

chapter three

CHAPTER - 3

INDUSTRIAL FINANCE AND ITS CONTRIBUTION TO THE
ECONOMIC DEVELOPMENT OF JORDAN

The problem of ensuring an adequate supply of industrial finance has many facets. In the first place, the overall volume of investment depends on the volume of savings generated within the economy and the resources that can be obtained from external sources. Part of the domestic savings are generated by industry itself and the extent to which this done reduces its reliance on savings in the rest of the economy.

One aspect of the problem therefore, is to enable industry to generate as much savings as it can. As to savings in the rest of the economy, the problem is two fold ; to increase the total quantum of savings and their profitable investment. The former is a problem of overall economic policy in which monetary policy also plays a keyrole. The later is the promotional aspect of central banking policy which has to include steps to meet the needs of sectors where initial profitability is low owing to rather long gestation periods, such as in the case of heavy industries.

In planned economy, like that of Jordan, there is a definite need for the regulation of investment into proper channels. Financial controls are necessary to further industrialization on proper lines. The policy of regulating capital generally confirms to the programmes of

industrialization.

Those industries which are given high priority in the Plan have a priority in financing also. In under developed countries where the available capital is strictly limited and the needs are very great, the pattern of investment in the private sector must be continuously watched and directed through fiscal policies and credit controls.

The pace of the industrial growth in Jordan has not been commensurate with the size and demand of the country. The main reason behind this is the paucity of adequate funds for financing industries.

Industrial finance, means, broadly speaking, "the provision of funds needed by industry irrespective of the period for which they are made available"¹.

The process of industrial growth requires the development of a capital market that will provide an adequate and properly distributed supply of finance to those entrepreneurs - public or private who are setting up new industrial plants or expanding existing ones.

Industrial development is considered to occupy a vital place in the economic and social planning programmes in any society. Jordan, as a developing nation, facing some basic problems in its attempts to develop the national industry. The most important problems are :

1. Scarcity of natural resources, discovered and utilized.

1. Sharma, B.P. The Role of Commercial Bank in Indian's Developing Economy, CHAND & CO. New Delhi P. 170

2. Agricultural development programmes do not coincide with modern industrial requirements.
3. Narrow local market and absence of coordination at the regional level which permits the conduction of the industrial operations in the other Arab countries.
4. Lack of technical and administrative skills which are necessary for any modern and successful industry.
5. Difficulties in competing with the foreign industrial products.
6. Absence of consideration that the development integration among all sectors of the economy is of much importance and must be taken in consideration while implementing any developmental project.

No doubt that industrialization represents a higher stage of the production stages, which leads to support the economic independence of any country and this emphasises that industry must contribute effectively in solving the economic and social problems facing any country.

The object of this chapter is to examine the role of the industrial finance in the realm of economic development of Jordan and to what extent the financial system have contributed towards achieving the goal of rapid industrial development in the Kingdom.

The chapter is divided into two sections. One covering the period from 1965 to 1972, and the other covering the planned periods (i.e.) The Three Year Plan (1973-1975), the First Five-Year Development Plan (1976-1980) and the Second Five-Year Development Plan (1981-1985)

From the Table 3.1 we can make out that the production of principal industries in 1966, showed a slight improvement over the preceding two years. The production of phosphate, Cement, Petroleum Products increased at rates of 18 percent, 10 percent and 64 percent over 1965 respectively.

Industrial production over the year under review continued its upward trend. The production and export of Phosphate have risen considerably after the development of the Hasa Mines, the construction of new warehouses at Aqaba and the increased number of sales agreements which the Phosphate Company has made with a number of importing countries. The rise in the Cement production during the year 1966 indicates the extent of implementation of development projects in Jordan during the said year.

Production of principal industries increased during the year 1968 compared with 1967. Phosphate production rose by 353.9 thousand tons or 28.6 percent, cement by 86.4 thousand tons or 29.8 percent, electricity by 13.4 million K.W.H. or 14.7 percent, and petroleum products maintained the 1967 level of 392 thousand tons.

A comparison between the production figures of 1968 with the pre-war level of 1966², reveals various trends. Phosphate and detergent production exceeded the 1966 figures by 590.1 tons or 58.9 percent and 200 tons or 18.2

2. The Israeli Aggression on bordering Arab States on June 5 1967, resulted in the occupation of some Arab territories including the West Bank of Jordan.

percent respectively. Production of cement and liquid batteries rose to the 1966 level after a considerable change in 1967. Other information also available from the table regarding other products for the year 1968.

The production of most of industries increased significantly in 1969. This rising trend was maintained in 1970 until September of the same year³, when production in most industries came to a stand still for about one month. Indeed, some of these enterprises suffered direct physical damages. Consequently, production of the principal industries declined considerably in 1970, compared with that of 1969. Phosphate production and marketing had suffered from the closure of the Suez Canal, the exports to India, the largest market for the Jordanian phosphate were suspended by the Indian Government. Cement and Iron production went down by 21.4 percent and 9.4 percent respectively in response to a lower level of investment in construction. However, the year 1971, showed an overall improvement in the production of principal industries and the same can be said about 1972.

In spite of all the internal disturbances, and the external economic blockage by closing the Syrian borders, a number of industries had recorded higher production levels in 1971, with rates of increase over 1970 ranging from 10.8 percent for spirits and alcoholic drinks to 56.5 percent for

3. In September, 1970, the country was faced with civil disturbances for about a month.

production of textiles, while cement, petroleum, detergent, electricity and fooder improved remarkably in 1971, the production of Iron, cigarettes, phosphates, paper and liquide batteries dropped by 61.8 percent, 5.2 percent, 31.9 percent, 21.7 percent and 40.2 percent respectively. In the year 1972, the industry and mining sector achieved a remarkable resurgence. The data show increases in the production of most industries ranging from one percent in alcoholic drinks to 227.6 percent in iron. With respect to cement, production increased by 57.8 percent over its level of 1971, due to the enhancement of cement exports to both Syria and Iraq, with which agreements to that effect were concluded and implemented. Phosphate production increased in the year 1972 by 10.8 percent, after the Syrian Authorities allowed a transit passage for phosphate trucks on February 1972, other industries also recorded varying production increases, such as petroleum products, tannery products, spirits and alcoholic drinks, electricity etc.

On the other hand, the production of liquid batteries declined by 9 percent owing to reduction in export to Iraq. Drop in the production of detergent, cigarettes and textiles was also registered.

As shown by Table 3.2 The overall index for the main industries reached 63.3 in 1969 and increased in 1971 to a level of 65.0 points. The internal disturbances of 1970 which adversely affected industrial production, cut down the index figures by 8.5 points as compared to 1969.

Table 3.1 : Industrial Production of Principal Industries 1964 - 1972

		1964	1965	1966	1967	1968	1969	1970	1971	1972
Phosphate 'Dry'	000 Tons	603.9	842.4	1000.8	1237.0	1590.9	1087.3	938.9	640.0	709.0
Cement	"	307.8	341.0	375.3	289.2	375.6	480.4	377.6	418.9	661.3
Petroleum Products	"	227.3	262.2	430.4	392.6	392.9	464.1	445.8	556.7	605.1
Electricity	Mill KWH	135.7	155.9	177.0	91.1	104.5	122.7	120.0	133.7	158.0
Iron	Tons	N.A.	N.A.	N.A.	N.A.	14400.0	26551.0	24070.0	9214.0	30184.0
Textiles	000 Yards	N.A.	161.0	370.0	443.0	486.0	512.0	478.0	748.0	744.0
Fooders	Tons	N.A.	N.A.	N.A.	19941	12463	21533	25603	34204	44195
Cigarettes	Mill. Cig.	1293.5	1108.7	1365.6	1666.8	1495.8	1665.8	1495.8	2109.0	1395.1
Paper and Card Board	Tons	N.A.	N.A.	N.A.	N.A.	2100.0	2741.0	2692.0	397.4	2749.0
Sole leather and wool	Tons	200.0	400.0	400.0	300.0	400.0	373.7	276.8	1887.6	661.6
Upper Leather	000 Sft.	1266.0	1817.0	2354.0	1670.8	1678.3	1687.0	1302.0	2396.0	2174.9
Spirits and Alcoholic Drinks	000 Lit.	1314.3	1944.0	2321.0	1911.0	2188.6	2192.0	2162.0	40.0	2421.0
Liquid Batteries	000 Bat.	N.A.	N.A.	60.0	45.6	59.6	66.9	66.8	2396.0	36.4
Detergents	Tons	N.A.	N.A.	1100.0	1300.0	1300.0	1312.0	1709.0	2592.0	2528.0

Source : C.B.J. Yearly statistical Series (1964 - 1983) Table 41.

Table 3.2 : The Index Number of Industrial Production
1968 - 1973 1975 = 100

	1968	1969	1970	1971	1972
Food, Drink and Fooder	32.1	49.4	57.1	74.3	93.5
Cigarettes and Matches	81.0	90.2	81.0	76.9	75.6
Textiles and Clothes	51.0	53.7	50.2	78.5	78.1
Chemicals	30.9	31.2	40.7	61.7	60.1
Construction Materials	63.1	81.6	66.9	59.0	106.7
Electricity and Batteries	57.2	66.0	65.0	58.8	65.2
Foot wear and leather	75.2	74.3	56.8	82.2	104.3
Petrol Refining	47.4	56.0	53.7	67.2	73.1
Phosphate	85.9	80.4	69.4	47.3	52.4
Paper and Cardboard	49.7	66.1	64.9	50.9	66.3
Overall Index	53.0	63.3	54.8	65.0	79.5
% age change	--	19.4	(-13.4)	18.6	22.3

Source : From 1968 - 1972 Central Bank of Jordan
yearly statistical series (1964-1983) Table 42.

Note : Figures in Parantheses indicate minus

In the year 1972, the index number increased to a level of 79.5 points as compared to a level of 6.5 points in the preceding year, an increase of 14.5 points. These favourable developments are mostly attributable to the confidence restored to the private sector after the re-establishment of law and order and stability after the disturbances of September 1970, and to the improvement in export opportunities.

Table 3.3 brings out clearly that mining and manufacturing sector has maintained a relatively constant share in the G.D.P. over the years from 1964 to 1972.

It has begun with JD 12.3 million or 9.0 percent and ended with JD 18.5 million or 10.1 percent out of the total G.D.P. at the end of 1972. Taking in consideration other sectors as indicated by the Table under review, there did exist a situation which was unique in its structure that almost all the sectors contributing to the G.D.P. have maintained relatively constant share through out the period. In absolute terms, these sectors did not experience any big or a noticeable change that might have affected one sector at the cost of other sectors contributing to the G.D.P.

One point worth mentioning that the services sector has maintained the highest share in the total G.D.P. through out the period. Although it has suffered a set back in the years 1971 and 1972 after the highest recorded share of 73.5 percent in 1970, yet it has registered the highest share and maintained this rank among all sectors contributing to the G.D.P. through out the period.

Table 3.3 : The Relative Importance of Industry in the Gross Domestic Product "Factor Cost" 1964 - 1972

(In Millions of JDs)

Year	Agriculture, forestry and fishing	Mining and manufacturing	Electricity and water supply	Construction	Total of Directly Productive Sectors 6 = 2+3+4+5	Total of services and other 7	Total G.D.P. 8 = 6+7
1	2	3	4	5	6	7	8
1964	34.1(25.2)	12.3(9.0)	1.0(0.7)	5.5(4.1)	52.9(39.0)	82.6(61.0)	135.5(100)
1965	34.1(22.6)	16.2(10.7)	1.7(1.1)	7.9(5.2)	59.9(39.6)	91.1(60.4)	151.0(100)
1966	27.6(18.4)	17.8(11.5)	2.0(1.3)	9.3(6.3)	56.2(37.5)	93.4(62.5)	149.6(100)
1967	23.4(20.2)	13.8(11.9)	1.2(1.0)	6.1(5.4)	44.5(38.5)	71.1(61.5)	115.6(100)
1968	16.2(11.7)	16.2(11.7)	1.5(1.0)	9.7(7.1)	43.6(31.5)	94.6(68.5)	138.2(100)
1969	22.5(13.8)	18.8(11.5)	1.6(1.1)	10.7(6.5)	53.6(33.0)	108.9(67.0)	162.5(100)
1970	15.6(10.1)	15.9(10.3)	1.9(1.2)	7.7(4.9)	41.1(26.5)	113.6(73.5)	154.7(100)
1971	23.6(14.4)	16.4(9.8)	2.2(1.3)	7.4(4.5)	49.9(30.0)	116.1(70.0)	166.0(100)
1972	26.6(14.5)	18.5(10.1)	2.5(1.4)	9.2(5.0)	56.8(31.0)	126.0(69.0)	182.8(100)

Source : Central Bank of Jordan, Yearly statistical series (1964-1983)
Table 44.

Notes : (1) Column No. 7 includes : Total of Trade, Transport and communication, financing real estate services, producers of govt. services and other services.
(2) Figures in Parentheses are Percentages of the total

Commercial Banks Credit

By the end of 1966, the total outstanding commercial banks credit had reached, JD 38981 thousand, an increase of 17 percent over the previous year as shown by the table 3.4. The expansion covered most sectors, noticeably commerce, where credit at the end of 1966 amounted to JD 20327 thousand, compared to JD 17075 thousand at the end of 1965.

In 1968, the largest share of 41.7 percent was accorded to general trade followed by 12.4 percent to the construction sector, indicating a relatively brisk demand for housing. Credit to Industry and mining have declined by 5.3 percent. By the end of 1970, total outstanding credit amounted to JD 45548 thousand. credit to the sectors of commerce and trade constituted a large percentage of total credit volume -- and varies with changes in imports from one year to another. The construction sector had gained importance after 1967 war and became next to trade.

The change in the level of bank credit in 1970 is insignificant when compared to 1969. The pace of credit increased since 1967 war also well below its pre-war rate of expansion. This was not, however, attributable to any tightening of the credit policy of the Central Bank, but rather emanated on one hand, from the adverse economic impact of the 1967 war and the subsequent instability which made business men follow more cautious investment policies, on the other hand commercial banks followed a reserved credit policy.

The Table demonstrates that at the end of 1972, commercial banks credit to industry stood at JD 4645 thousand or 9.2 percent of total bank credit, while in 1965 the commercial banks credit to Industry was JD 4333 thousand or 13.0 percent of total bank credit.

It is of much significance to note that while there was a noticeable fluctuations in the growth rate of credit to Industry, there was also an overall gradual decline in the percentage share of credit to industry by commercial banks. The reason for this decline can be explained by examining the credit to construction and land purchase which started at JD 2451 thousand in 1965 and ended at JD 10671 thousand in 1972 or a growth of 335 percent. Credit to General trade sector grew by 25.6 percent over the period under study.

It is pertinent to note that the credit provided by commercial banks during the period 1965 to 1972 was not fairly distributed.

Table 3.4 : Percentage share of total outstanding Commercial Banks Credit to Industry in the outstanding total of Commercial Banks Credit 1965 - 1972

(In Thousands of JDs)

Year	Total Commercial Banks Credit	General Trade Sector	Construction and land Purchase	Industry and mining	Growth Rate of credit to Industry and Miningg (%)	Percentage Share of credit to Industry & Mining in the total Commercial Banks Credit (%) 7 = (5/2)100
1	2	3	4	5	6	7
1965	33299	17075	2451	4333	--	13.0
1966	38981	20327	3267	4753	9.69	12.2
1967	38886	17352	5022	4246	(-10.7)	10.9
1968	40997	17076	6090	4022	(-5.3)	9.8
1969	45389	19059	7099	4204	4.5	9.2
1970	45548	16890	11228	4758	13.2	10.4
1971	46928	18964	10506	4588	(-3.6)	9.7
1972	50590	21458	10671	4645	1.2	9.2

Source : C.B.J. Yearly Statistical Series (1964 - 1983) Table 13.
C.B.J. Annual Report 1972 P. 40 19.

Note : Figures in Parantheses Indicate Minus

**INDUSTRIAL DEVELOPMENT BANK
ITS ROLE IN THE ECONOMIC DEVELOPMENT OF JORDAN**

The industrial development of Jordan began around the middle of the fifth decade of this century. It started at a time when there were no specialized credit institutions. The industrial sector had to rely on the facilities provided by commercial banks operating in the country at that time, and because these facilities were short term and did not meet all the requirements of industry, the need became apparent for the establishment of an institutions specialized in providing medium and long term credit to industry. Consequently the Industrial Loan Fund came into being as a government department attached to the Jordan Development Borad. It was assumed that this fund would carry the burden of a specialized lending institution, but its limited financial resources and technical staff were not commennsurate with this aim. This prompted the government in collaboration with the private sector to establish the Industrial Development Bank in accordance with the temporary law No. 27 for 1965, which became law No. 7 for 1968 after it was properly constituted by Parliament.

The Industrial Development Bank is a public share holding company with government participation equal to one third of its capital in the form of ordinary shares. The purpose of establishing this Bank by a special Act is to bestow on it previliges and powers, which are not available to any cmpany functioning under the Company's law. The most important of these previliges is the authority to issue

preference shares to the private sector which carry a minimum (guaranteed by the treasury) return of 6 percent free of tax, the exemption of the bank from taxes, the guarantee by the government of the nominal value of the preference shares in case of liquidation, and where the bank decide its loans could be collected in accordance with the laws inforce in the kingdom for the collection of government funds.

In addition, the constitution of the Board of Directors differs from that allowed under the Company's Law, and the percentages of reserves allocated out of profit is also more than that allowed in the Law. The Bank can also obtain loans from foreign sources with government guarantee.

In 1971, the new I.D.B. Law was issued. This law enables the Bank to accept moveable property as loan collateral and the ability to optain financial facilities from the Central Bank of Jordan and to extend credit for different periods. The law also exempts Bank Customers from dues paid on mortgage transactions for the Bank and stamp duties on promissory notes for the account of the Bank.

The financing of any Industrial Project must complywith the follwoing principles :

1. The project must be economically feasible
2. The project must be technically sound
3. The project must have efficient management at all levels

These principles are in fact the bases of investment policy at the Bank, they are interdependent and

form the complete evaluation of a project.

Financing of industry does not end by approving the loan. It is a process that requires continuous follow up in order to ensure that the project is executed as planned. Loans are never disbursed as a lump-sum to the customer, but are withdrawn gradually and for purpose for which they were meant. Periodical visits are paid by the staff of the Bank to all financed projects in order to determine their progress and extend to them assistance if needed. Re-payment period differs from one project to another and ranges between 5 to 15 years with a grace period covering the construction phase during which only interest is paid.

The IDB has been functioning as an investment of direct finance, as a promoter of key and other industries and as a developmental agency.

The Bank functions as a development financing institution. Its status gives it wide latitude in regard to the forms of its assistance. In the capacity as a financial corporation, the Bank will provide direct assistance in the form of loans and advances, or participate directly by subscribing to, purchasing or underwriting issues of stocks, shares, bonds or debentures.

Now, we will examine the role played by the Industrial Development Bank in promoting industrial development in Jordan and to what extent it has succeeded in, and achieved its goals and reached its targets which were assigned to it at the time of its establishment 25 years ago.

