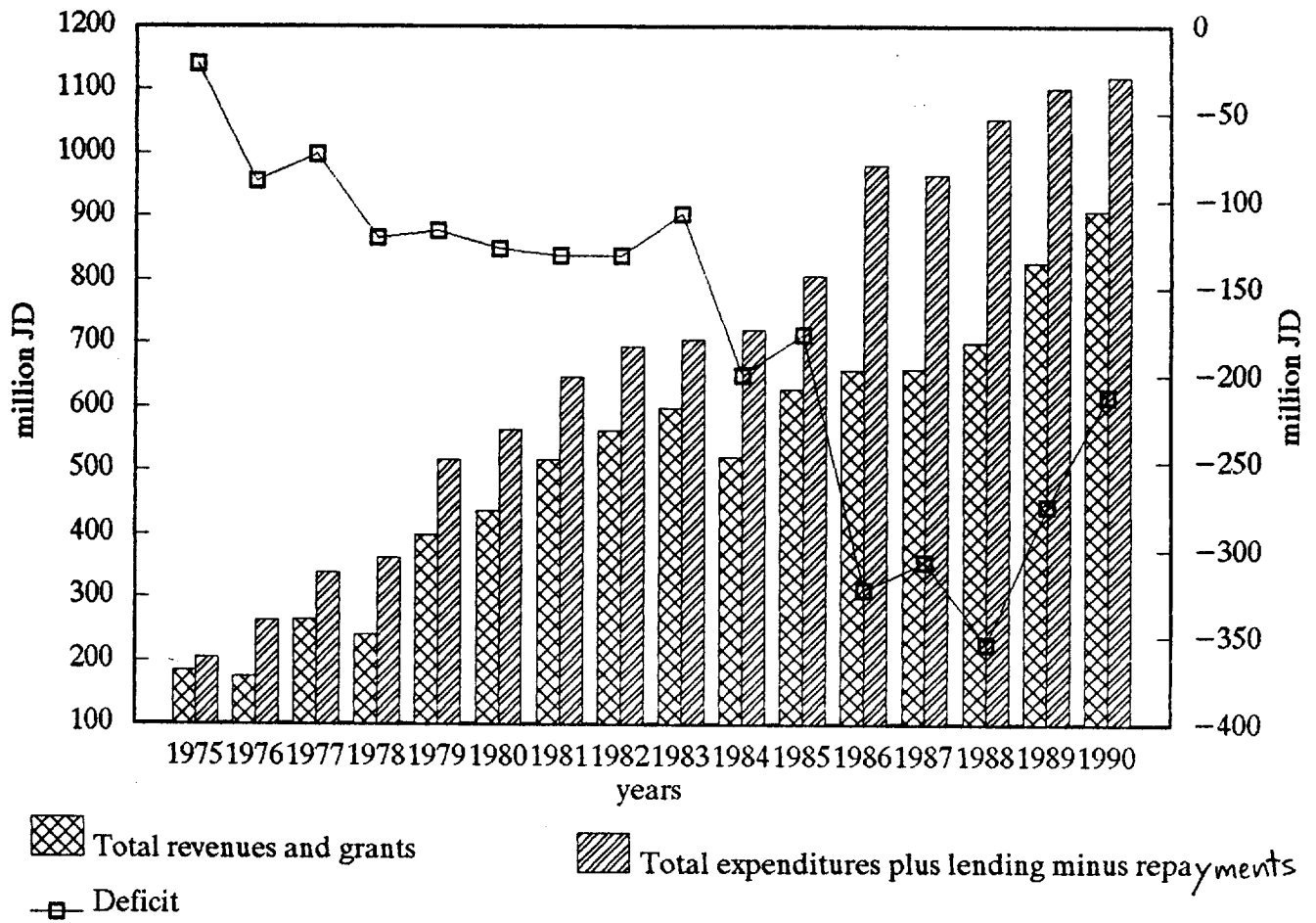
Source: Annex table 25.

Table 37. Jordan: external debt, 1979-1991
(Billions of dollars; percentage)

	1979	1982	1985	1989	1990	1991
DOD[a]/	1.0	2.1	4.9	7.4	8.4	9.1
Of which: bilateral debt	0.7	1.4	2.9	4.5	5.4	5.6
Memorandum: DOD/GDP	42	60	71	145	221	228
Bilateral/DOD	63	6.9	59	61	64	62
Debt service ratio	8	9	18	19	20	21

Source: For total external debt (DOD), including bilateral debt: OECD, Financing and External Debt of Developing Countries, 1992 Survey; For GDP, 1982-1990: ESCWA, National Accounts Studies of the ESCWA Region, Bulletin No. 12. Figures for 1991: Arab Economic Report, 1992.

a/ Debt outstanding and disbursed.

real positive interest rates on savings is apparent from the jump in time and savings deposits in 1985 when these rates became positive as a result of revising upward the nominal interest rate and a reduction in the rate of inflation. Time and saving deposits rose from 38.3 per cent in 1982 to 53.9 per cent of GDP in 1985 and further to 66.3 per cent in 1988 when interest rates on deposits were floated as part of the liberalization of the economy.

C. Allocation Of financial resources

In the aftermath of the oil boom, the Government of Jordan embarked upon promoting rapid economic growth through public-sector development programmes. The strategy aimed at developing the infrastructure, diversifying the economy and promoting employment and output. This was undertaken primarily through the use of expansionary fiscal policy -- specially budgetary expenditure policies -- and regulation of the interest rate which formed the cornerstone of the monetary policy for promoting investment.

As a result of substantial external financial flows, Jordan was able to maintain a level of consumption and investment expenditures which far exceeded domestic resources. During the period 1975-1982, total consumption exceeded GDP by 20 per cent; at the same time gross fixed capital formation averaged 39.3 per cent of GDP annually, leading to an overall resource gap of 59.5 per cent of GDP (table 39).

Table 38. <u>Jordan: real interest rates* and financial deepening, 1976-1988</u>
(Percentage)

	1976	1979	1982	1985	1988
Time & saving deposits/GDP	16.8	32.6	38.3	53.9	66.3
M1/M2	77.8	60.5	55.8	45.1	44.4
Central Bank discount rate	5.5	6.0	6.5	6.3	6.2
Saving deposit rate<u>a</u>/	5.25	5.5	5.5	6.5	..
Lending rate<u>a</u>/	9.0	9.0	9.0	8.75	..
Inflation	11.5	14.3	7.4	3.0	6.6
Memorandum:					
Real saving deposit rate	-6.25	-8.8	-1.9	3.5	..
Real lending rate	-2.5	-5.3	1.6	5.75	..

<u>Source</u>: World Bank, <u>Jordan: Special Economic Report - Jordan Review of the Five-Year Plan (1981-85)</u>, p. 133; IMF, <u>Jordan: Recent Economic Developments</u> (1986), p. 35; and <u>International Financial Statistics Yearbook, 1990</u>.

* Real interest rate = nominal rate minus the period average rate of inflation.

<u>a</u>/ Commercial banks.
.. = Not available.

The resource gap during the 1980s was met, by borrowing abroad, reflecting the ease of borrowing on the one hand, and the impression that the fall in the price of oil and the associated decrease in the availability of financial resources from the region was a temporary phenomenon (figure XIV). The reduced availability of resources led to a decline in both consumption and investment expenditures, but mainly the latter. Gross fixed capital formation decreased by an annual average of 23 per cent between 1983 and 1991, compared to a reduction of 10 per cent only in total consumption during 1983-1988, and an actual rise of 2.3 per cent during 1988-1991 (table 39).

The Government invested heavily in economic services such as infrastructure, water and power, and roads and transport, and in education and health. A substantial portion of the large-scale infrastructure projects was undertaken by the Government itself. Capital expenditures on economic sectors averaged 13.2 per cent of GDP from 1975 to 1982 (table 40). This accounted for more than half of total capital formation by the Government during this period. During the 1980s, when resources declined, capital expenditures were reduced in the economic sectors, whereas those on general public services

Table 39.   Jordan: use of resources, 1975-1990
(Percentage of GDP)

	1975-1982 Average	1983-1988 Average	1989-1990 Average
Total consumption	120.2	109.7	110.4
Government consumption	29.8	26.2	25.5
Private consumption	90.5	83.5	84.9
Gross fixed capital formation[a]	39.3	30.1	25.1
X-M (resource gap)	-59.5	-39.8	-35.4

Source: Annex table 9.

a/ Including changes in stocks.

actually rose from 28 per cent of total capital expenditures during 1975-1982 to 45 per cent during 1983-1987, and further to a high 56 per cent during 1988-1991.

In the private sector, manufacturing and mining, trade and construction received between 70 and 75 per cent of total bank credit during 1976-1982. Of this, trade and construction took more than two thirds, although their share decreased to half by 1988, as the share of municipalities and public-sector corporations in total bank credit rose.[30]

As a result of the rapid expansion in investment and consumption, and the impetus provided by the Government, the mining and manufacturing sectors grew rapidly during 1976-1982. However, the greater portion of investment was concentrated in phosphates, fertilizers, potash, petroleum refining and cement, which, spurred by the economic boom conditions, were the major contributors to growth of output and exports. However, a number of small-scale industries came on line in the late 1970s as a result of government promotion policy.

Jordan took advantage of geographic proximity and the economic boom in the region to expand its export markets in the Gulf countries. In 1980, 96 per cent of Jordanian exports went to Saudi Arabia, Iraq, the Syrian Arab Republic and Kuwait. Starting from a small base, exports surged by 22.4 per cent in 1980 and 31.9 per cent in 1981, providing further impetus to industrial growth and agricultural expansion. However, total exports declined after 1982 (by 6 per cent in 1983, 8 per cent in 1984 and 2 per cent in 1985)

30/ Based on data from: Central Bank of Jordan: Yearly Statistical Series (1964-89) (October 1989), p. 17.

Figure XIV.   Jordan: use of resources, 1975-1988

Total consumption   Resource gap = Exports – imports

Gross fixed capital formation

Table 41. **Jordan: structure of exports, 1979-1990**
(Percentage of total exports)

	1979	1985	1990
Manufactured exports	17.0	18.7	13.9
Chemicals	5.9	16.4	24.5
Crude materials	23.2	31.7	35.7
Food	20.8	14.6	8.1

Source: Arab Monetary Fund, **Arab Countries: Economic Indicators** (1979-1989 and 1980-1990).

Table 42. **Jordan: real industrial* value-added, 1980-1990**
(Annual average growth rate)

	1980	1984	1990	1980-1987 Average	1988-1990 Average
Real value-added in industry	22.0	14.0	-6.4	3.5	3.0

Source: Annex table 9.

* Industry is defined to include manufacturing, mining and utilities.

Table 43. **Jordan: nominal and real GDP growth rates, 1975-1990**
(Annual percentage change)

	1976-1982 Average	1983-1988 Average	1989-1990 Average
Nominal GDP	23.1	4.3	8.2
Real GDP	11.2	2.2	-5.3

Source: Annex table 9.

Table 43 gives the nominal and real annual growth rates in output. Real GDP grew at an annual average rate of 11.2 per cent during 1976-1982, registering a rate of growth of 21.2 per cent in 1976 and 22.3 per cent after the second rise in oil prices in 1980.

However, the drop in the flow of financial resources affected the momentum of growth after 1982. At the same time, the regional recession adversely affected Jordan's external trade with the GCC countries and led to a decline in economic activity. Jordan responded by cutting down investment and introducing protection measures such as import tariffs to protect domestic producers from the reduction in demand and borrowing internationally. However, the persistence of large budgetary deficits, mounting external debt, and a narrow economic and productive base increased the macroeconomic imbalances in the economy during the 1980s. Real growth slowed considerably during 1983-1988, averaging only 2.2 per cent.

However, Jordan's overall progress during the period 1975-1990 was considerable. It established a vast network of infrastructure and developed the industrial base. The most important achievement of Jordan, however, was perhaps in the social development field (table 44).

Considerable progress was made in the provision of basic needs, including education and health services, which received substantial resources during the 1970s and 1980s. The literacy rate jumped from 47 per cent in 1970 to 74 per cent in 1985, and the combined primary and secondary enrolment ratio was 95 per cent towards the end of the decade. The provision of other basic needs, such as access to safe water and health services, also increased at a rapid rate. By the late 1970s and early 1980s, about two thirds of the population had access to electricity; three fifths had access to safe water, and almost the entire population had access to health services.

CONCLUSIONS

The availability of finance played a major role in the economic development of Jordan during the period 1975-1990. Abundant financial resources during the 1970s and early 1980s provided an opportunity for rapid economic and social development. Jordan took advantage of the opportunities which emerged in the Gulf market for exporting labour, goods and services. Government policies, which were also generally favourable, helped take advantage of the favourable environment in the region through the development of infrastructure, industry and emphasis on developing human resources.

However, rapid economic growth did not do away with the structural weaknesses inherent in the Jordanian economy. The two sectors which were the engine of growth during the 1970s -- construction and manufacturing -- failed to sustain the economy when the flow of external resources diminished. Construction activity -- primarily private residential construction -- was directly linked to the inflow of remittances. This adversely affected domestic downstream industries, such as cement and building materials, thus reducing employment and output.

