Privatization in Jordan, A critical Assessment

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Abstract
Privatization has been a key component of structural reform programs in both developed and developing economies. The aim of such programs is to achieve higher microeconomic efficiency and foster economic growth, as well as reduce public sector borrowing requirements through the elimination of unnecessary subsidies. Privatization seems to be one of the most important economic phenomenons of the later part of the twentieth century is leading to an ultimate achievement of economic freedoms in the world. No doubt that privatization has been considered the most popular method of shifting from centralized to economic liberal economies. Capital markets in Jordan are not so developed; however, there are some advantages and problems by adopting privatization. Privatization in Jordan started since 1986 and has been considered as the main target of Jordan's government; it became of one of the government's economic reform programs. Results of this research revealed that there have been some positive achievements, but yet there are still some problems facing privatization.
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1-Introduction

Privatization is an approach to gradually access to the market mechanism in which the countries with government enterprises will allocate part of these public and governmental ownerships to the private sector. Privatization is the strategy or the process which transfers totally or partially, an asset or enterprise which is owned or controlled, either directly or indirectly, by the state to private organizations. Privatization provides an opportunity to educate market capitalism, to build institutions and to reinforce democracy. It is a process of empowerment that makes people economic and political participants by creating opportunities for ownership and a sense of involvement in the society at large. Privatization is the opposite of nationalization. It is generally believed that the private sector has a higher motivation for production since it seeks to maximize profits and in such a condition, limited resources of society are allocated optimally and efficiently. However, if market mechanism has been a basic factor towards economic growth and prosperity of countries and if privatization process is considered as an effective step towards achieving a competitive society based on open market economy, it can be hoped that a significant ratio of higher economic growth and development will be achieved as the privatization process increases in these countries (Farhad,R.,2012). Now that the process of privatization has reached worldwide and some of the changes resulting from this process have already proved its effectiveness, it is easier to see the obvious benefits of the privatization for the development of economy. The privatization has demonstrated its superiority over nationalization in many different ways. First, it balanced the demand and supply, making production more cost-effective and competitive. Second, it increased the quality of products and services offered on the market. Finally, it provided the opportunity for individual achievement and achievement itself. Seldom are the cases when state-owned enterprises come up with some brilliant and competitive technologies that almost change the course of history, unless we are talking about arms and weapons. The core of progress is competition, but state-owned enterprise has no interest in it for obvious reasons. Therefore, a country that rejects a process of privatization will end up being in the list of less developed. This research will study the causal effect of privatization on Jordan's economic prosperity.

2- Literature Preview

Privatization is the transfer of ownership of property or businesses from a government to a privately owned entity. The political and economic policy of privatization, broadly defined as the deliberate sale by a government of state-owned enterprises or assets to private economic agents, is now in use worldwide (Megginson and Netter, 2001).Privatization process intends to promote economic development and democracy in both developed and developing countries. Several developed governments have opted for privatization to maximize consumer choice, to promote competition, and to improve the quality and efficiency of goods and services. Structural adjustment programs were initiated as a result of the explosive debt crisis of the early 1980s. The rise to power of groups with neo-liberal economic ideas during the political era of the Reagan and Thatcher governments in the United States and Great Britain, respectively, accelerated the placement of structural adjustment on the economic development agenda during that period. While stabilization programs of earlier post-war decades achieved successful monetary, fiscal, and trade policies without economic restructuring, structural adjustment programs in the developing world during the 1980s and early 1990s were associated with the adoption of free-market policies as a condition for international assistance. Many governments in Asia, Africa, and Latin America are cautiously turning state-owned enterprises over to the private sector because of the expected benefits coming with a free market economy and free enterprise spirit (Guseh, J, S., 1997). Privatization is a complex exercise with multifaceted implications and has to be conducted with a number of caveats (Khan, 2001). Over the past decade economic policy in the UK and elsewhere has been guided by the belief that resources are used more efficiently in the private sector than under state ownership. Consequently, many formerly state-owned companies have been transferred to the private sector (Parker,D.,Steven,M.,1997).

There are primary reasons of privatization due to which governments take this decision and it became the part of their policies, these reasons include the accounting reasons of privatization and majority of them empirically proved that privatization increases financial and operating performance of the companies. Megginson, et,al,(1994) study the performance of 500 largest non-U.S. mining and manufacturing organizations to examine their relative results to know performance of private firms in comparison with mixed enterprises (MEs). They have presented very burly support that within a controlled environment private sectors firms perform extraordinary better then state-owned and MEs in term of financial and operating efficiency. Many empirical researches directly focus their study on the impact of productive efficiency on the privatized firms. Moreover, the government's role is to perceive the need to regulate natural monopolies, and help supply public commodities and services like defence of the country, provide and facilitate education, infrastructures and in those parts where public good are required to give information. Privatization is likely to give major positive effects in those areas where the government sector's role in decreasing market failure is the weakest, like government ownership in the non-competitive market that can easily be competitive. This is also strengthened by Sheshinski & Lopez-Calva (1999) who have empirically tested and concluded that utmost gain in efficiency is achieved when the government ownership is transferred to the private sector and privatized firms enter competitive market structures. Governments have their political goals which are normally providing employment, and wealth of shareholders, and maximizing profits, (Megginson, 2000). The detail is as follows:

Large scale privatization programs are frequently connected with the leadership of market-oriented politicians as in case of Thatcher's government in UK. And this strength of the government depends on many other factors, for instance, standing of the government, the presence of restraints on policy reversals, how the state executes different economic policies, etc. Trustworthiness is very much important in order to get good and favorable financial success in privatization, in view of the fact that no investor could be willing to pay a government which is not credible (Kikeri, et,al, 1992). Nevertheless, all those countries who are politically stable, privatization will achieve maximum objectives because trustworthy government should for that reason be connected with more sales and more revenue. However, Privatization in bulk has dual impact on the economy one is positive and other is negative. The first impact is to increase investment options for all classes of investors especially local investors because they may have now a diversified portfolio. Correspondingly, it will create a positive effect on the risk-sharing function of the market which ultimately tends towards market deepening in the developing countries mainly where local investors are not having expertise diversification which they have to do for capital controls. Secondly the mass privatization creates significant effect on the trading liquidity (Levine, 1991).

Types of Privatization: There are three main types of privatization:i

Share issue privatization (SIP): It means selling shares on the stock market

Asset sale privatization (ASP): This refers to selling the entire firm or part of it to a strategic investor, usually by auction.

Voucher privatization (VP): It involves the shares of ownership that are distributed among all citizens, usually free of cost or at a very low price (Amin,M and Khanam,S,2008).

2-1-Privatization Theoretical Framework

The theoretical framework behind the idea of privatization is largely dependent on understanding the concept of property rights. In order to develop an expanded, specialized market system, the society must have an efficient way of dealing with numerous transactions that take place in that economy. Specialization and allocation of resources depends on low transactions costs, which are dictated by prices in market economies. Competitive markets, in which transactions are effectively handled by market prices, rely on well-defined property rights (Mankiw, 2001). De Soto argues that the lack of formal property rights is "the missing ingredient" that is keeping underdeveloped countries from sustaining long-term growth. Furthermore, the lack of property rights limits the amount of goods and services that can be exchanged in the market. An important implication of well-defined property rights is that it creates strong individual incentives, which, is a significant factor in the quest for long term growth. By creating strong incentives, property rights lead to an increase in investment since people are certain and secure about the ownership of their property. Furthermore, individuals gain an access to credit since they can use their formal titles as collateral for loans, ultimately leading to an increase in investment. Finally, property rights give people an incentive to pursue long-term rather than short term economic goals. In the case of land ownership, individuals who have secure and well-defined ownership will invest in their land instead of continuously draining new land (Soto, De, 1996). Another fundamental aspect of privatization is embedded in Coase Theorem which proposes that the private sector is effective in solving the problem of externalities, through costless bargaining, driven by individual incentives. According to the Coase Theorem, individual parties will directly or indirectly take part in a cost-benefit analysis, which will eventually result in the most efficient solution (Mankiw, 2001). A major implication of the Coase Theorem is the fact that the initial allocation of rights does not affect the outcome as long as the rights are well-defined. From the perspective of privatization, the Coase Theorem implies that by shifting the assets from the government to the private sector, the market will become more effective in dealing with numerous externalities (Medema and Zerbe, 1999).

2-2-The Economic Theory of Privatization

Private ownership and competitive markets are normally thought to go hand in hand, but the two issues of ownership and market structure are often separate. For the economist devoted to both, the question then arises as to which object of affection is more beloved: private ownership or competition. Here a difference of opinion appears among economists that corresponds to a preference for either privatization or liberalization. Those who believe that efficient performance depends on private ownership per se favor privatization, even in cases generally regarded as natural monopolies. Conversely, those who see competition as the critical spur to efficiency are more skeptical about the benefits of privatizing monopolies and often put more emphasis on other policies, such as deregulation. In the case of a government telecommunications monopoly, for example, those who stress ownership may be willing to privatize the monopoly intact, whereas those who stress competition may prefer to break it up before sale or even to keep it in public ownership while allowing private firms to compete with it on equal terms.

2-3-Economic Benefits of Privatization

There are many theoretical economic benefits that are connected to the process of privatization:

1-Reduce the size of the existing government, based on the idea that many governments have become too large and overextended, consisting of unnecessary layers of bureaucracy.

Private sector responds to incentives in the market, while the public sector often has non-economic goals, i,e. the public sector is not highly motivated to maximize production and allocate resources effectively.

2-Privatization directly shifts the focus from political goals to economic goals, which leads to development of the market economy. By privatizing, the role of the government in the economy is reduced, and thus there is less chance for the government to negatively impact the economy.

On a country's fiscal situation, privatization should not be used to finance new government expenditures and pay off future debts. Government reduces total expenditure and begins collecting taxes on all the businesses that are now privatized.