**Operations of The Industrial Development Bank
And Its Contribution to The Industrial Development
of Jordan 1965-1972**

During 1965, the IDB approved 5 loans amounting JD 24.5 thousand. In 1966 the Bank approved 27 loans amounting to JD 909 thousand. Of this, 17 loans of JD 574 thousand (63.1 percent) were for industry and 10 loans of JD 335 thousands (36.9 percent) for tourism. During 1967, the Bank approved 29 loans totalling JD 578 thousand out of which 27 loans were for industry amounting to JD 472 thousand and 2 loans for tourism totalling JD 106 thousand. Although the number of loans approved by the Board of Directors of the Bank during 1967 was nearly equal to that approved in 1966, however the value of these loans was approximately half of that in 1966.

During 1968, the Bank approved 20 loans totalling JD 619 thousand of which 18 loans for industrial projects with amount of JD 549 thousand or 88.6 percent and 2 loans for tourism amounted to JD 70 thousand (11.4%).

During 1969, the Bank approved 24 loans totalling JD 778 thousand, an increase of 25.6 percent over the preceding year, of this 23 loans totalling JD 763 thousand went to industrial projects and one loan of JD 15 thousand went for tourism. The share of industrial projects in the total loan amounts reached about 98 percent while only 2 percent went for tourism.

In the year 1970, the Bank approved 20 loans totalling JD 554.4 thousand of which JD 527.4 thousand were

extended to 17 industrial projects and JD 27 thousand to 3 tourist projects. The percentage of the industrial projects in the total amounts of the approved loans occupied the highest place with 95 percent and only 5 percent went for tourism. From the Table 3.5 we can make out that about 59 percent of the value of approved loans extended to industrial projects during 1970 was utilized to finance raw materials for industry, 15 percent was used to purchase new machinery and 26 percent to finance factory premises. This has reflected the atmosphere of hesitancy to invest in new ventures or the expansion of existing ones. It also reflects the need of local industry for working capital.

Although the total amount of approved loans in 1970 decreased, the disbursement during the year has substantially increased. Total disbursement during 1970 amounted to JD 685.3 thousand which is 81 percent higher than that of 1969. The reason for this increase in loans was that they were carried over from 1969 and the usually faster use of loans to finance raw materials.

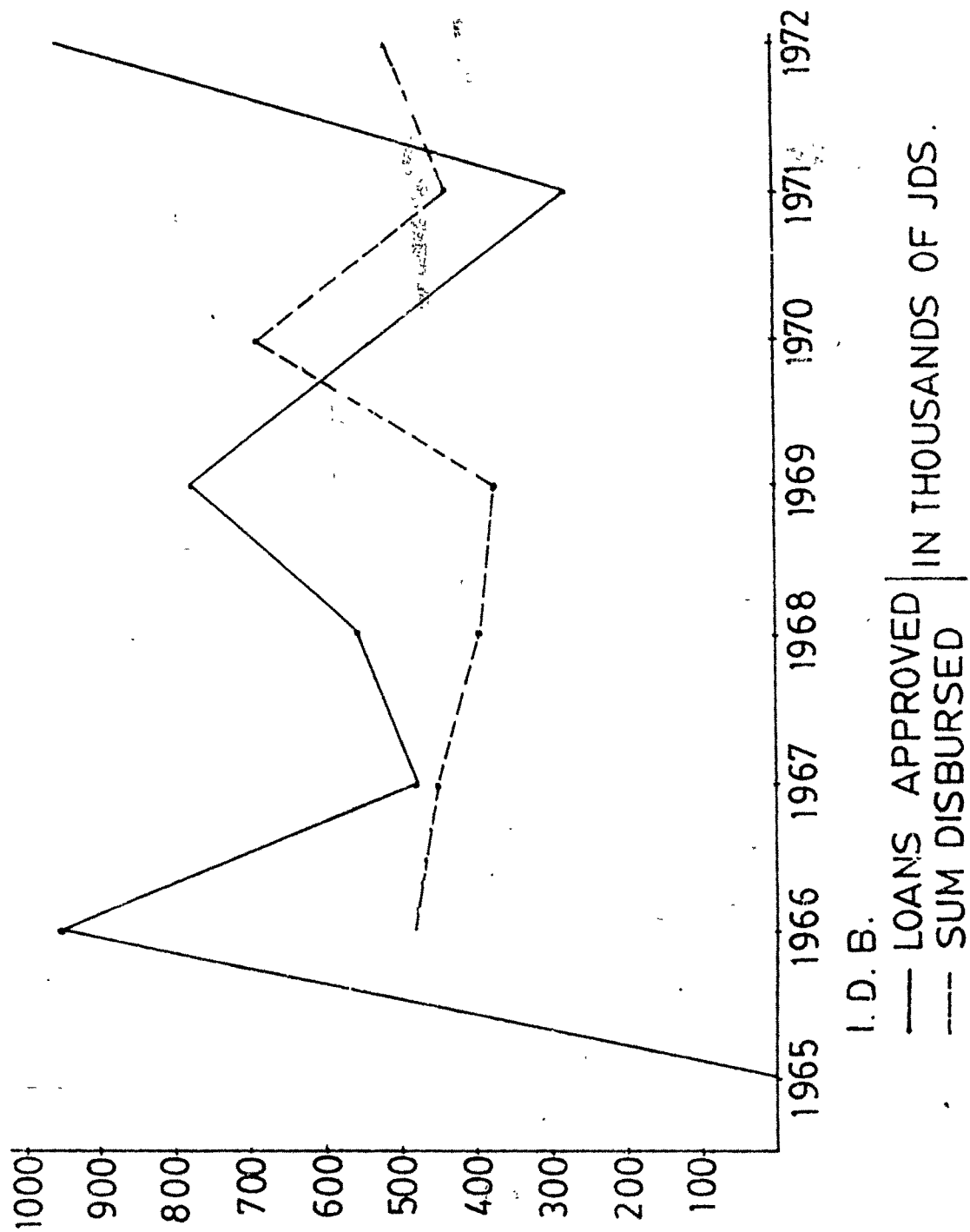
During 1971 the Bank approved loans totalling JD 280.5 thousand of which JD 5.5 thousand were extended to 3 tourist projects. As in 1970, the major share of the total loans amounts granted for industrial projects was utilized to finance raw materials for industry (58.9 percent) loans disbursed during the year amounted to JD 434.4 thousand.

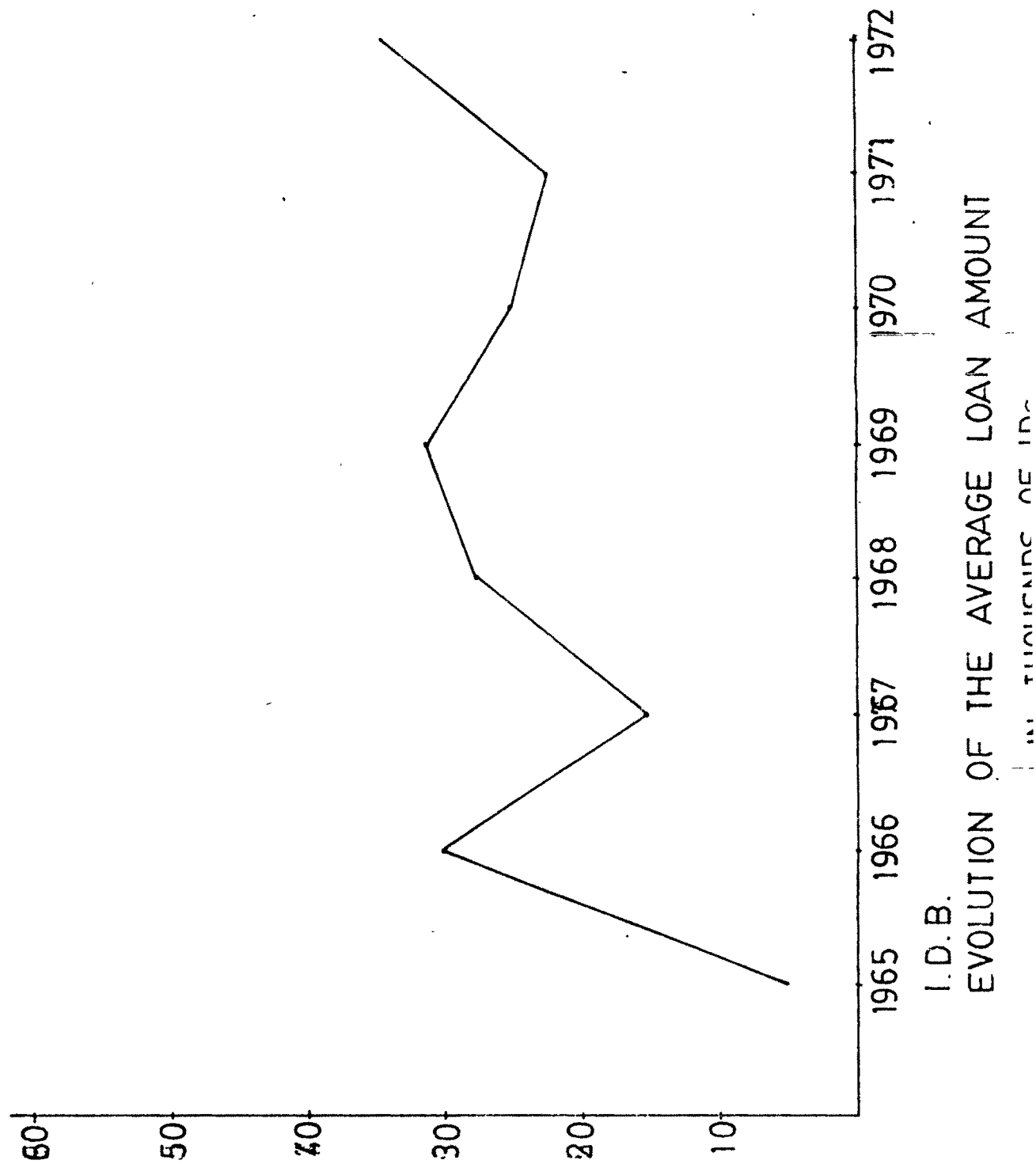
In 1972, the Bank approved 27 loans amounted to JD 940.5 thousand of which JD 435.5 thousand were extended to 21 industrial projects and JD 505 thousand to 6 tourist

Table 3.5 : Approved Loans by the Industrial Development Bank
 Classified by purpose 1966 - 1972
 (In Thousands Of JDs)

	1966	1967	1968	1969	1970	1971	1972
Industrial Projects							
No. Of Industrial Loans (1)	17	27	18	23	17	9	21
Construction of Factory (2)	--	36	215	46	134.4	34.5	60
Machinery (3)	--	178	274	605	82	78.5	203.5
Rae Materials (4)	--	258	60	112	311	162	172
Total Industrial Projects (5) = 2+3+4	574.0	472.0	549.0	763.0	527.4	275	435.5
Tourism (6)	335	106	70.0	15.0	27.0	5.5	505.0
No. of Tourist Loans (7)	10	2	2	1	3	3	6
Grand Total (8) = 5+6	909.0	578.0	619.0	778.0	554.4	280.5	940.5
Total No. of Loans (9) = 1 + 7	27	29	20	24	20	12	27
% Share of total industrial Projects	63.1	81.6	88.6	98.0	95	98.0	46.3
% share of total Tourist Projects	36.9	18.4	11.4	2.0	5.0	2.0	53.7

Source : I.D.B. Annual Reports - Various issues.





projects 53.7 percent of the amount of loans approved in 1972 was for tourist projects, and 46.3 percent was for industrial projects. Machinery got the major share of 46.7 percent out of the total finance for industrial projects. The loans disbursed during the year amounted to JD 506.6 thousand or 16.6% over the preceeding year.

As we have discussed earlier that a well developed capital market is a pre-requisit for achieving industrial growth which meets the necessary financial requirements of the new or already existing industrial concerns. by realizing this fact the I.D.B. unhizitatingly purchases the shares floated by industrial concernes as indicated by Table 3.6. Indirectly the Bank extends the required financial needs for these industries specially those who form a stratigec importance for the industrial growth of the country. Since the Bank has the right to be sure of the soundness and the vesibility of the Project it supervise and advise the interpreneurs at different stages to carry out effeciently their project. By doing so, the I.D.B. indirectly makes it sure that the project will not face any difficulties as far as possible on one hand, and it increases the confidence of the public to subscribe in these shares on the other. It is clearly indicated by the Table that from JD 10 thousand worth of shares in 1966 increased to JD 48.1 thousand at the end of 1972. An increase of 380 percent. It is worth mentioning here that the Bank has helped much in the early stages of the Jordan industrial development specially from 1966 to 1972. It is to bear in

mind that during the period under study the Bank has accumulated large amounts of ideal money which it helped in increasing its holdings of shares floated in the market as it is clearly visible if we look at Table 3.5 which indicates that the I.D.B. financing of industry and tourism has sharply declined over the years from 1966 to 1972 (with exception of the Tourism projects in 1972)

Table 3.6 : Industrial Development Bank, Equity Investments
In Jordan Economic Projects
(In Jordan Dinars)

YEAR	1966	1967	1968	1969	1970	1971	1972
Amount 10000	10000	40000	40500	43000	45500	48137	

Source : I.D.B. Annual Reports, various issues.

Industrial Financing and Industrial Development During The Three - Year Development Plan 1973 - 1975

The year 1973, witnessed the beginning of a new stage of economic and social development in Jordan, the execution of the Three-Year Development Plan. The Plan aimed at achieving a number of goals mainly to expand the Gross National Product by 8 percent annually, to reduce the trade deficit from an average of 11.5 percent during the period 1967-1971 to 6.3 percent during the Plan period, to bring the balance of payments to equilibrium and to augment the reliance of the budget on domestic revenues. The Three Year

Plan called for developing and utilizing Jordan's mineral resources.

Tables 3.7 and 3.8 show that the remarkable growth of the industrial sector was attributable to large increase in the value added to phosphate. Industrial Production index showed a rise from 79.5 in 1972 to 93.1 points in 1974. The large increase in industrial production more than offset the decline in agricultural Production and realized an increase⁴ in GDP of 6 percent per annum.

The industry and mining sector continued its remarkable growth. The industrial income increase by 7 percent from JD 25.23 million in 1972 to about JD 27 million in 1973. Similarly, the industrial index rose by 9.9 percent from 79.5 points in 1972 to 87.4 points in 1973.

The remarkable growth of the industrial sector was attributable to large increase in the value added to phosphate. Industrial Production Index showed a rise from 79.5 in 1972 to 93.1 in 1974. The large increase in industrial production more than offset the decline in agricultural production and realized an increase in GDP of 6⁵ percent per annum.

In spite of the exceptional circumstances and effects of the October War 1973 reflected in relative industrial stagnation for a while, industrial production continued its upward trend. This can be attributed among

4. National Planning Council First Five Year Plan 1976-1980, P. 29

5. Ibid.

other things, to an increase in domestic consumption and in foreign demand for Jordanian industrial products in addition to continuous strengthening and expansion of industries.

The Table 3.7 shows an increase in the Production of most industries, ranging from 10.1 (%) in liquid batteries to 72.5 percent in upper leather. Phosphate Production increased by 52.3 percent, thus exceeding the average production level of the period 1968-1970 which was 1062.7 thousand tons (C.B.J. Annual Report 1973 P.19). The increase was due to the introduction of new mining equipments. Petroleum products increased by 11.6 percent owing to an increase in domestic consumption and to unforeseen exports to Syria.

Other industries also recorded varying production increases. The production of cigarettes increased by 42.8 percent owing to an increase in domestic consumption and in exports especially of semi-manufactured tobacco to Yemen. Paper production increased by 11.7 percent as a result of the re-organisation of the paper company.

The production of detergents, spirits and alcoholic drink liquid batteries, and electricity rose by 8.2 percent, 20.9 percent 10.2 percent and 14.8 percent respectively.

A few industries recorded varying production decreases in 1973. The production of cement, iron, textiles decreases by 6.7 percent, 7 percent and 5.5 percent respectively. Fooder production also decreased by 6 percent because of a decrease in exports and in domestic demand. The

drop in the production of sole leather and wool by 44.1 percent was due to the concentration of the tanning company on the production of upper leather.

In the year 1974, the industry and mining sector achieved a high level of growth. The industrial production index of Principal industries (1975 = 100) rose by 5.7 points from 87.4 to 93.1 points in 1974 (Table 3.8). The significant improvement is attributed to an increase in local consumption and to a continued improvement of industrial export opportunities, in addition to the expansion and development of various existing industries. Varying increases in the production of most industries were registered. Phosphate production rose by 54.9 percent over the previous level, due to higher export demand. Several other industries recorded varying production increases. sole leather and wool rose by 50.2 percent and liquid batteries by 17.2 percent. As a result of longer working hours of the paper mill to meet the increase in demand, paper production increased by 15.1 percent. The improved level of industrial activity led to greater demand for electric power by both households and factories, leading in turn to a 17.9 percent in the generation of electric power over 1973 level.

By contrast, a few industries suffered partial production declines in 1974, either because of their own special circumstances or because of temporary general conditions. These include steel, cement, tobacco and fooder.

Industrial Production in 1975, witnessed a remarkable growth as compared with 1974 level. This growth in industrial production came as a result of production expansion in most of the principal industries whose relatively high weights (72.4%) withstood the negative effect of those other industries whose production went down, and whose relative weights did not exceed 27.6 percent. Increased domestic consumption and better industrial export opportunities also played a role in the attainment of that result.

The Table shows that the production of most industries rose by rates that ranged from a minimum of 1.3 percent for tobacco to a maximum of 67.4 percent for spirit and alcoholic drinks. We may also note that the production of petroleum products in 1975 rose by 10.7 percent over 1974. The reason was that domestic sales rose by 14.6 percent.