The scope of the industrial sector remained narrow and concentrated in potash, fertilizers, cement and consumer goods, which were affected by the recession in the region. Jordanian export markets were also extremely concentrated in a number of neighbouring countries, rendering export earnings highly vulnerable to conditions in these markets.

Table 44.   Jordan: development indicators, 1975-1990

	Jordan (Year)	Other developing (Year)	Countries (Year)a/
Literacy rate (percentage)	47 (1970)	74 (1985)	71 (1985)
Enrolment ratio (primary and secondary)	..	95 (1986-1988)	83 (1987)
Population/physician (number)	3775 (1970)	1140 (1984)	1500 (1984)
Life expectancy (years)	46.9 (1960)	66.9 (1990)	68.6 (1990)
Under-5 mortality rate (per 1000 live births)	217 (1960)	55 (1989)	57 (1989)
Population with access to health services (percentage)	..	97 (1985-1987)	77 (1985-1987)
Access of population to electricity (percentage)	17.0 (1960)	66.0 (1978-1980)	..
Access of population to safe water (percentage)	21.3 (1960)	61.0 (1978-1980)	75 (1988)

Source: UNDP, Human Development Report 1991, pp. 120 and 123; The World Bank, Jordan: Special Economic Report. Jordan Review of the Five-Year Plan (1981-85).

.. = Not available.

a/ Some of these countries are Brazil, the Philippines, Thailand, Turkey, Korea, Ecuador, China, South Africa, and Jamaica, See: UNDP, Human Development Report, 1991, p. 143.

Whereas the economic policies followed by the Government during the time of relative abundance of finance provided a conducive environment for rapid output growth and kept inflationary pressures generally low, an inadequate domestic resource mobilization effort led to the emergence of serious imbalances in the economy later on. Moreover, Jordan placed excessive reliance on borrowing in the international markets to maintain the level of investment and consumption. In the face of adverse external and domestic factors, Jordan continued to borrow abroad instead of cutting back on consumption and increasing the efficiency of investment. This exacerbated the imbalances in the economy, and culminated in the economic difficulties in the late 1980s which led to the adoption of the Economic Reform Programme in 1989 in agreement with the International Monetary Fund.

STATISTICAL ANNEX

Annex table 1. Bahrain: national accounts, 1975-1990

(Millions of dinars)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	Average 1975-82	Average 1983-90
GDP	425.9	593.5	770.0	907.6	1018.2	1158.1	1303.9	1370.8	1404.4	1468.5	1392.9	1198.2	1191.8	1262.9	1305.0	1370.0	943.5	1324.2
Total consumption	235.4	347.9	447.8	522.9	556.1	521.2	616.3	706.2	736.1	804.4	763.3	720.7	764.4	854.1	918.0	964.0	494.2	815.6
Government consumption	64.6	85.2	111.1	132.3	152.1	150.9	188.6	233.3	254.5	302.2	312.8	312.4	310.9	339.9	372.0	391.0	139.8	324.5
Private consumption	170.8	262.7	336.7	390.6	404.0	370.3	427.7	472.9	481.6	502.2	450.5	408.3	453.5	514.2	546.0	573.0	354.5	491.2
Gross fixed capital formation	129.1	249.3	349.6	359.5	329.8	256.9	280.5	451.9	576.1	647.0	487.8	390.8	359.2	344.8	179.0	188.0	300.8	396.6
Increase/decrease in stocks	26.0	18.0	9.0	60.0	92.0	177.0	162.0	45.0	40.0	-22.0	-17.0	-119.0	-70.0	-79.0	..	..	73.6	-33.4
Exports of goods & services	531.5	674.0	817.0	826.7	1050.7	1437.3	1709.8	1631.0	1357.8	1416.9	1392.3	1143.1	1232.5	1138.9	1308.0	1373.0	1084.8	1295.3
Imports of goods & services	-495.7	-695.4	-853.7	-861.0	-1010.6	-1334.6	-1564.8	-1463.7	-1305.4	-1378.1	-1233.0	-937.4	-1094.3	-995.5	-1100.0	-1155.0	-1034.9	-1149.8
Domestic savings	190.5	245.6	322.2	384.7	462.1	636.9	687.6	664.6	668.3	664.1	629.6	477.5	427.4	408.8	387.0	406.0	449.3	508.6
Net factor income/payments	..	..	..	..	..	-46.6	-15.0	-38.0	-60.8	-57.5	-109.7	-113.1	-107.7	-168.0	..	..	-12.5	-77.1
National savings	..	..	..	..	..	590.3	672.6	626.6	607.5	606.6	519.9	364.4	319.7	240.8	..	..	236.2	332.4
Memorandum:																		
Domestic savings/GDP	44.7	41.4	41.8	42.4	45.4	55.0	52.7	48.5	47.6	45.2	45.2	39.9	35.9	32.4	29.7	29.6	46.5	38.2
Growth in domestic savings	..	28.9	31.2	19.4	20.1	37.8	8.0	-3.3	0.6	-0.6	-5.2	-24.2	-10.5	-4.4	-5.3	4.9	20.3	-5.6
GDP deflator (1985=100)	47.5	53.5	60.5	66.0	74.8	79.9	95.1	108.4	103.3	102.6	100.0	85.5	85.8	85.2	97.7	98.6	73.2	94.6
GDP 1985 prices	896.6	1109.3	1272.7	1375.2	1361.2	1449.4	1371.1	1264.6	1359.5	1431.3	1392.9	1401.4	1389.0	1482.3	1335.7	1389.5	1262.5	1397.7
Growth in:																		
Nominal GDP	..	39.4	29.7	17.9	12.2	13.7	12.6	5.1	2.5	4.6	-5.1	-14.0	-0.5	6.0	3.3	5.0	18.7	0.2
Real GDP	..	23.7	14.7	8.0	-1.0	6.5	-5.4	-7.8	7.5	5.3	-2.7	0.6	-0.9	6.7	-9.9	4.0	5.5	1.3

Source: International Monetary Fund. International Financial Statistics Yearbook 1992. Data for 1989-1990 are from the Arab Monetary Fund, National Accounts of Arab Countries 1980-1990.
GDP for 1989-1990 deflated by the consumer price index.
.. = Not available.

Annex table 2. Kuwait: national accounts, 1975-1990

(Millions of dinars)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	----Average----	
																	1975-82	1983-90
GDP	3485.0	3837.0	4052.0	4264.0	6862.0	7755.0	7039.0	6214.0	6083.0	6425.0	6450.0	5141.0	6154.0	5586.0	6779.0	4461.0	5438.5	5884.9
Total consumption	1142.0	1459.0	1949.0	2094.0	2498.0	3190.0	3623.0	4534.0	3936.0	4080.0	4529.0	4086.0	4192.0	4339.0	4765.0	3140.0	2561.1	4133.4
Government consumption	386.0	432.0	586.0	616.0	764.0	865.0	993.0	1190.0	1287.0	1345.0	1445.0	1403.0	1369.0	1351.0	1603.0	1060.0	729.0	1357.9
Private consumption	756.0	1027.0	1363.0	1478.0	1734.0	2325.0	2630.0	3344.0	2649.0	2735.0	3084.0	2683.0	2823.0	2988.0	3162.0	2080.0	1832.1	2775.5
Gross fixed capital formation	418.0	563.0	815.0	794.0	790.0	973.0	1073.0	1297.0	1473.0	1359.0	1277.0	1127.0	1011.0	960.0	1292.0	881.0	840.4	1172.5
Increase/decrease in stocks	26.0	72.0	129.0	69.0	144.0	105.0	89.0	129.0	-18.0	-8.0	-61.0	23.0	-10.0	20.0	44.0	..	95.4	-1.3
Exports of goods & services	2806.0	2992.0	2918.0	3008.0	5333.0	6065.0	4855.0	3386.0	3597.0	3862.0	3462.0	2403.0	3275.0	2746.0	3725.0	2450.0	3920.4	3190.0
Imports of goods & services	-907.0	-1250.0	-1760.0	-1700.0	-1902.0	-2577.0	-2601.0	-3132.0	-2904.0	-2868.0	-2757.0	-2498.0	-2314.0	-2479.0	-3047.0	-2010.0	-1978.6	-2609.6
Domestic savings	2343.0	2378.0	2103.0	2170.0	4364.0	4565.0	3416.0	1680.0	2147.0	2345.0	1921.0	1055.0	1962.0	1247.0	2014.0	1321.0	2877.4	1751.5
Net Factor income/payments	224.0	441.0	506.0	717.0	873.0	1310.0	2137.0	1709.0	1459.0	1470.0	1388.0	2182.0	1504.0	1978.0	2375.0	..	989.6	1544.5
National savings	2567.0	2819.0	2609.0	2887.0	5237.0	5875.0	5553.0	3389.0	3606.0	3815.0	3309.0	3237.0	3466.0	3225.0	4389.0	..	3667.0	3130.9
Memorandum:																		
Domestic savings/GDP	67.2	62.0	51.9	50.9	63.6	58.9	48.5	27.0	35.3	36.5	29.8	20.5	31.9	22.3	29.7	29.6	53.8	29.5
Growth in domestic savings	..	1.5	-11.6	3.2	101.1	4.6	-25.2	-50.8	27.8	9.2	-18.1	-45.1	86.0	-36.4	61.5	-34.4	3.3	6.3
GDP deflator (1985=100)	42.5	43.9	47.5	46.6	65.9	93.6	104.8	104.8	95.0	95.4	100.0	73.4	91.6	80.3	106.6	108.7	68.7	93.9
GDP 1985 prices	8200.0	8740.3	8530.5	9150.2	10412.7	8285.3	6716.6	5929.4	6403.2	6734.8	6450.0	7004.1	6718.3	6956.4	6359.3	4104.0	9245.6	6341.3
Growth in:																		
Nominal GDP	..	10.1	5.6	5.2	60.9	13.0	-9.2	-11.7	-2.1	5.6	0.4	-20.3	19.7	-9.2	21.4	-34.2	10.6	-2.3
Real GDP	..	6.6	-2.4	7.3	13.8	-20.4	-18.9	-11.7	8.0	5.2	-4.2	8.6	-4.1	3.5	-8.6	-35.5	-3.7	-3.4

Source: International Monetary Fund, International Financial Statistics Yearbook 1992. Data for 1989-1990 are from the Arab Monetary Fund, National Accounts of Arab Countries 1980-1990.
GDP for 1989-1990 deflated by the consumer price index.

.. = Not available.

Annex Table 3. Saudi Arabia: national accounts, 1975-1990

(Billions of riyals)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	Average 1975-82	Average 1983-90
GDP	136.6	164.5	205.1	225.4	326.9	490.9	561.1	458.1	373.4	351.4	313.9	271.4	275.4	285.2	310.8	348.4	321.1	316.2
Total consumption	33.9	52.8	75.3	101.6	171.2	191.5	247.3	282.3	286.0	280.5	273.0	246.6	243.2	236.8	241.6	270.6	144.5	259.8
Government consumption	15.9	28.9	41.0	47.0	77.6	82.9	116.1	131.1	126.6	121.1	114.4	106.4	107.7	97.4	96.6	108.2	67.6	109.8
Private consumption	18.0	23.9	34.3	54.6	93.6	108.6	131.2	151.2	159.4	159.4	158.6	140.2	135.5	139.4	145.0	162.4	76.9	150.0
Gross fixed capital formation	14.7	33.5	51.2	66.9	85.2	103.2	120.3	118.9	109.4	96.5	76.3	66.1	65.2	56.9	60.4	75.5	74.2	75.8
Increase/decrease in stocks	0.8	0.8	0.8	7.6	-7.7	-1.6	-10.5	-4.2	19.6	19.6	-10.6	-12.3	-12.9	2.7	6.8	..	-1.8	1.6
Exports of goods and services	114.5	120.3	140.3	140.8	206.9	347.4	391.6	266.5	171.7	145.5	113.2	86.0	99.1	103.1	118.2	132.4	216.0	121.2
Imports of goods and services	-27.3	-42.9	-62.7	-91.5	-128.7	-149.4	-187.6	-205.5	-212.8	-190.6	-137.9	-115.2	-119.2	-114.4	-116.2	-130.0	-112.0	-142.0
Domestic savings	102.7	111.7	129.8	123.8	155.7	299.4	313.8	175.8	87.4	70.9	40.9	24.8	32.2	48.4	69.2	77.8	176.6	56.5
Net factor income/payments	-14.2	0.9	2.7	-3.2	-6.6	-12.2	-1.8	20.4	23.2	na	13.6	18.6	17.4	19.5	11.7	..	-1.8	13.0
National savings	88.5	112.6	132.5	120.6	149.1	287.2	312.0	196.2	110.6	70.9	54.5	43.4	49.6	67.9	80.9	..	174.8	59.7
Memorandum:																		
Domestic savings/GDP	75.2	67.9	63.3	54.9	47.6	61.0	55.9	38.4	23.4	20.2	13.0	9.1	11.7	17.0	22.3	22.3	58.0	17.4
Growth in domestic savings	..	8.8	16.2	-4.6	25.8	92.3	4.8	-44.0	-50.3	-18.9	-42.3	-39.4	29.8	50.3	43.0	12.4	14.2	-1.9
GDP deflator (1985=100)	57.2	59.9	70.4	72.6	95.6	133.0	149.5	122.1	111.7	107.4	100.0	81.8	84.3	81.1	88.3	99.1	95.0	94.2
GDP 1985 prices	238.8	274.6	291.3	310.5	341.9	369.1	375.3	375.2	334.3	327.2	313.9	331.8	326.7	351.7	352.0	351.6	322.1	336.1
Growth in:																		
Nominal GDP	..	20.4	24.7	9.9	45.0	50.2	14.3	-18.4	-18.5	-5.9	-10.7	-13.5	1.5	3.6	9.0	12.1	20.9	-2.8
Real GDP	..	15.0	6.1	6.6	10.1	7.9	1.7	-0.0	-10.9	-2.1	-4.1	5.7	-1.5	7.6	0.1	-0.1	6.8	-0.7

Source: International Monetary Fund, International Financial Statistics Yearbook 1992. Data for 1990 are from the Arab Monetary Fund, National Accounts of Arab Countries 1980-1990.
GDP for 1990 deflated by the consumer price index.
  .. = Not available.