3--Privatization as a Relocation of Economic Functions:

Compared to the right-wing schools that condemn the public sector as irredeemably inefficient, policy analysts trained in conventional microeconomics tend to have a more qualified, though still highly critical, view of public institutions. Rather than attribute the performance of public organizations to the incentives created by public ownership per se, mainstream policy analysts generally think of designing the right incentives within the framework of public organization. Of course, the overwhelming consensus is that private ownership is more efficient in providing private goods in competitive markets; hence it is rare to find any respectable opinion in favor of government ownership of factories producing high-performance sports cars. Mainstream views do vary, however, about the proper role of public institutions in producing public goods and managing natural monopolies. Viewing competition as the critical issue, the neoclassical trained are inclined to favor privatization insofar as it represents a move toward competition under conditions when markets should be expected to work efficiently. However, in recent years the requirements for efficient markets have come to be understood more liberally, while the reputation of public enterprise has markedly declined. Hence, the prevailing consensus in economics and policy analysis has become more sympathetic to privatization than it was two or three decades ago.

4--Privatization as Community Empowerment:

A different set of arguments, not chiefly concerned with efficiency, comes from a more sociological theory of privatization that emphasizes the strengthening of communities. In the most noteworthy exposition of this position, Berger,P. and Neuhaus,R. propose that government "empower" voluntary associations, community organizations, churches, self-help groups, and other less formal "mediating" institutions that lie between individuals and society's "alienating megastructures."43 In their view, the modern liberal state has undermined these "value-generating, “value-maintaining," "people-sized institutions" by establishing service bureaucracies that take over their functions. Berger and Neuhaus are not opposed to the provision of social welfare, but they urge that, wherever possible, public policy rely on mediating institutions for the delivery of publicly financed services.

5--Privatization as a Reduction of Government Overload:

A final theory justifying privatization holds that privatization is desirable for its likely political effect in deflecting and reducing demands on the state. In the 1970s, some critics suggested that the Western democracies were suffering from an "overload" of pressure, responsible for excessive spending and poor economic performance. I9 In that framework privatization represents one of several policies encouraging a counterrevolution of declining expectations. In a similar vein, Stuart Butler of the Heritage Foundation has argued that privatization can cure budget deficits by breaking up the kind of public spending coalitions described by public choice theory. Privatizing government enterprises and public services, in this view, will redirect aspirations into the market and encourage a more entrepreneurial consciousness.

3-Previous Studies

In their study Guriev,S and Megginson,W. have summarized empirical research on the effect of privatization on the performance of privatized firms and on the society. The extant evidence from privatizations in many developed and developing countries shows that privatization usually results in an increased productivity and positive effects on the society. The effect of privatization depends however on economic institutions in place, in particular on rule-of-law, competition, hard budget constraints, quality of governance and regulation (Guriev,S&Megginson,W.,2005).

In his study, Jerome, A. appraised the post-privatization performance of some privatized enterprises in Nigeria. The specific indicators examined are profitability, productive efficiency, employment, capital investment, output, prices and taxes. The study measures the change in any given indicator of performance by comparing its average value five years before and five years after privatization. Data envelopment analysis (DEA) is also deployed to assess changes in the level of technical efficiency in the selected enterprises. The results, albeit mixed, show significant increases in these indicators. Privatization is also associated with increase in technical efficiency in the affected enterprises. Reduction of politically motivated resource allocation has unquestionably been the principal benefit of privatization in Nigeria (Jerome, A., 2008).

In his research López,L.has confirmed that privatization has been a key component of structural reform programs in both developed and developing economies. The aim of his research is to achieve higher microeconomic efficiency and foster economic growth, as well as reduce public sector borrowing requirements through the elimination of unnecessary subsidies.

Empirical evidence showed a robust corroboration of theoretical implications: privatization increases profitability and efficiency in both competitive and monopolistic sectors. Full privatization has a greater impact than partial privatization and monopolistic sectors show an increase in profitability that is above the component explained by increases in productivity, which reflects their market power. From the macroeconomic perspective, no conclusive evidence can be drawn, but the trends are favorable (Sheshinski,E López-Calva,L.,2003).

Khan,E et al,researchers concluded mixed results via their studies on the privatization process in Pakistan. In some sectors like automobile, power generation, financial and cement, the performance of the privatized units is appreciable. New management is successful in improving not only the quality of products and services but also financial health of the concerns. However, in some other sectors like roti plants and edible oil privatization experience has not gone very promising (Bortolotti,et al ,2001). Nationalization of industries and commerce has always resulted in chaos, turmoil and disaster for the economy. This important sector is rested in the hands of bureaucrats who do not have any business acumen. Business needs special insight and foresight which come with experience, certainly government office are devoid of it. They try to run the offers of the business as routine office work. Decision making is centralized which deny immediate decision making. Through delays in decision making chances of profit are lost. All the public sector enterprises are over employed which are constant burden on meager profits. Employees consider themselves government servants with a peculiar permanency in mind. They are usually sluggish, incompetent agitating and have a specific mindset. On the other hand there is no personal incentive at any stage to run the business successfully (Khan,E et al,2011).