Increased local detergent consumption which had risen by 44.9 percent accounted for production rise of 41.4 percent. Paper production rose by 17.3 percent because exports and local demand have risen. Power generation rose by 20.3 percent. This rise in power generation is a clear indication of the steady economic growth in the country. Iron production rose by 23.1 percent in 1975, during which the iron factory was working on a non-stop basis. The resumption of fooder exports to both Syria and Iraq and the proliferation of egg-yielding poultry farms led to an increase in fooder production by 24.3 percent. Textile

Table No. 3.7 : Industrial Production of Principal Industries
Three Year Development Plan (1973 - 1975)

		1972	1973	1974	1975
Phosphate (Dry)	000 Tons	709	1080.9	1674.8	1352.5
Cement	000 Tons	661.3	616.8	614.7	598.2
Petroleum Products	000 Tons	605.1	675.3	748.4	828.2
Electricity	Mill K.W.H.	158	181	213.4	256.7
Iron	Tons	30184	38076	25432	31304
Textiles	000 Yards	744.0	703.0	722.0	953.0
Fooders	Tons	44195	41533	33341	41457
Cigarettes	Mill Cig.	1395.1	1992.0	1822.9	1846.0
Paper and Card Board	Tons	2749.0	3072.0	3536.6	4147.0
Sole leather and Wool	Tons	561.6	369.9	555.6	531.4
Upper Leather	000 Sft.	2174.9	3750.5	2647.8	2230.7
Spirits and Alcoholic Drinks	000 Lit.	2421.0	2927.0	3288.0	5503.0
Liquid Batteries	000 Bat.	36.4	40.1	47.4	44.4
Detergents	Tons	2528.0	2736.0	2973.0	4203.0

Table No. 3.8 : The Index Number of Industrial Production
1973 - 1975 (1975 = 100)

	1972	1973	1974	1975
Food, Drink and Fooder	93.5	90.3	76.1	100
Cigarettes and Matches	75.6	107.9	98.7	100
Textiles and Clothes	78.1	73.8	75.8	100
Chemicals	60.1	65.1	70.7	100
Construction Materials	106.7	99.5	97.0	100
Electricity and Batteries	65.2	74.2	87.1	100
Footwear and Leather	104.3	143.5	115.2	100
Petrol Refining	73.1	81.5	90.4	100
Phosphate	52.4	79.9	123.8	100
Paper and Card Board	66.3	74.1	85.3	100
Overall Index	79.5	87.4	93.1	100
% Change	22.3	9.9	6.5	7.4

Source : C.B.J. Yearly Statistical Series (1964 - 1983)
Table 42

production rose by 32 percent owing to a 64 percent rise in local textile sales.

By contrast, the major mining industry of phosphate suffered a Production decline of 19.2 percent because of a drop in exports. Cement Production also fell slightly despite increased demand for construction purposes.

Table 3.9(a) tells us that the planners in Jordan are doing their best in boosting, promoting and developing the industrial production in order to bring about comprehensive development based on a sound industrial growth.

Industry and mining got JD 26.120 thousand or 14.6 percent out of the total Plan outlays through out the Three Year Plan it is the second in rank after the transportation which has enjoyed highest share of 20.0 percent. In general terms the share of economic sectors in the Plan investments recorded 63.7 percent which indicates the desire of the government to develop the economic sectors of which industry and mining sector is second in importance. Shares of other sectors can be seen from the Table.

Table No. 3.9(a) : Share of Industry & Mining In The Total Investment
of The Three-Year Development Plan 1973 - 1975
(In Thousands of JDs)

Sector	1973	1974	1975	Absolute	%
Agriculture (1)	5296	4415	3309	13020	7.3
Irrigation (2)	7009	5385	2242	14636	8.2
Industry and Mining (3)	5200	9040	11883	26120	14.6
Tourism and Antiquities (4)	2365	2595	2210	7170	4.0
Electricity (5)	2050	3448	4283	9781	5.5
Transportation (6)	12926	12001	10885	35812	20.0
Communication (7)	3370	2059	1283	6712	3.8
Trade (8)	325	225	225	775	0.4
Total Of Economic Sectors (9)	38541	39168	36317	114026	63.7
Total of Social sector (10)	19472	22112	23390	64974	36.3
Total Investments (11)	58013	61280	59707	179000	100

Source : Central Bank of Jordan Annual Report 1972, P. 67, P. 73

Note :

(1) Total of social sectors includes : -

Total of Education & youths Health, Social Affairs & Labour,
housing and Govt. buildings, Municipalities and villages
affairs and Statistics Department Projects

(2) Total Investment of the plan includes

Total of Economic sector plus total of social sector

Table 3.9(b) shows a very interesting data that the Private sector has invested about 77.8 percent of the investment in industrial sector, the remainder will be invested by the Public Sector. This might lead us to conclude that the private sector has put much confidence in the economic development which the country has witnessed and the investment climate which has encouraged those investors to invest. Adding to this, the Encouragement of Investment Law has provided much concessions for the investors plus tax exemptions and other incentives which the investors have enjoyed.

The low percentage of the public sector share is not a negative sign, it shows that the government wanted larger participation of the private individuals, as well as institutions in the development process of the kingdom taking in consideration the political and economic stability which the country enjoys over many years.

Table 3.9(b): Share of Public and Private Sectors in The
Total Investments of Industry - Three Year
Plan 1973 - 1975

(In Thousands of JDs.)				
Total Investments of Industry	Public sector Investments	%	Private Sector Investments	%
26120	5810	22.2	20310	77.8

Source : C.B.J. Annual Report 1972, P. 67

From Table 3.10 we can see that the industry and mining sector surpassed the targets of the Plan. This was

due to the establishment of several new industrial and mining projects during 1974 and 1975, and the mobilization of untapped potentialities in existing industries. The 1974 income of this sector reached JD 37.05 million, thus realizing a growth of 43.0 percent over its 1973 level. In the year 1975, income of this sector reached 53.02 million or 43.1 percent over its 1974 level. The 1975 industrial income rose by JD 17.5 million over the figure envisaged by the Plan, thereby making the ratio of actual to planned income 49.4 percent.

Table 3.10 : The performance of The Industrial Sector
During The Three - Year Development Plan
(1973 -1975)

(In Million of JDs)					
Planned Income			Actual Income		
1973	1974	1975	1973	1974	1975
26.80	30.70	35.50	25.90	37.05	53.02

Source : C.B.J. Annual Report 1975 P.118.

Table 3.11 indicates that by comparing Jordan with countries which were at similar stages of development, the Jordan economy is characterized by high relative share of the services sector in Gross Domestic Product and its absorption of increasing proportions of the labour force: The share of the services sector in GDP reached to 70 percent, as against 11.2 percent and 9.3 percent for industry and agriculture respectively, and it is visible for other two years, that the services sector was higher than the other sectors.

Table 3.11 : The Relative Importance of Industry in the Gross Domestic
 "Product Factor Cost" The Three year Development Plan 1973-1975
 (In Millions of JDs)

Year	Agriculture, Forestry and Fishing	Mining and Manufacturing	Electricity and water supply	Construction	Total of Directly productive Sector	Total of Services and Others	Total G.D.P
1.	2.	3.	4.	5.	6 = 2+3+4+5	7.	8 = 6+7
1973	17.6 (9.3)	21.2 (11.2)	2.8 (1.5)	15.2 (8.0)	56.8 (30.0)	132.1 (70.0)	188.9 (100)
1974	30.3 (12.5)	40.5 (16.7)	3.0 (1.2)	16.8 (7.0)	90.6 (37.4)	151.8 (62.6)	242.4 (100)
1975	26.0 (8.6)	56.0 (18.4)	3.1 (1.0)	19.2 (6.4)	104.3 (34.4)	198.8 (65.6)	303.1 (100)

Source : Central Bank of Jordan Yearly Statistical Services (1964-1983) Table 44

Notes : (1) Column No. 7 Includes Total of Trade, Transport and Communication,
 Financing Estate Services, Producers of Govt. Services and other
 Services

(2) Figures in Parentheses are percentages of the total

In Jordan, the services sector employs more than 60 percent of the labour force⁶, whereas the agricultural and industrial sector employ the remainder in almost equal proportions. In countries at similar stages of development, the services sector originates in not more than 40 percent of GDP and employs 15 to 25 percent of the labour force.

The chronic trade deficit and the reliance on external financial assistance were accompanied by the expansion of the services sector at rate exceeding those of other sectors.

From Table 3.12, we see that in 1973, the Bank continued using the advances and rediscount facilities provided by the Central Bank of Jordan. A amount of JD 493.1 thousand was used by the I.D.B. at the end of the year under review and in the same year, the Board of Directors has approved to increase the upper limit of Central Bank facilities to one million Dinars in order to meet the expected increase in volume of business in the coming years.

In 1974, the balance of rediscount facilities provided by the Central Bank of Jordan to the I.D.B. amounted to JD 1269.5 thousand and all of this amount was redibursed to the borrowers of the Bank.

From the Table it is evident that the Industrial Development Bank is heavily relaying on the Central Bank for financing its lending operations, while the ratio of advances to specialized credit institution increased from 25

Table 3.12 : Ratio of outstanding Central Bank of Jordan
Advances and rediscount Facilities to Banks and
Specialized Credit Institutions to advances to
Industrial development Bank-During the Three-Year
Development Plan 1973 - 1975

(In Thousands of JDs)

Year	C.B.J advances and Rediscount to Banks and Spe- cialized credit institutions.	C.B.J advances to industrial Development Bank.	Ratio	Percentage growth of C.B.J advances to Industrial Development Bank
1.	2.	3.	4 = 3/2*100	5.
1972	1236	309.2	25.0	-
1973	2167	493.1	22.7	59.4
1974	3964	1269.5	32.0	157.4
1975	4295	1992.8	46.4	56.9

Source Column 2 : C.B.J. Annual report Various Issues:

Column 3 : Industrial Development Bank, Annual Reports
Various Issues

Column 4 : Dividing Column No. 3 by Column No. 2 * 100

Column 5 : Calculated from Column No. 3

Note : Figures in Column No. 3 represents long term liabilities.

percent in 1972 to 46.4 percent in 1975, the growth of these advances was very high as indicated by the Table.

Tabel 3.13 shows that bank credit has registered a noticeable growth rate in 1973 over 1972. The rate of increase amounting to JD 11.23 million or 22.2 percent. At the end of the year, total bank credit extended to all sectors reached JD 61.82 million. The Table indicates that the trade sector continued to absorbed the largest share (40.6 percent) of total credit granted by commercial banks. In spite of the relative decline in 1973, bank credit to this sector increased by JD 3.62 million. This was mainly due to a rise in the value of imports. Next in importance was the sector of construction and land purchase which claimed 23.4 percent of total credit, the mining and industry which got 34.6 percent higher than the previous year. It is evident that the Three Year Plan has had a clear quantitative and qualitative effect on the distribution of bank credit among the economic sectors. The Plan requires an increase in the private sector expenditures and at the same time, it focusses on the productive side of the economy (construction, mining and industry) this is why the rate of increase of bank credit to the trade sector was smaller than that of 1972; while the share of the construction and mining and industry sectors increased. The Central Bank played an important role in the redistribution of bank credit for the benefit of the productive sectors, by adopting several policies. Towards this end, the Bank issued two memoranda the first was on August 2, 1973 and the second on November

21, 1973.⁷ In the first, the Bank asked licensed banks to increase credit extended to productive sector, while reducing the credit provided to the commercial sector, and to extend more credit for financing the projects adopted by the Three-Year Plan. In the second memoranda, the Bank instructed licensed banks to observe a policy based on preferential interest rates to be charged on the developmental projects.

Credit facilities extended by commercial banks continued their growth in 1974 and at higher rates than those prevailing in previous year. The facilities increased in 1974 by JD 22.16 million or 35.8 percent, over the 1973 to reach JD 83.98 million. The Central Bank decision No. 53 of August 1, 1974⁸ limited the rate of increase in direct credit to no more than 5 percent of total direct credit facilities extended until 30 June 1974. The decision had a noticeable effect in restricting expansion in credit facilities. Similarly, the measure taken by the Central Bank on August 7, 1974⁹ calling for an increase of cash reserves which commercial banks were legally required to deposit with the Central Bank from 10 percent to 12 percent. These measures brought about a discernible change in the distribution structure of credit facilities. The volume of credit facilities extended to the general trade sector decreased by JD 1.76 million during the second half of 1974,

7. C.B.J. Annual Report 1973, P. P. 10-11

8. C.B.J. Annual Report 1974, P. 33

9. C.B.J. Annual Report 1974, P. 35

or 5.5 percent, while facilities extended to industrial sector rose by JD 2.05 million or 25.5 percent over the level achieved at the end of first half of the same year.

Commercial banks credit facilities continued their sharp upward growth during 1975. Credit facilities increased by JD 37.45 million or 44.6 percent over 1974 level, thereby amounting to JD 121.43 million at the end of 1975.

A quick look at the credit facilities extended by commercial banks reveals that the general trade sector obtained credit amounting to JD 51.37 million, or 42.3 percent of total credit facilities granted in that year. The construction and land purchase sector came second with JD 26.28 million or 21.6 percent of total credit facilities. The industry and mining sector was sector was third with JD 15.11 million or 12.4 percent of total credit facilities. This shows that the percentage share of credit to industry in the total credit of commercial banks did not experience a great change between 1974 and 1975, while in absolute terms, there was an increase of about JD 5 million at the end of 1975, the reason for this can be the increased credit to general trade sector by almost JD 21 million and construction sector by JD 8 million.

Table 3.13 : Percentage Share of Total Outstanding Commercial Banks Credit to Industry in the Outstanding Commercial Banks Credit During the Three Year - Development Plan 1973 - 1975
(In Millions of JDs)

Year	Total Comm. Banks credit	General Trade Sector	Construction and Land Purchase	Industry and Mining	Growth Rate of Credit to Industry and Mining (%)	Share of Credit to Industry & Mining in the Total Com.Bank Credit(%) 7 = 5/2*100
1.	2.	3.	4.	5.	6.	7
1972	50.59	21.46	10.67	4.65	-	9.19
1973	61.82	25.08	14.44	6.26	34.6	10.12
1974	83.98	30.30	18.84	10.46	67.1	12.45
1975	121.43	51.37	26.28	15.11	44.4	12.44

Source : C.B.J. Annual Reports - Various Issues

**Operations of the Industrial Development Bank and
Its contributions to the Industrial Development
of Jordan 1973 - 1975**

Table 3.14 shows that during 1973, the Bank approved 39 loans totalling JD 1467.2 thousand of which JD 1419.2 thousand were extended to 35 industrial projects and JD 48.0 thousand to 4 tourist projects. The Table shows also that 46.3 percent out of total approved loans for 1973 went to industrial projects and the remains (53.7 percent) went to tourist projects.

It is clear that 86.4 percent of the amount of loans approved for industrial projects during 1973 were for machinery and remainder for raw materials, factory construction and tourist projects.

In 1974 the Bank approved 37 loans amounted JD 1934.5 thousand of which JD 1554.5 thousand were extended to 28 industrial projects and JD 380 thousand were for 9 tourist projects. It is visible from the Table under review that the percentage share of industrial projects and tourist projects in the total amount of the approved loans were 80.3 percent and 19.7 percent respectively, 72.4 percent of the amount of approved loans was for machinery, tourist projects got only 19.6 percent.

In 1975, the Bank approved 41 loans with total amount of JD 2536.8 thousand of which JD 2368.8 thousand went for 39 industrial projects and JD 68 thousand went for 2 tourist projects.

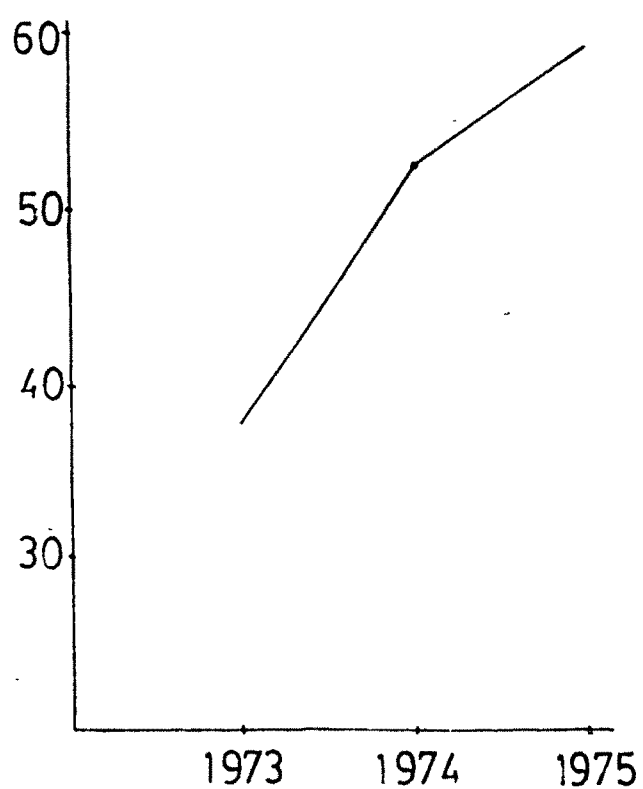
Table 3.14 : Outstanding Approved Loans by the Industrial Development Bank classified by purpose
Three Year Development Plan 1973 - 1975
(Fig. in Thousands of JDs)

	1972	1973	1974	1975
Industrial Projects				
No. of Industrial Loans(1)	21	35	28	39
Construction of Factories(2)	60.0	64.5	153.0	412.0
Machinery(3)	203.5	1267.7	1401.5	1956.8
Raw Materials(4)	172.0	87.0	N.A	N.A
Total Outstanding Industrial Projects(5) = 2+3+4	435.5	1419.2	1554.5	2368.8
Tourism (6)	505.0	48.0	380.0	68.0
No. of Tourist Loans(7)	6	4	9	2
grand Total (8) = 5+6	940.5	1467.2	1934.5	2436.8
Total No. of Loans (9) = 1+7	27	39	37	41
Percentage share of Total Industrial projects(10) $5/8 \times 100$	46.3	96.7	80.3	97.2
percentage share of total Tourist projects(11) $6/8 \times 100$	53.7	3.3	19.7	2.8

Source : Industrial Development Bank - Annual Reports.

Column No. 10 : as percentage of column 8

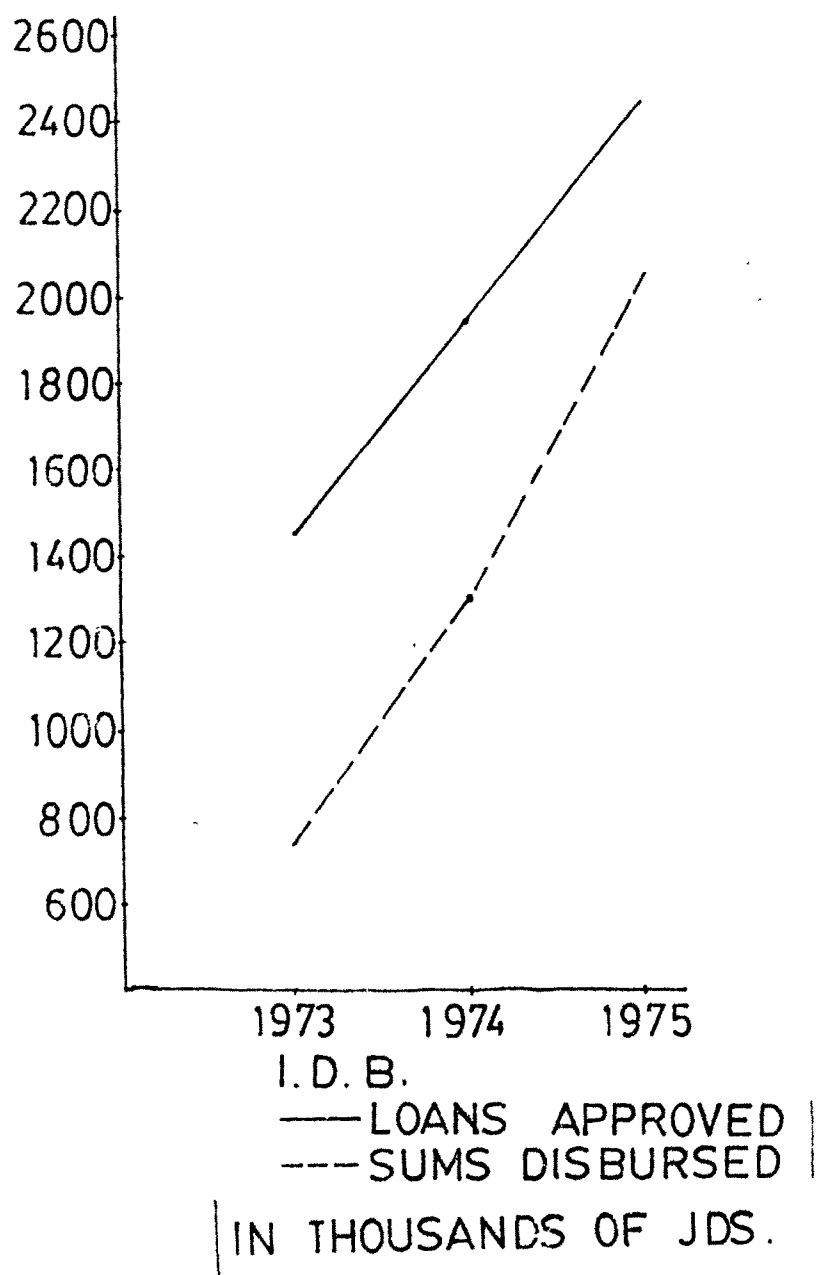
Column No. 11 : as percentage of column 8



I. D. B.

EVOLUTION OF THE AVERAGE
LOAN AMOUNT.

