INTERNATIONAL MONETARY FUND

IMF Country Report No. 23/240

JORDAN

June 2023

SIXTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA—PRESS RELEASE; AND STAFF REPORT

In the context of the Sixth Review Under the Extended Arrangement Under the Extended Fund Facility and Request for Modification of Performance Criteria, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis, following discussions that ended on May 17, 2023, with the officials of Jordan on economic developments and policies underpinning the IMF arrangement under the Extended Fund Facility. Based on information available at the time of these discussions, the staff report was completed on June 13, 2023.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR23/248

IMF Executive Board Completes the Sixth Review Under the Extended Fund Facility with Jordan

FOR IMMEDIATE RELEASE

- The IMF Executive Board completed the sixth review of Jordan's program supported by the Extended Fund Facility (EFF), providing the country with access to about US$32 million.
- The IMF-supported program remains firmly on track, with key quantitative targets met and strong performance on structural benchmarks, reflecting the authorities' strong ownership.
- Despite a challenging global environment, Jordan's economy is projected to continue to grow this year at 2.6 percent, and inflation has remained relatively low and is declining.

Washington, DC – June 29, 2023: The Executive Board of the International Monetary Fund (IMF) completed the sixth review of Jordan's program supported by the Extended Fund Facility (EFF). The completion of the review will make SDR 24.017 million (about US$32 million) immediately available. This brings total IMF disbursements to Jordan since the start of 2020 to SDR 1,300 million (about US$1,735 million), including a purchase of SDR 291.55 million (about US$390 million) in May 2020 under the Rapid Financing Instrument. The Executive Board's decision on the sixth review was taken without a meeting.[1]

Jordan's four-year extended arrangement, amounting to SDR 926.37 million (about US$1,235 million, equivalent to 270 percent of Jordan's quota in the IMF), was approved by the IMF's Board on March 25, 2020 and augmented on June 30, 2021, to SDR 1070.47 million (about $1,430 million, equivalent to 312 percent of Jordan's quota in the IMF). On June 30, 2022, the arrangement was once again augmented, to SDR 1,145.954 million (about $1,530 million, equivalent to 334 percent of Jordan's quota in the IMF) (see Press Release No. 22/245).

The Jordanian authorities have managed to successfully navigate recent external shocks and maintain macro-economic stability in an uncertain and challenging environment. Thanks to the steadfast implementation of prudent fiscal and monetary policies, fiscal consolidation is on track, capital market access has been maintained, and inflation has remained relatively low and is declining, while reserve coverage is strong. Moreover, the economy is projected to continue to grow this year at 2.6 percent, despite the global headwinds. However, job creation is still weak, and unemployment remains too high.

The authorities remain firmly committed to continue with sound macro-economic policies. Fiscal policy is on track to meet this year's deficit targets and the authorities are committed to continuing a gradual fiscal consolidation in the coming years, to reduce public debt to 80 percent of GDP by 2028, by further broadening the tax base and improving the efficiency of public spending. Monetary policy has responded quickly to U.S. Federal Reserve policy changes and remains focused on safeguarding the peg and maintaining strong reserve buffers. Importantly, structural reforms need to continue—and be accelerated—to create a more dynamic private sector that can create sufficient jobs and contribute to higher living standards. This includes further improving the business environment, including by

[1] The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

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strengthening competition, reducing bureaucracy, increasing labor market flexibility and female labor participation, and enhancing governance and transparency. It also includes improving the financial viability and efficiency of the electricity and water sectors, not only to reduce the drain on public finances, but most of all, given the threats posed by climate change, to be able to deliver essential services.

Jordan: Selected Economic Indicators, 2021-24

	2021	2022	2023	2024
			Proj.	Proj.
Output and Prices				
Real GDP growth	2.2	2.5	2.6	2.7
GDP deflator	1.3	2.6	2.6	2.5
Nominal GDP (in millions of Jordanian dinars)	32,033	33,691	35,465	37,333
Inflation 1/	1.3	4.2	2.7	2.6
Unemployment	24.1	22.9	...	...
Government Finances (in percent of GDP)				
Central government fiscal operations				
Revenue and grants 2/	25.4	26.5	26.9	26.4
Of which: grants	2.5	2.4	2.3	2.0
Expenditures 2/	31.8	32.4	32.0	31.4
Primary government balance (exc. grants, NEPCO, and WAJ)	-4.5	-3.7	-2.9	-2.0
Combined public sector balance 3/	-5.9	-5.2	-4.8	-3.7
Government gross debt	111.7	114.1	113.8	114.1
Government gross debt, net of SSC holdings of government debt	89.8	91.0	90.6	89.3
Money and Credit				
Broad money (percent change)	6.7	5.5	5.6	5.6
Credit to the private sector (percent change)	4.9	8.0	5.5	5.8
Balance of Payments				
Current account (in percent of GDP)	-8.2	-8.8	-7.5	-5.4
FDI (in percent of GDP)	0.3	1.4	1.8	2.2
Gross reserves (in months of imports)	6.9	6.9	7.2	6.8
In percent of Reserve Adequacy Metric	114	102	99	91

Sources: Jordanian authorities; and Fund staff estimates and projections.

1/ Consumer Price Index (annual average).

2/ Includes the programmed amount of fiscal measures that are needed to meet fiscal targets.
3/ Sum of the primary central government balance (exc. grants and net transfers to NEPCO-electricity company and WAJ-water company) and the net loss of NEPCO, WAJ and water sector distribution companies.

INTERNATIONAL MONETARY FUND

JORDAN

June 13, 2023

SIXTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA

EXECUTIVE SUMMARY

Context and outlook. Despite a challenging global environment, Jordan's economy continues to grow, albeit at a moderate pace, and the outlook is generally positive. Inflation is slowing in response to the tightening of monetary policy and lower commodity prices, and is expected to end 2023 at 2.7 percent, from its peak of 5.4 percent in September 2022. The current account deficit is projected to narrow this year, although less than projected earlier, and international reserves to remain at a comfortable level. Notwithstanding these positive trends, job creation remains a challenge, and unemployment remains very high.

Program implementation: The program remains firmly on track, reflecting the authorities' strong ownership. All end-December 2022 performance criteria (PCs) were met, as were most indicative targets (ITs) for end-March 2023, although the ITs on electricity and water distribution companies' arrears were missed, as these sectors' underlying challenges remain large. Strong progress was also made in implementing structural benchmarks (SBs), with 6 out of 7 SBs for the period through June 2023 met. Implementation of the remaining SB hinges on technical solutions for introducing track-and-trace procedures for alcohol. Solid progress has also been made in implementing FATF AML/CFT recommendations, with a view to achieve Jordan's de-listing later this year.

Policies and risks: The authorities remain firmly committed to continue with sound macro-economic policies. Fiscal policy is on track to meet this year's deficit targets and the authorities are committed to continuing a gradual fiscal consolidation in the coming years, to place public debt firmly on a downward path. Monetary policy has responded quickly to U.S. Federal Reserve policy changes and remains focused on safeguarding the peg and maintaining strong reserve buffers. Importantly, structural reforms need to continue—and be accelerated—to create a more dynamic private sector that can create sufficient jobs and contribute to higher living standards. This also includes improving the financial viability and efficiency of the electricity and water sectors, not only to reduce the drain on public finances, but most of all, given the threats posed by climate change, to be able to deliver essential services.

Approved By
Thanos Arvanitis (MCD) and Delia Velculescu (SPR)

The team consisted of Ron van Rooden (head), Serpil Bouza, Kareem Ismail (Resident Representative), Yang Yang, Rayah Al-Farah, Diala Al Masri, Leen Aghabi (all MCD), Lahcen Bounader (FAD) and Yahia Said (SPR). Discussions were held in Amman during May 3–17, 2023. Jonathan Saalfield provided research assistance, Cecilia Pineda provided document management, and Sana Almunizel provided logistics support. Staff met with Prime Minister Bisher Al-Khasawneh, Deputy Prime Minister for Economic Affairs Nasser Shraideh, Minister of Finance Mohamad Al-Ississ, Governor of the Central Bank of Jordan Adel Al-Sharkas, Minister of Planning and International Cooperation Zeina Toukan and other senior officials, as well as private sector and civil society representatives. Mahmoud Mohieldin and Maya Choueiri (OED) participated in some of the discussions.

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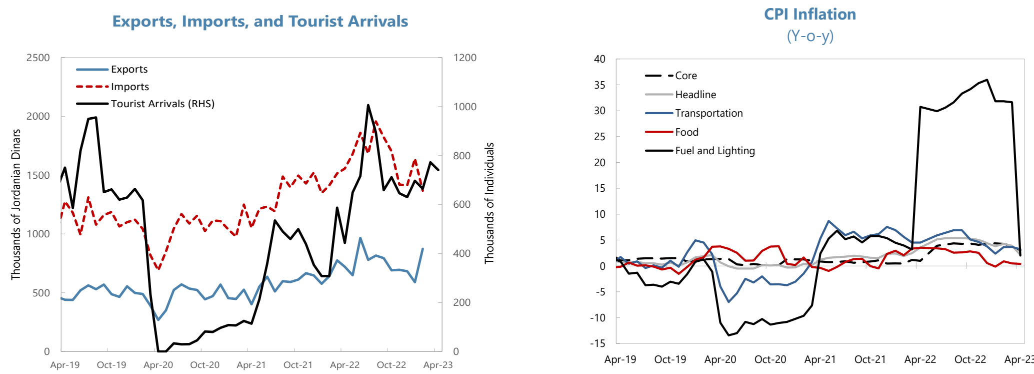
APPENDIX

RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

1. **The economic recovery continued in 2022, although slowing somewhat toward the end of the year.** GDP grew by 2.5 percent in 2022, buoyed by exports and tourism.[1] The current account deficit widened to 8.8 percent of GDP, mainly due to higher food and fuel prices, which were only partially offset by higher prices of mineral exports and a strong rebound in tourism, which surpassed pre-pandemic levels. Inflation has continued to decelerate after reaching a peak in September 2022 and dropped to 2.9 percent in April 2023. Despite the tightening of global financial conditions, Jordan successfully issued a 6-year US$1.25 billion bond at 7½ percent in April 2023.