Chang,R.,et al,studied the cycles of nationalization and privatization in resource-rich economies. We discuss available evidence on the drivers and consequences of privatization and nationalization, review the existing literature, and present illustrative case studies. Our main contribution is then to develop a static and dynamic model of the choice between private and national regimes for the ownership of natural resources. In the model, this choice is driven by a basic equality-efficiency tradeoff: national ownership results in more redistribution of income and more equality, but undermines incentives for effort. The resolution of the tradeoff depends on external and domestic conditions that affect the value of social welfare under each regime. This allows us to

characterize how external variable such as the commodity price and domestic ones such as the tax system affect the choice of private national regimes. The analysis therefore identifies the determinants of the observed cycles of privatization and nationalization, and is consistent with a variety of observed phenomena (Chang,R.,et al,2010).
Study of Bdour,J aimed at investigating the potential impact of privatization on the financial and operating performance of the Jordanian Cement Factories Company (JCFC) as an attempt to contribute to the debate on how the privatization of public enterprises may affect the financial and operational performance of these enterprises. The data were obtained from the annual financial reports of JCFC five years before and five years after privatization. Performance criteria were calculated and compared to determine whether there are significant differences among them in the pre- and post-privatization periods. Related statistics of JCFC share performance were further compared with the market and industry indicators.The findings revealed that while privatization did not seriously affect JCFC's operating performance and profit, it led to liquidity improvement, debt reduction, improved investments,and a decline in overstaffing.(Bdour,J,Qaqish,M.,and Ta,ani,K.,2007).Karamti,C and Kammoun,A., conducted a research on Privatization, Reforms and Firm's Performance in Mobile Telecommunication Industry. Research results showed that competition is associated with increased penetration and lower prices while privatization by itself is associated with few benefits. Privatization combined with an independent regulator, have most a negative impact on performance indicators. Moreover, smaller size economies appear to experience similar reform impact as larger economies on output and coverage. However, the impact of competition on mobile phone density and employment seems to be higher in small economies and lower for labor productivity contrarily to the privatization effect. Furthermore, in small economies, MNOs appear to achieve higher ARPU more if the sector is privatized but competition bring it down. Opposite effects that privatization and competition on employment is confirmed by the negative joint effect in the estimates. Study revealed that competition is found to raise output contrarily to labor productivity (Karamti,C and Kammoun,A.,2011).

4-Methodology and Empirical Analysis

Although a number of empirical studies have been conducted in order to measure the financial effects of privatization on the newly privatized firms throughout the world, only a limited number of empirical studies have attempted to measure the effect of privatization on the economic prosperity in the developing countries. Perhaps the main reason for the lack of such studies arises out of the fact that privatization has been a fairly new phenomenon, particularly in developing countries. The main difficulty with constructing an empirical study that measures the impact of privatization on economic growth is due to the fact that many factors and policies have influential roles in the privatization process. However, qualitative analysis will be conducted on this subject as Myers (2000) argues that one of the greatest strengths of the qualitative approach is the depth of explorations and descriptions. Therefore, to gain a better understanding of the most important risks impeding private institutions in Jordan, the researcher believes adopting a qualitative content analysis, that includes reviewing available literature, is the most appropriate to use. Moreover, Temple (1997) argues that the researcher's interest and experience are critical to the success of the research.

4-1-Research problem

Studies have revealed that privatization has been a problem in the economies in transition where it is part of a complete overhaul of the economic system. The absences of supporting policies and inappropriate times for implementation have impeded a no smooth transition. The normal questions generally asked about the performance of the enterprises after privatization is whether efficiency has increased, and production gone up, and what has happened to the GDP and unemployment rates. So this research is intended to assess this process and its effect on Jordan's prosperity.

4-2-Research Hypotheses

Based on the research problem, the general hypothesis indicates that privatization has no significant effect on Jordan's prosperity.

5 - Jordan's Privatization

5-1- Jordan's economy

It is among the smallest in the Middle East, with insufficient supplies of water, oil, and other natural resources, underlying the government's heavy reliance on foreign assistance. Other economic challenges for the government include chronic high rates of poverty, unemployment, inflation, and a large budget deficit. Jordan's Monarch has implemented significant economic reforms, such as opening the trade regime, privatizing state-owned companies, and eliminating some fuel subsidies, which in the last decade spurred economic growth by attracting foreign investment and creating some jobs. The global economic slowdown and regional turmoil, however, have depressed Jordan's GDP growth, impacting export-oriented sectors, construction, and tourism. In

2011 the government approved two economic relief packages and a budgetary supplement, largely to improve the living conditions for the middle and poor classes. Jordan's finances have also been strained by a series of natural gas pipeline attacks in Egypt, causing Jordan to substitute more expensive heavy fuel oils to generate electricity. An influx of foreign aid, especially from Gulf countries, has helped to somewhat offset these extra budgetary expenditures, but the budget deficit is likely to remain high, at more than 11% of GDP in 2012 excluding grants. Jordan likely will continue to depend heavily on foreign assistance to finance the deficit in 2012. Jordan's financial sector has been relatively isolated from the international financial crisis because of its limited exposure to overseas capital markets. Jordan is currently exploring nuclear power generation to forestall energy shortfalls (Jordan Economy Profile, 2013).