Annex table 4.   United Arab Emirates: national accounts, 1975-1990

(Billions of dirhams)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	Average 1975-82	Average 1983-90
GDP	39.5	51.0	63.4	60.7	80.0	109.8	121.1	112.4	102.9	101.8	99.4	79.5	87.3	87.1	100.9	124.0	79.7	97.9
Total consumption	9.5	12.3	19.0	20.7	24.8	31.0	46.4	48.8	46.5	45.2	47.8	49.1	51.6	57.2	62.3	68.1	26.6	53.5
Government consumption	3.3	4.6	7.4	8.2	9.6	12.0	21.5	22.0	19.0	17.7	19.5	17.5	17.8	18.5	19.8	20.2	11.1	18.8
Private consumption	6.2	7.7	11.6	12.5	15.2	19.0	24.9	26.8	27.5	27.5	28.3	31.6	33.8	38.7	42.5	47.9	15.5	34.7
Gross fixed capital formation	12.1	16.6	22.7	25.8	28.4	30.1	30.6	31.7	31.7	29.1	24.5	23.4	20.3	20.8	23.5	25.3	24.8	24.8
Increase/decrease in stocks	0.0	0.4	2.1	-2.3	-0.8	1.0	1.2	0.5	0.5	0.3	0.5	0.5	0.6	0.9	..	..	0.3	0.4
Exports of goods and services	29.5	36.6	41.8	40.2	57.2	85.6	83.7	71.6	60.9	59.8	57.7	37.9	48.5	46.8	59.8	81.1	55.8	56.6
Imports of goods and services	-11.6	-14.8	-22.3	-23.9	-29.7	-37.9	-40.8	-40.2	-36.7	-32.7	-31.3	-31.7	-34.0	-38.8	-44.7	-50.6	-27.7	-37.6
Domestic savings	30.0	38.7	44.4	40.0	55.2	78.8	74.7	63.6	56.4	56.6	51.6	30.4	35.7	29.9	38.6	55.9	53.2	44.4
Memorandum:																		
Domestic savings/GDP	75.9	75.9	70.0	65.9	69.0	71.8	61.7	56.6	54.8	55.6	51.9	38.2	40.9	34.3	38.3	45.1	68.3	44.9
Growth in domestic savings	..	27.6	50.7	7.2	24.3	27.6	7.7	-1.5	-8.7	-10.9	-4.3	1.3	7.3	14.1	15.2	13.2	20.5	3.4
GDP deflator (1985=100)	77.5	87.0	92.1	90.3	95.1	103.4	110.9	112.2	105.5	99.9	100.0	101.5	107.7	107.6	112.8	..	96.1	105.0
GDP 1985 prices	51.0	58.6	68.8	67.2	84.1	106.2	109.2	100.2	97.5	101.9	99.4	78.3	81.1	80.9	89.5	..	80.7	89.6
Growth in:																		
Nominal GDP	..	29.1	24.3	-4.3	31.8	37.3	10.3	-7.2	-8.5	-1.1	-2.4	-20.0	9.8	-0.2	15.8	22.9	17.3	2.1
Real GDP	..	15.0	17.4	-2.4	25.1	26.2	2.8	-6.3	-2.6	4.5	-2.5	-21.2	3.5	-0.1	10.5	..	10.9	-1.1

Source: International Monetary Fund, International Financial Statistics Yearbook 1992. Data for 1990 are from the Arab Monetary Fund, National Accounts of Arab Countries 1980-1990.

.. = Not available.

Annex table 5. Oman: national accounts, 1975-1990

(Millions of riyals)

| | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | ---Average--- | |
																	1975-82	1983-90
GDP	724.2	884.3	946.8	946.9	1289.9	2047.3	2491.5	2614.6	2740.9	3047.7	3453.8	2800.4	3002.6	2925.9	3230.6	4084.0	1493.2	3160.7
Total consumption	344.1	422.5	514.7	582.6	692.1	1076.0	1247.0	1509.9	1582.0	1746.5	2063.7	1949.0	1843.3	2135.8	2260.4	2697.7	798.6	2034.8
Government consumption	229.0	240.9	268.5	272.3	354.7	499.2	656.4	715.2	779.8	808.0	938.1	929.0	913.7	956.0	975.6	1165.2	404.5	933.2
Private consumption	115.1	181.6	246.2	310.3	337.4	576.8	590.6	794.7	802.2	938.5	1125.6	1020.0	929.6	1179.8	1284.8	1532.5	394.1	1101.6
Gross fixed capital formation	258.0	317.1	289.9	273.5	335.4	465.7	583.5	706.7	736.9	913.2	953.1	898.4	564.3	511.1	441.4	507.3	403.7	690.7
Increase/decrease in stocks																		
Exports of goods and services	489.2	551.2	559.4	552.0	787.4	1294.6	1625.0	1532.0	1475.0	1532.0	1722.0	1098.0	1468.0	1290.0	1560.0	2114.0	923.9	1532.4
Imports of goods and services	-367.1	-406.5	-417.0	-461.2	-525.0	-789.0	-964.0	-1134.0	-1053.0	-1144.0	-1285.0	-1145.0	-873.0	-1011.0	-1034.0	-1235.0	-633.0	-1097.5
Domestic savings	380.1	461.8	432.1	364.3	597.8	971.3	1244.5	1104.7	1158.9	1301.2	1390.1	851.4	1159.3	790.1	970.2	1386.3	694.6	1125.9
Net factor income/payments	-134.9	-147.9	-130.2	-111.0	-137.3	-212.0	-235.0	-238.0	-297.0	-350.0	-399.0	-336.0	-281.0	-406.0	-406.0	-430.0	-168.3	-363.1
National savings	245.2	313.9	301.9	253.3	460.5	759.3	1009.5	866.7	861.9	951.2	991.1	515.4	878.3	384.1	564.2	956.3	526.3	762.8
Memorandum:																		
Domestic savings/GDP	52.5	52.2	45.6	38.5	46.3	47.4	49.9	42.3	42.3	42.7	40.2	30.4	38.6	27.0	30.0	33.9	46.9	35.7
Growth in domestic savings	..	21.5	-6.4	-15.7	64.1	62.5	28.1	-11.2	4.9	12.3	6.8	-38.8	36.2	-31.8	22.8	42.9	20.4	6.9
GDP deflator (1985=100)	74.8	78.8	71.7	61.0	79.4	119.2	123.9	116.6	105.4	100.4	100.0	78.5	87.3	80.3	87.6	..	90.7	91.4
GDP 1985 prices	968.2	1122.2	1320.5	1552.3	1624.6	1717.5	2010.9	2242.4	2600.5	3035.6	3453.8	3567.4	3439.4	3643.7	3687.9	..	1569.8	3346.9
Growth in:																		
Nominal GDP	..	22.1	7.1	0.0	36.2	58.7	21.7	4.9	4.8	11.2	13.3	-18.9	7.2	-2.6	10.4	26.4	21.5	6.5
Real GDP	..	15.9	17.7	17.6	4.7	5.7	17.1	11.5	16.0	16.7	13.8	3.3	-3.6	5.9	1.2	..	12.9	7.6

Source: International Monetary Fund, International Financial Statistics Yearbook 1992. Data for 1990 are from the Arab Monetary Fund, National Accounts of Arab Countries 1980-1990.

.. = Not available.

Annex table 6. Egypt : national accounts, 1975-1991

(Millions of Egyptian pounds)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	Average		
																		1975-82	1983-88	1989-91
GDP	4886.0	6276.0	8210.0	9788.0	12610.0	15470.0	17150.0	20881.0	24834.0	27886.0	32516.0	36039.0	45249.0	54553.0	65577.0	78907.0	98664.0	11908.9	36846.2	81049.3
Total consumption	4494.0	5434.0	6614.0	8105.0	10382.0	13572.0	13995.0	17857.0	20461.0	24147.0	28221.0	31719.0	42277.0	50102.0	61812.0	75120.0	91713.0	10056.6	32821.2	76215.0
Government consumption	1213.0	1571.0	1697.0	1841.0	2044.0	2549.0	2840.0	3430.0	4154.0	4957.0	5712.0	6340.0	6330.0	7373.0	8189.0	9232.0	10225.0	2148.1	5811.0	9215.3
Private consumption	3281.0	3863.0	4917.0	6264.0	8338.0	11023.0	11155.0	14427.0	16307.0	19190.0	22509.0	25379.0	35947.0	42729.0	53623.0	65888.0	81488.0	7908.5	27010.2	66999.7
Gross fixed capital formation	1228.0	1385.0	1625.0	2638.0	3707.0	4062.0	5108.0	5469.0	6399.0	6596.0	7158.0	7209.0	8050.0	13037.0	15029.0	16916.0	19744.0	3177.8	8074.8	17229.7
Increase/decrease in stocks	100.0	195.0	561.0	416.0	593.0	266.0	100.0	100.0	200.0	200.0	200.0	200.0	100.0	150.0	240.0	360.0	420.0	291.4	175.0	340.0
Exports of goods and services	894.0	1034.0	1470.0	1945.0	3349.0	4322.0	5307.0	5618.0	6159.0	6264.0	6442.0	5949.0	8006.0	12944.0	14010.0	18922.0	30008.0	2992.4	7627.3	20980.0
Imports of goods and services	-1831.0	-1772.0	-2260.0	-3316.0	-5421.0	-6410.0	-7361.0	-8163.0	-8385.0	-9321.0	-9505.0	-9038.0	-13184.0	-21680.0	-25514.0	-32411.0	-43221.0	-4566.8	-11852.2	-33715.3
Domestic savings	392.0	842.0	1596.0	1683.0	2228.0	1898.0	3155.0	3024.0	4373.0	3739.0	4295.0	4320.0	2972.0	4451.0	3765.0	3787.0	6951.0	1852.3	4025.0	4834.3
Net factor income/payments	148.0	133.0	433.0	983.0	785.0	1685.0	1313.0	466.0	1217.0	2005.0	1681.0	1176.0	2768.0	6730.0	7524.0	..	..	743.3	2596.2	2508.0
National savings	540.0	975.0	2029.0	2666.0	3013.0	3583.0	4468.0	3490.0	5590.0	5744.0	5976.0	5496.0	5740.0	11181.0	11289.0	3787.0	6951.0	2595.5	6621.2	7342.3
Memorandum:																				
Domestic savings/GDP	8.0	13.4	19.4	17.2	17.7	12.3	18.4	14.5	17.6	13.4	13.2	12.0	6.6	8.2	5.7	4.8	7.0	15.1	11.8	5.9
Net factor income/GDP	3.0	2.1	5.3	10.0	6.2	10.9	7.7	2.2	4.9	7.2	5.2	3.3	6.1	12.3	11.5	..	..	5.9	6.5	3.8
National savings/GDP	11.1	15.5	24.7	27.2	23.9	23.2	26.1	16.7	22.5	20.6	18.4	15.3	12.7	20.5	17.2	4.8	7.0	21.0	18.3	9.7
Growth in																				
domestic savings	..	114.8	89.5	5.5	32.4	-14.8	66.2	-4.2	44.6	-14.5	14.9	0.6	-31.2	49.8	-15.4	0.6	83.5	41.3	10.7	22.9
Consumer price index (1985=100)	28.3	31.2	35.2	39.1	43.0	51.8	57.2	65.7	76.2	89.2	100.0	123.9	148.3	174.4	211.5	247.0	295.9	43.9	118.7	251.5
GDP 1985 prices	17265.0	20115.4	23323.9	25033.2	29325.6	29864.9	29982.5	31782.3	32590.6	31262.3	32516.0	29087.2	30511.8	31280.4	31005.7	31946.2	33343.7	25836.6	31226.0	32098.5
Growth in:																				
Nominal GDP	..	28.4	30.8	19.2	28.8	22.7	10.9	21.8	18.9	12.3	16.6	10.8	25.6	20.6	20.2	20.3	25.0	23.2	17.5	21.9
Real GDP	..	16.5	16.0	7.3	17.1	1.6	0.4	6.0	2.5	-4.1	4.0	-10.5	4.9	2.5	-0.9	3.0	4.4	9.3	-0.1	2.2

Source: International Monetary Fund, International Financial Statistics Yearbook 1992.
GDP deflated by the consumer price index due to unavailability of GDP deflator for the period 1975-1982.
.. = Not available.