IN THOUSANDS OF JDs.



80.3 percent of the total amount of aproved loans went for machinery and 16.9 percent for construction of factories and 2.8 percent for tourist projects.

The successive Jordan governments and Jordan planners have realized the importance of planning much earlier than 1973. They have adopted planning Process as the best way to achieve over all economic and social development. The Industrial Development Bank also works hand by hand with the Plans and the planners in Jordan. Looking at the Table 3.15 we can conclude that the I.D.B. has maintained a very low level of external finance in order to meet some urgent needs, during the years 1970, 1971 and 1972 But when the Three-Year Development Plan was launched the Bank shouldered the responsibilities as other institutions in impleminting and achieving the Plan programmes and its targets.

In the year 1973, the Bank external financing reached to JD 275.9 thousand which have jumped to JD 1370.6 thousand at the end of 1975, a growth rate of almost 400 percent. from a growth of 83.9 percent in 1973 over 1972 to 222 percent in 1975 over the preceeding year.

The Table also indicates the depth of the Bank involvement in the planning prossess in Jordan as it is the only specialized credit institution extending finance for industrial projects in the country on one hand, and the vital role which it has to play during the implemintation of the industrial projects of the Plan on the other.

Table 3.15 : Industrial Development Bank - External Financing

(In Thousands of JDs)		
Year 1	Amount 2	Growth Rate 3
1970	150.0	-
1971	150.0	0.0
1972	150.0	0.0
Three-Year Development Plan		
1973	275.9	83.9
1974	425.5	54.2
1975	1370.6	222.0

Source : I.D.B. Annual Report - Various Issues

- Note : 1. External finance includes : Grants from Govt. and Semi-Govt. bodies, foregin Loans and C.B.J. Advances.
2. Total of each year is excluded of the C.B.J. Advances which have been discussed in other tables in this thesis.
3. The I.D.B. has started using funds raised from "External sources" only from the year 1970.

As a continuation of its general policy of widening the industrial base in the country, the Industrial Development Bank has acquired larger share of the shares floated by the industrial concerns in the market "Tabel 3.16" in order to increase the confidence of the private investors in the Jordan industrial projects. By doing so, the investors will depend indirectly on the Bank to supervise and to ensure the smooth functioning of the projects. The Bank investment in equity shares of the economic projects has grown up from 1.5 percent at the end of 1974 to 142 percent at the end of 1975.

The industrial Development Bank has helped indirectly in the implementation of the industrial projects as envisaged in the plan which shows beyond doubts that the Bank is shouldering its responsibilities, with full efficiency towards the industrial development in the kingdom.

Table No. 3.16 : Industrial Development Bank - Equity Investment in Jordan Economic Projects Three Year Development Plan (1973-1975)

(In Jordan Dinars)

Year	1972	1973	1974	1975
Equity Investments	48137	120137	122012	295186

Source : I.D.B. Annual Reports.

**Industrial Financing and Industrial Development
During The First Five-Year Development Plan 1976-1980**

The First Five Year Development Plan envisages the achievement of a number of objectives through the pursuit of certain policies related to the volume of investment and financing methods on the one hand, and to organizational measures aimed at increasing economic effectiveness on the other. Tables 3.17, 3.18, 3.19 reveal that the industry and mining sector continued its steady growth during 1977. Industrial income went up from JD 72.5 million in 1976 to JD 85 million in 1977. The industrial quantitative Production index of major industries (1975 = 100) increased from 129 points to 129.7 points in 1977, or 3 percent. This increase is less than that achieved in 1976 and which reached to 25 percent.

In 1977, the growth was basically achieved through increase in Production of industries, especially those of high relative importance such as phosphates, cigarettes and iron, in addition to increased domestic consumption, the continuing improvement of export possibilities for industrial production, increase development efforts for the promotion and growth of the industrial sector.

Table 3.17 shows that the most major industries have registered varying increases in their production. Phosphate production increased by 4 percent in 1977 as a consequence of the increase in external demand. Other information also available for other products for the same

year. In contrast, there was a drop in the production of some other major industries such as Cement, Textiles, Fooder and alcoholic drinks by varying rates.

In 1978, the industrial sector grew satisfactorily. Income at current prices generated by mining rose by 15.1 percent, from 19.9 million in 1977 to JD 22.9 million in 1978, while income from the manufacturing sector decreased by 5.7 percent from JD 65.1 million in 1977 to JD 61.4 million in 1978. the index number for phosphate production rose by 31.2 percent, from 131.2 points in 1977 to 172.1 points in 1978. This can be attributed to the increase in the production as a result of the growth in external demand.

The index for the production of electricity also rose by 22.6 percent from 124.5 points in 1977 to 152.6 points in 1978, as a result of increased consumption of electric power for all purposes, particularly by industry and housing in addition to the expansion of the electricity network to more areas, especially rural ones.

The index number for the production of chemicals rose by 56.8 percent. There was an increase in the production of textiles and clothes, fooder and leather of 31.2 percent, 23.3 percent and 12.7 percent respectively as a result of the increase in external and local demand. In 1979, the industrial production index number jumped by 18.1 percent, from 159.2 in 1978 to 188.0 in 1979. This growth was as a result of the expansion of domestic demand and export

opportunities. The production of the main of industries (Phosphate, Cement and Petroleum Products) as well as other industries picked up, new industries were started and a number of existing enterprises were developed and expanded.

Phosphate production increased pushing its index number from 172.1 points in 1978 to 209.9 points in 1979, an increase of 22 percent, partly due to the commencement of production in Al-Abiad mine and due to an increase of exports. Electricity production grew by 31.1 percent as a result of supplying electricity in the country side, and of the natural growth in demand for all uses.

In response to the expansion in construction activity, production of iron and cement expanded by 24.1 percent and 12.7 percent respectively. Production of food, textiles and clothes, petroleum refining registered 57 percent, 24.1 percent and 14.3 percent respectively.

On the other side, the production of chemicals fall by 3.0 percent, lather dropped by 16.3 percent and fooder was almost stationery (-0.2) percent. Value added in manufacturing and mining rose from JD 84.3 million in 1978 to JD 102 million in 1979.

In the year 1980, the industrial production index rose to 232 from 188 in 1979, or increased by 23.5 percent. Virtually all principal industries such as Cement, Phosphate Rock, Electricity Paper and Card board and chemicals have realised definite increases in production. This was made possible due to vigorous local demand and improved export opportunities.

Table 3.17 : Industrial Production of Principal Industries
First Five - Year Development Plan
(1976-1980)

		1976	1977	1978	1979	1980
Phosphate (Dry)	000 Tons	1701.8	1769.4	2320.2	2828.1	3911.3
Cement	000 Tons	582.4	537.6	553.0	623.2	912.7
Petroleum Products	000 Tons	1145.0	1145.5	1396.6	1612.4	1760.0
Electricity	Mill KWH	386.0	551.4	649.1	842.1	1051.4
Iron	Tons	62379	63819	65289	80961	86173
Textile	000 Yards	915.5	869.8	1140.9	1416.7	1641.2
Fooders	Tons	50933	42024	51841	51707	47860
Cigarettes	Mill Cig-	2224.1	2464.3	2628.0	3414.1	4188.3
Paper and Card Board	Tons	5361.0	5228.0	4620.0	7123.4	8774.
Sole leather and Wool	Tons	162.5	345.6	197.9	190.7	103.0
Upper Leather	000 Sq.ft	2216.9	2526.8	2807.9	2448.9	2502.7
Spirit and Al-coholic	000 Litt.	6294.0	5749.3	5654.1	7206.7	6776.1
Liquid Batteries	000 Bat.	47.0	51.0	44.3	62.9	6.3
Detergents	Tons	5026.6	5026.7	7047.2	10567.	15264.

Source : C.B.J. Yearly statistical series (1964 - 1983) Table 41.

Table 3.18 : Gross National Product at Market Prices 1976 - 1980
(1976-1980)

	1976	1977	1978	1979	1980
Agriculture, forestry and Fishing	37.3	41.7	58.3	43.6	64.6
Mining and Quarrying	17.8	19.9	22.9	27.5	39.9
Manufacturing	54.7	65.1	61.4	74.5	127.2
Electricity and water Supply	3.6	4.1	5.2	6.5	17.1
Construction	23.3	27.0	35.0	60.5	97.5
Wholesale and Retail Trades	64.9	66.3	87.0	115.0	166.5
Transport and Communication	32.5	35.9	67.3	71.9	79.7
Financing, real state and Business services	33.2	43.6	53.1	90.3	124.8
Community Social and Personal Services	6.1	8.8	10.2	12.0	14.9
Less: Input Bank Services charges	3.0	3.4	12.4	16.5	10.5
Production of Govt. services	81.7	84.4	95.0	129.1	110.2
Non-Profit Institutions	5.5	9.1	10.5	11.2	13.9
Household services	0.7	0.8	0.9	1.0	1.5
Total Gross Domestic product at factor cost	358.5	403.3	494.7	626.6	907.3
Net Indirect Taxes	43.2	74.3	82.0	85.4	91.1
Total GDP at Market Prices	401.7	477.6	576.7	712.0	998.4
Net Factor Income from Abroad	140.8	145.9	148.8	168.3	200.9
= Total GNP at Market Prices	542.5	623.9	725.5	880.3	1199.3

Source : C.B.J. Annual Report - 1980 Table No. 2 from 1976 to 1979
for the year 1980, C.B.J. Annual Report 1981- p.7

Table 3.19 : The Index Number of Industrial Production
(1975 = 100)

	1976	1977	1978	1979	1980
Food, Drink and Fooder	119.0	117.2	132.2	158.4	163.5
Cigarettes and Matches	120.9	134.3	143.4	183.8	227.4
Textiles and Clothes	96.1	91.3	119.8	148.7	167.3
Chemicals	173.5	175.6	275.3	266.9	335.0
Construction Material	112.8	111.5	114.2	137.5	163.4
Electricity	103.7	124.5	152.6	200.0	242.6
Footwear and Leather	78.1	84.0	94.7	79.3	79.2
Petrol Refining	139.9	143.0	172.9	197.6	208.9
Phosphate	126.2	131.2	172.1	209.9	290.3
Paper and Cardboard	128.1	124.9	110.3	170.1	155.8
Overall Index	125.0	129.7	159.2	188.0	224.7
% Change	25.0	3.8	22.7	18.1	19.5

Source : C.B.J. Yearly Statistical Series
(1964 - 1983) Table 42.

Phosphate, rock production index moved up by 38.4 percent, rising from 209.9 in 1979 to 290.4 in 1980.

The demand for housing led to a derived demand for cement and iron, the production of which increased by 46.5 percent and 6.4 percent respectively. The overall development momentum showed a higher levels of industrial and residential electricity consumption.

The electrification of rural regions continued during the final year of the Plan under review, thus total electricity generated during the year increased by 24.8 percent. Chemical production index increased by 25.5 percent. Detergents and paper and card board production increased by 44.4 percent and 23.2 percent respectively.

On the other side, the production of fooder, alcoholic drinks, leather have shown a slight reduction by 7.5 percent, 6 percent and 46 percent respectively. Value added increased from JD 102 million in 1979 to JD 167.1 million in 1980, of the total income generated in this sector, throughout the plan period, the share of manufacturing industry was the major one.

One of the most important means of achieving the goals of the First Five-Year Plan is to invest in economic sectors and projects at a higher rate than those achieved in the final year of the Three Year Plan (1973-1975). Table 3.20 shows that the fixed investments during the plan period are estimated at JD 765 million, of which JD 382 million represent investment by the public sector and JD 383 million

by the private sector. Thus fixed investments to GDP will increase from 32 percent in the Three Year Plan to 36.4 percent in the First Five-Year Plan. Planned investment rised to JD 150 million in 1976 and JD 181 million in 1977 but declined gradually afterwards to JD 125 million in 1980, due to the plan on a number of projects in the productive sector, and on infrastructure such as airports and railways.

Table 3.20 : Share of Public and private Sectors in The
Total Investments of The First Five Year
Development Plan 1976 - 1980
(In Million of JDs)

	1976	1977	1978	1979	1980	Total	% Share
Public Sector	76	86	80	77	63	382	49.9
Private Sector	74	95	86	66	62	383	50.1
Grand Total	150	181	166	143	125	765	100

Source : Five Year Development Plan (1976 - 1980) Strategy
and Objectives - National Planning Council - P.78

Table 3.21 shows clearly the growing gap between planned and actual income, where in no year the actual income from industrial sector has reached the planned targets. Although the planned figures were in progress over the years of the Plan, the actual contribution of the industry in the G.D.P. has continuously declined with increasing gap between the planned and actual performance of the industrial sector.

This trend indicates that the expected or planned performance of the industrial sector was much higher than what it should have been, and the planners have over estimated the performance of the industrial sector at time

when the Plan draft was under preparation. This situation may not reflect the same position in the field of financing the industry, because commercial banks have financed industrial projects in accordance with the Plan targets.

Table 3.21 : Performance of Industrial Sector During the First Five-Year Development Plan 1976-1980 (at 1975 prices)

	(In Millions of JDs)				
	1976	1977	1978	1979	1980
Planned Income	67.0	84.0	95.0	114.0	144.0
Actual Income	53.4	69.7	73.4	80.7	91.4

Source : 1976 C.B.J. Annual Report 1977 : P. 140
1977, 78 and 1979 C.B.J. Annual Report 1979 P. 73
1980, C.B.J. Annual Report 1980 Table 45.

Table 3.22 tells us that each of the sectors contributing to the G.D.P. had maintained relatively a constant share as there was no much change in each sector's percentage share in the G.D.P. over the Plan years. Jordan economy is characterized by the dominance of the services sector contributing to the G.D.P. over other sectors followed by mining, industry and agriculture.

Mining and manufacturing sector has contributed JD 67.8 million in 1976 and reached to JD 167.1 million at the end of 1980. In spite of the high growth rate of the final year over the first year of the Plan, which stood of 146 percent, yet the relative importance in the total sectors contributing to the G.D.P. has remained more or less constant as indicated by the Table. This reflects the general improvements in other sectors contributing to the

Table 3.22 : The Relative Importance of Industry in the Gross Domestic Product
 "Factor Cost" First Five-Year Development Plan 1976-1980
 (Amounts in Millions of JDs)

Year	Agriculture, Forestry and Fishing	2.	Mining and Manufacturing	3.	Electricity and water supply	4.	Construction	5.	Total of Directly Productive Sector	6 = 2+3+4+5	Total of Services and others	7.	Total G.D.P	8 = 6+7
1976	37.3 (9.9)		67.8 (17.9)		3.9 (1.0)		26.6 (7.0)		135.6 (39.8)		242.8 (64.2)		378.4 (100)	
1977	41.7 (9.7)		78.1 (17.7)		5.5 (1.2)		36.8 (8.3)		162.1 (36.9)		277.8 (63.1)		439.9 (100)	
1978	58.6 (10.7)		94.3 (17.1)		7.2 (1.3)		51.0 (9.2)		211.1 (38.3)		340.1 (61.7)		551.2 (100)	
1979	43.6 (6.6)		121.6 (18.2)		10.1 (1.5)		70.5 (10.5)		245.8 (36.8)		422.8 (63.2)		668.6 (100)	
1980	64.6 (7.4)		167.1 (18.8)		17.1 (1.9)		97.5 (10.9)		346.8 (39.0)		542.1 (61.0)		888.4 (100)	

Sources : Central Bank of Jordan, Yearly Statistical Series (1964-1983) Table 44

Notes : (1) Column No. 7 includes Total of trade, Transport and Communication,
 Financing real estate Services, Producers of Govt. Services and
 and other services

(2) Figures in brackets are percentage of the total

G.D.P.

Table 3.23 presents the year-wise figures of advances and loans to specialized credit Institutions by the Central Bank of Jordan. It is clear from the table that the Bank has granted increasingly a good volume of credit, through discount and advances to specialized credit Institutions. It is worth noting here that the reduction in the growth rate or in the ratio of advances is probably not the difficulties of access to the C.B.J. by the Industrial Development Bank, as the latter holds a good amount of rediscountable government securities, but the reason for this decline might have been the increase in cash reserves where the Bank relied on its own internal sources in meeting the demand for industrial credit. As shown by the Table 3.29, the external finance plays a vital role in the I.D.B. operations although the growth was not increasing but in absolute terms, there was a good increase in the amounts of advances to I.D.B.

Table 3.23 : Ratio of Outstanding C.B.J. Advances for the Banks and S.C.Is. to Advances and Rediscount Facilities to I.D.B. First Five Year Plan 1976-1980

(In Thousands of JDs.)

Year	C.B.J. Advances to Banks and S.C.Is.	C.B.J. Advances to I.D.B.	Ratio	Growth Rate of C.B.J. Advances to I.D.B.
1976	11152	2998.9	26.9	56.7
1977	15211	3415.9	22.4	13.9
1978	17990	3765.7	20.9	10.2
1979	17414	3488.8	20.0	(7.4)
1980	21424	3958.0	18.4	13.4

Source : Source of Table 3.12

Note : Figures in Brackets Indicate Minus

Table 3.24 shows that credit facilities granted by commercial banks amounted JD 201.09 million at the end of 1977, an increase of JD 17.35 million or 9.4 percent. It is worth noting, that this has been the lowest growth rate registered since 1974. In the years 1974, 1975, 1976, credit facilities registered growth rates of 35.8 percent, 44.6 percent, and 51.3 percent respectively. The reason for this drop in the expansion of credit facilities was the rationalization of economic activity and the policy of tightening credit followed by commercial banks.