5-2-Privatization in Jordan

The privatization in developing countries was carried out under pressure from International donor agencies (Mulherin, N. and Stegemoller, 2004). This also true in case of Jordan. So this is itself a big question mark. The role of international donor agencies in terms of their contribution in the development of developing countries was always remained debatable. This is also true in case of pursuing privatization in the developing countries. The privatization process was also dictated by the donor agencies without seeing ground realities.

Successive governments in Jordan have adopted free economy based on the individual initiative and supply and demand forces, the public sector continued to play a vital role in designing and directing the economic policies to serve national economy; that has included subsidies and fixed pricing of goods and services whenever needed. The public sector's role has also extended to building, developing and maintaining the infrastructure, and even going in partnership with the private sector for the purposes of setting up major productive projects, such as minerals (cement, phosphate and potash), electricity, communications, public transport, tourist and industrial investments, and others, when the private sector was unable to shoulder the burden of those projects on its own, or given the high risk involved in them. In due course and with the increased private sector involvement in the economic life, the growing entrepreneurship of many Jordanian businessmen and investors in and out of Jordan, and the burgeoning economic, social, legislative and regulatory responsibilities of the government; Privatization was part of the overall economic package that the government adopted as of the early nineties, namely the economic adjustment program and self-reliance in the aftermath of the economic crisis that befell the country. Besides, new economic developments were taking place at the global scene in terms of globalization, rise of competitiveness, lifting of customs and administrative barriers to liberate world economy, capital flows, and the communications and information revolution. Privatization in Jordan was dictated and imposed as a result of various surveys and studies of public-sector projects. The conclusions of said studies demonstrated the prevalence of a large degree of inefficiency in the administrative and employment policies, squander of public funds, administrative archaism, substandard services and high indebtedness, while the private sector firms were yielding higher returns and results and generating better job opportunities, given the high level of efficiency in the administrative and employment policies.(ASE,2013).To promote and erect the privatization process in Jordan , a Royal Consent on Privatization Law was granted on 2/7/2000. The law provides the legal and institutional frameworks for the Privatization Program in Jordan. Pursuant to the law, the Executive Privatization Council was formed to become the successor of the Higher Privatization Committee to formulate the general policies on privatization and to identify candidate enterprises for privatization. The Council approves all restructuring and privatization transactions and supervises the Privatization Proceeds Fund. Privatization, as stipulated by the National Privatization Strategy, aims at redefining the role of the government away from monopoly over the public sector enterprises the nature of which requires that they be managed on commercial bases. In this context, the privatization policy in Jordan redefines the role of the government to focus on organization, control and provision of health care, education and social services, and constructing long term capabilities and administrative efficiency while concentrating efforts to reduce the government’s role in production sectors. The private sector shall, on the other hand, engage in economic production sectors and activities. Attracting new investors to engage in major production projects and utilities and creating more job opportunities while safeguarding the rights of employees are goals of the privatization program in Jordan whereby it is found to be a job creator rather than a job killer.

5-3-The objectives of privatization in Jordan include the following

1. Raising the efficiency, productivity and competitiveness of economic enterprises.
2. Contributing to the encouragement of local, Arab and international investments by providing a favorable investment environment.
3. Stimulating private savings and directing them towards long-term investments to strengthen the local capital market and the national economy.
4. Alleviating the debt burden of the Treasury by ceasing its obligation to offer aids and loans to unsuccessful and unprofitable enterprises.

5. The management of economic enterprises with modern methods which include the use of advanced technology in order to enable such enterprises to create stable markets and to penetrate new markets through their ability to compete in international markets (Jordan Government Files, 2006-2013).

The Jordanian government has adopted a variety of methods of privatization so as to avoid the risks associated with the adoption of a specific approach or method; the most important methods used or expected to be adopted in future includes the following (Privatization News, 2000)

1-The transfer of ownership of public enterprises to the private sector in whole or in part, such as selling stocks listed on the Amman Stock Exchange.

2- Franchise agreements: where the right is granted to the private sector in the provision of public service under certain conditions, as is the case in the privatization of public transport Foundation.

3- Leases: where the ownership of public enterprise remains by the state but operated by the private sector for its own account upon certain contracts, as is the case in the privatization of the Aqaba Railway.

4-Management contracts: keep ownership of public institution, but the government entrusts the management to the private sector under management contracts, as is the case in water management contract and streams Capital Governorate.

5-Using a formula that combines finance and administration with the ownership returns to the state.

5-4-Stages of privatization in Jordan

The following is a summary of the most important phases of the privatization policy in Jordan:

1-Government ownership in public shareholding companies (equity portfolio of Jordan Investment Corporation).

2-The contribution of the government in public shareholding companies was about 15% at the start of the privatization process and fell to below 8% after the government has sold its contribution in most of these companies, the most concentrated ownership of the government at the moment is in Jordan Phosphate Mines Co., Jordan Telecom, The Arab Potash Company, Jordan Petroleum Refinery, and Irbid District Electricity Company.