Annex table 7. Syrian Arab Republic: national accounts, 1975-1990

(Millions of Syrian pounds)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	Average 1975-82	1983-88	1989-90
GDP	20597.0	24725.0	27013.0	32389.0	38974.0	51270.0	65777.0	68788.0	73291.0	75342.0	83225.0	99933.0	127712.0	186047.0	208741.0	278038.0	41191.6	107591.7	243389.5
Total consumption	18028.0	20617.0	23492.0	28808.0	35355.0	45977.0	61912.0	60095.0	64840.0	66200.0	73940.0	88466.0	121441.0	177212.0	183763.0	236321.0	36785.5	98683.2	210042.0
Government consumption	4343.0	4960.0	5293.0	6470.0	8424.0	11870.0	13656.0	15103.0	16154.0	17079.0	19785.0	21440.0	22945.0	24529.0	33433.0	39683.0	8764.9	20322.0	36558.0
Private consumption	13685.0	15657.0	18199.0	22338.0	26931.0	34107.0	48256.0	44992.0	48686.0	49121.0	54155.0	67026.0	98496.0	152683.0	150330.0	196638.0	28020.6	78361.2	173484.0
Gross fixed capital formation	5156.0	7759.0	9597.0	8867.0	10194.0	14116.0	15262.0	16270.0	17286.0	17865.0	19784.0	22443.0	23223.0	25992.0	35093.0	40871.0	10905.1	21098.8	37982.0
Increase/decrease in stocks	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Exports of goods and services	4409.0	4828.0	4908.0	4808.0	7458.0	9345.0	10290.0	9572.0	9714.0	9360.0	10245.0	11256.0	20003.0	31212.0	50597.0	74405.0	6952.3	15298.3	62501.0
Imports of goods and services	-6996.0	-8479.0	-10984.0	-10114.0	-14033.0	-18168.0	-21687.0	-17149.0	-19549.0	-18083.0	-20744.0	-22232.0	-36955.0	-48369.0	-60712.0	-73559.0	-13451.3	-27655.3	-67135.5
Domestic savings	2569.0	4108.0	3521.0	3581.0	3619.0	5293.0	3865.0	8693.0	8451.0	9142.0	9285.0	11467.0	6271.0	8835.0	24978.0	41717.0	4406.1	8906.5	33347.5
Net factor income/payments	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
National savings	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Memorandum:																			
Domestic savings/GDP	12.5	16.6	13.0	11.1	9.3	10.3	5.9	12.6	11.5	12.1	11.2	11.5	4.9	4.7	12.0	15.0	11.4	9.3	13.5
GDP deflator (1985=100)	38.4	42.3	46.9	52.2	60.6	71.1	83.3	85.3	89.6	96.1	100.0	126.3	158.4	203.8	254.0	301.2	60.0	123.0	277.5
GDP 1985 prices	53638.0	58451.5	57597.0	62047.9	64313.5	72109.7	78964.0	80642.4	81798.0	78399.6	83225.0	79123.5	80626.3	91289.0	82181.5	92310.1	65970.5	82410.2	87245.8
Growth in:																			
Nominal GDP	..	20.0	9.3	19.9	20.3	31.5	28.3	4.6	6.5	2.8	10.5	20.1	27.8	45.7	12.2	33.2	19.1	18.9	22.7
Real GDP	..	9.0	-1.5	7.7	3.7	12.1	9.5	2.1	1.4	-4.2	6.2	-4.9	1.9	13.2	-10.0	12.3	6.1	2.3	1.2

Source: International Monetary Fund, International Financial Statistics Yearbook 1992.
.. = Not available.

Annex table 8. Yemen: national accounts, 1975-1990

(Millions of riyals)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988a)	1989a)	1990a)	Average 1975-82	1983-87	1988-90a)
GDP	4935.0	6487.0	8220.0	10181.0	11696.0	12681.0	15980.0	19932.0	21870.0	24756.0	30969.0	38389.0	43559.0	69337.0	84272.7	101882.0	11264.0	31908.6	85163.9
Total consumption	5583.0	8323.0	8894.0	12487.0	14587.0	15917.0	18502.0	23433.0	26074.0	28227.0	34977.0	41814.0	47893.0	73623.8	88658.8	107180.0	13465.8	35797.0	89820.9
Government consumption	661.0	861.0	1242.0	1839.0	2255.0	3007.0	3434.0	4789.0	5225.0	5073.0	5520.0	6086.0	7778.0	16730.0	19729.8	23850.0	2263.5	5936.4	20103.3
Private consumption	4902.0	7462.0	7652.0	10648.0	12332.0	12910.0	15068.0	18644.0	20849.0	23154.0	29457.0	35728.0	40115.0	56893.8	68929.0	83330.0	11202.3	29860.6	69717.6
Gross fixed capital formation	849.0	1496.0	3160.0	3964.0	4406.0	4898.0	5906.0	5698.0	4393.0	4401.0	4547.0	4938.0	6200.0	9875.3	11781.4	14242.0	3797.1	4895.8	11966.2
Increase/decrease in stocks	155.0	-105.0	407.0	30.0	355.0	107.0	219.0	240.0	-148.0	-90.0	-75.0	50.0	150.0	..	..	..	176.0	-22.6	..
Exports of goods and services	214.0	279.0	242.0	474.0	803.0	805.0	999.0	958.0	1126.0	1149.0	1164.0	1155.0	1616.0	10307.2	12661.6	13310.0	596.8	1242.0	12759.6
Imports of goods and services	-1866.0	-3506.0	-4483.0	-6774.0	-8455.0	-9046.0	-9646.0	-10397.0	-9575.0	-8931.0	-9644.0	-9568.0	-12300.0	-24469.3	-28829.1	-34850.0	-6771.6	-10003.6	-29382.6
Domestic savings	-648.0	-1836.0	-674.0	-2306.0	-2891.0	-3236.0	-2522.0	-3501.0	-4204.0	-3471.0	-4008.0	-3425.0	-4334.0	-4286.8	-4386.1	-5298.0	-2201.8	-3888.4	-4657.0
Net factor income/payments	182.0	223.0	357.0	526.0	737.0	552.0	5658.0	6773.0	5998.0	6119.0	6270.0	7255.0	6870.0	..	..	..	1876.0	6502.4	..
National savings	-466.0	-1613.0	-317.0	-1780.0	-2154.0	-2684.0	3136.0	3272.0	1794.0	2648.0	2262.0	3830.0	2536.0	..	..	..	-325.8	2614.0	..
Memorandum																			
Domestic savings/GDP	-13.1	-28.3	-8.2	-22.7	-24.7	-25.5	-15.8	-17.6	-19.2	-14.0	-12.9	-8.9	-9.9	-6.2	-5.2	-5.2	-19.5	-13.0	-5.5
Net factor income/GDP	3.7	3.4	4.3	5.2	6.3	4.4	35.4	34.0	27.4	24.7	20.2	18.9	15.8	..	..	..	12.1	21.4	..
National savings/GDP	-9.4	-24.9	-3.9	-17.5	-18.4	-21.2	19.6	16.4	8.2	10.7	7.3	10.0	5.8	..	..	..	-7.4	8.4	..
GDP deflator (1985=100)	29.0	34.0	42.0	48.0	51.0	53.0	63.0	74.0	76.0	84.0	100.0	113.0	123.0	..	..	..	49.3	99.2	..
GDP 1985 prices	17017.2	19079.4	19571.4	21210.4	22933.3	23926.4	25365.1	26935.1	28776.3	29471.4	30969.0	33972.6	35413.8	..	..	..	22004.8	31720.6	..
Growth in:																			
Nominal GDP	..	31.4	26.7	23.9	14.9	8.4	26.0	24.7	9.7	13.2	25.1	24.0	13.5	59.2	21.5	20.9	22.3	17.1	33.9
Real GDP	..	12.1	2.6	8.4	8.1	4.3	6.0	6.2	6.8	2.4	5.1	9.7	4.2	..	..	..	6.8	5.7	..

Source: Data for 1975 to 1987 for the former Yemen Arab Republic are from International Monetary Fund, International Financial Statistics Yearbook 1992. Data for 1988 to 1990 are for the unified Republic of Yemen from the Arab Monetary Fund, National Accounts of Arab Countries 1980-1990.
a) Data for the period 1988 to 1990 are for the unified Republic of Yemen and are not comparable to the previous years' data.
.. = Not available.

Annex table 9. Jordan: national accounts, 1975-1991

(Millions of Jordanian dinars)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1988a)	1989a)	1990a)	1975-82	Average 1983-88	1989-90
GDP	312.1	421.6	514.2	632.2	753.0	984.3	1164.2	1321.2	1422.7	1498.4	1605.9	1639.8	1686.2	1702.4	2235.0	2403.0	2618.0	762.9	1592.6	2510.5
Total consumption	405.5	518.5	627.1	750.4	957.9	1073.1	1339.1	1545.6	1696.4	1750.8	1806.9	1688.3	1741.5	1758.5	2327.4	2494.0	3061.0	902.2	1740.4	2777.5
Government consumption	110.1	155.9	156.6	190.0	235.3	243.8	285.9	326.1	348.3	376.9	405.2	449.9	459.8	466.2	600.3	615.0	663.0	213.0	417.7	639.0
Private consumption	295.4	362.6	470.5	560.4	722.6	829.3	1053.2	1219.5	1348.1	1373.9	1401.7	1238.4	1281.7	1292.3	1727.1	1879.0	2398.0	689.2	1322.7	2138.5
Gross fixed capital formation	87.9	138.0	197.0	229.1	294.5	397.8	564.8	597.3	502.8	485.6	473.1	459.7	446.0	445.0	465.8	508.0	678.0	313.3	468.7	593.0
Increase/decrease in stocks	0.9	12.2	5.5	-6.1	-14.5	6.3	23.1	22.0	7.3	0.0	16.8	25.3	0.0	0.0	49.1	36.7	41.7	6.2	8.2	39.2
Exports of goods and services	118.9	182.9	228.0	264.6	339.6	468.8	629.8	667.9	637.2	743.2	778.1	630.3	753.5	912.5	892.7	1145.0	1290.0	362.6	742.5	1217.5
Imports of goods and services	-301.1	-430.0	-543.4	-605.8	-824.5	-961.7	-1392.7	-1511.7	-1421.0	-1481.2	-1468.9	-1163.8	-1254.8	-1413.6	-1500.4	-1781.0	-2453.0	-821.4	-1367.2	-2117.0
Domestic savings	-93.4	-96.9	-112.9	-118.2	-204.9	-88.8	-174.9	-224.4	-273.7	-252.4	-201.0	-48.5	-55.3	-56.1	-92.4	-91.0	-443.0	-139.3	-147.8	-267.0
Net factor income/payments	63.9	140.8	145.9	148.8	168.3	205.8	318.5	352.2	347.6	355.2	275.9	279.5	181.6	163.3	799.8	565.0	570.0	193.0	267.2	567.5
National savings	-29.5	43.9	33.0	30.6	-36.6	117.0	143.6	127.8	73.9	102.8	74.9	231.0	126.3	107.2	707.4	474.0	127.0	53.7	119.4	300.5
Memorandum																				
Domestic savings/GDP	-29.9	-23.0	-22.0	-18.7	-27.2	-9.0	-15.0	-17.0	-19.2	-16.8	-12.5	-3.0	-3.3	-3.3	-4.1	-3.8	-16.9	-20.2	-9.7	-10.4
Net factor income/GDP	20.5	33.4	28.4	23.5	22.4	20.9	27.4	26.7	24.4	23.7	17.2	17.0	10.8	9.6	35.8	23.5	21.8	25.4	17.1	22.6
National savings/GDP	-9.5	10.4	6.4	4.8	-4.9	11.9	12.3	9.7	5.2	6.9	4.7	14.1	7.5	6.3	31.7	19.7	4.9	5.2	7.4	12.3
GDP deflator (1985=100)	44.6	49.7	57.0	61.0	69.6	74.4	84.0	91.3	96.0	101.4	100.0	96.3	98.2	103.9	103.9	124.9	136.2	66.5	99.6	130.5
GDP 1985 prices	699.8	848.3	902.1	1036.4	1081.9	1323.0	1386.0	1447.1	1482.0	1477.7	1605.9	1668.2	1717.1	1638.5	2151.1	1923.9	1922.2	1090.6	1598.2	1923.'
Growth in:																				
Nominal GDP	..	35.1	22.0	22.9	19.1	30.7	18.3	13.5	7.7	5.3	7.2	2.1	2.8	1.0	..	7.5	8.9	23.1	4.3	6.2
Real GDP	..	21.2	6.3	14.9	4.4	22.3	4.8	4.4	2.4	-0.3	8.7	3.9	2.9	-4.6	..	-10.6	-0.1	11.2	2.2	-6.3

Source: Data from 1975 to 1988 from Central Bank of Jordan, Yearly Statistical Series (1964-1989). Data for 1989-1990 from the Central Bank of Jordan, Monthly Statistical Bulletin, November, 1992.
Net factor income and transfers for 1989-1990 from International Monetary Fund, Balance of Payments Statistics Yearbook 1992.
a) Break in the series. 1988-1990 data from the International Monetary Fund used to calculate nominal and real GDP growth rates with estimates of net factor income and private transfers data from the balance of payments accounts.
.. = Not available.