Surveying the distribution of credit facilities among the various economic sectors, we observe that the trade sector has received JD 81.43 million or 40.5 % of total credit facilities granted. Second in importance is the sector of construction and purchase of land, which received JD 33.83 million or 16.8 percent of total facilities.

Although the industry and mining sector was third in this distribution, its share is still relatively low for the second consecutive year, not exceeding JD 26.83 million or 13.3 percent of total credit facilities granted by the banks.

At the end of 1978, credit facilities amounted JD 271.64 million, a rise of JD 70.55 million or 35.1 percent, over 1977. It is worth noting that the growth of credit during 1978 was four times as large as that of 1977. The reasons for this were the increase in demand on the one hand, and the fact that commercial banks have been very

liquied, on the other. By distributing the credit facilities among the various sectors, we find that the trade sector has received JD 100.53 million, or 37.0 percent of total credit facilities.

Second in importance come the sector of construction, which received JD 65.91 million or 21 percent of total credit, followed by industry and mining sector with JD 38.29 million or 14.1 percent. This shows that the relative shares of the construction and industrial sectors had increased at the expense of the trade sector.

In the year 1979, the credit facilities sustained a continued growth as they did in 1978. That was a response to the increased demand which reflected a fairly liquied position. Aggregate credit facilities rose by JD 111.9 million or 41.2 percent to reach JD 383.58 million against an increase of only JD 70.55 million (35.1 percent) in 1978.

Approximately 35 percent of JD 134.24 million of credit facilities was scooped up by the trade sector, 22.7 percent of JD 86.9 million by construction sector against 21 percent in 1978, and 15.7 percent of JD 60.52 million by industry and mining sector against 14.1 percent in 1978. Thus construction and industry and mining sectors improved their relative share at the expense of the conventionally dominant trade sector.

Credit from the commercial banks at the end of 1980, reached JD 460.76 million. This involved an increase of 20.1 percent as contrasted with a 41.2 percent for the

Table 3.24 : Ratio of outstanding Commercial Banks credit to Industry and Mining to the Total outstanding commercial banks credit first Five- Year Development Plan - 1976 - 1980

(In Thousands of JDs)

Year	Total Comm. Banks Credit	General Trade Sector	Const- ruction and Land Purchase	Industry and Mining	Growth rate of Credit to Industry & mining %	Share of Credit to Industry & Mining in the Total Commercial Banks Credit
1.	2.	3.	4.	5.	6.	7. $=(5/2)100$
1976	183.74	81.61	30.86	22.14	-	12.0
1977	201.09	81.43	33.83	26.82	21.1	13.3
1978	271.64	100.53	56.91	38.29	42.7	14.1
1979	383.58	134.24	86.92	60.52	58.0	15.7
1980	460.76	166.96	98.29	73.08	20.7	15.8

Sources : C.B.J. Annual Reports Various Issues.

previous year. One third of this credit went to trade alone, construction ranked next, receiving 21.3 percent of total credit and 15.8 percent went to industry and mining. Although credit facilities to industry and mining amounted JD 73.08 million at the end of 1980, the growth rate of the facilities declined from 58 percent in 1979 down to 20.7 percent. there was a general decline in the growth rates of trade and construction sectors at the end of 1980, (i.e.) the growth rate of trade sector declined from 33.5 percent in 1979 down to 24.3 percent in 1980. The growth rate of industry and mining in 1979 was 52.7 percent came down to 13.1 percent by the end of 1980.

The share of credit to industry in the total commercial banks credit maintained a cautious share level. It has increased from 12 percent at the beginning of the First Five Year Plan to 15.8 percent at the end of the Plan. The sharp decline in the growth rate of credit to industry is a alarming one since this was absorbed by credit to other sectors as shown in the Table.

Operations of the Industrial Development Bank and Its Contribution to the Industrial Development of Jordan During The First Five - Year Development Plan 1976 -1980.

During 1976, the Industrial Development Bank approved 74 loans amounted JD 3523 thousand of which JD 2615 thousand were extended to 65 industrial projects and JD 908 thousand to 9 tourism Projects. Table 3.25 shows that loans

for the purchasing of machinery has got the biggest share out of the total loans for industrial projects, its share was 65.7 percent while 8.47 percent were for factory construction and 25.7 percent while 8.47 percent were for factory construction and 25.7 percent for tourism projects.

In the year 1977, the Bank approved 61 loans totalling JD 4701.8 thousand of which JD 3926.8 thousand were extended to 56 industrial projects and JD 775 thousand to 5 tourism projects. It is clear that 65.8 percent of the amounts approved during 1977 were for purchase of machinery while 17.7% were for factory construction and 16.5 percent were for tourism projects. Total investments of the projects during 1977, were estimated to be JD 13.2 million.

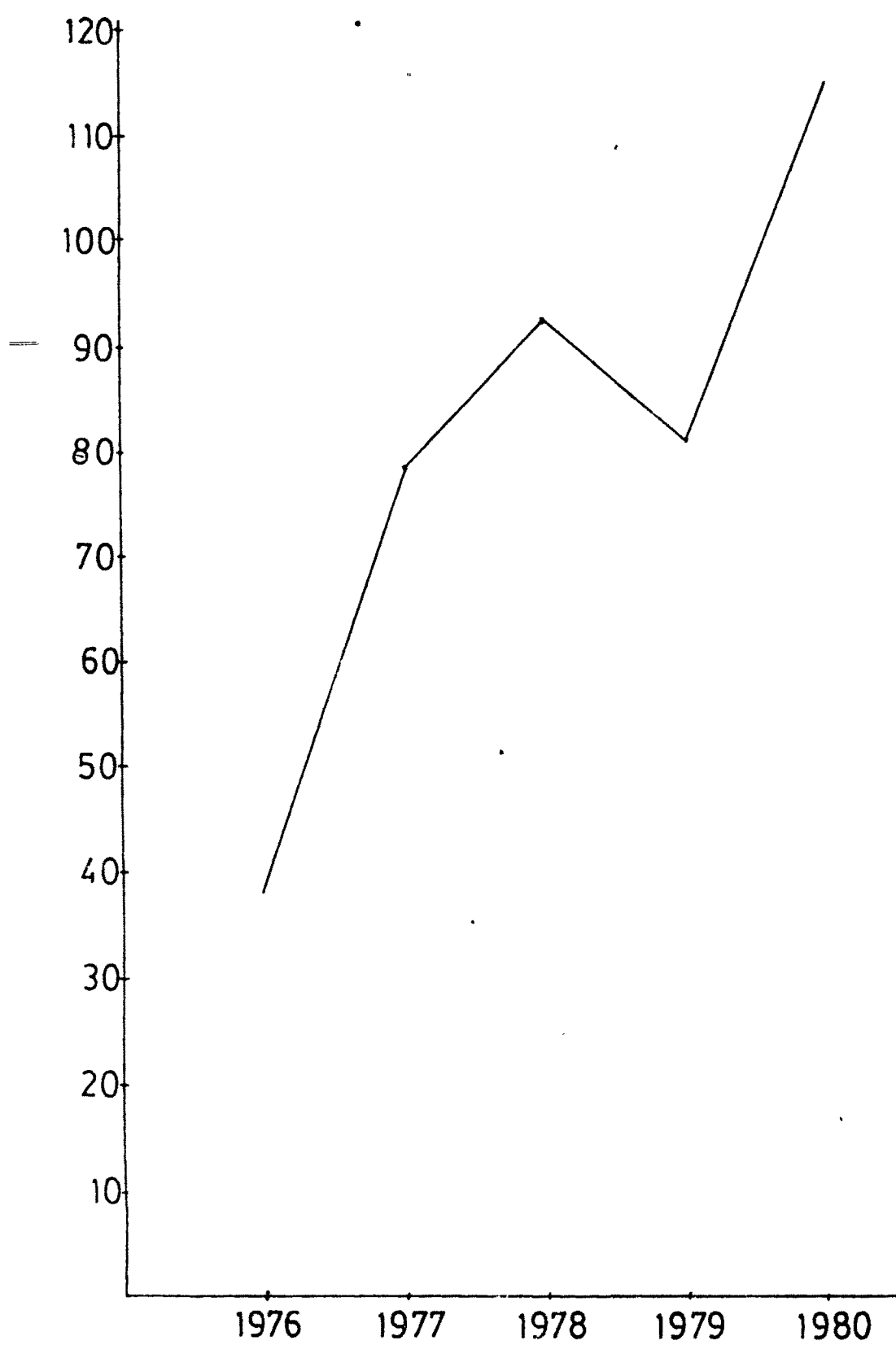
During 1978, the Bank approved 54 loans with total amount of JD 5147.5 thousand of which JD 3878.5 thousand to 43 industrial projects and JD 1269.0 thousand to 11 tourism projects. the table also shows that 61.6 percent of the amount approved during 1978 were for purchase of machinery, while 13.7 percent were for factory construction and 24.6 percent were for tourism projects. Total investments in the above mentioned projects were estimated to be JD 46.4 million.

During 1979, the Bank approved 47 loans totalling JD 3796 thousand of which JD 3496 thousand were extended to 41 industrial projects, and JD 300 thousand to 6 tourism projects. Total investments in the above mentioned projects were estimated to be JD 14.1 million.

Table 3.25 : Outstanding Approved Loans by the Industrial Development Bank Classified by Purposes First Five - Year Development Plan - 1976 - 1980

	1976	1977	1978	1979	1980
<u>Industrial Projects</u>					
No. of Industrial Loans (1)	65	56	43	41	50
Construction of Factory (2)	298.5	831.5	705.0	253.5	553.0
Machinery (3)	2316.5	3095.3	3173.5	3242.5	3268.0
Raw Material (4)*	-	-	-	-	1469.0
Total Outstanding Industrial Projects (5) = 2+3+4	2615.0	3926.8	3878.5	3496.0	5290.0
Tourism (6)	908.0	775.0	1269.0	300.0	1222.7
No. of Tourist Loans (7)	9	5	11	6	6
Grand Total (8) = 5+6	3523.0	4701.8	5147.5	3796.0	6512.7
Total No. of Outstanding Loans (9) = 1+7	74	61	54	47	56
Ratio of Total Industrial Projects Loans to the Total Approved Loans (10) 5/8	74.2	83.5	75.3	92.0	81.2
Ratio of Total Tourist Projects in the Total Approved loans (11) = 6/8	25.8	16.5	24.7	8.0	18.8

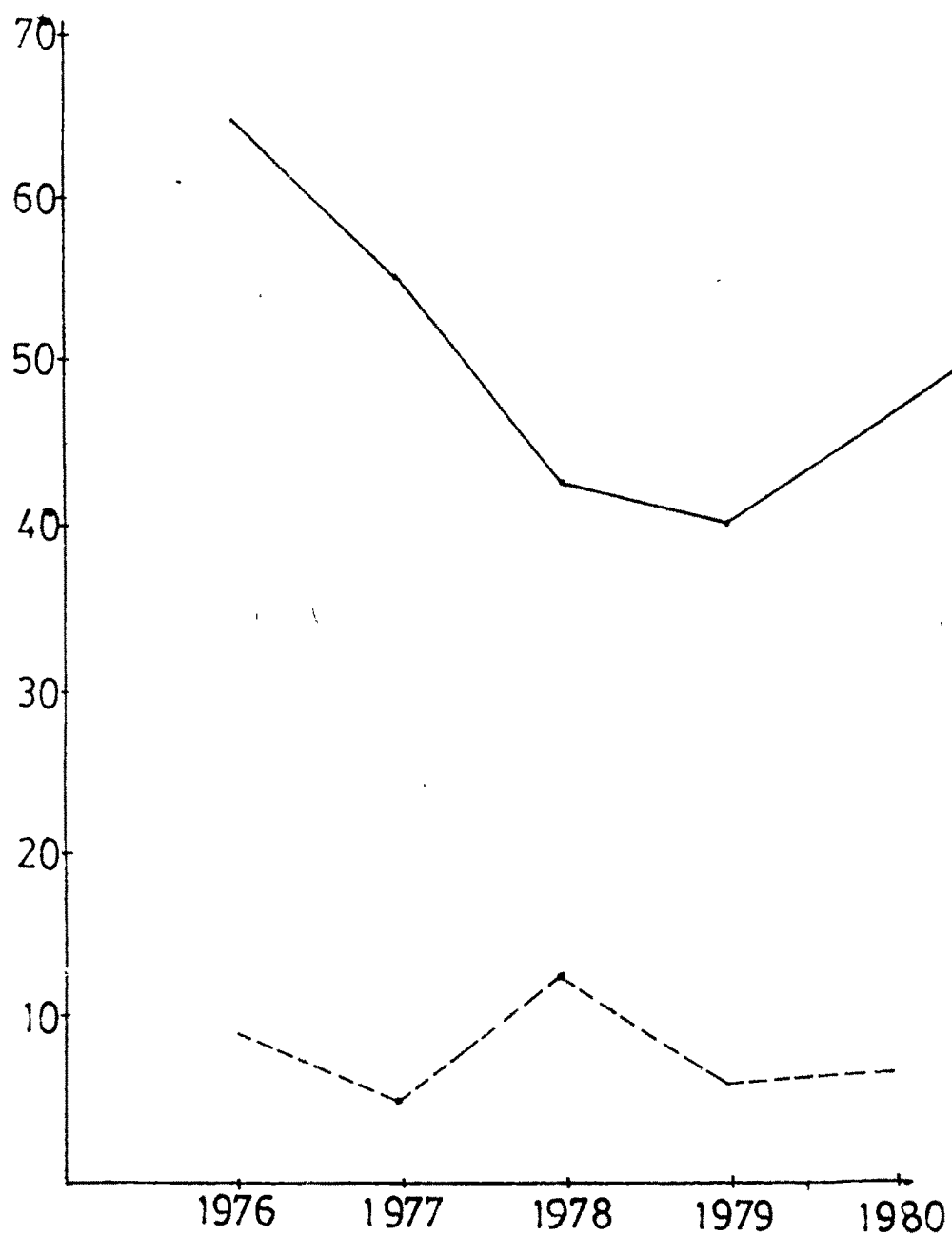
* The Bank started as from 1st January 1980, financing raw Material for industry to help utilizing the full capacities of the factories to activate their local and export sales.



I. D. B.

EVOLUTION OF THE AVERAGE LOAN AMOUNT.

IN THOUSNDS OF JDs

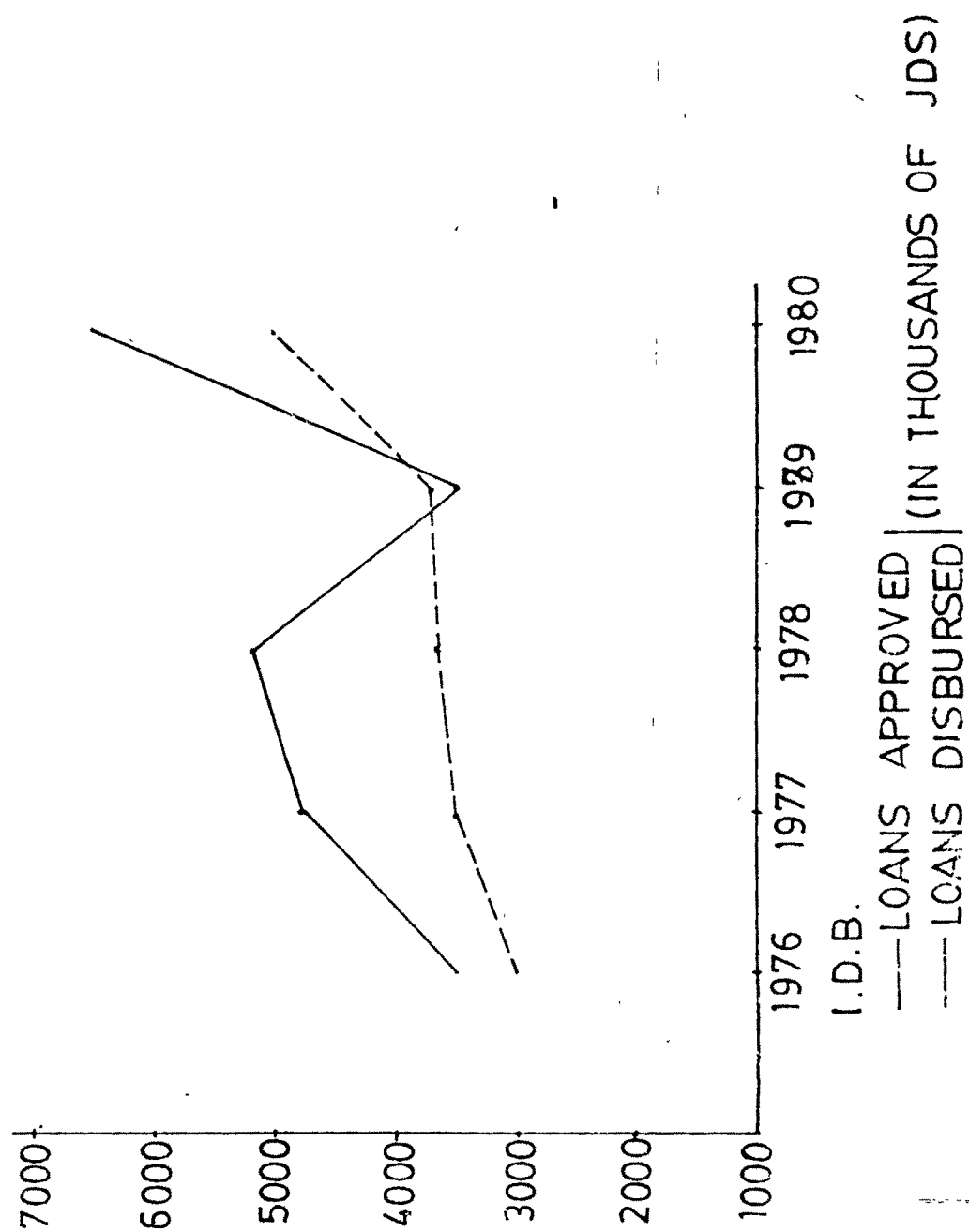


I. D. B.

NUMBER OF LOANS APPROVED

— INDUSTRIAL PROJECTS

--- TOURISM PROJECTS.



During 1980, the Bank approved 56 loans totalling JD 6512.7 thousand of which JD 5290 thousand were extended to 50 industrial projects and JD 1222.7 thousand to six tourism projects. Total investments in the above mentioned projects were estimated to be JD 30.4 million.

In the same year I.D.B. started financing purchases of raw materials for industry. Such step would help in utilizing the full capacities of the factories and activate their export sales. Number of loans granted for financing raw material were 21 loans amounting to JD 1.4 million.

