

The Role of External Assistances in Jordanian Budget Improvement

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Abstract. There are several forms of external capital inflows, which include the loans, grants, and foreign direct investment, export credit, project/non project assistance, technical assistance and emergency relief etc. Regardless the fact that all the under developed nations need foreign capital inflows for their development, the amount and the form of the country size and the economic conditions of the country are the major elements of the size and the form of the foreign capital inflows. For example the least developed countries of Africa have been relying on the external Assistances, while the developing countries of the East-Asia are largest beneficiary of the external direct investment.

In Jordan the external Assistances is a main form of the foreign capital inflow and has a important role for the countries development which can be detected from the story of budget. Jordan and the general budget each year suffer from a deficit in their revenues because expenses exceed revenues. Jordan depends on external Assistances straight to bridge the budget deficit essentially. This study shows an optimistic effect of the foreign capital inflow on the economic development. As it has significant impact on the economic development of Jordan as this financial resources in particular the soft loans commonly used in productive sectors or in building the infrastructure which help in increasing the productivity of the overall economy. Thus overall the effect of the Assistances on the economic development is positive.

Keywords: External Assistances, Jordan, Budget, Revenues, Grants.

1. Introduction

Jordan has great relations that link the several countries, donors and funding, led by His Majesty King Abdullah II Ibn Al Hussein, in addition to the achievements and reforms that have been achieved and implemented in many areas of access to foreign Assistances grants and soft loans and technical assistance to secure funding necessary for the implementation of development projects and programs with priority and in line with the priorities and plans of the government in a number of vital sectors, especially energy and sanitation, education, , health, infrastructure, water, roads, and support sectors, poverty, youth and finance sector microwave, etc., in addition to general budget support, in order to contribute to the promotion of growth and development sustainable. Where the impact of this Assistances is clear in supporting the process of reform, modernization and development on all levels. ¹

2. Types of external assistance

Therefore, the Jordanian government through the Ministry of Planning and International Cooperation, continues to exert extensive efforts and vigorous through negotiation with the States, donors and funding to maintain the level of foreign Assistances (grants, soft loans and technical assistance) to the Kingdom of the various donors and international financial institutions and perhaps the most prominent these agencies and institutions (the United States, European Union, Japan, Germany, Canada, Italy, Spain, France, China, South Korea, United Nations Development Organizations, the World Bank Group, and funds and Arab and Islamic banks, the European Investment Bank, the International Fund for Agricultural Development , and the OPEC Fund for International Development) and get additional assistance to support the various sectors. ^{2, 3}

2.1. Grant obtained by Jordan can be classified as follows

Grants to support the budget through the Ministry of Planning and International Cooperation: the grants that provide direct support to the state treasury so that it is through spending on development projects and programs contained in the budget bill, or to be monitored supplemental appropriations within the general budget to the budgets of the ministries that will implement the projects specific sectorial having been agreed with donors on them, including donors key, which provides grants for budget support of the United States of America and the European Union and Japan, where the Ministry of Planning and International Cooperation, the follow-up procedures necessary for the signing of the agreements and the transfer of the value of these grants from donors and the in coordination with the Ministry of Finance. Note that the targeted cash grants to support the budget submitted by the Arab countries of the Kingdom, it is converted directly to the Ministry of Finance and deliver them to the expense of the public treasury.

Grants administered directly by States, donors and international bodies: the grants are upon agreement with the Ministry of Planning and International Cooperation, in coordination with the ministries and institutions concerned about the aspects used to fund programs and projects of development priority, where they are signing their own funding by the government Jordan represented by the Ministry of Planning and International Cooperation, note that the administration of these programs and projects funded through this type of grants made under the regulations and legislation, financial and administrative procedures with donors, in coordination actively with the government institutions concerned and to submit to the Audit Bureau and control bodies relevant national.

2.2. 1.2- Soft loans:

Are contracted on concessional loans after coordination with the Ministry of Finance and the approval of the Supreme Committee of Ministers of the public debt management in order to provide the necessary funding for a number of programs and development projects with the highest priority in the sectors of infrastructure, water and sanitation, energy, education and others. Characterized by soft loans contracted by the government with donor countries and the terms of concessional financing, low interest rates ranging from (0% -5%) and a repayment period is ranging between (15-30) years including a grace period of up to (5-7) years.

2.3. 1.3-Technical assistance:

States and donors to provide funding and technical assistance to Jordan by bringing in experts and volunteers, twinning programs, scholarships and development studies and analysis .Where the aim of this part of the Assistances to raise the institutional and administrative capacity for a number of institutions and government ministries.

3. Total amount of foreign assistance

3.4. Foreign Assistance Committed in 2005

The total amount of foreign assistance (loans and grants) committed to Jordan by the donor community during 2005 amounted to US\$641.207million. ²

Grants: Committed grants reached US\$470.167million, representing about 72% of total foreign assistance.

Loans: Contracted loans reached US\$171.04million, representing about 28% of total assistance.

3.5. Foreign Assistance Committed in 2006

The total amount of foreign assistance (loans and grants) committed to Jordan by the donor community during 2006 amounted to US\$675 million.

Grants: Committed grants reached US\$485.4 million, representing about 72% of total foreign assistance.

Loans: Contracted loans reached US\$189.6 million, representing about 28% of total assistance.

3.6. Foreign Assistance Committed in 2007

The total amount of foreign assistance (grants & soft loans) committed to Jordan by the donor community in 2007 amounted to US\$680 million (JD482 million).

The total grants amounted to US\$470.1 million (JD333 million)

The total amount of soft loans contracted in 2007 reached US\$210.25million (JD 149 million).