Annex table 10. Egypt: consolidated central government revenues, 1975-1989

(Millions of Egyptian pounds)

	1975	1976	1977	1978	1979	1981	1982	1983	1984	1985	1986	1987	1988	1989	Average 1975-82	Average 1983-87	1988-89
Total revenue and grants	2289.0	2529.0	3448.0	3820.0	4686.0	8081.0	9717.0	11077.0	12346.0	13900.0	15882.0	17852.0	20465.0	23624.0	4938.6	14211.4	22044.5
Total revenue	2039.0	2306.0	3388.0	3758.0	4666.0	8072.0	9711.0	10977.0	12345.0	13681.0	15508.0	16765.0	19917.0	22601.0	4848.6	13855.2	21259.0
Current revenue	1985.0	2201.0	3241.0	3716.0	4343.0	7884.0	9110.0	10614.0	11950.0	13026.0	14840.0	15504.0	18911.0	21325.0	4640.0	13186.8	20118.0
Tax revenue	1359.0	1483.0	2490.0	2690.0	3227.0	5006.0	5923.0	6783.0	7233.0	8272.0	9374.0	9823.0	11485.0	13692.0	3168.3	8297.0	12588.5
Direct taxes	482.0	598.0	762.0	1041.0	1279.0	2340.0	2774.0	3236.0	3150.0	3935.0	4752.0	4837.0	5596.0	6624.0	1325.1	3982.0	6110.0
Indirect taxes of which:	877.0	885.0	1728.0	1649.0	1948.0	2666.0	3149.0	3547.0	4083.0	4337.0	4622.0	4986.0	5889.0	7068.0	1843.1	4315.0	6478.5
Taxes on goods and services	245.0	279.0	347.0	450.0	678.0	685.0	824.0	1312.0	1437.0	1541.0	1631.0	1860.0	2102.0	2531.0	501.1	1556.2	2316.5
Customs duties	536.0	486.0	1218.0	976.0	965.0	1583.0	1864.0	1733.0	2034.0	2076.0	2060.0	1931.0	2537.0	2983.0	1089.7	1966.8	2760.0
Other	96.0	120.0	163.0	223.0	305.0	398.0	461.0	502.0	612.0	720.0	931.0	1195.0	1250.0	1554.0	252.3	792.0	1402.0
Non-tax revenue	626.0	718.0	751.0	1026.0	1116.0	2878.0	3187.0	3831.0	4717.0	4754.0	5466.0	5681.0	7426.0	7633.0	1471.7	4889.8	7529.5
Capital revenue	54.0	105.0	147.0	42.0	323.0	188.0	601.0	363.0	395.0	655.0	668.0	1261.0	1006.0	1276.0	208.6	668.4	1141.0
Grants	250.0	223.0	60.0	62.0	20.0	9.0	6.0	100.0	1.0	219.0	374.0	1087.0	548.0	1023.0	90.0	356.2	785.5
GDP	4886.0	6276.0	8210.0	9788.0	12610.0	17150.0	20881.0	24834.0	27886.0	32516.0	36069.0	45249.0	54553.0	65577.0	11400.1	33310.8	60065.0

Source: International Monetary Fund, Government Finance Statistics Yearbook (1986 and 1991).
Notes: direct taxes= income and property taxes; social security contributions. 'Other' indirect taxes include stamp duties, etc.
Non-tax revenue includes fees, fines, motor vehicle taxes, etc.
There is a break in the data in 1981; figures for 1980 are not available.
 ..= Not available.

Annex table 11. Egypt: central government revenues, 1975-1989

(As percentage of GDP)

	1975	1976	1977	1978	1979	1981	1982	1983	1984	1985	1986	1987	1988	1989	Average 1975-82	Average 1983-87	Average 1988-89
Total revenue and grants	46.8	40.3	42.0	39.0	37.2	47.1	46.5	44.6	44.3	42.7	44.0	39.5	37.5	36.0	42.7	43.0	36.8
Total revenue	41.7	36.7	41.3	38.4	37.0	47.1	46.5	44.2	44.3	42.1	43.0	37.1	36.5	34.5	41.2	42.1	35.5
Current revenue	40.6	35.1	39.5	38.0	34.4	46.0	43.6	42.7	42.9	40.1	41.1	34.3	34.7	32.5	39.6	40.2	33.6
Tax revenue	27.8	23.6	30.3	27.5	25.6	29.2	28.4	27.3	25.9	25.4	26.0	21.7	21.1	20.9	27.5	25.3	21.0
Direct taxes	9.9	9.5	9.3	10.6	10.1	13.6	13.3	13.0	11.3	12.1	13.2	10.7	10.3	10.1	10.9	12.1	10.2
Indirect taxes	17.9	14.1	21.0	16.8	15.4	15.5	15.1	14.3	14.6	13.3	12.8	11.0	10.8	10.8	16.6	13.2	10.8
of which:																	
Taxes on goods and services	5.0	4.4	4.2	4.6	5.4	4.0	3.9	5.3	5.2	4.7	4.5	4.1	3.9	3.9	4.5	4.8	3.9
Customs duties	11.0	7.7	14.8	10.0	7.7	9.2	8.9	7.0	7.3	6.4	5.7	4.3	4.7	4.5	9.9	6.1	4.6
Other	2.0	1.9	2.0	2.3	2.4	2.3	2.2	2.0	2.2	2.2	2.6	2.6	2.3	2.4	2.2	2.3	2.3
Non-tax revenue	12.8	11.4	9.1	10.5	8.9	16.8	15.3	15.4	16.9	14.6	15.2	12.6	13.6	11.6	12.1	14.9	12.6
Capital revenue	1.1	1.7	1.8	0.4	2.6	1.1	2.9	1.5	1.4	2.0	1.9	2.8	1.8	1.9	1.6	1.9	1.9
Grants	5.1	3.6	0.7	0.6	0.2	0.1	0.0	0.4	0.0	0.7	1.0	2.4	1.0	1.6	1.5	0.9	1.3

Source: Annex table 10.
 ..= Not available.

Annex table 12. Egypt: central government revenues, 1975-1989

(As percentage of total revenue and grants)

	1975	1976	1977	1978	1979	1981	1982	1983	1984	1985	1986	1987	1988	1989	Average 1976-82	Average 1983-87	Average 1988-89
Total revenue and grants	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Total revenue	89	91	98	98	100	100	100	99	100	98	98	94	97	96	97	98	96
Current revenue	87	87	94	97	93	98	94	96	97	94	93	87	92	90	93	93	91
Tax revenue	59	59	72	70	69	62	61	61	59	60	59	55	56	58	65	59	57
Direct taxes	21	24	22	27	27	29	29	29	26	28	30	27	27	28	26	28	28
Indirect taxes	38	35	50	43	42	33	32	32	33	31	29	28	29	30	39	31	29
of which:																	
Taxes on goods and services	11	11	10	12	14	8	8	12	12	11	10	10	10	11	11	11	10
Customs duties	23	19	35	26	21	20	19	16	16	15	13	11	12	13	23	14	13
Other	4	5	5	6	7	5	5	5	5	5	6	7	6	7	5	5	6
Non-tax revenue	27	28	22	27	24	36	33	35	38	34	34	32	36	32	28	35	34
Capital revenue	2	4	4	1	7	2	6	3	3	5	4	7	5	5	4	4	5
Grants	11	9	2	2	0	0	0	1	0	2	2	6	3	4	3	2	4

Source: Annex table 10.

..= Not available.

Annex table 13. Egypt: central government revenues, 1975-1989

(Annual growth rates)

| | 1976 | 1977 | 1978 | 1979 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | ------Average------ | | |
														1976-82	1983-87	1988-89
Total revenue	13	47	11	24	73	20	13	12	11	13	8	19	13	31.4	11.6	16.1
Tax revenue	9	68	8	20	55	18	15	7	14	13	5	17	19	29.7	10.7	18.1
Direct taxes	24	27	37	23	83	19	17	-3	25	21	2	16	18	35.4	12.3	17.0
Indirect taxes	1	95	-5	18	37	18	13	15	6	7	8	18	20	27.5	9.7	19.1
Non-tax revenue	15	5	37	9	158	11	20	23	1	15	4	31	3	38.9	12.6	16.8
Expenditure	30	4	6	35	41	47	-3	19	12	17	3	25	6	27.0	9.7	15.3
GDP	28	31	19	29	36	22	19	12	17	11	25	21	20	27.5	16.8	20.4

Source: Annex table 10.
.. = Not available.

Annex table 14. Egypt: buoyancy of central government revenues, 1976-1989

	1976	1977	1978	1979	1981	1982	1983	1984	1985	1986	1987	1988	1989	Average 1976-82	1983-87	1988-89
Total revenue	0.5	1.5	0.6	0.8	2.0	0.9	0.7	1.0	0.7	1.2	0.3	0.9	0.7	1.1	0.8	0.8
Tax revenue	0.3	2.2	0.4	0.7	1.5	0.8	0.8	0.5	0.9	1.2	0.2	0.8	1.0	1.0	0.7	0.9
Direct taxes	0.8	0.9	1.9	0.8	2.3	0.9	0.9	-0.2	1.5	1.9	0.1	0.8	0.9	1.3	0.8	0.8
Indirect taxes	0.0	3.1	-0.2	0.6	1.0	0.8	0.7	1.2	0.4	0.6	0.3	0.9	1.0	0.9	0.6	0.9
Non-tax revenue	0.5	0.1	1.9	0.3	4.4	0.5	1.1	1.9	0.0	1.4	0.2	1.5	0.1	1.3	0.9	0.8

Source: Annex table 13.
.. = Not available.

Annex table 15. Egypt: central government deficit and financing, 1975-1989

(Millions of pounds)

	1975	1976	1977	1978	1979	1981	1982	1983	1984	1985	1986	1987	1988	1989	Average 1975-82	1983-87	1988-89
Total revenue and grants	2289.0	2529.0	3448.0	3820.0	4686.0	8081.0	9717.0	11077.0	12346.0	13900.0	15882.0	17852.0	20465.0	23624.0	4938.6	14211.4	22044.5
Total revenue	2039.0	2306.0	3388.0	3758.0	4666.0	8072.0	9711.0	10977.0	12345.0	13681.0	15508.0	16765.0	19917.0	22601.0	4848.6	13855.2	21259.0
Tax	1359.0	1483.0	2490.0	2690.0	3227.0	5006.0	5923.0	6783.0	7233.0	8272.0	9374.0	9823.0	11485.0	13692.0	3168.3	8297.0	12588.5
Non-tax	626.0	718.0	751.0	1026.0	1116.0	2878.0	3187.0	3831.0	4717.0	4754.0	5466.0	5681.0	7426.0	7633.9	1471.7	4889.8	7529.5
Grants	250.0	223.0	60.0	62.0	20.0	9.0	6.0	100.0	1.0	219.0	374.0	1087.0	548.0	1023.0	90.0	356.2	785.5
Total expenditure plus lending minus repayments	3227.0	4086.0	4562.0	5060.0	6643.0	9177.0	13271.0	13441.0	15604.0	17339.0	20537.0	20465.0	25180.0	27750.0	6575.1	17477.2	26465.0
Total expenditure	2912.0	3774.0	3911.0	4588.0	6017.0	7898.0	11595.0	11195.0	13361.0	14945.0	17552.0	18091.0	22547.0	23913.0	5813.6	15028.8	23230.0
Current expenditure	2418.0	2662.0	3209.0	3488.0	4516.0	6339.0	9347.0	9637.0	12519.0	12891.0	15054.0	15008.0	18957.0	20116.0	4568.4	13021.8	19536.5
Capital expenditure	494.0	1112.0	702.0	663.0	1074.0	1559.0	2248.0	1558.0	1834.0	2054.0	2498.0	3083.0	3590.0	3797.0	1121.7	2205.4	3693.5
Adjustment to cash expenditure	..	..	..	437.0	427.0	..	..	..	-992.0	..	..	..	..	0.0	123.4	-198.4	0.0
Deficit	-938.0	-1557.0	-1114.0	-1240.0	-1957.0	-1096.0	-3554.0	-2364.0	-3258.0	-3439.0	-4655.0	-2613.0	-4715.0	-4126.0	-1636.6	-3265.8	-4420.5
Memorandum																	
Total financing	938.0	1557.0	1114.0	1246.0	1964.0	1096.0	3554.0	2364.0	3258.0	3439.0	4168.0	2613.0	4715.0	4126.0	1636.4	3168.4	4420.5
Domestic	461.0	917.0	588.0	945.0	1567.0	731.0	3019.0	2034.0	3001.0	2947.0	3945.0	2298.0	5033.0	4551.0	1175.4	2845.0	4792.0
Monetary authorities	125.0	125.0	400.0	517.0	1321.0	48.0	2399.0	1479.0	2467.0	2809.0	4162.0	2759.0	5061.0	4758.0	705.0	2735.2	4909.5
Deposit money banks	183.0	232.0	60.0	409.0	157.0	509.0	432.0	588.0	447.0	252.0	-57.0	-172.0	-361.0	-210.0	283.1	211.6	-285.5
Other	153.0	560.0	128.0	19.0	89.0	174.0	188.0	284.0	424.0	345.0	337.0	328.0	1029.0	784.0	187.3	343.6	906.5
Unallocable domestic amortization	..	..	..	..	..	..	..	-317.0	-337.0	-459.0	-497.0	-617.0	-696.0	-781.0	..	-445.4	-738.5
External	477.0	640.0	526.0	301.0	397.0	365.0	535.0	330.0	257.0	492.0	223.0	315.0	-318.0	-425.0	463.0	323.4	-371.5
GDP	4886.0	6276.0	8210.0	9788.0	12610.0	17150.0	20881.0	24834.0	27886.0	32516.0	36069.0	45249.0	54553.0	65577.0	11400.1	33310.8	60065.0

Source: International Monetary Fund, Government Finance Statistics Yearbook (1986 and 1991).
   .. = Not available.