Economic Recovery and Inflation



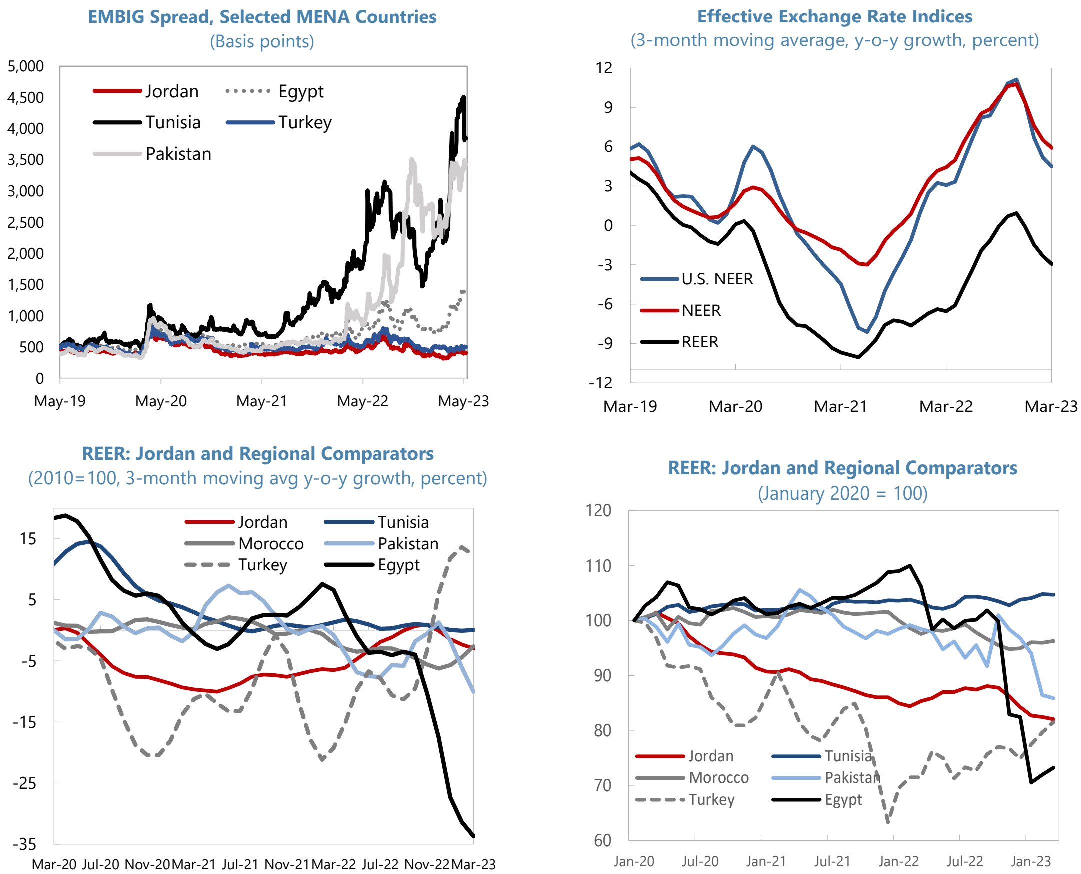
Sources: Jordan Department of Statistics, Haver Analytics; and IMF staff calculations.

2. **The economy is expected to continue to grow, at around 2.6 percent in 2023.** Growth is broad-based, but with manufacturing and tourism as key drivers. Inflation is expected to broadly stabilize at around 2.7 percent by end-2023, reflecting a tight monetary policy stance. The current account is projected to narrow, reflecting lower prices for grain and fuel imports and continued strong tourism receipts but considerably less than expected at the time of the fifth review, to 7.5 percent of GDP, due to a drop in prices of key mineral exports. Over the medium term, growth is projected to increase to 3 percent annually, supported by the reforms undertaken by the authorities as laid out in the attached Memorandum of Economic and Financial Policies (MEFP).

3. **Social conditions remain challenging, however, with higher costs-of-living and persistent high unemployment.** The unemployment rate stood at 21.9 percent by the end of the first quarter of 2023, with youth and female unemployment at close to 50 and 30 percent, respectively. The elimination of regressive and costly subsidies for diesel and gasoline sparked large-scale strikes and protests in December 2022, but these have subsided since then.

[1] A downward revision of 2019 GDP data by the Department of Statistics and lower GDP deflators in 2022 and 2023 have lowered nominal GDP by about 4 percent compared to earlier estimates, with significant implications for fiscal and external ratios.

Sovereign Spread and Exchange Rate Developments



Sources: IMF IFS data; Bloomberg; and IMF staff calculations.

4. Uncertainty remains high due to elevated global headwinds. With inflation more stubborn in advanced economies, the tightening cycle by the US Federal Reserve may continue and, together with recent financial sector difficulties in advanced economies, this could lead to a further tightening of global financial conditions and weaker global growth, with knock-on effects for emerging markets. Geopolitical tensions and fragmentation could lead to a renewed surge in commodity prices or affect international trade and investment, which could put additional pressures on external and fiscal accounts and potentially raise social tensions. Climate-change risks exacerbating already-dire water scarcity could hurt growth and add further pressures on government finances. On the upside, regional political rapprochement may help de-escalate tensions and catalyze trade and investment.

POLICY DISCUSSIONS

With continued global headwinds, discussions focused on maintaining macro-economic stability and accelerating reforms, including by: (i) continuing with fiscal consolidation, while creating room for social and capital spending; (ii) safeguarding the exchange rate peg and preserving financial stability; (iii) ensuring the financial sustainability of the electricity and water sectors; and (iv) advancing structural reforms to boost growth and reduce unemployment.

A. Continuing with Fiscal Consolidation While Sustaining Growth

5. The outturn of the 2022 budget was broadly as expected. The central government primary deficit (excluding grants and transfers to NEPCO and WAJ) reached JD 1233 million in 2022, or 3.7 percent of GDP, slightly below the targeted JD 1298 million (MEFP ¶6). Higher outlays on food and fuel subsidies to cushion the population against higher import prices were offset by lower spending on non-priority items, including some transfers, and to a lesser extent on investment. With the operating losses of NEPCO and WAJ broadly in line with earlier projections, the combined public primary deficit target for 2022 was met as well. The overall general government deficit widened, however, due to a higher interest bill and a lower surplus of the social security fund.

December 2022 Fiscal Outturn vs. Fifth Review Targets
(In millions of Jordanian dinars)

	5th Rev	Prel.
Total revenue and grants	**9,049**	**8,914**
Domestic revenue	8,234	8,122
Tax revenue, *of which:*	6,228	6,048
Taxes on income and profits	1,503	1,548
Sales taxes	4,357	4,168
Nontax revenue	2,006	2,074
Grants	815	792
Total expenditures	**10,986**	**10,914**
Current expenditure, *of which:*	9,809	9,752
Wheat subsidies	296	333
Fuel subsidies	390	475
Capital expenditure	1,177	1,162
Adjustment on receivables and payables (use of cash)	0	-83
Overall central government balance	-1,937	-2,000
Primary balance (exc. grants, NEPCO and WAJ)	**-1,298**	**-1,233**

6. Fiscal consolidation is set to continue in 2023, in line with program targets. The approved 2023 central government budget targets a primary deficit (excluding grants and transfers to NEPCO and WAJ) of JD 1088 million (equivalent to 3.1 percent of GDP), backed by further tax administration efforts and the elimination of fuel subsidies. The budget allows for additional capital spending for public transport and rehabilitation of the water supply network, while continuing to support vulnerable households. End-March 2023 fiscal targets were met. With a somewhat worse financial outlook for NEPCO (see below), however, and with revenue collection performing well, the authorities agreed to reduce the central government primary deficit to JD 1014 million (or 2.9 percent of GDP), to keep the pace of general government consolidation this year on track in nominal terms (MEFP ¶7). Moreover, any further revenue overperformance will be used to retire debt.

7. The authorities remain committed to continuing fiscal consolidation over the medium term to strengthen debt sustainability. The downward revision of nominal GDP and higher interest rates have pushed the debt path slightly upward relative to what had been envisaged during the fifth review. Despite the challenging external environment and tighter financing conditions, the authorities are committed to reduce the public debt-to-GDP ratio to 80 percent by end-2028. This will be achieved mainly by additional revenue-raising measures, equivalent to 1.5 percent of GDP by 2028, as well as efforts to reduce expenditures while improving their efficiency, reaching 1 percent of GDP by 2028 (MEFP ¶8–10).