Table 3.26 clearly brings out the continuous increase in the amounts of external finance. The year 1976 which was also the first year of the First Five Year Plan witnessed a growth of 106.3 percent over 1975. The Table indicates a gradual increase in the external financing which shows beyond doubts the confidence of the foreign governments and institutions in Jordan development Programmes. In absolute term there was an increase from JD 2828 thousand in 1976 to JD 7939.3 thousand at the end of 1980, or a growth of 180 percent over the Plan period, but year wise, the growth rate achieved declined from 106.3 percent down to 6.8 percent. It is not a reduction from the importance of the external financing, but it might have been a cautious policy of the Bank administration to depend on internal sources to meet the financial requirements of the Bank's borrowers, and to cut down the interests paid on external loans (borrowings)

Table 3.26 Industrial Development Bank External Financing
During First Five Year Plan 1976 - 1980
(In thousands of JDs)

Year	Amount	Growth Rate
1976	2828.0	106.3
1977	4453.1	57.4
1978	5975.9	34.2
1979	7426.7	24.3
1980	7935.3	6.8

Source : I.D.B. Annual Reports - Various Issues

Note : All Foreign loans are guaranteed by the Government of
The Hashemite Kingdom of Jordan.

Table 3.27 indicates that the equity investments of the I.D.B. show a consistently increasing trend. During the First Five Year Plan alone it has grown from JD 4.27 million to JD 14.93 million showing a 71.14 percent increase in five years. By entering the equity market the I.D.B. serves three purposes.

- A. It gainfully invests the idle funds to meet the future demands
- B. Through its participation in equity shares of various enterprises it helps the new investors
- C. It builds confidence in other financial agencies and private investors to participate in the industrial ventures of the new companies.

A general look at the Table 3.28 shows clearly that the I.D.B. has preferred medium term loans over the long term loans and adopted this policy over the years of the Plan (i.e.) 1976 to 1980.

Table 3.27 : Industrial Development Bank - Equity
Investment in Jordan Economic Projects.
First Five Year Plan - 1976 -1980
(In Jordan Dinars)

Year	1976	1977	1978	1979	1980
Equity Investments	427907	530637	673962	929009	1493577

Source : IDB Annual Reports.

The number of medium term loans have increased from 128 in 1977 to 179 at the end of 1980. this goes side by side with the amounts of loans which have increased from JD 2831.0 thousand at the end of 1977 to JD 6683.0 thousand at the end of 1980.

Taking the percentage share of these loans in the total loans amounts. The percentage share of the medium term loans have increased from 27.4 percent in 1977 to 38.1 percent in 1980. The opposite picture of the long term loans can be seen from the table. It is noticeable that there was a general decline in all aspects in the long term loans. The number of loans has declined from 112 in 1977 to 104 in 1980. Their percentage share also declined from 72.6 percent to 61.9 percent during the same period. This reflects the policy of the Bank to concentrate on the medium term loans which was against the wishes of the borrowers, but also tells us that the I.D.B. was much cautious about the repayments of its loans on one hand, and to force the borrowers to be more serious about the performance of their projects for which the loans were extended and to avoid any default in the payments on the other.

Table 3.28 : Industrial Development Bank - Outstanding Medium and Long Term Loans
1977 - 1980

Year	Medium-term Loans (Two to five years)			Long Term Loans (Over five years)			Total		Percentage share of medium and long term loans	
	No. of loans	Amounts of loans	No. of loans	No. of loans	Amounts of loans	No. of loans	Amounts of loans	Medium Term loans to total amounts	Long Term loans to total amounts	
1	2	3	4	5	6	7	8	9	10	
1977	128	2831.0	112		7482.0	240	10313	27.4	72.6	
1978	147	3404.0	117		9403.0	264	12807.0	26.6	73.4	
1979	165	4268.0	113		10731.0	278	14999.0	28.4	71.6	
1980	179	6683.0	104		10836.0	283	17519.0	38.1	61.9	

Source : Industrial Development Bank - Annual Reports - Various Issues

SMALL SCALE INDUSTRIES AND HANDICRAFTS FUND

Small Scale Industries and Handicrafts Fund was established in March 1975,¹⁰ aiming at developing and encouraging this sector of Jordan economy and to encourage the expansion of the existing handicrafts industries through the loans of the fund in order to enable them to purchase the necessary materials and machinery which they need with easy lending conditions and reasonable interest rates, and to extend the technical advise which helps them in increasing their productivity and improving the services which they provide and to increae their incomes.

From the Tables 3.29 and 3.30 we see that during 1976 Small Scale Industries and Handicrafts Fund approved 110 loans amounting to JD 169.4 thousand. 63 of the approved loans were for projects located in Amman with the remainder scattered in other Governarates. 65 loans or 67 percent of the approved loans during 1976 were for carpentry, construction materials, iron and aluminium works projects and 25 or 15 percent were for garments and knitting, the remainder were for printing, photography, leather and leather projects.

During 1977, the Fund approved 100 loans with total amount of JD 169.20 thousand. 87 of the approved loans were for projects located in Ammam, Zarqa, and Irbid while the remainder, for other Governarates. 70 loans or 73.7 percent of amounts approved during 1977 were for carpentry, construction materials and irom works project and 14 loans

10. The fund is managed by the Industrail Development Bank

or 10.5 percent of approved amounts were for garments and knitting, the remainder were for other projects.

In the year 1978, the Fund approved 129 loans amounted to JD 236.70 thousand. 109 loans were granted to borrowers in Amman, Zarqa and Irbid governorates, or 84.5 percent of the number of the approved loans. Carpentry got 29.9 percent of the total approved amounts, followed by concrete products with 18.2 percent.

During 1979, and due to the increase in the cost of setting up small scale industries and handicrafts projects, the Bank has increased the ceiling of the fund's single loan from JD 3 thousand to JD 4 thousand of which 1 thousand may be allocated for the purchase of raw materials. The Fund approved during the year under review 109 loans amounted JD 270.45 thousand. 49 loans or 45 percent of the total number of the approved loans were located in Amman, Zarqa and Irbid Governorates, the rest is for other Governorates in the Kingdom. 68 loans or 63.5 percent of the amounts approved during 1979 were for metal working, carpentry and building materials projects and 10 loans or 7.9 percent of the approved amounts were for food products projects such as bakeries, flour mills. While the rest of the loans were granted for other projects as shown by the Table. By the end of the 1980, the Fund approved 102 loans of JD 294 thousand, 61 loans or 56.7 percent of the amounts approved during 1980 were for building materials, carpentry and metal works projects and 15 loans or 17.1 percent of

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Table 3.29 Small Scale Industries and Handicrafts Fund Loans Classified by Trade First Five - Year Plan 1976-1980.
(Amounts in Thousands of JDs)

	1976			1977			1978			1979		
	No. of Loans	Amount	% of Total	No. of Loans	Amount	% of Total	No. of Loans	Amount	% of Total	No. of Loans	Amount	% of Total
Carpentry	36	64.45	38.0	41	78.45	46.3	31	69.00	29.9	24	61.05	22.5
Garments and Knitting	25	25.62	15.1	14	17.75	10.5	13	22.30	9.7	9	18.10	6.7
Concrete Products	20	35.65	21.0	18	30.05	17.7	24	41.80	18.2	16	43.90	16.2
and stone Cutting												
Printing	4	6.60	3.9	1	2.00	1.2	6	14.00	6.1	-	-	-
Photography	5	9.10	5.4	2	2.80	1.6	1	3.00	1.3	3	12.00	4.4
Lathes	1	0.25	0.1	-	-	-	5	12.50	5.4	-	-	-
Plastic Bags and	1	2.00	1.2	-	-	-	1	2.50	1.1	-	-	-
Products												
Tins tubes repair	1	1.10	0.6	6	9.40	5.5	-	-	-	-	-	-
Glass Post	1	1.20	0.7	-	-	-	-	-	-	-	-	-
Leather bags and	3	4.25	2.5	1	2.00	1.2	1	1.00	0.4	4	9.30	3.4
Products												
Black Smith	5	8.20	4.8	9	12.25	7.2	5	9.20	3.9	-	-	-
Aluminium	4	5.40	3.2	2	4.00	2.3	11	23.60	1.2	28	66.90	24.7
Footwear	1	2.00	1.2	-	-	-	-	-	-	-	-	-
Goldsmith	1	1.50	0.8	-	-	-	-	-	-	-	-	-
Confectionary	2	2.10	1.5	5	8.50	5.0	9	16.65	7.2	10	21.60	7.9
Flour Mills	-	-	-	1	2.00	1.5	2	2.00	0.8	-	-	-
Tinsmith	-	-	-	-	-	-	1	1.50	0.6	-	-	-
Vehicles Repairs	-	-	-	-	-	-	5	11.00	5.2	12	33.70	12.4
and Maintenance												
Tourism	-	-	-	-	-	-	-	-	-	3	3.90	1.8
Raw Materials	-	-	-	-	-	-	14	6.65	-	-	-	-
Total	110	169.42	100	100	169.20	100	129	236.70	100	109	270.45	100

Source : I.D.B. Annual Reports - Various Issues

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Table 3.30 : Small Scale Industry and Handicrafts Fund approved loans Classified by Location During the First Five - Year Plan 1976 - 1980

	1976				1977				1978			
	No. of Loans	Amount	% of Total	No. of Loans	Amount	% of Total	No. of Loans	Amount	% of Total	No. of Loans	Amount	% of Total
Amman	71	114.82	67.76	52	88.35	52.21	66	123.30	52.09			
Zarqa	7	9.85	5.81	17	28.10	16.60	9	21.30	8.99			
Irbid	20	26.91	15.88	18	31.25	58.46	34	66.50	28.09			
Mafraq	-	-	-	2	3.60	2.12	3	3.10	1.30			
Balqa	9	13.75	8.11	5	7.00	4.13	8	10.70	4.52			
Karak	1	1.00	0.59	3	6.00	3.54	9	11.80	5.01			
Tafiela	2	3.09	1.85	2	3.20	1.89	-	-	-			
Ma'an	-	-	-	1	1.70	1.05	-	-	-			
Total	110	169.42	100	100	169.2	100	129	236.70	100			

Source : I.D.B.I. Annual Reports-Variou Issues

approved amounts were for food products projects, while the rest of the loans were granted for other projects.

From Table 3.31 we can see that the amount of approved loans in 1977 were almost equal to that of 1976, but the average value per loan was 9.8 percent higher than that of 1976, inspite of the reduction in the number of approved loans.

In the year 1978, amounts of approved laons were 39.9 percent higher than those of 1977, and the average value per loan was 8.4 percent higher than that of 1977.

By the end of 1979, amounts of approved loans were 14.2 percent higher than those of 1978 and the average value per loan of 1979 was 35.2 % higher than that of 1978.

In 1980, amounts of approved loans were 8.7 percent higher than those of 1979 and the average value per loan was 16.2 percent higher than that of 1979. Between 1976

Table 3.31: Small Scale Industries and Handicrafts Fund
Approved Loans and Their Average Amounts
First Five Year Plan 1976-1980
(In Thousands of JDs.)

Year	No. of Loans	Amounts of Loans	Average Loan Amount (JDs)
1	2	3	4=2/3
1976	110	169.42	1540
1977	100	162.20	1692
1978	129	236.70	1835
1979	109	270.45	2481
1980	102	294.00	2881

Source : I.D.B. Annual Reports - Various Issues.

and 1980, although the average amount of loan has shown a substantial increase over the years from 15.40 to 28.81,

there has been no appreciable increase in the number of loans advanced by the Small Scale Industries and Handicrafts Fund. The consistent increase in the average amount of loan indicates that this funding scheme and over all government policy to promote the Small Scale Sector is showing good results and the small entrepreneurs seem to have developed greater confidence to invest in this sector.

**INDUSTRIAL FINANCING AND INDUSTRIAL DEVELOPMENT DURING
THE SECOND FIVE - YEAR DEVELOPMENT PLAN 1981 - 1985**

Manufacturing and mining sector in 1982 witnessed a clear slowdown. Industrial production rose only marginally, by JD 8.2 million or 3.9 percent, over its 1981 level, compared with 23.9 percent growth in the previous year. Industrial income came mainly from the manufacturing and extractive industries, which contributed JD 170.3 million and JD 46.2 million respectively. The industrial production index of Principal industries rose by 3.3 percent to reach 143.8 points, against an increase of 16.5 percent in 1981. This sector was sharply hit by the negative effects of the economic slowdown that started in early 1981. Thus phosphate production rose only by 147000 tons or 3.4 percent, compared with an increase of 8.5 percent in 1981. Phosphate export earnings were JD 58 million in 1982, an increase of JD 3.2 million, or 9.8 percent over 1981. Cement production in 1982 declined by 176.3 tons or 18.3 percent, whereas it rose in 1981 by 5.7 percent. The decline was attributed to the low domestic demand for cement for

construction purposes. Table 3.32, indicates that the Production of most manufacturing industries decreased in 1982, including cigarettes and tobacco, textiles, detergents, batteries and paper and cardboard, due to previous over stocking, lower domestic and external demand and the competition of imports, while some other manufacturing industries expanded production in 1982, such an expansion was at lower rates than those achieved in 1981. Iron production and petroleum refining rose by 42.8 percent and 15.8 percent respectively. Against a growth of 56.5 percent and 20.7 percent. Electricity production increased by 18.0 percent, compared with 11.7 percent in 1981.

The data in Table 3.33 indicates that GDP at factor cost increased from JD 1083.2 million in 1981 to JD 1201.2 million in 1982. This represents an increase of 10.9 percent or JD 118.1 million, reflecting lower growth in all economic sectors.

The lower growth rates of GDP at factor cost and indirect taxes were reflected in GDP at market prices, which rose by 11.3 percent. Thus GNP at in 1982 rose by 11.1 percent.

In 1983, the sector of manufacturing and mining expanded at an acceptable rates. Income generated by manufacturing and mining rose by 11.5 percent against 10.6 percent in 1982.

Table 3.34 brings clearly that the index number of main industrial products showed that the quantity of Production rose by 4.9 percent against 3.3 percent in 1982.

Table 3.32: Industrial Production of Principal Industries
Second Five - Year Development Plan
1981 - 1985

		1981	1982	1983	1984	1985
Phosphate(dry)	000 Tons	4243.0	4390.5	4745.5	6213.1	6067.1
Cement	000 Tons	964.7	788.4	1269	2026.3	2022.9
Petroleum Products	000 Tons	2126.0	2463	2499	2510.9	2423.9
Electricity	Mill K.W.H	1174.9	1387.2	1699.9	1067	2154
Iron	Tons	1349.00	192700	209900	164900	198412
Textiles	000 Yards	1308	1124.5	1130.6	1314.5	2249
Feeders	Tons	55369	63606	60887	61.2	45.9
Cigarettes	Mill Cig	4711.4	4613.7	4067.4	4341.9	3538
Paper and Card Board	Tons	15385.4	14991.8	11926	17918	21086
Sole Leather and Wool	Tons	118.3	38.8	37.2	43.9	29.3
Upper Leather	000 Sq.Ft.	2107.4	2268.3	2334.4	2145.7	1937.8
Spirit and Alcoholic Drinks	000 Lit.	9005.8	9483.9	7158.2	7202	5547.2
Liquid Batteries	000 Bat.	57.3	40.4	36.5	50.1	49.6
Detergents	Tons	18809.5	15265.3	12715	25481	15000

Sources : C.B.J. Annual Report - Various Issues
C.B.J. Yearly Statistical Series 1964 - 1983
C.B.J. Monthly Statistical Bulletin - Various Issues

Table 3.33 : Gross National Product at Market Prices
Second Five-Year Development Plan
1981-1985

	(In Millions of JDs)				
	1981	1982	1983	1984	1985
Agriculture Forestry and Fishing	76.6	83.8	105.4	95.8	118.7
Mining and Quarrying	43	45.4	37.9	56.8	62.6
Manufacturing	165.1	184.9	176.6	166.4	190.3
Electricity and Water supply	21.0	25.3	28.3	32.4	35.2
Construction	110.6	121.9	126.8	127.0	114.1
Wholesale and Retail Trade	196.7	220.5	228.0	241.5	262.7
Transport and Communication	102.7	123.7	136.7	143.5	146.7
Financing, Real Estate and Business Services	151.7	149.2	135.6	144.5	154.7
Community Social and personal Services	19.1	24.7	27.2	36.3	46.4
Less : Imputed Bank Services Charges	13.0	17.2	22.2	25.0	33.7
Producers of Govt. Services	191.2	218.5	232.0	238.4	264.0
Non-Profit Institution	15.8	18.2	20.2	22.1	24.0
Household Services	2.4	2.5	3.5	4.0	4.9
Total GDP at Factor Cost	1083.1	1201.2	1236.0	1283.7	1390.6
+ Net Indirect Taxes	123.1	142	197.5	206.3	215.3
= G.D.P. at Market Prices	1206.2	1343.2	1433.5	1490.0	1605.9
+ Net factor Income from Abroad	318.5	352.2	346.7	354.2	275.9
= G.N.P. at Market Prices	1524.7	1695.4	1786.2	1844.2	1881.8

Source : 1985 - C.B.J. Annual Report 1987 - P.97 Table (1)

The GDP at factor cost continued its downward trend in 1983. Thus growing at 2.8 percent against 10.9 percent in 1982.

It is to be noted that the growth rates of GDP at market prices and GNP at market prices dropped from 11.3 percent and 6.7 percent in 1982 to 11.2 percent and 5.0 percent in 1983 respectively.

In 1984, the industrial sector posted a remarkable growth in 1984, with the index number of industrial production rising by 14.6 percent against 4.9 percent in 1983. The increase in the value added in this sector which rose by 16.1 percent was a product of the growth in variety of industries such as the petroleum products, cement industry whose Production rose by 59.7 percent, production of paper and cardboard rose by 50.2 percent as this industry became more competitive due to the higher prices of imported substitutes and the consequential growth in domestic demand for local products. On the opposite side, there was a decline in the production of some industries such as iron whose production fell by 21.6 percent and leather whose production was slightly less due to the lower external demand and mounting competition from imported substitutes.

During 1984, the Jordanian economy showed signs of improvement as it started to steer away from the recessionary track of 1982. This showed the growth rate of GDP at factor cost, which moved from 2.8 percent in 1983 to 3.8 percent in 1984, thus reaching to JD 1283.7 million. The

Table also shows the change in the index of industrial production during 1980-1984. The over all index increased from 150.9 to 173.0 in 1984 compared with 1979.

The sluggish growth of indirect taxes obviously depressed the growth rate of GDP at market prices, which grew by 3.9 percent in 1984 against 6.7 percent in 1983.

On the other side, GNP at market prices grew 3.6 percent against 5.0 percent in 1983. GDP at market prices grew at 3.9 percent against 6.7 percent in 1983. Having a look at the Table 3.35, we can conclude the following points.