Annex table 16. Egypt: central government deficit and financing, 1975-1989

(As percentage of GDP)

	1975	1976	1977	1978	1979	1981	1982	1983	1984	1985	1986	1987	1988	1989	Average 1975-82	Average 1983-87	Average 1988-89
Total revenue and grants	46.8	40.3	42.0	39.0	37.2	47.1	46.5	44.6	44.3	42.7	44.0	39.5	37.5	36.0	42.7	43.0	36.8
Total revenue	41.7	36.7	41.3	38.4	37.0	47.1	46.5	44.2	44.3	42.1	43.0	37.1	36.5	34.5	41.2	42.1	35.5
Tax	27.8	23.6	30.3	27.5	25.6	29.2	28.4	27.3	25.9	25.4	26.0	21.7	21.1	20.9	27.5	25.3	21.0
Non-tax	12.8	11.4	9.1	10.5	8.9	16.8	15.3	15.4	16.9	14.6	15.2	12.6	13.6	11.6	12.1	14.9	12.6
Grants	5.1	3.6	0.7	0.6	0.2	0.1	0.0	0.4	0.0	0.7	1.0	2.4	1.0	1.6	1.5	0.9	1.3
Total expenditure plus lending minus repayments	66.0	65.1	55.6	51.7	52.7	53.5	63.6	54.1	56.0	53.3	56.9	45.2	46.2	42.3	58.3	53.1	44.2
Total expenditure	59.6	60.1	47.6	46.9	47.7	46.1	55.5	45.1	47.9	46.0	48.7	40.0	41.3	36.5	51.9	45.5	38.9
Current expenditure	49.5	42.4	39.1	35.6	35.8	37.0	44.8	38.8	44.9	39.6	41.7	33.2	34.7	30.7	40.6	39.6	32.7
Capital expenditure	10.1	17.7	8.6	6.8	8.5	9.1	10.8	6.3	6.6	6.3	6.9	6.8	6.6	5.8	10.2	6.6	6.2
Adjustment to cash expenditure	0.0	0.0	0.0	4.5	3.4	0.0	0.0	0.0	-3.6	0.0	0.0	0.0	0.0	0.0	1.1	-0.7	0.0
Deficit with grants	-19.2	-24.8	-13.6	-12.7	-15.5	-6.4	-17.0	-9.5	-11.7	-10.6	-12.9	-5.8	-8.6	-6.3	-15.6	-10.1	-7.5
Memorandum:																	
Total financing	19.2	24.8	13.6	12.7	15.5	6.4	17.0	9.5	11.7	10.6	11.6	5.8	8.6	6.3	15.6	9.6	7.5
Domestic	9.4	14.6	7.2	9.7	12.4	4.3	14.5	8.2	10.8	9.1	10.9	5.1	9.2	6.9	10.3	8.8	8.1
Monetary authorities	2.6	2.0	4.9	5.3	10.5	0.3	11.5	6.0	8.8	8.6	11.5	6.1	9.3	7.3	5.3	8.2	8.3
Deposit money banks	3.7	3.7	0.7	4.2	1.2	3.0	2.1	2.4	1.6	0.8	-0.2	-0.4	-0.7	-0.3	2.7	0.8	-0.5
Other	3.1	8.9	1.6	0.2	0.7	1.0	0.9	1.1	1.5	1.1	0.9	0.7	1.9	1.2	2.3	1.1	1.5
Unallocable domestic amort- ization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.3	-1.2	-1.4	-1.4	-1.4	-1.3	-1.2	0.0	-1.3	-1.2
External	9.8	10.2	6.4	3.1	3.1	2.1	2.6	1.3	0.9	1.5	0.6	0.7	-0.6	-0.6	5.3	1.0	-0.6

Source: Annex table 15.
   .. = Not available.

Annex table 17. Egypt: central government expenditures, 1975-1989

(Millions of Egyptian pounds)

	1975	1976	1977	1978	1979	1981	1982	1983	1984	1985	1986	1987	1988	1989	Average 1975-82	Average 1983-87	Average 1988-89
Total expenditure plus lending minus repayments	3227.0	4086.0	4562.0	5060.0	6643.0	9177.0	13271.0	13441.0	15604.0	17339.0	20537.0	20465.0	25178.0	27750.0	6575.1	17477.2	26464.0
Total expenditure	2912.0	3774.0	3911.0	4145.0	5583.0	7892.0	11595.0	11195.0	13361.0	14945.0	17552.0	18092.0	22546.0	23913.0	5687.4	15029.0	23229.5
General public services	239.0	298.0	412.0	476.0	321.0	445.0	648.0	778.0	923.0	1041.0	1180.0	599.0	595.0	699.0	405.6	904.2	647.0
Defence	309.0	337.0	342.0	339.0	411.0	1068.0	1476.0	1754.0	2452.0	2787.0	3098.0	4179.0	4035.0	4013.0	611.7	2854.0	4024.0
Social services	775.0	1052.0	1233.0	1298.0	1657.0	2638.0	3742.0	4059.0	4760.0	5458.0	6112.0	7042.0	8990.0	10024.0	1770.7	5486.2	9507.0
Education	262.0	316.0	366.0	469.0	552.0	675.0	1067.0	1194.0	1401.0	1686.0	1920.0	2177.0	2640.0	3201.0	529.6	1675.6	2920.5
Health	78.0	98.0	125.0	147.0	168.0	177.0	278.0	318.0	347.0	389.0	412.0	447.0	549.0	664.0	153.0	382.6	606.5
Social security/housing	435.0	638.0	742.0	682.0	937.0	1786.0	2397.0	2547.0	3012.0	3383.0	3780.0	4418.0	5801.0	6159.0	1088.1	3428.0	5980.0
Economic services	907.0	777.0	674.0	972.0	538.0	549.0	769.0	961.0	1135.0	1262.0	1647.0	1661.0	2010.0	1951.0	740.9	1333.2	1980.5
Agriculture	153.0	126.0	162.0	241.0	301.0	361.0	427.0	526.0	580.0	632.0	716.0	754.0	968.0	1168.0	253.0	641.6	1068.0
Mining, manufacturing, construction	51.0	7.0	12.0	14.0	10.0	14.0	16.0	29.0	25.0	35.0	32.0	22.0	42.0	46.0	17.7	28.6	44.0
Transport and communications	24.0	29.0	47.0	54.0	59.0	106.0	196.0	215.0	269.0	337.0	528.0	674.0	897.0	592.0	73.6	404.6	744.5
Fuel and energy	15.0	38.0	49.0	85.0	125.0	37.0	65.0	96.0	141.0	129.0	232.0	40.0	32.0	44.0	59.1	127.6	38.0
Other economic services	664.0	577.0	404.0	578.0	43.0	31.0	65.0	95.0	120.0	129.0	139.0	171.0	71.0	101.0	337.4	130.8	85.0
Other purposes	682.0	1310.0	1250.0	623.0	2229.0	3192.0	4960.0	3643.0	5083.0	4397.0	5515.0	4611.0	6916.0	7226.0	2035.1	4649.8	7071.0
Emergency fund expenditure	..	..	..	437.0	427.0	..	..	..	-992.0	..	..	..	..	..	123.4	-198.4	0.0
Lending minus repayments	315.0	312.0	651.0	915.0	1060.0	1285.0	1676.0	2246.0	2243.0	2394.0	2985.0	2373.0	2632.0	3637.0	887.7	2448.2	3234.5
Deficit with grants	-938.0	-1557.0	-1114.0	-1240.0	-1957.0	-1096.0	-3554.0	-2364.0	-3258.0	-3439.0	-4655.0	-2613.0	-4713.0	-4126.0	-1636.6	-3265.8	-4419.5
GDP	4886.0	6276.0	8210.0	9788.0	12610.0	17150.0	20881.0	24834.0	27886.0	32516.0	36069.0	45249.0	54553.0	65577.0	11400.1	33310.8	60065.0

Source: International Monetary Fund. Government Finance Statistics Yearbook (1986 and 1991).
Note: Figures for defence expenditures for 1987 to 1989 include expenditures on public safety.
     .. = Not available.

Annex table 18. Egypt: central government expenditures, 1975-1989

(As percentage of GDP)

	1975	1976	1977	1978	1979	1981	1982	1983	1984	1985	1986	1987	1988	1989	Average 1975-82	Average 1983-87	Average 1988-89
Total expenditure plus lending minus repayments	66.0	65.1	55.6	51.7	52.7	53.5	63.6	54.1	56.0	53.3	56.9	45.2	46.2	42.3	58.3	53.1	44.2
Total expenditure	59.6	60.1	47.6	42.3	44.3	46.0	55.5	45.1	47.9	46.0	48.7	40.0	41.3	36.5	50.8	45.5	38.9
General public services	4.9	4.7	5.0	4.9	2.5	2.6	3.1	3.1	3.3	3.2	3.3	1.3	1.1	1.1	4.0	2.8	1.1
Defence	6.3	5.4	4.2	3.5	3.3	6.2	7.1	7.1	8.8	8.6	8.6	9.2	7.4	6.1	5.1	8.5	6.8
Social services	15.9	16.8	15.0	13.3	13.1	15.4	17.9	16.3	17.1	16.8	16.9	15.6	16.5	15.3	15.3	16.5	15.9
Education	5.4	5.0	4.5	4.8	4.4	3.9	5.1	4.8	5.0	5.2	5.3	4.8	4.8	4.9	4.7	5.0	4.9
Health	1.6	1.6	1.5	1.5	1.3	1.0	1.3	1.3	1.2	1.2	1.1	1.0	1.0	1.0	1.4	1.2	1.0
Social security/housing	8.9	10.2	9.0	7.0	7.4	10.4	11.5	10.3	10.8	10.4	10.5	9.8	10.6	9.4	9.2	10.3	10.0
Economic services	18.6	12.4	8.2	9.9	4.3	3.2	3.7	3.9	4.1	3.9	4.6	3.7	3.7	3.0	8.6	4.0	3.3
Agriculture	3.1	2.0	2.0	2.5	2.4	2.1	2.0	2.1	2.1	1.9	2.0	1.7	1.8	1.8	2.3	2.0	1.8
Mining, manufacturing, construction	1.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.2	0.1	0.1
Transport and communications	0.5	0.5	0.6	0.6	0.5	0.6	0.9	0.9	1.0	1.0	1.5	1.5	1.6	0.9	0.6	1.2	1.3
Fuel and energy	0.3	0.6	0.6	0.9	1.0	0.2	0.3	0.4	0.5	0.4	0.6	0.1	0.1	0.1	0.6	0.4	0.1
Other economic services	13.6	9.2	4.9	5.9	0.3	0.2	0.3	0.4	0.4	0.4	0.4	0.4	0.1	0.2	4.9	0.4	0.1
Other purposes	14.0	20.9	15.2	6.4	17.7	18.6	23.6	14.7	18.2	13.5	15.3	10.2	12.7	11.0	16.6	14.4	11.8
Emergency fund expenditure	0.0	0.0	0.0	4.5	3.4	0.0	0.0	0.0	-3.6	0.0	0.0	0.0	0.0	0.0	1.1	-0.7	0.0
Lending minus repayments	6.4	5.0	7.9	9.3	8.4	7.5	8.0	9.0	8.0	7.4	8.3	5.2	4.8	5.9	7.5	7.6	5.3
Deficit with grants	-19.2	-24.8	-13.6	-12.7	-15.5	-6.4	-17.6	-9.5	-11.7	-10.6	-12.9	-5.8	-8.6	-6.3	-15.6	-10.1	-7.5
Memorandum																	
Total financing	19.2	24.8	13.6	12.7	15.6	6.4	17.0	9.5	11.7	10.6	11.6	5.8	8.6	5.3	15.6	9.8	7.5
Domestic	9.4	14.6	7.2	9.7	12.4	4.3	14.5	8.2	10.8	9.1	10.9	5.1	9.2	6.9	10.3	8.8	8.1
Monetary authorities	2.6	2.0	4.9	5.3	10.5	0.3	11.5	6.0	8.8	8.6	11.5	6.1	9.3	7.3	5.3	8.2	8.3
Deposit money banks	3.7	3.7	0.7	4.2	1.2	3.0	2.1	2.4	1.6	0.8	-0.2	-0.4	-0.7	-0.3	2.7	0.8	-0.5
Other	3.1	8.9	1.6	0.2	0.7	1.0	0.9	1.1	1.5	1.1	0.9	0.7	1.9	1.2	2.3	1.1	1.5
Unallocable domestic amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.3	-1.2	-1.4	-1.4	-1.4	-1.3	-1.2	0.0	-1.3	-1.2
External	9.8	10.2	6.4	3.1	3.1	2.1	2.6	1.3	0.9	1.5	0.6	0.7	-0.6	-0.6	5.3	1.0	-0.6
GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source Annex table 17.