5-5- Problems facing the privatization policy in Jordan

There are a number of problems facing the implementation of the privatization policy summarized as follows: -

1 - pricing policy constitutes an obstacle to the transformation of public institutions to the private sector.

2 - Lack of means of control and accountability of legislation required to monitor funded institutions to the private sector.

3 - The slogan of the private sector is to achieve the highest profit at the lowest cost this slogan leads to undo the social objectives that were achieved by government projects.

4 - Privatization affects in reducing the national workforce absorbed and thus unemployment rate has increased. .

5 - The transformation of public institutions, good conditions and that the private sector wants to invest in them and thus leaving the troubled projects, which outlines additional burdens in the restructuring and reform of imbalances in these projects on the government which adds additional burdens on the government budget.

6 - The political effects which exceeds the expected economic effects of the success of the privatization process.

7 - The bad administration and performance of the government which pursues a policy of privatization is one of the most important determinants and constraints that the privatization process may fail.

8 - The absence of some or all of the pillars of appropriate infrastructure projects set an obstacle to the privatization process.

9 - Lack of clarity in the legal environment governing the economic and commercial activity are important obstacles to the application and implementation of the privatization policy.

10 - Lower national savings adversely affect privatization, particularly when economic recessions prevail in the private capital exporting countries.

6-Assessment of Privatization in Jordan

Privatization is usually a means or a tool to activate the economic reform program overall with axes multilateral efforts to reform the economic situation in the country. this privatization perspective usually coincides with the implementation of other programs parallel and consistent to work with each of them in the same direction which calls for the liberation of all economic and development activities in the public sector and direct them towards the private sector, ie privatization must be accompanied by dramatic changes to the concept of state responsibility of managing the economy and its political, economic and social towards giving more of participation to the private sector.

Privatization has two perspectives, one economic and the other political:

--The economic perspective aimed at the privatization process to exploit the natural resources and human resources efficiently and higher productivity, and that market liberalization and non-interference of the state, except in cases of extreme necessity, and through specific tools to ensure the stability of the market and reduce variability.

-- Political perspective calls for reducing the role of the state and to confine that to key areas related to infrastructure such as defense, justice and internal security, social services.

Successive Jordanian governments had carried out a lot of the privatization processes in order to get out of the bureaucratic atmosphere and to take advantage of features that arise from them. Privatization concept means not only the transfer of ownership of institutions to the private sector as much as to benefit from the experience of the private sector and by attracting local talent excellence available and displaced in the management of the private sector. if we put the privatizations carried out in Jordan under the microscope and we came out of the narrow framework for the sale of some institutions, regardless of the question of evaluation that evaluated by those institutions, we find that Jordan has earned much Features arising from the privatization process them, raise economic efficiency by freeing prices, and interest rate., and liberalization of foreign trade. changing the laws governing the public sector companies and try to return and the development of the stock market and encourage investment climate as well as raising the professional level of employees in these institutions in terms of quantity and quality, and reduce the level of unemployment by running the Jordanian cadres and competencies in these institutions, and increase state revenues from privatization operations. In addition to the state capital gain as a result of transfer of public enterprises to the private sector. Also, the opportunity and unloading of the field for the private sector to follow the process of economic development reflected positively on the state budget through taxation, each privatized institution has fed the treasury during the previous years of 16% tax on sales and sometimes more than that as in the telecommunications company and the proportion ranging between (14% to 35%) on the profit achieved (depending on the type of company and by segments of the tax in accordance with applicable laws) can be the beginning of the revenue department to touch those features that its state due to the privatization process in the past:

1.684 billion dinars for the year 2006
1,972 billion dinars for the year 2007:
2.463 billion dinars for the year 2009
2.640 billion dinars for the year 2010
2.764 billion dinars for the year 2011

also, it is required by the Privatization Department to achieve a target by the budget of 2012 amounted to 3.178 billion dinars, and here we find that the privatization process has added value to the overall GDP by annual cash flows given by those privatized institutions in the form of taxes, fees, customs, etc. All of this is reflected in the budget of the government; while as many of these companies that have been privatized were not contributing but little easy in the government budget or was sometimes a burden(Dr. Asfour,M,2012).

6-1- Success factors for applying privatization policy in Jordan

Expected investors on the privatization process, which is considered an essential element for success. Administrative reform and development of the state departments to promote their cooperation with the private sector. Government operating tools may disrupt the activities of the private sector institutions, and this is due to their routine procedures; therefore the development of systems and administrative procedures are important in accelerating the privatization process and enhance There are many elements can be summarized as follows: (Jeresat 1989)

1 - Integration with the privatization policy of economic reform policy:

The privatization policy requires a series of actions that lead to a comprehensive reform of the Jordanian national economy, including the reduction of the burden of the general budget and control the deficit and achieving fiscal and monetary discipline and increase efficiency in the allocation of resources through following market mechanisms and competition.