- 1) The performance of the industrial sector in terms of its contribution to the GDP has fallen short of what was anticipated by the planners of the country during the Second Plan period. In no year except 1981, has industrial production reached anywhere near the Plan targets.
- 2) Ironically enough, while the planned figures indicate a progressive performance over the years from 1981 to 1985, the actual contribution of industry has shown a constant decline in the Second Plan period, with ever widening gap between planned and actual performance.
- 3) This growing gap between the planned and actual contribution of Industry in the GDP indicates that the assumptions of the plan were unrealistic and the actual conditions for the growth of the industrial sector were far less conducive than the planners thought them to be.
- 4) Although figures for the annual sectoral distribution of the Plan investments are not available. One can ask whether

Table : 3.34 Index Number of Industrial Production
Second Five Year Plan 1981 - 1985
(1979 = 100)

	1981	1982	1983	1984	1985
Food drinks and Fooder	115.9	111.3	102.8	116.4	101.5
Cigarettes and Matches	140.4	139.8	119.6	131.8	167.7
Clothes and Textiles	94.3	81.8	96.3	126.4	167.3
Chemicals	133.7	138.7	131.8	172.8	165.2
Construction Materials	163.9	152.5	176.0	177.8	191.3
Electricity and Batteries	131.7	160.2	195.7	228.0	249.2
Footwear and Leather	102.6	98.4	104.7	107.0	108.7
Petroleum Refining	126.9	146.0	144.2	144.9	141.1
Phosphate	150.1	155.3	167.8	219.7	214.6
Paper and Cardboard	162.1	148.3	111.7	160.8	200.0
Overall Index	139.2	143.8	150.9	173.0	173.6
Percentage Change	16.5	3.3	4.9	14.6	0.3

Source : C.B.J. yearly statistical Report 1985 - p.92

financing of industry showed the same gap as in the performance? If it is not so, then the actual reasons for the gap in its contribution lie in other policies and not in the financial sector.

Table 3.35 : Performance of Industrial Sector During
The Second Five Year Development Plan
1981 - 1985

(In Millions of JDs)

	1981	1982	1983	1984	1985
Planned Income	181.0	214.0	252.0	297.0	350.0
Actual Income	187.5	197.0	176.5	176.9	171.7
Source :	1981	-	C.B.J. Annual Report 1982 P. 91		
	1982	-	C.B.J. Annual Report 1983 P. 140		
	1983	-	C.B.J. Annual Report 1984 P. 135		
	1984-85	-	C.B.J. Annual Report 1985 P. 129		

Looking at the Table 3.36 and the other relevant tables which we discussed earlier in this chapter, we can conclude that the services sector has enjoyed throughout the period of our study (1964 - 1985) the highest share among sectors contributing to the G.D.P. One point worth noting here that almost all the sectors have also maintained the same percentage share over the same period.

The mining and manufacturing sector has maintained almost the same percentage over the first four years of the Second Five - Year Plan, which brought this sector to be second in importance, construction and agriculture got third and fourth respectively.

To conclude we can say that the share of the total directly productive sectors in the total G.D.P. has remained

Table 3.36 : The Relative Importance of Industry in The Gross Domestic Product
"Factor Cost" Second Five-Year Development Plan 1981 - 1985

(In millions of JDs)

Year	Agriculture forestry and finishing	Minining and manufacturing	Electricity and water supply	Construction	Table of Directly Productive sectors	Total of services and others	Total G.D.P
1	2	3	4	5	6 = 2+3+4+5	7	8 = 6+7
1981	76.6 (7.4)	208.3 (19.6)	21.0 (2.0)	110.6 (10.4)	416.5 (39.4)	642.9 (60.6)	1059.4 (100)
1982	83.8 (7.0)	230.3 (19.2)	25.3 (2.1)	121.9 (10.1)	461.3 (38.4)	739.9 (61.6)	1201.2 (100)
1983	99.1 (7.6)	256.8 (19.5)	28.5 (2.1)	126.8 (9.6)	511.2 (38.8)	806.8 (61.2)	1318.0 (100)
1984	98.6 (7.7)	250.8 (19.0)	33.5 (2.5)	127.0 (9.6)	509.9 (38.8)	805.1 (61.2)	1315.0 (100)
1985	118.7 (8.6)	252.9 (18.2)	35.2 (2.5)	114.1 (8.2)	520.9 (37.5)	869.7 (62.5)	1390.6 (100)

Source : For the year 1981 to 1983, Central Bank of Jordan yearly statistical series (1964 - 1983)

For the years 1984 and 1985 Central Bank of Jordan, Monthly statistical Bulletin, Nove 1988 p, 70.

Notes : (1) Column No. 7 includes Total of Trade, Transportation and communication, financing real state services, Products of Govt. services and other services

(2) Figures in brackets are Percentage of the total.

around 39 percent through out the years of the Plan, bringing the share of the services sector to be around 61 percent, and this clearly shows that the reasons for the dominance of the service sector over others contributing to the GDP have prevailed through out the period such as chronic trade deficit and heavy reliance on external financial assistance. The Promotional role of The Central Bank of Jordan is to help in filling the existing gaps in the credit structure by making a positive attempts. The need for rapid industrial development and the shortage of investable funds available for industries, made the C.B.J. to extend much help to the I.D.B., because the commercial banks are unwilling, generally to provide long-term industrial finance on the grounds that they cannot invest their assets in long-term investments, but from the above discussion and from Tabel 3.37 we find that share of C.B.J. in financing industrial growth is getting smaller year after year. This alarming situation can be explained on the grounds that the I.D.B. was financing its operations internally, or the I.D.B. was experiencing a tight monetary position where it could not approach the C.B.J. for advances against promissory notes given by the borrowers because the former is following a selective loan policy. As indicated by the Table 3.40 that the bank is depending heavily on external loans to finance its increasing demands for loans and to meet the objectives as laid down in the Development Plans. This can explain the decline in the ratio of C.B.J. advances to I.D.B. as well as the rate of such advances.

Table 3.37 : Ratio of outstanding C.B.J. Advances to Banks and Specialised credit institutions to advances & facilities Rediscount facilities to Industrial Development Bank - Second Five Years Development Plan - 1981 - 1985

(In thousands of JDs)

Year	Total outstanding Advances of the C.B.J.	Outstanding C.B.J. advances to Industrial Development Bank. ²	Ratio	Growth of I.D.B. Advances from C.B.J.
1.	2.	3.	4=3/2*100	5.
1981	35503.0	7804.4	21.9	-
1982	65279.0	10353.3	15.8	32.6
1983	103555.0	11243.4	10.8	8.6
1984	128625.0	12626.6	9.8	12.3
1985	146281.0	13427.4	9.2	6.3

Source : Table 3.12

Note 1) C.B.J. advances to the I.D.B. (long - term liabilities) are payable within five years and carry interest rate between 5.5 percent and 6.5 percent annually. These advances are secured by pledging promissory notes submitted by the borrowers of the Bank against the loans given to them.

2) New item in the liabilities side of the Balance Sheet of the Bank under heading of "Current Liabilities" has appeared from 1982 under the title "Short - term advances from the Central Bank" which represents short term advances from the Central Bank of Jordan against Government Bonds discounted and syndicated loans. It is worth noting here that at the end of 1981 the IDB has decided to participate in underwriting operations of shares and bonds floated by the public share, industrial and Tourism holding companies.

Role Of The Commercial Banks In Industrial Financing

Table 3.38 shows that the credit facilities of commercial banks amounted to JD 721.32 million at the end of 1981, increased by 157.5 million or 27.9 percent over their 1980 level. In comparison the increase in credit during 1980 was JD 98.8 million or by 21.2 percent. The largest portion of the credit went to trade resulting in a slight increase in its relative sectoral importance as credit recipient at the end of 1981. The relative importance of the construction sector and industry and mining decreased from 32.1 percent and 13 percent to 27.9 percent and 12.4 percent respectively. The commercial banks have shown particular interests in providing long-term loans through participation in syndicated loans. The total accumulated volume of these loans¹¹ at the end of 1981 amounted to JD 73.1 million as compared with JD 43.5 million at the end of 1980.

At the end of 1982, the credit facilities (including syndicated loans) amounted to JD 887.17 million, an increase of JD 165.85 million or 23 percent over 1981.

The largest share of credit went to trade, accounting for JD 248.94 million or 32.1 percent of total credit, compared with 31.3 percent in 1981. It was followed by the construction sector, which obtained JD 216.75 million or 24.4 percent of total credit, compared with 27.9 percent in 1981. Industry and mining accounted for JD 112.6 million or 12.7 percent of total credit and the remaining sectors accounted for 30.8 percent.

Source : C.B.J. Annual Report 1981, P.31

Credit developments in 1982 were generally in line with the government's objectives. The slowdown in credit was confined to the construction sector, which had attracted in recent years a relatively high share of total credit. On the other hand, commercial banks continued to extend medium and long-term loans through syndicated loans and corporate bonds issued on behalf of public shareholding companies.

The total cumulative volume of syndicated loans at the end of 1982 amounted to JD 92.25 million. More than 90 percent of syndicated loans were provided by commercial banks. Total outstanding corporate bonds amounted JD 40 million at the end of 1982, compared with JD 15 million at the end of 1981.

The balance of credit facilities reached JD 1030.92 million as at the end of 1983, and thus it grew at 19.2 percent against 26.0 percent in 1982. This slow down reflected the decline in the demand for credit under the economic conditions which have prevailed since 1982. In terms of sectoral distribution of credit facilities, most of the increase went to the construction sector whose share went up by JD 54.59 million. The share of industry and mining was higher by JD 26.37 million. The share of trade dropped by JD 8.29 million and thus the relative importance of this sector declined from 32.1 percent of the aggregate credit facilities in 1982, to 26.8 percent in 1983 which was the lowest percentage since the early seventies. This shift was in favour of the "others" particularly construction,

industry and mining. It also reflected the success of the monetary policy in controlling credit and the drop in the demand for credit facilities financing trade as a result of sluggish trade activity.

The outstanding balance of credit facilities extended by commercial banks and The Housing Bank reached JD 1184.83 million at the end of 1984, that is an increase of 14.9 percent compared with 16.2 percent in 1983. In terms of sectoral distribution, most of the increase in credit facilities went to the construction sector whose share in credit facilities was boosted by JD 52.72 million and the Industry and mining sector which got JD 30.82 million more.

The relative importance of credit facilities extended to the trade sector declined from 26.8 percent of the aggregate credit facilities in 1983 to 25 percent in 1984 while that of credit facilities provided to the construction sector increased from 26.3 percent in 1983 to 27.4 percent in 1984. It is worth noting that the commercial banks continued to provide more long term loans through participation in syndicated loans. The balance of funds loaned by commercial banks in this form increased by 21.4 percent during 1984 to reach JD 86.89 million as at the end of the year.

The credit facilities provided by commercial banks and The Housing Bank as at the end of 1985 totalled JD 1274.42 million, that is an increase of 8.6 percent against 14.9 percent for 1984. This reflects the flagging demand for these facilities under the recessionary conditions and the

tightening of lending policies. In terms of sectoral distribution, the industry and mining sector got JD 19.45 million followed by trade with JD 12.46 million out of the total increase in credit facilities during 1985.

The relative importance of credit facilities extended to the trade sector dropped from 25 percent of total credit facilities in 1984 to 24.2 percent in 1985 which was a record low since the early seventies, the importance of credit facilities provided to the construction sector slid from 27.4 percent to 25.0 percent over the same period. On the opposite side, the relative importance of industry and mining moved from 14.3 percent in 1984 to 14.8 percent in 1985. This was due to the dwindling demand for credit which financed trade. It is to note that the commercial banks continued to provide long-term loans through participation in syndicated loans. The balance of these loans granted by commercial banks in 1985 rose by 5.7 percent to reach JD 91.83 million which represented 86.3 percent of syndicated loans outstanding.

During the Second Five - Year Plan, an important changes have been witnessed in respect of the sectoral distribution of credit by banks. The share of industrial sector in total bank credit has increased from 12.4 percent at the end of 1981 to 14.8 percent at the end of 1985.

Nevertheless, the industrial sector still has the lowest share in bank credit. The expansion in the share of other sectors has occurred at the cost of industrial sector.

1.38 Ratio of Outstanding Commercial outstanding Banks Credit to
Industry and Mining in the total commercial banks
credit - second Five Year Plan 1981 - 1985

(In Millions of JDs)

Total Commercial Banks Credit	General Trade Sector	Construction & Land purchase	Industry and Mining	Growth Rate of credit to Industry & Mining (%)	Share of credit to industry and mining in the total commercial banks credit (%)
2.	3.	4.	5.	6.	7 = (5/2)100
721.32	225.79	201.04	89.26	-	12.4
887.17	284.94	216.75	112.60	26.1	12.7
1030.92	276.65	271.34	138.97	23.4	13.5
1184.83	296.10	324.06	169.79	22.1	14.3
1274.42	308.56	331.57	189.24	11.4	14.8

C.B.J. Annual Reports - Various issues

C.B.J. Annual report 1985 p.102 Table (18)

Apparently such a situation means a bad utilization of credit and the commercial banks may think that industrial activity is regarded as less productive than other sectors. This means that the availability of bank credit to industrial - sector has been disproportionate to its contribution to the economic development as indicated by Table 3.36. The sectoral breakdown of credit did not show any dramatic changes throughout the Plan period. Almost all the sectors have gradually benefited from the credits extended by commercial banks. The rapid change in distribution of bank credit occurred from 1981 to 1985 with total credit increasing from JD 721.32 million to JD 1274.42 million, but during this period of five years, the share of industry in total bank credit increased from 12.4 percent to 14.8 percent only.

Operations of the Industrial Development Bank and its Contribution to the Industrial Development of Jordan During the Second Five-Year Development Plan 1981-1985.

Table 3.39 shows that during 1981, the Bank approved 79 loans totalling JD 8245 thousand of which JD 7516 thousand were extended to 72 industrial projects and JD 729 thousand to seven tourism projects. Number and total amounts of loans for 1981 increased by 41 percent and 26.6 percent compared with 1980 respectively.

Total cost of the above mentioned projects is estimated to be JD 34.3 million. It is clear from the Table that 58.8 percent of the approved loans during 1981 were for

purchase of machinery while 8.2 percent and 24.5 percent were for factory construction and purchase of raw materials. Tourism projects accounted for 8.8 percent of 1981 approved loans. In the year 1982, the Bank approved 104 loans totalling JD 10307 thousand, of which JD 10038 thousand were granted to 97 industrial projects and JD 269 thousand were extended to seven tourism projects. Number of and total amounts of loans for 1982 increased by 31.6 percent and 25 percent compared with 1981 respectively.

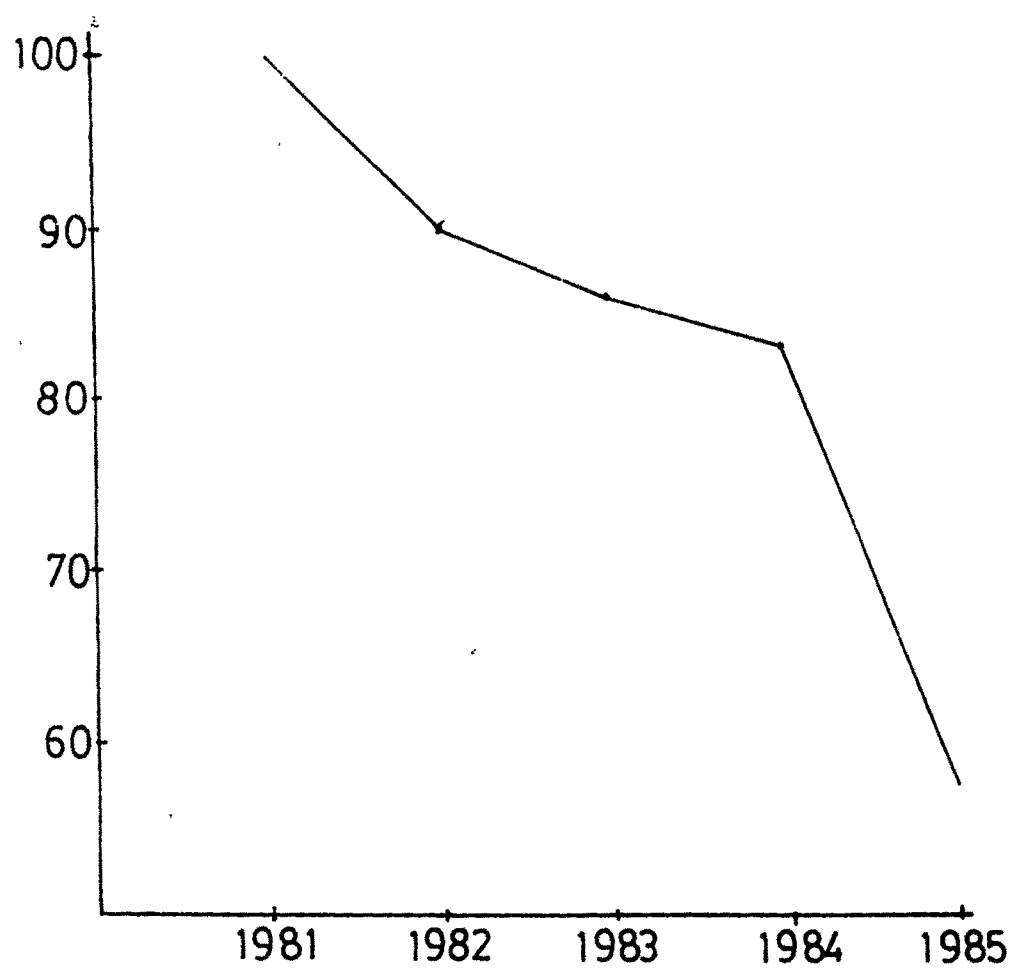
The total cost of the above mentioned projects was estimated to be JD 63.1 . The Table shows that 60.4 percent of approved loans during 1982 were for the purchase of machinery while 17.6 percent and 19.6 percent were for factory construction and purchase of raw materials Tourism Projects accounted for 2.6 percent of 1982 approved loans.

During the 1983, the Bank approved 98 loans totalling JD 8444 thousand of which JD 8226 thousand were extended to 94 industrial projects and JD 218 thousand to four tourism projects number and total amounts of loans for 1983 fell by 5.8 percent and 18 percent compared with 1982 respectively. The total cost of the above mentioned projects was estimated to be JD 28.3 million of which JD 14.1 million were for the construction of Sahab Industrial Estate. 38.6 percent of the approved loans during 1983, were for the purchase of machinery, 15.2 percent for factory construction, while 43.6 percent were for the purchase of raw materials. Tourism projects accounted for 2.6 percent of 1983 approved loans.

Table 3.39 Outstanding approved loans by the Industrial Development Bank Classified by purpose - second Five Year Development Plan - 1981-1985.