Jordan: Central and General Government Balances, 2021–28

	2021	2022		2023		2024		2025	2026	2027	2028
		5th Rev.	Prel.	5th Rev.	Proj.	5th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
Central government primary balance (ex grants)	-4.4	-3.7	-3.7	-2.9	-2.9	-1.7	-2.0	-1.1	-0.2	0.6	0.5
Utilities overall balance	-1.4	-1.3	-1.5	-1.7	-1.9	-1.4	-1.7	-1.5	-1.3	-1.2	-1.1
NEPCO	-0.5	-0.6	-0.7	-0.9	-1.1	-0.8	-1.0	-0.8	-0.7	-0.6	-0.5
Water sector	-0.9	-0.7	-0.8	-0.8	-0.8	-0.6	-0.7	-0.7	-0.6	-0.6	-0.5
SSC surplus (ex interest income from CG)	2.3	2.9	2.6	3.0	3.3	2.6	2.9	2.8	2.8	2.7	2.6
Add back, interest bill of NEPCO and WAJ	0.4	0.6	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6	1.6
General government primary balance (ex grants)	-3.5	-1.6	-2.2	-1.0	-1.0	0.1	-0.2	0.8	1.9	2.7	2.7
Central government grants	2.5	2.4	2.4	2.1	2.3	1.8	2.0	1.5	1.4	1.3	1.3
General government interest bill	3.6	3.6	4.0	3.8	4.1	4.1	4.4	4.4	4.3	4.1	3.8
General government overall balance	-4.5	-2.8	-3.9	-2.6	-2.6	-2.2	-2.6	-2.1	-1.0	0.0	0.3
Memorandum items											
Public debt-to-GDP	89.8	89.7	91.0	88.2	90.6	86.2	89.3	87.5	85.0	81.9	79.8
Nominal GDP in JD million	32,033	34,624	33,691	36,911	36,729	39,004	37,333	39,415	41,612	43,932	46,381

8. To support their fiscal efforts, the authorities are advancing the implementation of a broad range of structural fiscal reforms (MEFP ¶11)**:**

- **Tax policy and administration:** The authorities are making further headway in broadening the tax base and improving tax compliance. They have introduced e-invoicing, to enhance monitoring of economic transactions and tackle under-invoicing, and already covered nearly 60 percent of all sales transactions by end-April, exceeding the target of capturing one-third of transactions (met June 2023 SB). They are aiming to expand coverage to 90 percent of all sales transactions by end-2023. The authorities have also implemented AI-based e-audit systems for tax returns (met June 2023 SB). Significant progress has been made in implementing track-and-trace measures for alcohol (June 2023 SB), building on the success of tracing tobacco products, but given remaining technical challenges this SB is proposed to be reset for December 2023. More generally, the authorities are finalizing a medium-term revenue administration roadmap and will conduct a comprehensive tax expenditure analysis, both with assistance from FAD.

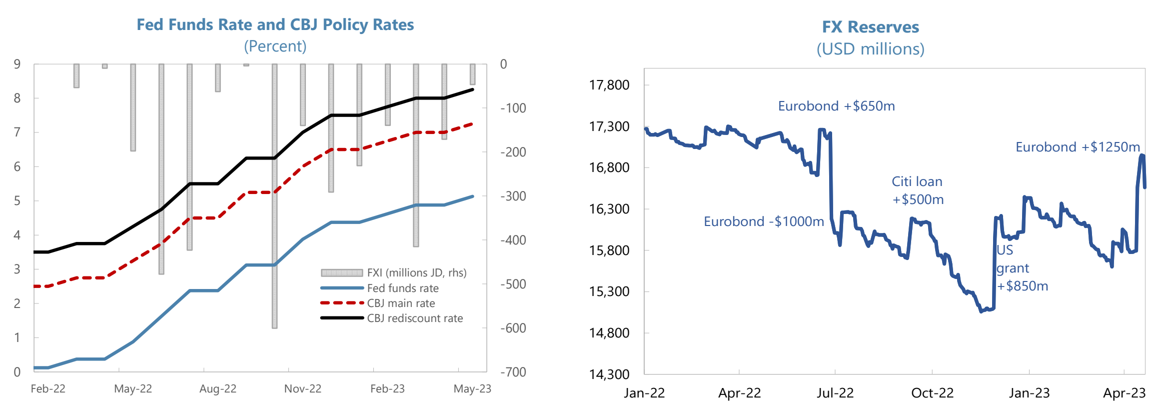
- **Expenditure efficiency:** To contain the cost of food subsidies, the authorities have implemented an annual purchase plan for wheat and barley and strengthened audits throughout the supply chain. The National Aid Fund (NAF) continuously seeks to improve the targeting of its social assistance programs and aims to unify all programs into a single program. The authorities will also start implementing the Public Sector Modernization Roadmap to enhance the efficiency and accountability of the public sector. This includes implementing a merit-based hiring and promotion system, starting with senior positions, and strengthening transparency and independence of regulatory bodies. There has been further progress in rolling out e-procurement to the broader public sector, including government entities outside the central government. The authorities are establishing the infrastructure needed to transition the PIP/PIM appraisal process onto a unified electronic platform (National Registry of Investment Projects, NRIP), to help with strengthening project appraisal and feasibility/sustainability assessments.

- **Public financial management:** New health and energy arrears have continued to be incurred, although the overall stock has not increased, with a tendency by hospitals to inflate bills submitted to the government. Accordingly, the authorities will issue a Cabinet decision to establish an inter-ministerial committee responsible for determining the total amount of outstanding arrears in the health and energy sectors, based on certified and confirmed audits (proposed SB for July 2023), and based on which a strategy will be devised to clear the existing stock and prevent the further buildup of arrears. Meanwhile, to help stem the accumulation of new energy sector arrears, the finance ministry has started to pay budget units' bills directly to NEPCO, while the authorities are also working with development partners on broader health care reforms.

B. Ensuring Monetary Stability and Financial Sector Resilience

9. The CBJ has continued to successfully preserve monetary and financial stability (MEFP ¶12). Jordan's peg to the U.S. dollar, backed by adequate international reserves, has continued to serve as an effective anchor for macro-economic stability and has contributed to a relatively low rate of inflation. The CBJ has raised its policy rates ten times since March 2022, in line with the U.S. Federal Reserve, and issued sizable amounts of certificates of deposit to mop up excess liquidity. Credit growth has started to slow, reflecting the impact of the higher interest rates. With an appropriately tight monetary policy stance, end-December 2022 and end-March 2023 targets for the CBJ's net international reserves (NIR) and net domestic assets (NDA) were met by comfortable margins. The CBJ stands ready to take additional measures as needed to protect the peg. In view of the large uncertainty surrounding the global and regional outlook and particularly the worsened outlook for the current account, the CBJ requests a downward modification by about US$ 0.5 billion of the end-2023 NIR PC, to allow for a cushion to support the peg in case of unexpected shocks, while maintaining adequate reserve coverage. Should such shocks materialize, reserve coverage would be expected to decline marginally and remain close to 100 percent of the ARA metric.

Interest Rate and Foreign Exchange Developments



Sources: Haver Analytics; national authorities; and IMF staff calculations.

10. The CBJ is gradually scaling back its subsidized lending schemes (MEFP¶13). As an important first step, the scheme created in April 2020 to help SMEs weather the pandemic, amounting to JD 700 million, expired at end-April 2023. The interest rates of the other scheme, totaling JD 1.4 billion and introduced in 2011 to support vital economic sectors, will be gradually raised toward the policy rate, starting in early 2024**.** Ultimately, this scheme should also be phased out.

11. The banking system remains healthy (MEFP¶14–15). While the system's capital adequacy ratio fell slightly during 2022, it remains well above the regulatory minimum of 12 percent. Non-performing loans (NPL) decreased, albeit mainly due to credit expansion, while provisioning increased slightly. The CBJ should continue its close monitoring of banks' asset quality, including by ensuring sustained application of prudent accounting, reporting, and provisioning standards in line with IFRS9.

Bank Soundness Indicators

	2019	2020	2021	2022
Risk-weighted capital adequacy ratio	18.3	18.3	18.0	17.3
NPLs (In percent of total loans)	5.0	5.5	5.0	4.5
Provisions (In percent of classified loans)	69.5	71.5	79.9	81.5
Liquidity ratio	134.1	136.5	141.5	138
Return on assets	1.2	0.6	1.0	1.0
Loans to deposits ratio	81.6	84.5	82.8	83.5

Source: Central Bank of Jordan.

12. The authorities are committed to implementing the recommendations of the joint IMF-World Bank Financial System Sustainability Assessment (FSSA). The assessment was completed in March 2023 (MEFP¶16). Key recommendations, and which the authorities plan to implement in the next few years, included: (i) further strengthening banking supervision, by making it more risk-based and forward-looking, including by developing pillar 2 supervisory assessments for more risk-sensitive capital requirements; (ii) enhancing systemic risk analysis, including by filling data gaps to enable stress tests on a globally consolidated basis, running systemic foreign currency liquidity analyses, and performing more granular analyses of household and corporate sector vulnerabilities; and (iii) improving the crisis management and bank resolution framework. Regarding the latter, the authorities will establish a crisis management committee (based on an MoU) that comprises the CBJ, MoF, and JODIC, to adequately monitor banking sector developments and operationalize the crisis management framework (proposed SB for December 2023). The CBJ furthermore developed a risk-based capital and solvency regime for the insurance sector, which came under the CBJ's purview in 2021, in line with international best practices (met SB for June 2023) (MEFP¶17).

13. The authorities have been making steady progress in strengthening the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regime (MEFP ¶18). Many of the items of the action plan to comply with the Financial Action Task Force's (FATF) recommendations have already been implemented and the remaining ones are expected to be completed by the Fall of 2023. Full implementation will enable Jordan to exit from the FATF watch list, which, in turn, will help Jordan preserve correspondent banking relationships and effectively guard against financial integrity risks.

C. Reforming the Electricity and Water Sectors

14. While NEPCO managed to contain its operational losses in 2022, broadly in line with expectations, the outlook for 2023 and beyond remains challenging. The 2022 operational loss was estimated at 0.7 percent of GDP, in line with staff's estimate at the time of the fifth review. However, losses are expected to increase to 1.1 percent of GDP in 2023 (somewhat higher than the 1.0 percent of GDP expected at the time of the fifth review), due to larger energy purchases and lower savings from cost measures (see below). The losses are projected to gradually decline to 0.6 percent of GDP over the medium term, with the impact of a package of revenue and cost saving measures (see paragraph 15) partly offset by a shift in generation from cheaper imported natural gas to more expensive oil shale due to contractual obligations. As a reflection of NEPCO's financial challenges, its arrears to other energy companies have continued to exceed targets.

15. Steadfast implementation of revenue enhancing and cost saving measures is imperative to address NEPCO's financial challenges (MEFP ¶21–23). The authorities are pressing ahead with strengthening NEPCO's governance and implementing the measures of the action plan adopted in December 2022, which aimed to generate a JD 90 million financial improvement in 2023, supported also by the recently approved World Bank Electricity Sector Efficiency and Reliability Program:

- Steps have been taken to boost revenues, including by extending a connection fee for self-generation to businesses, transferring royalties from oil shale PPAs to NEPCO, setting targets for distribution companies on electricity losses and operations and maintenance (O&M) expenses, thus allowing for an increase in NEPCO's bulk tariffs, introducing time-of-use tariffs, and conducting a review of recipients of subsidies to exclude ineligible households. These measures will generate JD 50 million (0.15 percent of GDP) in revenues for NEPCO in 2023 (met SB for May 2023).