3.7. Foreign Assistance Committed in 2008

The total amount of foreign assistance (grants and soft loans) committed to Jordan by the donor community in 2008 amounted to US\$ 1137.5 million (JD 806.5 million), representing an increase of 67 percent compared to 2007, which reached US\$680 million (JD 482 million).

The total grants reached US\$719 million (JD 509.8 million) committed by the United States of America, the European Union, Germany, Japan, China, Canada, Korea, the World Bank, United Nations Development Programmer , France, the Arab Fund for Economic and Social Development, the Kuwaiti Fund for Arab Economic Development, UNHCR, and UNICEF.

- the total amount of soft loans contracted in 2008 reached US\$418.5 million(JD 296.7 million) provided through the Islamic Development Bank, the Arab Fund for Economic and Social Development, the European Investment Bank, the World Bank, Germany, China, and Korea.

3.8. Foreign Assistance Committed in 2009

The total amount of foreign assistance (grants and soft loans) committed to Jordan by the donor community in 2009 amounted to US\$1374.7 million.

The total grants committed reached US\$697.85 million by the United States of America, European Union, Japan, China, Canada, the World Bank, United Nations Programs, Kuwait Fund for Arab Economic Development, France, Spain, the Islamic Development Bank, and others.

The total amount of soft loans contracted in 2009 reached US\$676.85 million provided through the World Bank, Islamic Development Bank, European Investment Bank, the World Bank, French Development Agency, Germany, Kuwait Fund for Arab Economic Development, and Sweden.

3.9. Foreign Assistance Committed in 2010

The total amount of foreign assistance (grants and soft loans) committed to Jordan by the donor community in 2010 amounted to US\$1.133 billion (JD1.6 billion).

The total grants committed reached US\$782.192 million (JD1.1 billion) by the United States of America, European Union, Japan, China, Canada, United Nations Programs, France, Korea, Arab Fund for Economic and Social Development, the Islamic Development Bank, and others.

The total amount of soft loans contracted in 2010 reached US\$351.36 million (JD495.6 million) provided through Islamic Development Bank, Abu Dhabi Fund for Development, Arab Fund for Economic and Social Development, Kuwait Fund for Arab Economic Development, Saudi Fund for Development, Germany, Korea, and Switzerland.(References, Ministry of Planning and International Cooperation) (See Table 1)

Table (1)

Total	Soft Loans	Grants	Year
641.207	171.04	470.167	2005
675	189.6	485.4	2006
680.35	210.25	470.1	2007
1137.5	418.5	719	2008
1374.7	676.85	697.85	2009
1133.5	351.36	782.19	2010

Summary of Foreign Assistance during 2005-2010

(In US\$ million)

4. Percentage of budget support from foreign Assistances

In this table we see that the percentage of foreign Assistances to support the budget deficit and bridge is located between (21% -39%) over the past six years. (references, central bank of Jordan,2003-2008) (See Table 2)

Table (2)

<i>Year</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
Total of FA(\$M)	1133.5	1374.7	1137.5	680.35	675	641.207
budget support 100%	21%	39%	25%	36%	23%	29%

5. Budget development performance during (2005-2009)

If we compare the work of foreign Assistances in general and the proportion of the budget, we will find that foreign Assistances has a significant effect on the Jordanian economy in general, and on development in Jordan, in particular (according to sectors in which Assistances is distributed to them).

To shed more light on foreign Assistances and donor countries, and distribute to the vital sectors in Jordan, the researcher will be the inclusion of the annual reports on foreign Assistances, issued by the Ministry of Planning and International Cooperation. (See Table 3)

Table (3)

<i>Statement</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Total revenues and foreign assistances	3062.1	3469	3971.5	5093.6	4521.3
Local revenues	2561.8	3164.4	3628.1	4375.3	4142.7
Incometax	1765.8	2133.5	2472.1	2751.2	2880
Non-tax revenue	756.3	987	1104.6	1575.9	1217.5
Installmentsloansrecovered	39.7	43.9	51.4	48.2	45.2
Foreign Assistances	500.3	304.6	343.4	718.3	333.4
Totalspending	3538.9	3912.2	4586.5	5431.9	6030.7
Current expenditures	2908	3118.1	3743.9	4473.4	4586
Capital Expenditures	630.9	794.1	842.6	958.5	1444.7
DeficitafterAssistances	-476.8	-443.2	-615	-338.3	-1509.4
Deficitbefore grants	-977.1	-747.8	-958.4	-1056.6	-1888

(In US \$ million)

Resource , Ministry of Planning and International Cooperation. ²

According to the above results its clear that Jordanian budget depends on external assistances in a large part in its most requirements and needs. The paper shows that, without the external assistances the Jordanian

budget program will be in critical situation which led to seek for new resources than the recent available aids to complete the planning programs of the government.

6. Conclusion

This study shows that policies are essential in the efficiency of the external capital inflow, as Assistances has a more encouraging effect on development with good fiscal, financial and trade policies. In the presence of poor policies, on the other hand, Assistances has no encouraging effect on growth. Accordingly, there is a need of not only respectable policies but also the implementation of these policies as well as the proper monitoring of the Assistances -utilizing projects is essential in order to avoid the mis- utilization and the mismanagement of the foreign capital resources. Also the study shows a positive effect of the external capital inflow on the economic development. As it has momentous influence on the economic development of Jordan as this financial resources in specific the soft loans generally used in productive sectors or in building the substructure which help in increasing the efficiency of the overall economy. Thus overall the impact of the Assistances on the economic development is encouraging.

7. References

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