2- The development of the stock market and financial institutions: -

The work to develop the capital market and securities and pillars are the important elements for the success of the privatization policy .The expansion of the property to the private sector must be accompanied by the development of the financial market and financial institutions. This will facilitate the process of financial market sale of public institutions and provides more alternatives to the government, as it is considered the best means to broaden the base of ownership, achieve democratic shareholders and enables the public to contribute to the capital of the institutions that will work on privatization.

3- Political stability:

The stable political atmosphere prevailing in Jordan is one of the unique atmospheres in terms of political stability in the Middle East for its neighbors. Jordan is also pursuing a policy of moderation, making this property the positive focus which draws the attention of many foreign investors that leads to the success of the privatization policy and its programs.

4- Publicized government Commitment: -

The privatization policy is closely related aspect of political issues, which have effect on the implemented privatization policy; therefore, such a decision must be accompanied by clear assurances of the government and its commitment to take all of the measures and procedures necessary for the success of such programs.

5- The goals and motives are clear to the public: -

Inform the public about the motives that led the government to pursue the privatization policy and to explain the condition of government institutions intended to be transferred to the private sector and compare the costs of keeping these institutions in the hands of the government will facilitate the privatization of these institutions. It is necessary to specify the desired objectives of a policy of privatization and the positive or negative impact; this leads to gain the approval of the the efficiency of the private sector(Jeresat 1989 and Khalil,1989).

6-2- Drawbacks of privatization process in Jordan

This is attributed to the resistance to reform which is due to the weakness of civil society and the absence of effective political parties (apart from the Islamic Action Front) have made such constructive resistance less effective than it has been in many other developing countries. Also, there is resistance from business elites, represented by the Amman Chamber of Commerce and the Amman Chamber of Industry, who postponed the implementation of sales tax reform several times. The public perceived the process of privatization as the government withdrawing from its traditional duties and self-serving private sector. Opponents to privatization have also argued that privatization was tantamount to selling the country's strategic assets to foreigners and would lead to labor redundancies. Recently, during the deliberations on the draft budget of 2007, for example, more than 50 members of parliament presented a petition to the government asking it to slow the pace of privatization, particularly in the energy sector. This type of resistance has succeeded in slowing privatization but has failed to block the process. The government was determined to privatize state-owned enterprises because they had become a real burden on the central budget and the government was no longer possible to secure funding for them after the 1989 crisis. Success in overcoming resistance to privatization has perhaps been largely due to proper institutional management of the process. Jordan established the Executive Privatization Unit in 1996, which is affiliated with the prime minister's office, and is in charge of supervising and implementing privatization policies. In addition, Jordan introduced a special privatization law no. 25 in 2000 that provided the necessary legal and institutional framework (.Alissa, S., 2007).

6-3 - The most important government privatized assets

1) 87% stake in Jordan Hotels and Tourism to the Ministry of Investment Company in 1995.
2) The entire ownership in a limited number of joint stock companies during the years 1996 - 1997 (paper and cardboard Jordan, the Jordanian tobacco and cigarettes).
3) 33% of the shares of the Jordan Cement Company to the French company Lafarge in 1998.
4) 1% of the shares of Jordan Cement Company preferential price to the company's employees.
5) 8% of the shares of the Jordan Cement Company to the Social Security Corporation.
6) Full ownership in a large number of joint stock companies in 1999 (Housing Bank, Cairo Amman Bank, Export and Finance Bank of, dairy Jordan, Petra transportation, production, electricity Jordan, porcelain Jordan, Jordan Worsted, tanning Jordan).
7) Shares of public shareholding companies: Arab International Hotels, and Jordan Poultry Processing.
8) In 2001, the government sold its contributions in some public shareholding companies: paper, cardboard factories, Jordan Press Foundation / Alrai.
9) In 2002, the government sold the entire stake in the National Marine Lines Company,
The Express Tourist Transport Company / Jet, and General Mining Company, Inc., Rental and Maintenance of Machinery and Equipment, General Maintenance Company, and Royal Jordanian Company for Travel and Tourism.
10) In 2003, the government sold 50% of its shares in the Arab Potash Company to Potash Corporation of Saskatchewan Canada(Jordan Economy Profile,2013).

6-4-Major Privatized Companies

Jordan Telecom: It started the process of privatization of the telecommunications company in 2000 under the decision of the Council of Ministers (no. 2868) Date of 18/01/2000. France Telecom acquired 51% and acquired the investment unit of the Social Security 29% and Kuwait Noor Company acquired 10% and remained 3% and 7% government for citizens.The Jordanian government used 82% percent of the total revenues of the privatization of the telecommunications company to repay a portion of the external public debt, which led to a lower ratio of public debt to GDP of 100% in 2000 to 89% in 2004, which in turn contributed to achieve economic stability. This privatization process in the telecommunications sector and information technology was able to find more than 23 thousand direct jobs and 60,000 indirect jobs in the telecommunication and information technology sectors.