- On the costs side, higher gas transit volumes will help reduce gas transportation costs, while minor savings will come from switching generation to more efficient power plants. However, these measures are expected to generate only JD 13 million in savings this year.

Additional efforts will be needed to ensure the medium-term financial sustainability of NEPCO. The authorities will hire a reputable consultant to conduct a comprehensive review of the electricity system (generation, transmission, distribution) and propose actions needed to achieve NEPCO's financial sustainability (proposed SB for November 2023). With electricity tariffs relatively high in comparison to neighboring countries and compared to the cost of new self-generation, the focus of proposed actions will need to be predominantly on lowering the cost of generation and financing, and on increasing efficiency.

16. The water sector's financial conditions have evolved in line with expectations. The sector's 2022 operational losses are estimated at 0.8 percent of GDP and losses are expected to remain broadly unchanged in 2023. The cabinet issued a decision in February 2023 to form a joint committee between the Ministries of Finance and Water and Irrigation (met SB for March 2023) that will meet on a quarterly basis to help ensure clearance of all arrears accumulated by the water sector by end-2024. WAJ's arrears remained within targets, but those of the water distribution companies did not.

17. Facing formidable challenges in the water sector given the country's water scarcity, the authorities have started implementing the financial sustainability roadmap (FSR) (MEFP ¶25). The authorities are committed to gradually reaching full cost recovery of water and wastewater services' operations and maintenance (O&M, including of the new National Conveyor Project (NCP)) by 2030 and of both O&M and capital cost of the NCP by 2040. The authorities are also aiming to reduce non-revenue water (NRW) by 2–3 percentage points per year to 25 percent of total water supplied by 2040. Thus far, they have been able to reduce NRW by 2.3 percentage points since mid-2022, to 50 percent of water supplied. While reducing NRW is essential for ensuring financial sustainability of the sector, it will also require significant investment in the network.

18. More broadly, the authorities are scaling up their efforts to address the impact of climate change. Climate change will aggravate Jordan's already severe water shortage, creating pressing and substantial financing needs for adaptation. The authorities have developed a National Climate Change Policy and National Adaptation Plan as a framework for implementing Jordan's climate commitments, including the Nationally Determined Contributions. A Country Climate and Development Report prepared by the World Bank was published in September 2022. The authorities are aiming to mobilize a combination of public and private financing, including donor financing, and have expressed interest in accessing support under the Resilience and Sustainability Trust (RST).

D. Structural Reforms to Strengthen Employment, Investment, and Governance

19. Structural reforms should continue—and be accelerated—to attract investment, boost productivity and competitiveness, and create job-rich growth in line with the authorities' Economic Modernization Vision (MEFP ¶27–29)**.** This includes reducing the cost of doing business, promoting competition, increasing labor market flexibility and female labor participation, and enhancing governance and transparency. While some progress has been made in these areas, more is needed to create a more dynamic private sector, attract more investment, and create more jobs. Notably:

- To improve the business environment, the authorities have been working to open markets, enhance competition, and reduce government regulation and interventions. Amendments to the Competition Law were enacted, curbing the prevalence of dominant firms, including by sharpening the definition for market concentration and increasing penalties for violations. The authorities are also making progress in reducing licensing requirements in the tourism sector, including by planning to submit related legislation (SB for December 2023), as well as in addressing transportation bottlenecks.

- To remove impediments to female and youth employment, amendments to the Labor Law and Social Security Law were adopted. The amended Labor Law enhances protections for women from harassment and violence in the workplace and removes restrictions on female employment in certain professions and industries, and on permitted hours of work. The government will issue additional instructions to expand protections for pregnant women and persons with disabilities to ensure safe workplace conditions (proposed SB for December 2023), including to ensure that these legislative changes lead to a tangible increase in the still very low female labor force participation rate (13.7 percent in the first quarter of 2023). The amended Social Security Law lowered contribution rates for new workers under the age of 30, to help tackle youth unemployment.

- To reduce labor market segmentation, the government repealed all Defense Orders that were introduced at the start of the pandemic, including those prohibiting employers from terminating worker contracts.
- To improve data provisioning and transparency, the government will establish MoUs to allow the Department of Statistics regular and timely access to the latest and legally permissible government data sources (Ministry of Finance, Income and Sales Tax Department, Companies Control Department) and CBJ data (proposed SB for September 2023).

PROGRAM FINANCING AND SAFEGUARDS

20. Despite an uncertain and challenging external environment, the program remains fully financed. Reserves are expected to remain above 90 percent of ARA in 2023–24, as projected in the fifth review**.** Staff's baseline includes the roll-over of GCC deposits of $833 million to 2024, additional financing under the seven-year MoU signed last year with the U.S. and new World Bank programs. The revised baseline includes the recent issuance of a US$1.25 billion Eurobond.

Current Account Deficit and Sources of Financing, 2023-24
(Millions of USD)

	2023			2024		
	5th Rev.	Proj.	Change	5th Rev.	Proj.	Change
Current account deficit (CAD) ex-grants	4,566	5,402	836	4,021	4,307	286
Sources of financing the CAD ex-grants	4,566	5,402	836	4,021	4,307	286
Private sector inflows (net)	2,054	2,327	273	1,987	2,344	357
Banks' non-resident deposit inflows	-200	-200	0	-200	-200	0
Reserve drawdown	-501	-254	246	104	689	585
Public grants	1,599	1,651	52	1,423	1,474	51
Public sector financing (net)	177	166	-11	-11	-884	-873
Commercial borrowing (net)	1,000	1,250	250	0	0	0
Amortization	0	0	0	0	0	0
Issuance /1	1,000	1,250	250	0	0	0
Public sector loans (net)	0	-1,024	-1,024	-22	9	31
GCC deposits /2	-833	0	833	0	-833	-833
Other (residual)	11	-60	-71	11	-60	-71
Program financing (excluding IMF)	1,474	1,750	276	856	1,021	165
IMF financing (net)	-37	-37	0	-137	-136	1
Remaining financing gap	0	0	0	0	0	0
Usable gross reserves	16,561	16,687	126	16,458	15,998	-460
in percent of ARA metric	95	99	4	91	91	0

1/Eurobond issued in Q1 2023 at USD 1,250 million
2/ KSA deposit of USD 500 million and Kuwait deposit of 333 million extended to mature in 2024

21. Jordan's capacity to repay the Fund remains adequate. Despite the COVID-19-induced deterioration in indicators of Fund credit, they remain below peak values under past Fund-supported programs (see Table 6). Debt remains sustainable, and while debt sustainability risks remain, the authorities' policy efforts and the development partners' ongoing commitment to Jordan constitute important safeguards.[2] Moreover, staff will commence discussions on a possible successor arrangement, as requested by the authorities.

22. Safeguards assessment. The CBJ has implemented almost all of the 2020 safeguards recommendations, with the enhancement of disclosures in the CBJ's financial statements still pending.

[2] See Public Debt Sustainability Analysis in IMF Country Report 23/49.

STAFF APPRAISAL

23. The authorities have managed to successfully navigate recent external shocks and maintain macro-economic stability in an uncertain and challenging environment. Thanks to the steadfast implementation of prudent fiscal and monetary policies, fiscal consolidation is on track, capital market access has been maintained, and inflation has remained relatively low and is declining, while reserve coverage is strong. Moreover, the economy is projected to continue to grow this year at 2.6 percent, despite the global headwinds. However, job creation is still weak, and unemployment remains too high.

24. The authorities' program ownership remains strong as manifested by the performance against targets. All PCs and most ITs have been met, and the delivery of structural conditionality has been robust. The authorities have met six out of seven SBs for the period through June 2023.

25. Fiscal policy will need to stay the course, continuing the gradual consolidation, to place public debt firmly on a downward path. Further improvements in revenue collection and the elimination of fuel subsidies are creating fiscal space for much-needed investment and additional social assistance. The government is on track to achieve a central government primary deficit (excluding grants and transfers to NEPCO and WAJ) of 2.9 percent in 2023. Over the medium term, the authorities are committed to bring the debt-to-GDP ratio below 80 percent by 2028. Achieving this will require steadfast implementation of measures to further broaden the tax base and improve tax compliance, as well as to contain spending while increasing efficiency, notably through further improving the targeting of social assistance programs and enhancing the productivity of the civil service.

26. Monetary policy should remain focused on safeguarding the peg and financial stability. The CBJ must continue to adjust its policy rates as needed to ensure the peg is credible and reserve buffers remain adequate. The CBJ should continue to gradually unwind its subsidized lending. It should also continue to closely monitor banks' asset quality and further strengthen its financial sector oversight in line with the recommendations of the recently completed FSSA.

27. Implementation of electricity and water sector reform is critical to ensure public sector sustainability and a reliable and sufficient supply of electricity and water. The financial outlook of the electricity sector remains particularly challenging and decisive actions will need to be taken to lower costs and improve efficiency, while laying a robust foundation for the transition to cleaner energy. Similarly, steadfast implementation of the financial sustainability roadmap for the water sector is key to addressing water scarcity and reducing losses in the water sector.

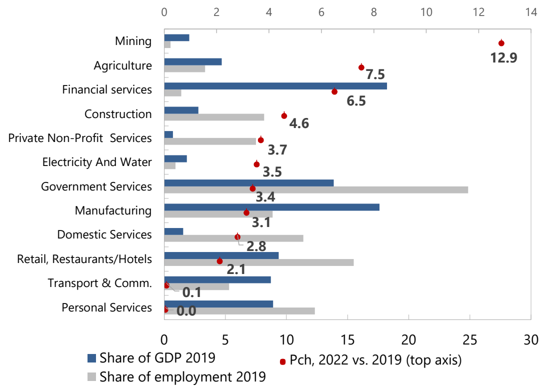
28. While progress is made in implementing structural reforms to create a more dynamic private sector, more is needed to achieve stronger, inclusive growth and reduce unemployment. This includes further improving the business environment, including by strengthening competition, reducing bureaucracy, increasing labor market flexibility and female labor participation, and enhancing governance and transparency. Reforms need to be accelerated if the goals of the Economic Modernization Vision are to be achieved.