..= Not available.

Annex table 19. Egypt: sectoral allocation of central government expenditures, 1975-1989

(As percent of total expenditure plus lending minus repayment)

	1975	1976	1977	1978	1979	1981	1982	1983	1984	1985	1986	1987	1988	1989	Average 1976-82	Average 1983-87	Average 1988-89
Total expenditure plus lending minus repayments	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Total expenditure	90	92	86	82	84	86	87	83	86	86	85	88	90	86	87	86	88
General public services	7	7	9	9	5	5	5	6	6	6	6	3	2	3	7	5	2
Defence	10	8	7	7	6	12	11	13	16	16	15	20	16	14	9	16	15
Social services	24	26	27	26	25	29	28	30	31	31	30	34	36	36	26	31	36
Education	8	8	8	9	8	7	8	9	9	10	9	11	10	12	8	10	11
Health	2	2	3	3	3	2	2	2	2	2	2	2	2	2	2	2	2
Social security/housing	13	16	16	13	14	19	18	19	19	20	18	22	23	22	16	20	23
Economic services	28	19	15	19	8	6	6	7	7	7	8	8	8	7	14	8	8
Agriculture	5	3	4	5	5	4	3	4	4	4	3	4	4	4	4	4	4
Mining,manufacturing,con- struction	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transport and communications	1	1	1	1	1	1	1	2	2	2	3	3	4	2	1	2	3
Fuel and water	0	1	1	2	2	0	0	1	1	1	1	0	0	0	1	1	0
Other economic services	21	14	9	11	1	0	0	1	1	1	-1	1	0	0	8	1	0
Other purposes	21	32	27	12	34	35	37	27	33	25	27	23	27	26	28	27	27
Emergency fund expenditure	0	0	0	9	6	0	0	0	-6	0	0	0	0	0	2	-1	0
Lending minus repayments	10	8	14	18	16	14	13	17	14	14	15	12	10	14	13	14	12
Deficit with grants	-29	-38	-24	-25	-29	-12	-27	-18	-21	-20	-23	-13	-19	-15	-26	-19	-17

Source Annex table 17.
.. = Not available.

Annex table 20. Jordan: budgetary central government revenues, 1975-1991

(Millions of Jordanian dinars)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991a)	Average 1975-82	Average 1983-87	Average 1988-91
Total revenue plus grants	183.2	173.7	264.4	240.2	398.2	435.5	515.5	561.8	597.6	521.1	628.6	658.2	659.1	699.8	827.2	908.3	1032.4	346.6	612.9	866.9
Domestic revenue	82.6	107.5	142.2	158.5	187.9	226.2	309.2	362.2	400.6	415.0	440.8	514.5	531.6	544.4	565.5	744.0	796.1	197.0	460.5	662.5
Tax revenue	58.1	89.0	117.7	123.3	151.1	174.7	233.0	263.1	293.6	305.4	317.3	309.3	325.5	255.9	274.0	383.9	383.0	151.3	310.2	324.2
Direct taxes	9.4	11.4	16.0	22.1	27.8	34.9	48.8	53.8	56.5	60.4	67.4	60.2	60.9	43.3	51.4	114.0	92.0	28.0	61.1	75.2
of which:																				
Income tax	9.3	9.3	13.2	18.6	22.4	26.8	40.0	43.7	46.0	48.7	54.4	47.9	45.3	43.3	51.4	114.0	92.0	22.9	48.5	75.2
Indirect taxes	48.7	77.6	101.7	101.2	123.3	139.8	184.2	209.3	237.1	245.0	249.9	249.1	264.6	212.6	222.6	269.9	291.0	123.2	249.1	249.0
of which:																				
Taxes on goods and services	10.7	9.1	9.9	7.0	10.6	13.2	16.9	24.1	35.3	37.2	45.8	51.6	58.3	61.2	77.5	90.4	97.5	12.7	45.6	81.7
Customs duties	20.9	40.0	64.0	61.4	72.1	78.0	94.1	109.7	120.6	118.0	117.9	112.0	108.5	117.4	103.9	116.7	122.5	67.5	115.4	115.1
Other(licences/fees)	17.1	28.5	27.8	32.8	40.6	48.6	73.2	75.5	81.2	89.8	86.2	85.5	97.8	34.0	41.2	62.8	71.0	43.0	88.1	52.3
Non-tax revenue	24.5	18.5	24.5	35.2	36.8	51.5	76.2	99.1	107.0	109.6	123.5	205.2	206.1	288.5	291.5	360.1	413.1	45.8	150.3	338.3
Grants	100.6	66.2	122.2	81.7	210.3	209.3	206.3	199.6	197.0	106.1	187.8	143.7	127.5	155.4	261.7	164.3	236.3	149.5	152.4	204.4
GDP	312.1	421.6	514.2	632.2	753.0	984.3	1164.2	1321.2	1422.7	1498.4	1605.9	1639.9	1686.3	1702.4	2403.2	2618.4	2805.5	762.9	1570.6	2382.4

Source: Central Bank of Jordan, Yearly Statistical Series (1964-1989) and Monthly Statistical Bulletin, February 1992.

Notes: Non-tax revenue includes fees, fines, motor vehicle taxes, etc.

'Other' tax within, both 'direct taxes' category (which included taxes on property, and stamp duties) and 'indirect tax' category have been merged with non-tax revenues after 1987.

a) Data for 1991 are preliminary.

..= Not available.

Annex table 21. Jordan: central government revenues, 1975-1991

(As percentage of GDP)

| | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | ------Average------ | | |
																		1975-82	1983-87	1988-91
Total revenue and grants	59	41	51	38	53	44	44	43	42	35	39	40	39	41	34	35	37	46.7	39.0	36.8
Domestic revenue	26	25	28	25	25	23	27	27	28	28	27	31	32	32	24	28	28	25.8	29.2	28.1
Tax revenue	19	21	23	20	20	18	20	20	21	20	20	19	19	15	11	15	14	20.0	19.8	13.7
Direct taxes	3	3	3	3	4	4	4	4	4	4	4	4	4	3	2	4	3	3.5	3.9	3.1
of which:																				
Income taxes	3	2	3	3	3	3	3	3	3	3	3	3	3	3	2	4	3	2.9	3.1	3.1
Indirect taxes	16	18	20	16	16	14	16	16	17	16	16	15	16	12	9	10	10	16.5	15.9	10.6
of which:																				
Taxes on goods and services	3	2	2	1	1	1	1	2	2	2	3	3	3	4	3	3	3	1.8	2.9	3.4
Customs duties	7	9	12	10	10	8	8	8	8	8	7	7	6	7	4	4	4	9.0	7.4	5.0
Other (licences,fees)	5	7	5	5	5	5	6	6	6	6	5	5	6	2	2	2	3	5.6	5.6	2.2
Non-tax revenue	8	4	5	6	5	5	7	8	8	7	8	13	12	17	12	14	15	5.8	9.5	14.4
Grants	32	16	24	13	28	21	18	15	14	7	12	9	8	9	11	6	8	20.8	9.8	8.7

Source: Annex table 20.
..= Not available.

Annex table 22. Jordan: central government revenues, 1975-1991

(As percentage of total revenue and grants)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991a)	Average 1975-82	Average 1983-87	Average 1988-91
Total revenue and grants	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Domestic revenue	45	62	54	66	47	52	60	64	67	80	70	78	81	78	68	82	77	56	75	76
Tax revenue	32	51	45	51	38	40	45	47	49	59	50	47	49	37	33	42	37	44	51	37
Direct taxes	5	7	6	9	7	8	9	10	9	12	11	9	9	6	6	13	9	8	10	8
of which:																				
Income taxes	5	5	5	8	6	6	8	8	8	9	9	7	7	6	6	13	9	6	8	8
Indirect taxes	27	45	38	42	31	32	36	37	40	47	40	38	40	30	27	30	28	36	41	29
of which:																				
Taxes on goods and services	6	5	4	3	3	3	3	4	6	7	7	8	9	9	9	10	9	4	7	9
Customs duties	11	23	24	26	18	18	18	20	20	23	19	17	16	17	13	13	12	20	19	14
Other (licences, fees)	9	16	11	14	10	11	14	13	14	17	14	13	15	5	5	7	7	12	14	6
Non-tax revenue	13	11	9	15	9	12	15	18	18	21	20	31	31	41	35	40	40	13	24	39
Grants	55	38	46	34	53	48	40	36	33	20	30	22	19	22	32	18	23	44	25	24

Source: Annex table 20.
a) Data for 1991 are preliminary.
.. = Not available.

Annex table 23. Jordan: central government revenues, 1976-1991

(Annual growth rates)

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991a)	Average 1976-82	Average 1983-87	Average 1988-91
Total revenue and grants	-5	52	-9	66	9	18	9	6	-13	21	5	0	6	18	10	14	20	4	12
Domestic revenue	30	32	11	19	20	37	17	11	4	6	17	3	2	4	32	7	24	8	11
Tax revenue	53	32	5	23	16	33	13	12	4	4	-3	5	-21	7	40	-0	25	4	6
Direct taxes	21	40	38	26	26	40	10	5	7	12	-11	1	-29	19	122	-19	29	3	23
of which:																			
Income taxes	0	42	41	20	20	49	9	5	6	12	-12	-5	-4	19	122	-19	26	1	29
Indirect taxes	59	31	-0	22	13	32	14	13	3	2	-0	6	-20	5	21	8	24	5	4
of which:																			
Taxes on goods and services	-15	9	-29	51	25	28	43	46	5	23	13	13	5	27	17	8	16	20	14
Customs duties	91	60	-4	17	8	21	17	10	-2	-0	-5	-3	8	-11	12	5	30	-0	3
Other (licences,fees)	67	-2	18	24	20	51	3	8	11	-4	-1	14	-65	21	52	13	26	6	5
Non-tax revenue	-24	32	44	5	40	48	30	8	2	13	66	0	40	1	24	15	25	18	20
Grants	-34	85	-33	157	-0	-1	-3	-1	-46	77	-23	-11	22	68	-37	44	24	-1	24
GDP	35	22	23	19	31	18	13	8	5	7	2	3	1	41	9	7	23	5	15

Source: Annex table 20.
a) Data for 1991 are preliminary.
  .. = Not available.

Annex table 24. Jordan: buoyancy of central government revenues, 1976-1991

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991a)	Average 1976-82	Average 1983-87	Average 1988-91
Total revenue and grants	-0.1	2.4	-0.4	3.4	0.3	1.0	0.7	0.8	-2.4	2.9	2.2	0.0	6.5	0.4	1.1	1.9	1.0	0.7	2.5
Domestic revenue	0.9	1.5	0.5	1.0	0.7	2.0	1.3	1.4	0.7	0.9	7.9	1.2	2.5	0.1	3.5	1.0	1.1	2.4	1.8
Tax revenue	1.5	1.5	0.2	1.2	0.5	1.8	1.0	1.5	0.8	0.5	-1.2	1.9	-22.4	0.2	4.5	-0.0	1.1	0.7	-4.4
Direct taxes	0.6	1.8	1.7	1.3	0.8	2.2	0.8	0.7	1.3	1.6	-5.0	0.4	-30.3	0.5	13.6	-2.7	1.3	-0.2	-4.7
of which:																			
Income taxes	0.0	1.9	1.8	1.1	0.6	2.7	0.7	0.7	1.1	1.6	-5.6	-1.9	-4.6	0.5	13.6	-2.7	1.3	-0.8	1.7
Indirect taxes	1.7	1.4	-0.0	1.1	0.4	1.7	1.0	1.7	0.6	0.3	-0.2	2.2	-20.6	0.1	2.4	1.1	1.1	0.9	-4.3
of which:																			
Taxes on goods and services	-0.4	0.4	-1.3	2.7	0.8	1.5	3.2	6.0	1.0	3.2	6.0	4.6	5.2	0.6	1.9	1.1	1.0	4.2	2.2
Customs duties	2.6	2.7	-0.2	0.9	0.3	1.1	1.2	1.3	-0.4	-0.0	-2.4	-1.1	8.6	-0.3	1.4	0.7	1.2	-0.5	2.6
Other (licences, fees)	1.9	-0.1	0.8	1.2	0.6	2.8	0.2	1.0	2.0	-0.6	-0.4	5.1	-68.3	0.5	5.9	1.8	1.1	1.4	-15.0
Non-tax revenue	-0.7	1.5	1.9	0.2	1.3	2.6	2.2	1.0	0.5	1.8	31.2	0.2	41.9	0.0	2.6	2.1	1.3	6.9	11.6
Grants	-1.0	3.9	-1.4	8.2	-0.0	-0.1	-0.2	-0.2	-8.7	10.7	-11.1	-4.0	22.9	1.7	-4.2	6.1	1.3	-2.6	6.6

Source: Annex table 23.
a) Data for 1991 are preliminary.
.. = Not available.