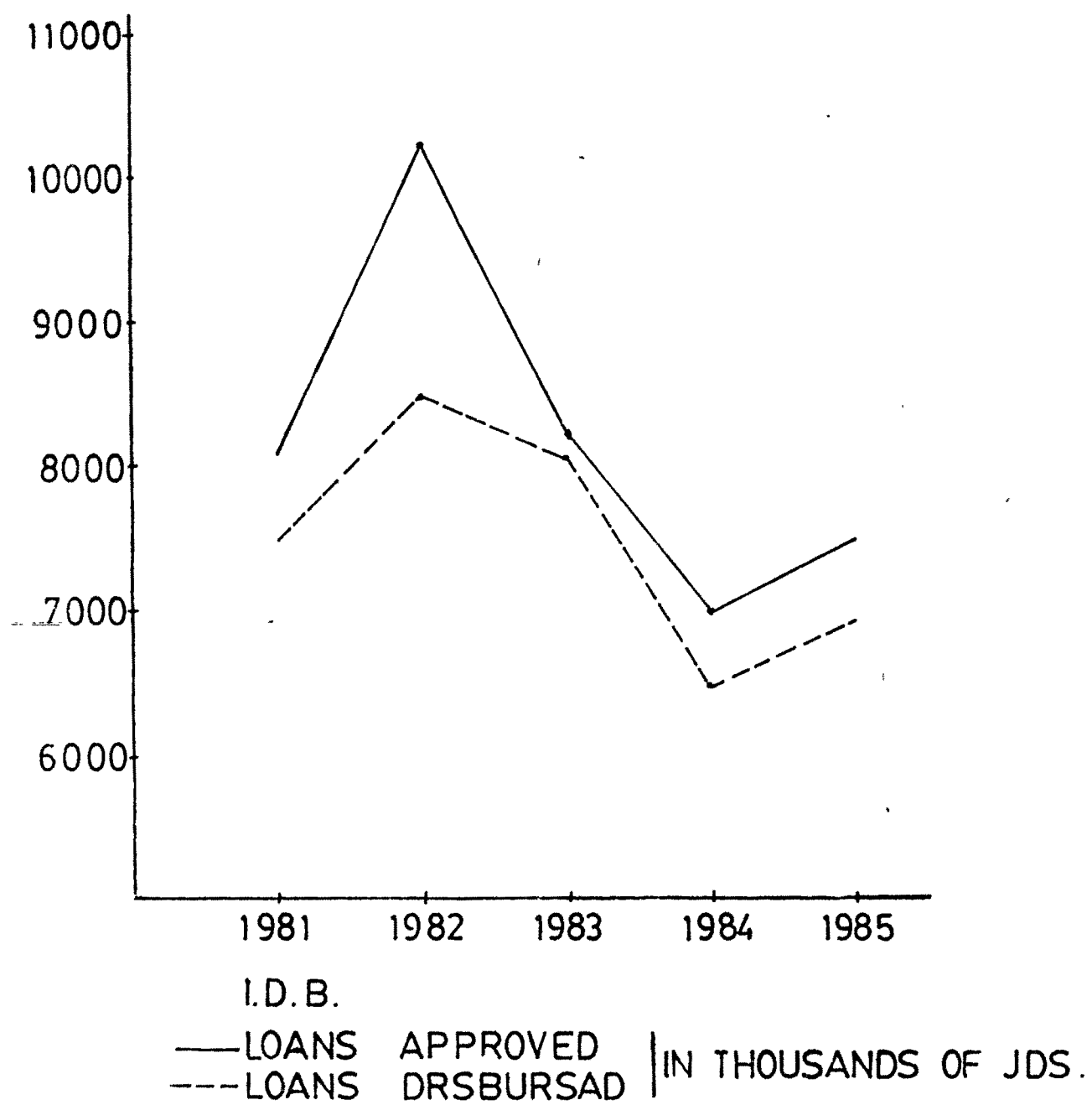
	(Figures in Thousands of JDs)				
	1981	1982	1983	1984	1985
Industrial Projects					
No. of Industrial Loans (1)	72	97	94	76	118
Construction of Factories (2)	667.0	1788.0	1288.0	820.0	1280.0
Machinery (3)	4829.0	6230.0	3259.0	2000.0	4210.0
Raw Materials (4)	2020.0	2020.0	3679.0	3308.0	1770.0
Total Outstanding Industrial Projects (5) = 2+3+4	7516.0	10038	8226.0	6128.0	7260.0
Turism (6)	729.0	269.0	218.0	987.0	220.0
No. of Tourist Loans	7	7	4	9	11
Grand Total (8) = 5+6	8245.0	10307	8444.0	7115.0	7480.0
Total No. of Outstanding Loans (9) = 1+7	79	104	98	85	129
Ratio of Total Industrial Projects loans to the total Approved Loans (10) = 5/8	91.1	97.3	97.4	86.1	97.0
Ratio of total Tourist Projects to the Total Approved Loans (11) = 6/8	8.9	2.7	2.6	13.9	3.0

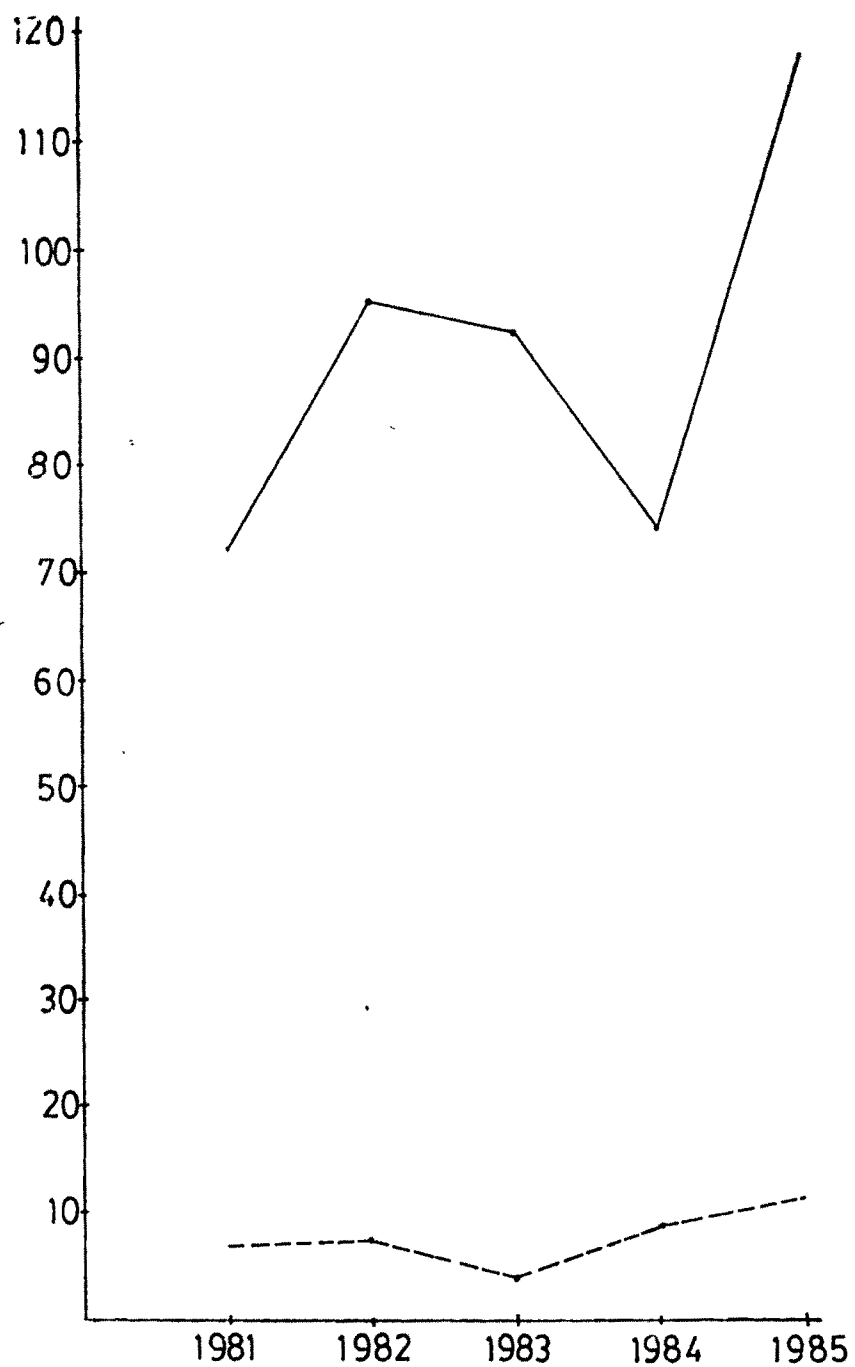
Source : I.D.B. various issues.



I. D. B.

EVOLUTION OF THE AVERAGE LOAN
AMOUNT IN THOUSANDS OF JDS.





I.D.B.
NO. OF LOANS APPROVED FOR
—INDUSTRIAL PROJECTS.
---TOURISM PROJECTS.

In the year 1983, the Bank has taken several measures with the aim of helping industrial and tourism sector to overcome difficulties they faced as a result of economic circumstances prevailed in 1983. These measures include re-scheduling of loans or due amounts extending loans for settlement of suppliers' credit, reduction of interest rate, and commission on its loans including those for raw materials by 1.75 percent to 3 percent and the establishment of a fund for technical assistance to finance studies to be carried out on industrial projects facing basic structural problems and execute appropriate solutions thereof.

During 1984, the Bank approved 85 loans totalling JD 7115 thousand of which 76 loans totalling JD 6128 thousand were granted to industrial projects and nine loans amounted to JD 987 thousand were granted to tourism projects. Number and total loans for 1984 fell by 15.3 percent and 18.7 percent compared with 1983 respectively.

Total cost of projects financed during the year was estimated at JD 12.8 million. 28 percent of approved loans during 1984 were for the purchase of machinery and 46.4 percent were for the purchase of raw materials. Tourism Projects accounted for 12.9 percent of the approved loans during 1984.

During 1985, the Bank approved 129 loans totalling JD 7480 thousand of which 118 loans with total amount of JD 7260 thousand were extended to industrial projects and 11

loans amounted JD 220 thousand were granted to tourism projects. Number and total loans increased by 51.7 percent and 5 percent respectively over 1984.

Total cost of projects financed during the year was estimated at JD 19.8 million. 57.9 percent of the approved loans during 1985 were for the purchase of machinery and 29.3 percent with purchase of raw materials. Tourism projects accounted for 2.9 percent of the approved loans in 1985.

Table 3.40 exhibits the external financing of the I.D.B. from which we can conclude the followings : -

1) During the second Five-Year Plan (1981 - 1985) the dependence of the Bank on "External Financing" has been quite substantial in absolute terms over the Plan years, except in 1985 when it showed a marginal decline over the previous year. In relative terms, however the growth per year has been much less compared to the First Five-Year Plan period and the years before that.

2) This heavy dependence on "External Financing" was perhaps due to the inability of the Bank to Process and clear the outstanding commitments or the recovery process of Previous advances was slow.

3) The Bank should adopt ways to raise internal financing through various means, if it has to survive as a sound and viable financial entity-over a long period.

TABLE 3.40 : Industrial Development Banks External
Financing During Second Five-Year
Development Plan 1981-1985
(In thousands of JDs)

Year	Amount	Growth Rate
1981	9768.8	23.1
1982	10394.3	6.4
1983	11732.7	12.8
1984	12496.5	6.5
1985	12322.4	(-1.4)

Source : I.D.B. Annual Reports - Various issues

Note : Figure In The Brackets Indicate Minus

Table 3.41 covers all the five years of the Second Five-Year Plan. It indicates that over the period 1981 to 1985, medium term financing has found greater Preference by the Bank and the borrowers. The number of these loans have increased from 226 in 1981 to 399 in 1985 and there was a reciprocal increase in the amount of loans for the same period. Long term loans have declined from 92 in 1981 to 76 in 1985 and the Table shows clearly a decline in the amount of loans over the period under review.

Looking at column No. 8 of the same Table which clearly brings out the gradual rise in the share of medium term loans in the total loan amounts (i.e.) from 53.8 percent in 1981 to 67.1 percent in 1985. On the other side, column No. 9 of the same Table shows the gradual negative shift in the share of the long-term loans in the total loan amounts or from 46.2 percent in 1981 to 32.9 percent in 1985. During the Second Plan period, there seems to be a deliberate policy in shifting against the long - term loans.

This fact is clearly indicated by a sudden decline since 1981 in the percentage share of the long-term loans in the total loaning of the I.D.B. and also the steep fall in the number of approved loans in the category.

It is obvious that borrowers normally prefer long-term loaning. But the complete shift in favour of the medium term loans that we witnessed after 1981 is indicative of the fact that the projects by and large were either technically not very sound or the credit worthiness of the prospective borrowers low. Where the project is not fully sound and viable in all respects, the financing institutions became conscious of securing their funds and prefer short or medium terms loaning rather than long-term financing.

**SMALL SCALE INDUSTRIES AND HANDICRAFTS
FUND AND ITS ACTIVITIES DURING THE SECOND
FIVE - YEAR PLAN 1981-1985**

In 1981, the Fund has approved 184 loans of JD 569.2 thousand. Number and total loans approved increased by 80 percent and 93.6 percent compared with 1980 respectively. 51 loans or 30.2 percent of amounts approved during the year were for building materials and 39 loans or 18.8 percent of approved amounts were for carpentry projects, while the rest of the loans were granted for other projects Amman has got 102 loans or 57.95 percent of the total loan amounts. During 1982 as indicated by the Table 3.42 and 3.43 the Fund approved 227 loans amounted JD 699.3 thousand. Number of loans and total amounts increased by 23.3 percent and 228

Table 3.41 : Industrial Development Bank Outstanding Medium and Long Term Loans
1981 - 1985

Year	(Amount in Thousands of JDs)						
	Medium Term Loans (two to five Years)		Long Term Loans (Over Five Years)		Total		Percentage Share of Medium and Long Term Loans and Amounts (%)
	No. of Loans	Amount of Loans	No. of Loans	Amount of Loans	No. of Loans	Amount of Loans	
1.	2.	3.	4.	5.	6 = 2+4	7 = 3+5	8 = (3/7)100 (%)
1981	226	12075.0	92	10364.0	318	22439.0	53.8
1982	272	14810.0	86	10436.0	358	25246.0	58.6
1983	326	19104.0	72	9638.0	398	28742.0	66.4
1984	353	20537.0	70	9191.0	423	29728.0	69.1
1985	399	19896.0	76	9746.0	475	29642.0	67.1
							9 = (5/7)100
							46.2
							41.4
							33.6
							30.9
							32.9

Source : Industrial Development Bank Annual Reports - Various Issues.

percent as respectively compared with 1981.

42 loans or 18.4 percent of amounts approved during 1982 were for building materials and 47 loans or 18.1 percent of approved amounts were for carpentry projects, while the rest of the loans were granted for other projects.

In the year 1983, the Fund approved 261 loans, totalling JD 774.1 thousand. Number of loans and total amounts increased by 15 percent and 10.7 percent compared with 1982 respectively. 49 loans or 17.5 percent of amounts approved during 1983 were for carpentry projects and 43 loans or 17.8 percent of approved amounts were for building materials while the rest of the loans were granted for other projects. During 1984, the Fund approved 188 loans totalling JD 491.4 thousand, Amman and its suburbs accounted for 53.27 percent of total amounts approved during the year. The rest of amounts approved were granted to projects located in other areas. 18.8 percent of the loans sanctioned during 1984 were for metalworks followed by 18.2 percent for maintenance workshops while the rest of the loans were granted for other projects such as carpentry, building materials, food products and printing.

The number and amounts of loans approved during 1984, were lower by 38.8 percent and 57.5 percent compared with those of 1983 respectively.

In 1985, the Fund approved 417 loans amounting JD 1273.9 thousand. Number of loans and total amounts increased by 121.8 percent and 159 percent respectively compared with 1984. Amman accounted for 57.85 percent of the total amounts

approved during the year. The rest of the amounts approved were granted to projects located in other areas of the Kingdom.

The Fund also included more crafts to its lending programme and reduced interest rate on its loans by 1.5 percent down to 6.5 percent annually. 21.2 percent of loans sanctioned during 1985 were for food products followed by 15 percent for maintenance workshops. The rest of loans were granted for other projects such as carpentry, metal works, photography and other crafts.

Analysis of the Table 3.43 approved loans by the Small Scale Industries and Handicrafts Fund shows that invariably the largest share of the loans sanctioned by it has gone to Amman, Irbid and Zarka. The three most industrialized and populated Governorates in the Kingdom, In 1981 Amman share was 57.95 percent, Irbid's 15.03 then comes Balga with 13.14 percent. By the end of 1980, the share of Amman was static but that of Irbid shot up to 23.10 percent.

The Fund, through the policy of I.D.B. has made little changes in the regional concentration of assistance as evident from the Table under review.

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Table 3.42 Small Scale Industry and Handicrafts Fund loans Classified by Trade
Second Five -Year Plan 1981 - 1985

	1981			1982			1983		
	No. of Loans	Amount %	% of Total	No. of Loans	Amount %	% of Total	No. of Loans	Amount %	% of Total
Carpentry	39	107.3	18.8	47	126.7	18.1	49	135.8	17.5
Garments Knitting	12	34.1	6.0	20	69.7	69.7	33	103.1	13.3
Concrete Product &	51	171.9	30.2	42	128.7	18.4	43	137.9	17.8
Stone Cutting									
Printing	11	41.4	7.2	9	33.6	33.6	7	22.0	2.8
Lather Bags	2	6	1.0	3	6.6	1.0	5	16.9	2.2
Black Smith	33	99.2	17.4	36	114.3	16.3	40	113.7	14.6
Aluminium							34	98.9	12.7
Confectionary									
Flour Mills & Food	14	40	7.0	20	55.0	7.8			
Products									
Vehicle Repairs &	16	52.8	9.3	35	125.8	18.0	38	117.8	15.2
Maintenance									
Others	6	16.5	3.1	15	38.9	5.7	12	28.0	3.9
T o t a l	184	569.2	100	227	699.3	100	261	774.1	100

Source: I.O.B Annual Reports. Various Issues

Table 3.43 Small Scale Industry and Handicrafts Fund Approved Loans Classified by Location
Second Five -Year Plan 1981 - 1985
(Amounts in Thousands of JDs)

	1981				1982				1983				1984			
	No. of Loans	Amount	% of Total	No. of Loans	Amount	% of Total	No. of Loans	Amount	% of Total	No. of Loans	Amount	% of Total	No. of Loans	Amount	% of Total	No. of Loans
Amman	102	329.90	57.95	123	342.90	52.16	142	432.70	55.89	103	261.80					
Zarqa	10	27.50	4.83	18	55.20	8.39	15	34.8	4.49	11	28.40					
Irbid	30	85.60	15.03	45	135.70	20.69	37	105.40	13.61	35	90.80					
Mafrq	2	7.00	1.22	2	8.00	1.21	10	34.80	4.49	3	10.00					
Balqa	26	74.80	13.14	14	43.00	6.54	20	56.80	7.33	15	47.80					
Karak	11	35.90	6.30	18	52.80	8.03	10	26.30	3.39	5	13.00					
Tafiela	2	5.00	0.87	1	1.00	0.15	8	23.50	3.03	-	-					
Ma'an	1	3.50	0.66	1	2.20	0.33	-	-	-	2	8.00					
Southern Region villages	-	-	-	5	16.50	2.55	19	59.80	7.77	14	31.60					
Total	184	569.20	100	227	657.30	100	261	774.1	100	188	491.40					

Source : I.D.B.I., Annual Reports-Various issues