



Pricing Policies and Social Protection in Jordan

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Energy in Jordan

- Jordan relies heavily on imports of its energy needs, imports of oil and natural gas represent around 95% of its total energy consumption.
- The Jordanian economy, since early 2005, has been facing challenges made worse by the international oil price shock.

The Impact of Increasing Energy Prices

- Despite the tangible achievement and growth in the Jordanian economy, the continuous increase in oil prices during 2008 have led to:
 1. Higher inflation rate
 2. Weakness of the external position in the Jordan's balance of payments.
 3. Increasing budget deficit.
 4. Reducing competitiveness of exports in the international market.

Energy Consumption in some Arab Countries

- Table below shows that Jordan is at the forefront of oil-consuming countries compared with some neighboring countries.

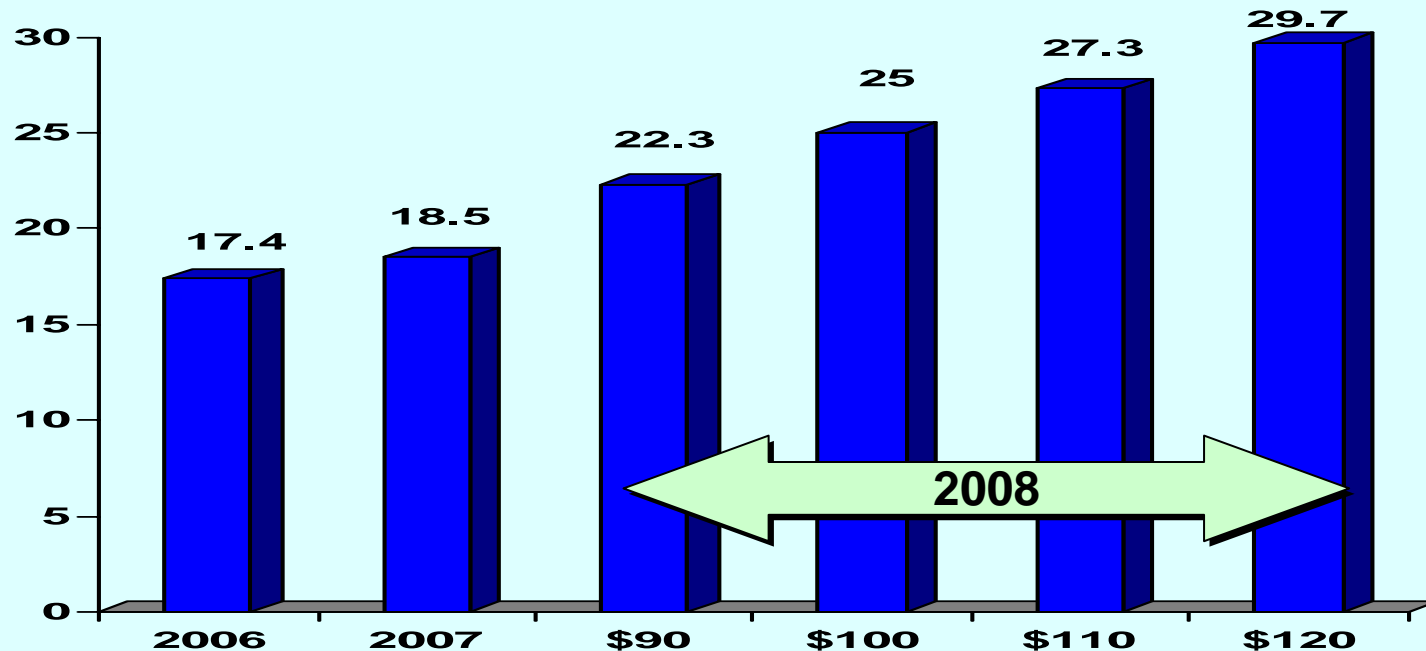
Country	Population (Million)	barrel per person
Lebanon	4.0	9.74
Egypt	81.7	2.84
Syria	19.7	4.23
Tunis	10.4	3.16
Jordan	6.2	6.42

Energy Consumption in 2007

- Jordan annual consumption of oil and petroleum products is 33 million barrel.
- Imports value of oil and oil products reached US\$ 2.4 billion or 14% of GDP.
- Imports of oil and oil products represent around 18% of total imports of goods.

Energy Consumption in 2008

- Recent developments in domestic market shows that imports of oil will increase from 17.4% of GDP to 28% of GDP in 2008.



Pricing Policies and Government Subsidy

- Energy prices in Jordan are decided by the government and not determined by the market.
- Government subsidy targeted commodity not citizens.
- 20% of the poor receive 8.9% of government subsidy.
- 20% of the rich receive more than 40% of government subsidy.
- Under the assumption that oil prices will reach \$ 100 per barrel and without eliminating energy subsidy, government subsidy in 2008 will reach JD 1 billion.

Measures and Reforms

- In 2005, Jordan embarked on a plan to left oil and food subsidies and replace product subsidy with direct cash to low and middle income groups.
- Since 2005, oil prices have increased several times, and government implemented several measures to protect poor people by establishing a Social Safety Net.

Measures and Reforms

- The 2008 budget was built on the following assumptions:
 1. The removal of oil and barley subsidies starting Feb. 2008.
 2. Implementing a Social Safety Net package with a total cost of JD 301 million increased to JD 466 million.
 3. Oil prices to reach USD 100.
- If no measures had been taken to liberalized oil prices on the domestic economy, oil subsidy would have reached two billion US\$ and the budget deficit would have increased to around 18% of GDP.

Measures and Reforms

- In Feb. 2008, the government took a decision to left all kinds of oil subsidies to liberalize oil prices in domestic market.
- In order to protect the poor from the impact of this decision, the Social Safety Net program was enlarged to reach JD 466 million.

Measures and Reforms

- The main features of the SSN were:
 1. raising the civil servants, military and security agencies personnel and civil and military pension's salaries.
 2. giving one time cash payment for families of all non public sector employees or retirees with a per capita income of JD 1000 per annum,
 3. including more people in the national health insurance program
 4. exempting basic commodities from custom duties and sales tax.
 5. building housing units for the poor.
 6. keeping water and electricity prices at current levels for poor consumers.

Measures and Reforms

- In addition to all these measures, the government also pledged to achieve his Majesty King Abdullah the second vision in:
 1. developing a new energy strategy based on energy conservation.
 2. developing indigenous resources such as nuclear power, oil shale, and other renewable sources.
 3. setting a **National Energy Efficiency Strategy**

The National Energy Efficiency Strategy

- In order to help the country to reduce its dependency on importing oil, the **National Energy Efficiency Strategy** will focus on achieving many goals the most important of which are:
 1. Reduce energy consumption without negatively effecting production or the standard of living.
 2. Achieve balance between energy imports and exports.
 3. Reduce production cost and improve competitiveness of the local industries and other sectors.
 4. Be efficient and reduce investment in the equipment used for the production, conversion, transport and distribution of energy.

Thank you
for your attention!