29. Staff supports the authorities' request for the completion of the sixth review under the extended arrangement and modification of targets. Staff supports the authorities' request for a modification of the end-December 2023 PC on the central government primary deficit (excluding grants and transfers to NEPCO and WAJ), lowering it to ensure that overall fiscal consolidation remains on track, and the end-December 2023 PC on the CBJ's NIR, lowering it to provide some headroom considering the uncertain external outlook. Stronger and timely development partner support is needed to continue to help Jordan cope with the global economic headwinds, address the challenges posed by climate change, and shoulder the burden of hosting a large number of refugees. Staff welcomes the authorities' climate adaptation efforts and will proceed with the preparations for a possible successor arrangement that could be combined with support under the RST.

Figure 1. Jordan: Real Sector Developments

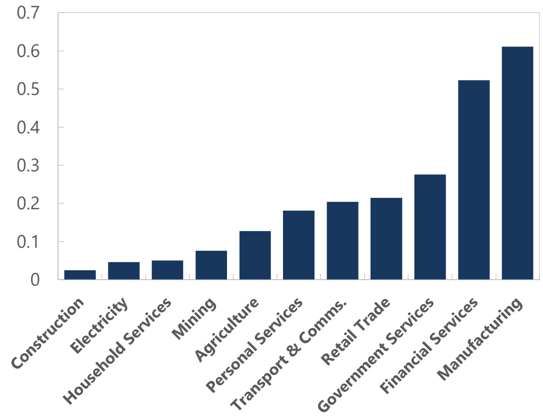
Most sectors have surpassed their pre-pandemic levels

Sectoral GDP Relative to Pre-Pandemic
(Percent)



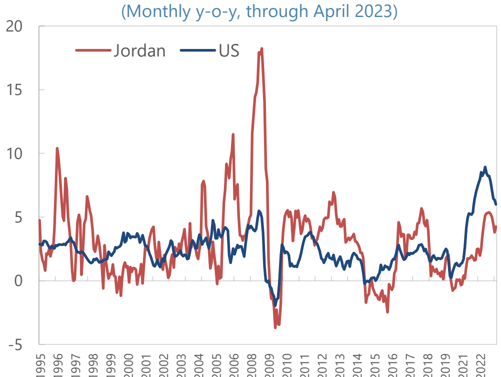
GDP growth has been mainly driven by the manufacturing and financial services sectors.

Sectoral Contribution to GDP Growth, 2022
(Percentage points)



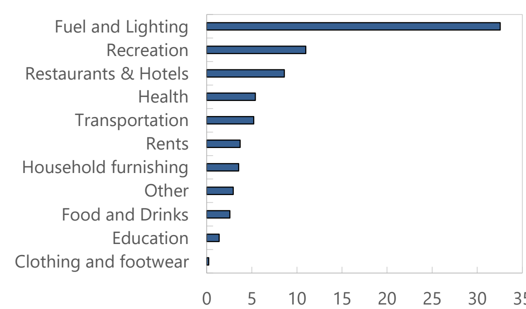
Inflation has decelerated.

CPI Inflation
(Monthly y-o-y, through April 2023)



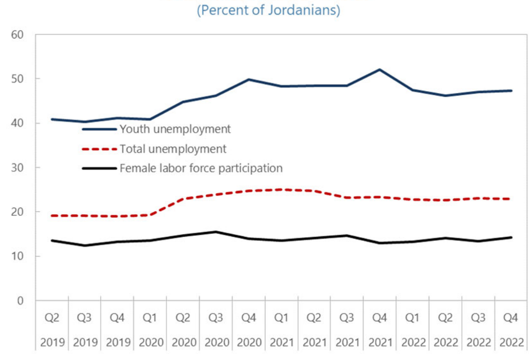
Inflation has been driven by high energy prices.

Inflation By Sector
(Pch y-o-y, April '22 to April '23 avg.)



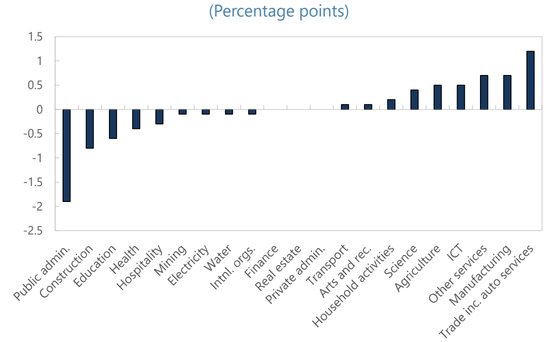
Youth unemployment rate stays high and female participation remains low.

Jordan: Labor Market Outcome
(Percent of Jordanians)



Overall, employment recovery has been heterogenous across sectors.

Change in Employment of Jordanians by Sector
Q4 2019 - Q4 2022
(Percentage points)

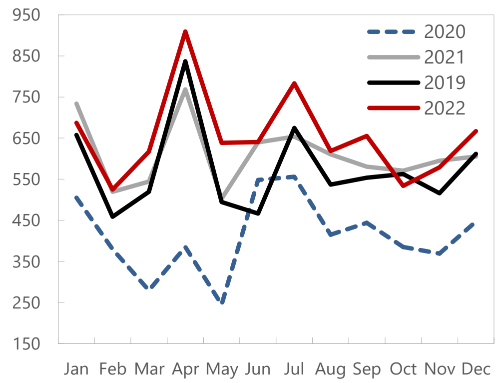


Sources: Jordanian authorities; Haver Analytics; and IMF staff calculations.

Figure 2. Jordan: Fiscal Developments

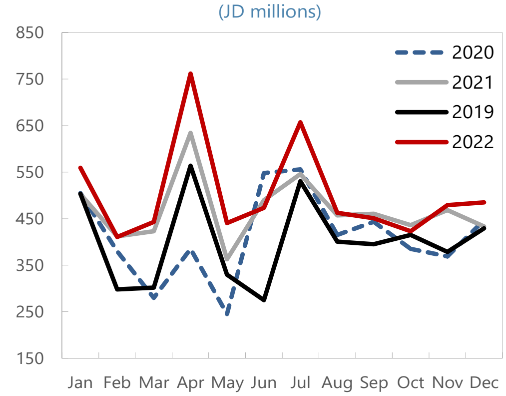
Domestic revenue has been recovering from COVID.

Domestic Revenues
(JD millions)



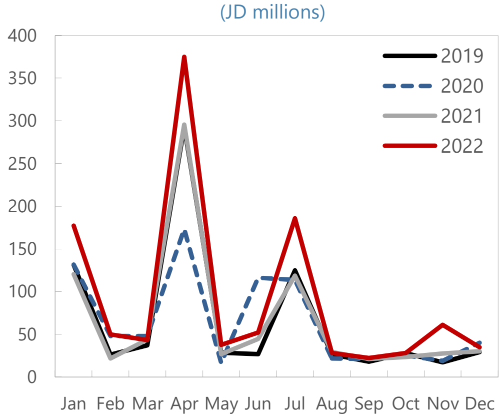
Tax revenues recorded a strong rebound in 2022.

Tax Revenues
(JD millions)



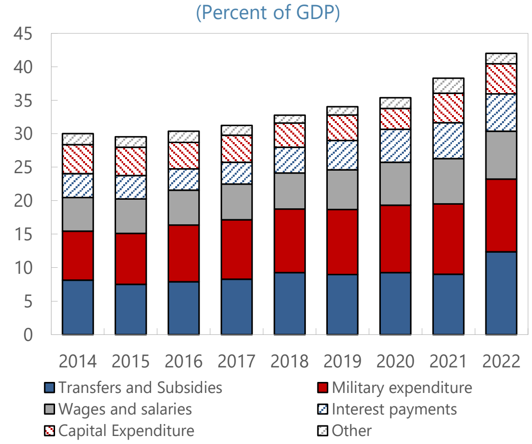
…mainly driven by income and profit taxes.

Corporate Income Tax
(JD millions)



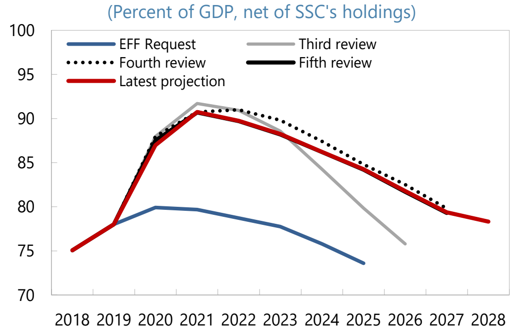
Government expenditure increased due to fuel subsidies.

Government Expenditure
(Percent of GDP)



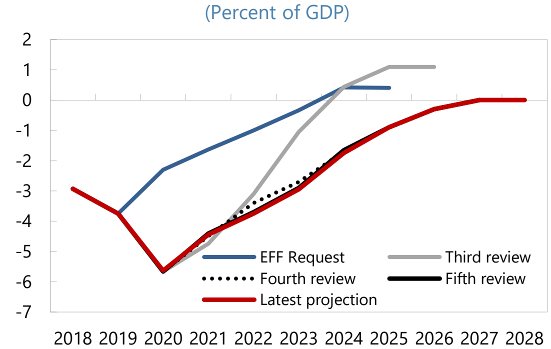
Public debt continues to be on a downward trajectory, while slightly worse than the previous review.

General Government Debt
(Percent of GDP, net of SSC's holdings)



Despite spending pressures, primary balance is still contained to deliver the desired consolidation.