Annex table 25. Jordan: central government budget, 1975-1991

(Millions of Jordanian dinars)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991a)	Average 1975-82	1983-87	1988-91
Revenue and grants	183.2	173.7	264.4	240.2	398.2	435.5	515.5	561.8	597.6	521.1	628.6	658.2	659.1	699.8	827.2	908.3	1032.4	346.6	612.9	866.9
Domestic revenue	82.6	107.5	142.2	158.5	187.9	226.2	309.2	362.2	400.6	415.0	440.8	514.5	531.6	544.4	565.5	744.0	796.1	197.0	460.5	662.5
Expenditures	204.9	262.5	337.9	361.5	515.6	563.2	647.1	693.6	705.3	720.8	805.7	981.3	965.9	1053.9	1102.3	1120.1	1251.1	448.3	835.8	1131.9
Current expenditures	125.7	185.9	195.6	212.9	321.3	336.1	391.5	443.0	453.7	488.1	542.5	570.5	602.7	669.5	749.7	841.4	909.8	276.5	531.5	792.6
Capital expenditures	79.2	76.6	142.3	148.6	194.3	227.1	255.6	250.6	251.6	232.7	263.2	410.8	363.2	384.4	352.6	278.7	341.3	171.8	304.3	339.3
Deficit with grants	-21.7	-88.8	-73.5	-121.3	-117.4	-127.7	-131.6	-131.8	-107.7	-199.7	-177.1	-323.1	-306.8	-354.1	-275.1	-211.8	-218.7	-101.7	-222.9	-264.9
Memorandum																				
Domestic revenue as per cent of current expenditures	66	58	73	74	58	67	79	82	88	85	81	90	88	81	75	88	88	70	87	83
Deficit as per cent of GDP	-7	-21	-14	-19	-16	-13	-11	-10	-8	-13	-11	-20	-18	-21	-11	-8	-8	-14	-14	-12

Source: Central Bank of Jordan, Yearly Statistical Series (1964-1989), October 1989 and Monthly Statistical Bulletin, February 1992.
a) Data for 1991 are preliminary.
.. = Not available.

Annex table 26. Jordan: central government capital expenditures, 1975-1991

(Millions of Jordanian dinars)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991a)	Average 1975-82	Average 1983-87	Average 1988-91
Total capital expenditures	79.2	76.6	142.3	148.6	194.3	227.1	255.6	250.6	251.6	232.7	263.2	410.8	363.2	384.4	352.6	278.7	341.3	171.8	304.3	339.3
General public services b)	26.7	22.0	34.2	29.7	53.1	61.0	84.1	73.8	93.9	92.4	106.2	233.3	193.2	224.2	203.0	135.7	196.6	48.1	143.8	189.9
Social services	3.4	5.8	5.5	5.5	8.8	10.2	12.3	18.3	6.9	5.1	5.5	6.5	9.3	8.5	5.0	10.4	10.6	8.7	6.7	8.6
Economic services	44.3	37.0	89.6	97.8	104.2	131.2	138.8	137.1	130.6	122.5	144.4	162.9	148.8	141.9	140.7	129.1	130.7	97.5	141.8	135.6
Communications and transportation services	4.8	11.8	13.0	15.6	28.2	24.7	20.4	21.4	20.2	12.7	7.1	8.1	11.9	9.8	3.9	3.5	3.4	17.5	12.0	5.2

Source: Central Bank of Jordan, Yearly Statistical Series (1964-1989), October 1989 and Central Bank of Jordan, Monthly Statistical Bulletin, February 1992. p 49.
a) Data for 1991 are preliminary.
b) includes general administration; internal order and security; international affairs; finance administration; and culture and information services
.. = Not available.

Annex table 27. Jordan: central government capital expenditures, 1975-1991

(As percentage of GDP)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991a)	Average		
																		1975-82	1983-87	1988-91
Total capital expenditure	25	18	28	24	26	23	22	19	18	16	16	25	22	23	15	11	12	23.1	19.2	15.0
General public services b)	9	5	7	5	7	6	7	6	7	6	7	14	11	13	8	5	7	6.4	9.0	8.5
Social services	1	1	1	1	1	1	1	1	0	0	0	0	1	0	0	0	0	1.1	0.4	0.4
Economic services	14	9	17	15	14	13	12	10	9	8	9	10	9	8	6	5	5	13.2	9.0	5.9
Communications and transportation services	2	3	3	2	4	3	2	2	1	1	0	0	1	1	0	0	0	2.4	0.8	0.2

Source: Annex table 26.
a) Data for 1991 are preliminary.
b) includes general administration; internal order and security; international affairs; finance administration; and culture and information services
.. = Not available.

Annex table 28. Jordan: central government capital expenditures, 1975 to 1991

(Annual growth rate)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991a)	Average 1975-82	Average 1983-87	Average 1988-91
Total capital expenditure	..	-3	86	4	31	17	13	-2	0	-8	13	56	-12	6	-8	-21	22	21	10	-0
General public services b)	..	-18	55	-13	79	15	38	-12	27	-2	15	120	-17	16	-9	-33	45	21	29	5
Social services	..	71	-5	0	60	16	21	49	-62	-26	8	18	43	-9	-41	108	2	30	-4	15
Economic services	..	-16	142	9	7	26	6	-1	-5	-6	18	13	-9	-5	-1	-8	1	25	2	-3
Communication and transportation services	..	146	10	20	81	-12	-17	5	-6	-37	-44	14	47	-18	-60	-10	-3	33	-5	-23

(As percentage of total capital expenditures)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991a)	Average 1975-82	Average 1983-87	Average 1988-91
Total capital expenditures	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
General public services b)	34	29	24	20	27	27	33	29	37	40	40	57	53	58	58	49	58	28	45	56
Social services	4	8	4	4	5	4	5	7	3	2	2	2	3	2	1	4	3	5	2	3
Economic services	56	48	63	66	54	58	54	55	52	53	55	40	41	37	40	46	38	57	48	40
Communications and transportation services	6	15	9	10	15	11	8	9	8	5	3	2	3	3	1	1	1	10	4	1

Source: Annex table 26.
a) Data for 1991 are preliminary.
b) Includes general administration; internal order and security; international affairs; finance administration; and culture and information services; and defence.
.. = Not available.

Annex table 29. Jordan: central government recurrent expenditures, 1975-1991

(Millions of Jordanian Dinars)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991a)	Average 1975-82	1983-87	1988-91
Total recurrent expenditures	125.7	185.9	195.6	212.9	321.3	336.1	391.5	443.0	453.7	488.1	542.5	570.5	602.7	669.6	749.7	841.4	909.8	276.5	531.5	792.6
General public services b)	96.7	149.4	152.7	162.9	255.7	263.9	301.8	342.3	346.7	374.8	420.5	436.6	459.7	512.2	594.2	677.4	709.6	215.7	407.7	623.4
Social services	20.5	25.8	30.1	35.4	47.3	53.4	67.1	76.3	80.0	82.7	89.7	98.6	106.3	118.9	116.4	124.7	154.7	44.5	91.5	128.7
Economic services	5.3	6.8	8.0	9.0	10.9	10.9	12.6	14.0	15.3	14.3	15.2	16.7	17.8	18.6	18.6	18.7	19.7	9.7	15.9	18.9
Communications and transportation services	3.2	3.9	4.8	5.6	7.4	7.9	10.0	10.4	11.7	16.3	17.1	18.6	18.9	19.9	20.5	20.6	25.8	6.7	16.5	21.7

(As percentage of GDP)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991a)	Average 1975-82	1983-87	1988-91
Total recurrent expenditures	40	44	38	34	43	34	34	34	32	33	34	35	36	39	31	32	32	38	34	34
General public services b)	31	35	30	26	34	27	26	26	24	25	26	27	27	30	25	26	25	29	26	26
Social services	7	6	6	6	6	5	6	6	6	6	6	6	6	7	5	5	6	6	6	6
Economic services	2	2	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Communications and tranportation services	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

Source: Central Bank of Jordan, Yearly Statistical Series (1964-1989), October 1989 and Monthly Statistical Bulletin, February 1992.
a) Data for 1991 are preliminary.
b) includes general administration; internal order and security; international affairs; finance administration; culture and information services; and defence.
.. = Not available.

Annex table 30. Jordan: central government recurrent expenditures, 1975-1991

(As percentage of total expenditure)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991*	1975-82	average 1983-87	1988-91
Total recurrent expenditures	61	71	58	59	62	60	61	64	64	68	67	58	62	64	68	75	73	62	64	70
General public services b)	47	57	45	45	50	47	47	49	49	52	52	44	48	49	54	60	57	48	49	55
Social services	10	10	9	10	9	9	10	11	11	11	11	10	11	11	11	11	12	10	11	11
Economic services	3	3	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Communications and transportation services	2	1	1	2	1	1	2	1	2	2	2	2	2	2	2	2	2	1	2	2

Source: Annex tables 26 and 29.
a) Data for 1991 are preliminary.
b) Includes general administration; internal order and security; international affairs, finance administration; culture and information services; and defence.
.. = Not available.

Annex table 31. Jordan: central government recurrent expenditures, 1976-1991

(Annual growth rate)

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991a)	Average 1975-82	Average 1983-87	Average 1988-91
Total current expenditures	48	5	9	51	5	16	13	2	8	11	5	6	11	12	12	8	21	6	11
General public services b)	54	2	7	57	3	14	13	1	8	12	4	5	11	16	14	5	22	6	12
Social services	26	17	18	34	13	26	14	5	3	8	10	8	12	-2	7	24	21	7	10
Economic services	28	18	13	21	0	16	11	9	-7	6	10	7	4	0	1	5	15	5	3
Communications and transportation services	22	23	17	32	7	27	4	13	39	5	9	2	5	3	0	25	19	13	9

Source: Annex table 29.
a) Data for 1991 are preliminary.
b) Includes general administration; internal order and security; international affairs; finance administration; and culture and information services; and defence.
.. = Not available.

Annex table 32. Jordan: real industrial value-added, 1980-1990

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	-----Average----- 1980-87	1988-90
Value added in industry (Millions of Jordanian dinars)	165.4	199.2	207.8	211.3	240.7	192.9	180.0	200.0	217.5	231.1	216.4	199.7	221.7
Per cent change	22.0	20.0	4.3	2.0	14.0	-20.0	-7.0	11.0	9.0	6.3	-6.4	3.5	3.0

Source: Based on data from Arab Monetary Fund, National Accounts for Arab Countries (1979-1989 and 1980-1990) and
Arab Countries Economic Indicators (1979-1989 and 1980-1990).
Note: Industry includes mining, manufacturing and utilities.
   .. = Not available.

Annex table 33.   Jordan : use of resources, 1975-1990

(As percentage of GDP)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1988a)	1989a)	1990a)	Average 1976-82	1983-88	1989-90
GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total consumption	129.9	123.0	122.0	118.7	127.2	109.0	115.0	117.0	119.2	116.8	112.5	103.0	103.3	103.3	104.1	103.8	116.9	120.2	109.7	110.4
Government consumption	35.3	37.0	30.5	30.1	31.2	24.8	24.6	24.7	24.5	25.2	25.2	27.4	27.3	27.4	26.9	25.6	25.3	29.8	26.2	25.5
Private consumption	94.6	86.0	91.5	88.6	96.0	84.3	90.5	92.3	94.8	91.7	87.3	75.5	76.0	75.9	77.3	78.2	91.6	90.5	83.5	84.9
Gross fixed capital formation	28.2	32.7	38.3	36.2	39.1	40.4	48.5	45.2	35.3	32.4	29.5	28.0	26.5	26.1	20.8	21.1	25.9	38.6	29.6	23.5
Increase/decrease in stocks	0.3	2.9	1.1	-1.0	-1.9	0.6	2.0	1.7	0.5	0.0	1.0	1.5	0.0	0.0	2.2	1.5	1.6	0.7	0.5	1.6
Exports of goods and services	38.1	43.4	44.3	41.9	45.1	47.6	54.1	50.6	44.8	49.6	48.5	38.4	44.7	53.6	39.9	47.6	49.3	45.6	46.6	48.5
Imports of goods and services	-96.5	-102.0	-105.7	-95.8	-109.5	-97.7	-119.6	-114.4	-99.9	-98.9	-91.5	-71.0	-74.4	-83.0	-67.1	-74.1	-93.7	-105.2	-86.4	-63.9
Exports minus imports	-58.4	-58.6	-61.3	-54.0	-64.4	-50.1	-65.5	-63.9	-55.1	-49.3	-43.0	-32.5	-29.7	-29.4	-27.2	-26.5	-44.4	-59.5	-39.8	-35.4

Source: Annex table 9.
a) Break in the series. 1988-1990 data from the International Monetary Fund used to calculate nominal and real GDP growth rates with estimates of net factor income and private transfers data from the balance-of-payments accounts.

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