Jordan Cement Company: the government has to sell its stake in the company in two phases in 1998 and in 2008 completely where France's Lafarge owns 50% of the shares , 22 %of shares to the Investment Unit of Social

Security,10% to Moroccan Miloud Chaabi,and 18 % of shares to national citizens, The objective of the privatization of the company is to introduce a strategic partner has the experience available to help the company in the areas of marketing and raise production efficiency and increase exports of surplus which increases the need for the local market. After privatization, the company has achieved a rise in profits dramatically in the past (2005 - 2009) due to the booming construction in the Kingdom and the region during this period. The government income has increased regularly over the past years in the form of tax and mining fees; it amounted to 52 million dinars in 2009 and 34 million in 2010.

Arab Potash Company: Founded Arab Potash Company in 1956. Company was privatized in 2003 under the Convention of the Council of Ministers on 09.09.2003, where Canadian Potash owns now 28% , the government maintains 26% of the shares, Arabian Mining Company 20 % of the shares and 5 % to the Islamic Development Bank,

7.4 % to the Iraqi government ,4.7 % to the Libyan and Kuwaiti governments, and 8.3 % to individuals. At the beginning of the privatization process financial losses amounted to 9.55 million dinars which was offset by the company profits aftermath privatization which amounted to 26 million dinars. revenue from the Arab Potash Company rose through taxes, fees and fee concession and dividends three times during 2007 and 2008 as a result of increased franchise fee, which was amended from 8 dinars to 125 dinars per ton, which increased significantly from government revenues, reaching 25 cent of the company's net income. Company employees were higher than before privatization.

Phosphate Mines Company: Founded Phosphate Company in 1953. Company incurred a loss of $ 5.23 million dinars in 1999 and 128 million dinars loss in 2000.Under the approval of the Council of Ministers on 28/2/2006, the government in 2006 and in 2008 sold 37 % of the company's shares to Camille company which belongs to the Kingdom of Brunei. The government retained 26.29 % of the shares including 3% for armed forces and 14.37% for Unit Investment and 9.33 % to the government Kuwait and 32 % to Islamic Development Bank and 4.2 % to the Phosphate Employees' Retirement Fund and 3.7 %of shares owned by individual citizens. Government Treasury revenues increased after the privatization reached during the period 2006 - 2010 about 364 million dinars, compared to 208 million dinars during the period 2002 - 2006, before privatization. The national economy has begun reaping the privatization proceeds have increased the Kingdom's reserves of hard currency.

During the period of 2000 – 2007,privatized companies have attracted more local and foreign investments worth $ 6.1 billion dinars, especially in the telecommunications sector, representing about 25 percent of total foreign direct investment during the same period.(Qammoh,Jordan’s Minister of Finance,2011)

7-Conclusions and Recommendations

7--1-Conclusions

To assess the impact of privatization on Jordan’s prosperity, the study used qualitative analysis to assess the performance and to point out the strengths and weaknesses.Jordanian government pursued privatization policy since 1986 of the twentieth century, and yet, according to what have been mentioned in the study, the objective is to solve some of the problems of Jordan’s economy and public sector; in addition to encourage the private sector and give it a bigger role and motives to adopt privatization in Jordan as has been mentioned. multiple methods have been implemented but there are still problems that can be hopefully overcome gradually if there is genuine political and serious will with the application of the ingredients for success as also reported in this study and the recommendations to improve the efficiency of public and private institutions together. The results of this study confirm that privatization had, although relatively positive impact on the Jordan’s economy performance and particularly operating efficiency, capital expenditure, leverage, and total number of employees.

7-2-Recommendations

1-Researchers suggest the following set of recommendations that may contribute to enhance the privatization policy in Jordan:

1-Determine the general government institutions to be conducting its privatization and set a timetable for the implementation of the privatization of these institutions.

2 - Work on to study the private institutions that offer to buy public sector institutions because the lack of technical expertise and management experience of these institutions will not achieve the goals.

3 - Select the appropriate method for the privatization of each individual institution, the process of choosing the appropriate method for any organization subject to a set of principles such as the size of the organization , goal of privatization, the financial situation of a public institution, the size of the financial market and its development.

4 - Constantly work on the development of the Amman Stock Exchange to enhance its ability to add new investments resulting from the process of privatization of public institutions.

5 – Professional Training and of workers in both public and private sectors to upgrade their efficiency.

6 - improve laws , regulations, and legislation, especially in the tax system in order to encourage investors to

invest in the country.

7 - Provide a suitable environment for the private sector at all levels of economic and political terms, protection of property rights, and legislative frameworks that encourage competition and prevent monopoly, tax incentives and exemptions.

8 - Enrich foundations with modern management and technology by introducing experiences of foreign developed skills.

9 – Encourage conferences and seminars constantly to identify investment opportunities in Jordan.

10 - chose scientific means, technical and administrative most appropriate tools to assess the public sector assets to protect the interests of the public sector from procuring entities to exploit the privatization of enrichment at the expense of the interests of the public.

11 - Emphasis on national privatization first, and the sale of some production units or part thereof for foreigners should be selected up to the supreme national interest.

12 – urge media officials to explain the role of the privatization process and its importance, its way proper, and how it returns economic gains for the society and not only for some classes, and that privatization is not a grant from the state for certain categories of the private sector, but it is a new phenomenon to correct paths and departments of public projects.

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