Primary Central Government Balance
(Percent of GDP)

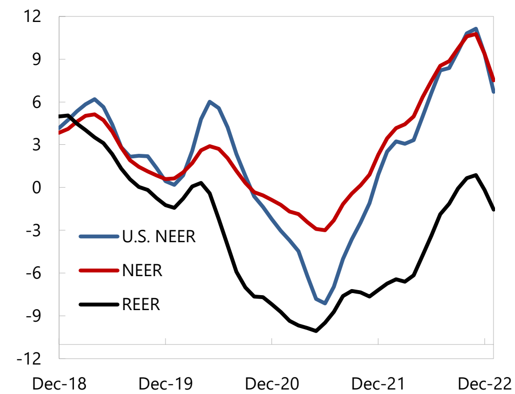


Sources: Jordanian authorities and IMF staff calculations.

Figure 3. Jordan: External Sector Developments

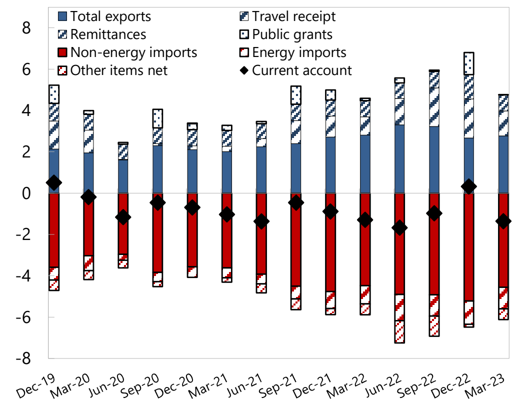
The Dollar peg and synchronized monetary tightening with the US drove up the exchange rate which…

Effective Exchange Rate Indices
(3-month moving average, y-o-y growth, percent)



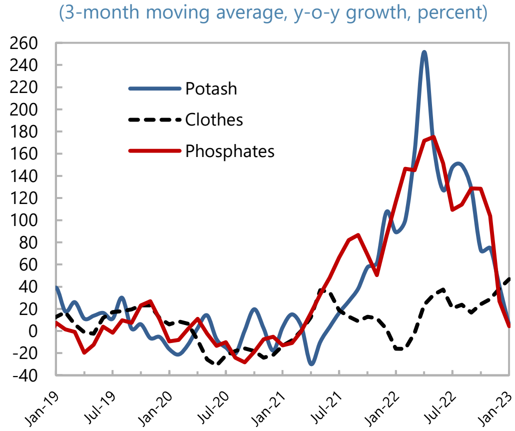
…along with rising import prices, especially fuel, kept the current account deficit higher than expected.

Jordan: Current Account, 2019-23
(USD billions)



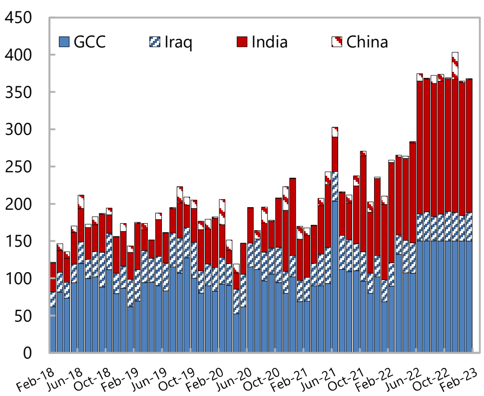
Exports surged driven by rising fertilizer prices but also higher volumes

Key Merchandize Exports
(3-month moving average, y-o-y growth, percent)



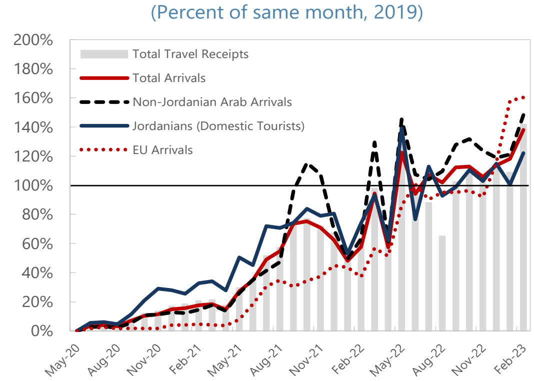
Exports to GCC countries grew, marking deeper regional integration

Exports to Select Markets
(Nominal millions LCU)



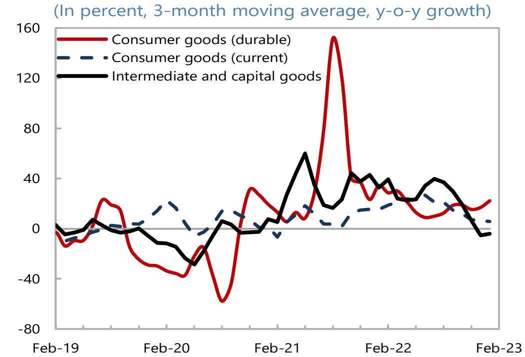
Tourism receipts grew surpassing pre-pandemic levels

Tourist Arrivals and Receipts
(Percent of same month, 2019)



Import growth slowed following the post-pandemic surge in prices, with fuel playing a key role.

Merchandize Imports
(In percent, 3-month moving average, y-o-y growth)

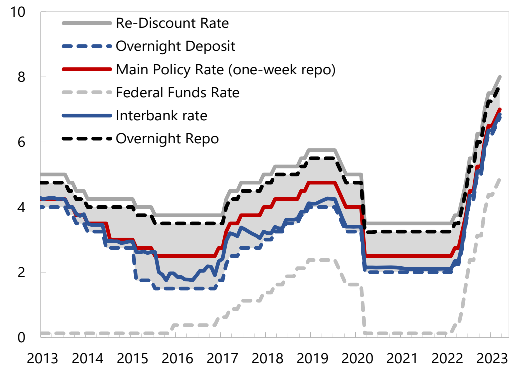


Sources: Jordanian authorities and IMF staff calculations.

Figure 4. Jordan: Monetary and Financial Indicators

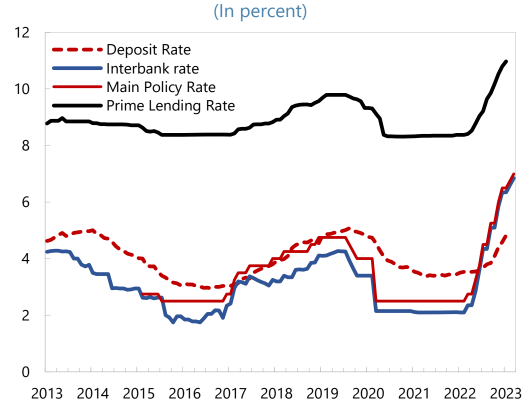
Policy rates rose ten times since March 2022 in line with Fed.

Interest Rates
(In percent)



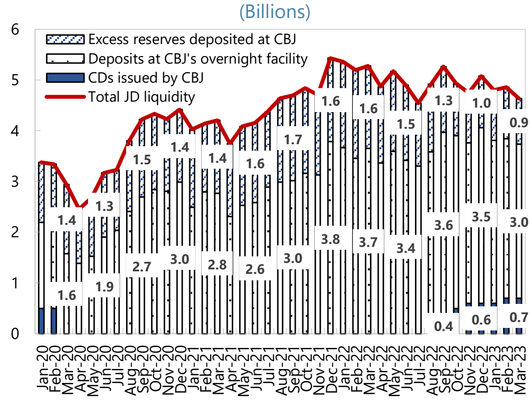
Deposit/lending rates also increased but more slowly.

Interest Rates
(In percent)



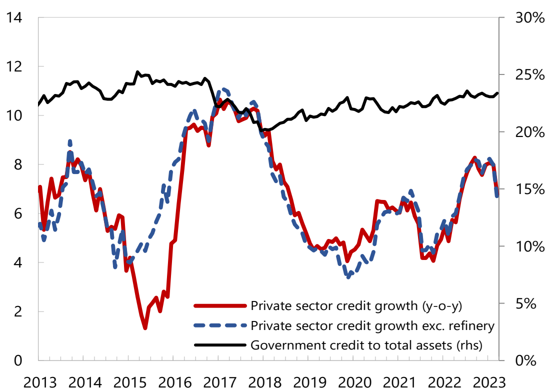
Banks' liquidity conditions continue to remain comfortable.

Banks' JD Liquidity
(Billions)



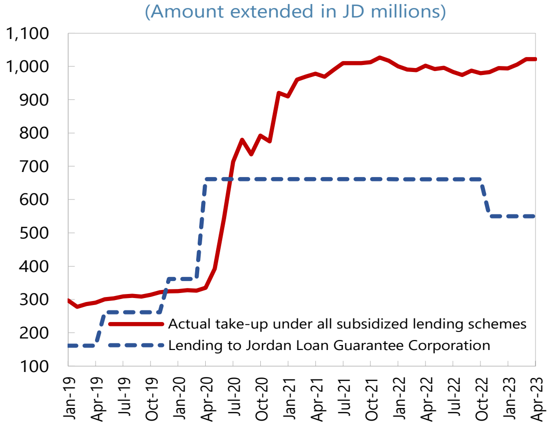
Private sector credit growth has been robust.

Domestic Credit of the Banking System



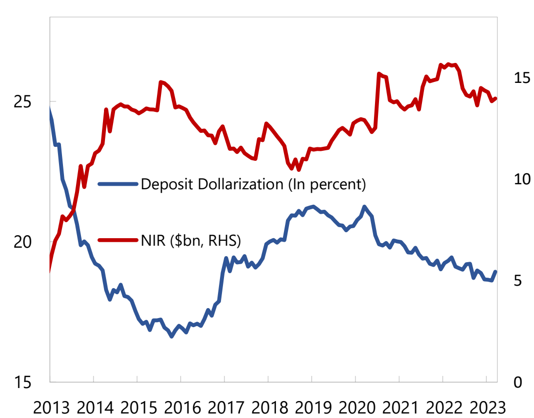
Demand for CBJ's subsidized SME lending scheme has slowed down significantly and expired at end-April 2023.

CBJ Subsidized Lending Schemes
(Amount extended in JD millions)



Ample reserves have kept dollarization down.

Reserves and Dollarization



Sources: Central Bank of Jordan; Jordan Department of Statistics; and IMF staff calculations.

Table 1. Jordan: Selected Economic Indicators and Macroeconomic Outlook, 2021–28

	Act. 2021	5th Rev 2022	Act. 2022	5th Rev 2023	Proj. 2023	5th Rev 2024	Proj. 2024	Proj. 2025	Proj. 2026	Proj. 2027	Proj. 2028
	(Annual percent change, unless otherwise noted)										
Output and prices											
Real GDP at market prices	2.2	2.7	2.5	2.7	2.6	2.7	2.7	3.0	3.0	3.0	3.0
GDP deflator at market prices	1.3	3.8	2.6	3.8	2.6	2.9	2.5	2.5	2.5	2.5	2.5
Nominal GDP at market prices	3.5	6.6	5.2	6.6	5.3	5.7	5.3	5.6	5.6	5.6	5.6
Nominal GDP at market prices (JD millions)	32,033	34,624	33,691	36,911	35,465	39,004	37,333	39,415	41,612	43,932	46,381
Nominal GDP at market prices ($ millions)	45,180	48,836	47,519	52,060	50,022	55,013	52,656	55,592	58,691	61,963	65,418
Consumer price inflation (annual average)	1.3	4.4	4.2	3.8	2.7	2.9	2.6	2.5	2.5	2.5	2.5
Consumer price inflation (end of period)	2.3	5.5	4.4	3.8	2.7	2.9	2.6	2.5	2.5	2.5	2.5
Unemployment rate (period average, percent) 1/	24.1	...	22.9	...	...	...	...	...	...	...	
	(Percent of GDP, unless otherwise noted)										
Fiscal operations											
Revenue and grants	25.4	26.1	26.5	25.8	26.9	25.9	26.4	26.3	26.7	26.7	26.8
Of which: grants	2.5	2.4	2.4	2.1	2.3	1.8	2.0	1.5	1.4	1.3	1.3
Expenditure 2/	31.8	31.7	32.4	31.0	32.0	30.6	31.4	31.0	30.7	30.4	30.3
Unallocated discretionary fiscal measures 3/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall central government balance 4/	-6.4	-5.6	-5.9	-5.2	-5.1	-4.7	-5.0	-4.7	-3.9	-3.0	-2.8
Overall central government balance excluding grants	-8.9	-7.9	-8.3	-7.3	-7.4	-6.5	-6.9	-6.2	-5.3	-4.3	-4.1
Primary government balance (excluding grants)	-4.5	-3.7	-3.7	-2.9	-2.9	-1.7	-2.0	-1.1	-0.2	0.6	0.5
NEPCO operating balance	-0.5	-0.6	-0.7	-0.9	-1.1	-0.8	-1.0	-0.8	-0.7	-0.6	-0.5
WAJ overall balance	-0.7	-0.8	-0.8	-0.7	-0.7	-0.7	-0.7	-0.6	-0.6	-0.5	-0.5
Water distribution companies overall balance	-0.2	0.0	-0.1	0.0	-0.1	0.0	-0.1	-0.1	0.0	0.0	0.0
Combined public sector balance 5/	-5.9	-5.2	-5.2	-4.6	-4.8	-3.2	-3.7	-2.6	-1.5	-0.6	-0.6
Consolidated general government overall balance, excl. grants	-6.8	-5.3	-6.3	-4.8	-5.0	-4.1	-4.6	-3.6	-2.5	-1.4	0.0
Consolidated general government primary balance, excl. grants	-3.5	-1.6	-2.2	-1.0	-1.0	0.1	-0.2	0.8	1.9	2.7	0.0
Government and guaranteed gross debt 6/	111.7	113.1	114.1	112.6	113.8	112.0	114.1	113.7	112.4	110.4	108.7
Government and guaranteed gross debt, net of SSC's holdings 6/	89.8	89.7	91.0	88.2	90.6	86.2	89.3	87.5	85.0	81.9	79.8
Of which: external debt	41.8	42.8	48.9	44.8	43.8	43.6	43.3	41.4	38.5	35.3	33.2
External sector											
Current account balance (including grants), *of which:*	-8.2	-7.8	-8.8	-5.7	-7.5	-4.7	-5.4	-4.0	-2.9	-3.2	-3.5
Exports of goods, f.o.b. ($ billions)	9.4	12.0	12.4	12.2	12.6	11.5	12.1	12.6	13.3	13.8	14.3
Imports of goods, f.o.b. ($ billions)	19.2	23.9	24.3	22.9	22.9	22.4	22.0	22.4	23.4	24.6	26.4
Oil and oil products ($ billions)	3.0	4.4	4.4	3.9	3.5	3.8	3.4	3.4	3.4	3.4	3.5
Current account balance (excluding grants)	-12.0	-10.8	-12.7	-8.8	-10.8	-7.3	-8.2	-6.3	-5.2	-4.7	-5.0
Private capital inflows (net)	1.2	1.7	2.2	2.4	3.1	2.7	3.6	3.9	4.8	5.0	4.7
Public grants and identified budget loans (excl. IMF)	6.7	5.8	6.7	5.9	6.8	4.1	4.7	3.5	3.0	1.7	0.0
	(Annual percent change)										
Monetary sector											
Broad money	6.7	6.6	5.5	6.6	5.6	5.7	5.6	5.6	5.6	5.6	5.6
Net foreign assets	-0.8	-6.7	-7.4	16.8	5.6	2.7	5.2	9.1	12.7	8.2	8.6
Net domestic assets	8.7	9.7	8.5	4.6	5.6	6.3	5.7	4.9	4.1	5.0	4.9
Credit to private sector	4.9	6.3	8.0	4.3	5.5	5.5	5.8	6.0	6.2	6.5	6.8
Credit to central government	13.8	2.2	1.9	-2.6	0.2	5.5	4.5	7.2	7.6	7.5	7.0
Memorandum items:											
Gross usable international reserves ($ millions)	17,272	16,061	16,432	16,561	16,687	16,458	15,998	16,808	18,138	19,029	20,046
In months of prospective imports	6.9	6.7	6.9	7.0	7.2	6.8	6.8	6.8	7.0	6.8	6.8
In percent of reserve adequacy metric	114	99	102	95	99	91	91	91	95	97	99
Net international reserves ($ millions)	15,646	13,927	14,381	14,465	14,645	14,498	14,065	15,054	16,551	17,644	18,888
Population (millions) 7/	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.4	10.4	10.7
Nominal per capita GDP ($)	4,400	4,741	4,613	5,048	4,851	5,330	5,102	5,376	5,657	5,943	6,139
U.S. dollar per Jordanian dinar (period average)	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41
Nominal exchange rate (peg to the US dollar)	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41
Real effective exchange rate (end of period, 2010=100) 8/	99.2	...	...	...	...	...	...	...	...	...	
Percent change (+=appreciation; end of period)	-6.0	...	...	...	...	...	...	...	...	...	

Sources: Jordanian authorities; and IMF staff estimates and projections.

1/ The Department of Statistics changed the methodology of the Survey of Employment and Unemployment in 2017 following ILO recommendations. The variable now reports unemployment rates for Jordanians only (excluding foreigners).

2/ Includes other use of cash (i.e. off-budget expenditures).

3/ Estimated amount of fiscal measures that are needed to meet the programmed fiscal adjustment over 2022-25.

4/ Includes statistical discrepancy.

5/ Defined as the sum of the primary central government balance (excl. grants and transfers to NEPCO and WAJ), NEPCO operating balance, WAJ overall balance, and, starting in 2019, Aqaba, Miyahuna, and Yarmouk Water Distribution Companies overall balance.

6/ Government's direct and guaranteed debt (including NEPCO and WAJ debt). SSC stands for Social Security Corporation. The authorities securitized domestic arrears amounting to 2.3 and 0.3 percent of GDP in 2019 and early 2020, respectively, part of which was previously assumed to be repaid over a three-year period.

7/ Data from the 2017 Revision of World Population Prospects of the UN population division.

8/ INS data. CBJ staff's estimates, based on updated trade weights, shows a more moderate pace of real appreciation over the past few years.

Table 2a. Jordan: Central Government: Summary of Fiscal Operations, 2021–28 1/
(In millions of Jordanian dinars)

		5th Rev	Prel.	5th Rev	Proj.	5th Rev	Proj.	Proj.	Proj.	Proj.	Proj.
	2021	2022	2022	2023	2023	2024	2024	2025	2026	2027	2028
Total revenue and grants	8,128	9,049	8,914	9,524	9,525	10,087	9,858	10,367	11,116	11,733	12,410
Domestic revenue*	7,325	8,234	8,122	8,744	8,710	9,391	9,126	9,791	10,551	11,150	11,795
Tax revenue, *of which:*	5,627	6,228	6,048	6,602	6,574	7,108	7,009	7,537	8,147	8,579	9,082
Taxes on income and profits	1,180	1,503	1,548	1,626	1,697	1,779	1,797	1,917	2,085	2,182	2,350
Sales taxes	4,039	4,357	4,168	4,574	4,516	4,856	4,767	5,075	5,427	5,737	6,048
Taxes on foreign trade	338	234	233	258	257	322	315	407	490	506	522
Other taxes	71	134	100	143	105	151	130	138	145	154	162
Nontax revenue	1,698	2,006	2,074	2,143	2,136	2,283	2,116	2,254	2,405	2,571	2,712
Grants	803	815	792	780	815	696	732	575	565	583	615
Total expenditures, inc. other use of cash*	10,172	10,986	10,914	11,449	11,346	11,922	11,717	12,215	12,786	13,372	14,057
Current expenditure	8,869	9,809	9,752	9,956	9,854	10,425	10,240	10,685	11,165	11,657	12,095
Wages and salaries	1,771	1,873	1,849	1,958	1,972	1,997	2,013	2,065	2,158	2,265	2,379
Interest payments	1,403	1,454	1,477	1,616	1,622	1,851	1,852	1,990	2,105	2,147	2,136
Domestic	977	960	979	1,077	1,073	1,253	1,228	1,358	1,447	1,512	1,603
External	426	494	498	539	548	598	624	633	658	634	533
Military and public security expenditure, *of which:*	2,750	2,837	2,846	3,016	2,999	3,195	3,165	3,325	3,450	3,585	3,713
Military expenditure	1,430	1,481	1,509	1,574	1,563	1,668	1,650	1,736	1,794	1,855	1,912
Subsidies	55	686	808	277	271	254	283	257	227	238	249
Transfers, *of which*:	2,300	2,555	2,355	2,698	2,492	2,733	2,471	2,566	2,715	2,881	3,048
Pensions	1,605	1,656	1,638	1,753	1,681	1,835	1,702	1,797	1,897	2,009	2,120
Cash transfers, NAF social assistance	184	271	241	261	249	261	249	260	267	273	280
Transfers to health fund, *of which:*	159	227	130	170	200	130	130	77	76	75	76
Health arrears clearance	91	99	52	80	80	40	40	0	0	0	0
Energy arrears clearance	73	10	0	0	0	0	0	0	0	0	0
Transfers to public sector institutions	201	212	197	213	213	214	214	226	239	253	267
Other transfers	78	180	149	301	150	292	176	205	236	270	305
Purchases of goods & services	590	404	417	392	498	396	456	482	510	540	570
Capital expenditure	1,154	1,177	1,162	1,492	1,492	1,497	1,477	1,530	1,621	1,716	1,962
Net lending	0	0	0	0	0	0	0	0	0	0	0
Transfer to NEPCO	0	0	0	0	0	0	0	0	0	0	0
Adjustment on receivables and payables (use of cash)	149	0	(83)	0	0	0	0	0	0	0	0
Total balance from above the line	-2,044	-1,937	-2,000	-1,925	-1,821	-1,835	-1,860	-1,848	-1,669	-1,639	-1,647
Overall central government balance at current policies	-2,044	-1,937	-2,000	-1,925	-1,821	-1,835	-1,860	-1,848	-1,669	-1,639	-1,647
Additional fiscal effort (cumulative)	0	0			0		0	0	46	340	359
Overall central government balance	-2,044	-1,937	-2,000	-1,925	-1,821	-1,835	-1,860	-1,849	-1,623	-1,299	-1,288
Financing	2,400	2,264	2,204	2,143	2,128	2,113	2,147	2,113	1,881	1,556	1,542
Foreign financing (net) 2/	1,298	503	1,588	1,547	1,191	401	537	147	-283	-483	-96
Domestic financing (net)	1,102	1,761	616	596	938	1,712	1,610	1,966	2,165	2,040	1,638
CBJ on-lending of net IMF financing	382	391		2	2	-59	-58	-113	-105	-143	-143
Other domestic bank financing	259	-53	158	-296	46	731	629	1,039	1,180	1,093	1,093
Domestic nonbank financing	569	1,100	903	900	900	1,050	1,050	1,050	1,100	1,100	1,100
Use of deposits 3/	-108	323	-445	-10	-10	-10	-10	-10	-10	-10	-10
Sale of non-financial assets	0	0	0	0	0	0	0	0	0	0	0
Memorandum items:											
NEPCO operating balance	-153	-220	-233	-338	-402	-296	-371	-330	-285	-256	-247
WAJ overall balance, excluding project grants	-225	-267	-261	-275	-264	-263	-253	-239	-232	-231	-230
Water distribution companies overall balance	-73	-25	-25	-10	-25	-10	-23	-20	-20	-19	-17
Primary government balance, excluding grants and transfers to NEPCO and WAJ	-1,444	-1,298	-1,233	-1,088	-1,014	-680	-739	-434	-83	264	232
Combined public balance 4/	-1,895	-1,796	-1,751	-1,712	-1,706	-1,249	-1,386	-1,023	-621	-242	-262
Overall public balance, including grants	-2,484	-2,411	-2,481	-2,518	-2,482	-2,374	-2,476	-2,408	-2,131	-1,775	-1,752
Consolidated general government overall balance, excl. grants	-2,178	-1,836	-2,139	-1,787	-1,785	-1,591	-1,730	-1,423	-1,031	-628	0
Consolidated general government primary balance, excl. grants	-1,106	-563	-741	-361	-344	22	-72	333	798	1,199	0
Social Security Corporation balance	1,344	1,413	1,152	1,540	1,543	1,509	1,538	1,620	1,725	1,791	1,899
Government and guaranteed gross debt	35,767	39,167	38,432	41,563	40,354	43,668	42,593	44,825	46,781	48,506	50,394
Government and guaranteed gross debt, net of SSC's holdings	28,763	31,064	30,668	32,560	32,132	33,615	33,321	34,503	35,359	35,984	36,997
Of which: External	13,388	14,804	16,489	16,531	15,520	17,025	16,154	16,325	16,024	15,516	15,378
Programmed stock of health and energy arrears	224	116	205	0	90	0	0	0	0	0	0
Stock of health arrears	214	116	149	0	70	0	0	0	0	0	0
Stock of energy arrears (fuel and electricity) 5/	10	0	56	0	20	0	0	0	0	0	0
GDP at market prices	32,033	34,624	33,691	36,911	35,465	39,004	37,333	39,415	41,612	43,932	46,381

Sources: Jordanian authorities; and IMF staff estimates and projections.

1/ Starting 2019, the fiscal accounts consolidate the operations of 29 government units, with a neutral impact on the overall balance.

2/ Includes net issuance of domestic FX bonds.

3/ In 2021, includes drawdown of SDR allocation amount from the government's account at CBJ.

4/ Primary government balance excluding grants and transfers to NEPCO and WAJ, plus NEPCO operating balance, WAJ overall balance, and starting in 2019, water distribution companies overall balance.

5/ In 2021, JD100 million in arrears were resolved through securitization.

Table 2b. Jordan: Central Government: Summary of Fiscal Operations, 2021–28 1/

(In percent of GDP)

	2021	5th Rev 2022	Prel. 2022	5th Rev 2023	Proj. 2023	5th Rev 2024	Proj. 2024	Proj. 2025	Proj. 2026	Proj. 2027	Proj. 2028
Total revenue and grants	25.4	26.1	26.5	25.8	26.9	25.9	26.4	26.3	26.7	26.7	26.8
Domestic revenue*	22.9	23.8	24.1	23.7	24.6	24.1	24.4	24.8	25.4	25.4	25.4
Tax revenue, *of which*:	17.6	18.0	18.0	17.9	18.5	18.2	18.8	19.1	19.6	19.5	19.6
Taxes on income and profits	3.7	4.3	4.6	4.4	4.8	4.6	4.8	4.9	5.0	5.0	5.1
Sales taxes	12.6	12.6	12.4	12.4	12.7	12.4	12.8	12.9	13.0	13.1	13.0
Taxes on foreign trade	1.1	0.7	0.7	0.7	0.7	0.8	0.8	1.0	1.2	1.2	1.1
Other taxes	0.2	0.4	0.3	0.4	0.3	0.4	0.3	0.3	0.3	0.3	0.3
Nontax revenue	5.3	5.8	6.2	5.8	6.0	5.9	5.7	5.7	5.8	5.9	5.8
Grants	2.5	2.4	2.4	2.1	2.3	1.8	2.0	1.5	1.4	1.3	1.3
Total expenditures, inc. other use of cash*	31.8	31.7	32.4	31.0	32.0	30.6	31.4	31.0	30.7	30.4	30.3
Current expenditure	27.7	28.3	28.9	27.0	27.8	26.7	27.4	27.1	26.8	26.5	26.1
Wages and salaries	5.5	5.4	5.5	5.3	5.6	5.1	5.4	5.2	5.2	5.2	5.1
Interest payments	4.4	4.2	4.4	4.4	4.6	4.7	5.0	5.1	5.1	4.9	4.6
Domestic	3.0	2.8	2.9	2.9	3.0	3.2	3.3	3.4	3.5	3.4	3.5
External	1.3	1.4	1.5	1.5	1.5	1.5	1.7	1.6	1.6	1.4	1.1
Military and public security expenditure, *of which:*	8.6	8.2	8.4	8.2	8.5	8.2	8.5	8.4	8.3	8.2	8.0
Military expenditure	4.5	4.3	4.5	4.3	4.4	4.3	4.4	4.4	4.3	4.2	4.1
Subsidies	0.2	2.0	2.4	0.8	0.8	0.7	0.8	0.7	0.5	0.5	0.5
Transfers, *of which*:	7.2	7.4	7.0	7.3	7.0	7.0	6.6	6.5	6.5	6.6	6.6
Pensions	5.0	4.8	4.9	4.7	4.7	4.7	4.6	4.6	4.6	4.6	4.6
Cash transfers, NAF social assistance	0.6	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.6	0.6	0.6
Transfers to health fund, *of which:*	0.5	0.7	0.4	0.5	0.6	0.3	0.3	0.2	0.2	0.2	0.2
Health arrears clearance	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Energy arrears clearance	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers to public sector institutions	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.6	0.6
Purchases of goods & services	1.8	1.2	1.2	1.1	1.4	1.0	1.2	1.2	1.2	1.2	1.2
Capital expenditure	3.6	3.4	3.4	4.0	4.2	3.8	4.0	3.9	3.9	3.9	4.2
Adjustment on receivables and payables (use of cash)	0.5	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional fiscal effort (cumulative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.8	0.8
Overall central government balance after fiscal measures	-6.4	-5.6	-5.9	-5.2	-5.1	-4.7	-5.0	-4.7	-3.9	-3.0	-2.8
Advances to water sector, *of which:*	1.1	0.9	0.0	0.6	0.6	0.7	0.8	0.7	0.6	0.6	0.5
Distribution companies	0.2	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.0	0.0
Financing	7.5	6.5	6.5	5.8	6.0	5.4	5.8	5.4	4.5	3.5	3.3
Foreign financing (net) 2/	4.1	1.5	4.7	4.2	3.4	1.0	1.4	0.4	-0.7	-1.1	-0.2
Domestic financing (net)	3.4	5.1	1.8	1.6	2.6	4.4	4.3	5.0	5.2	4.6	3.5
CBJ on-lending of net IMF financing	1.2	1.1	0.0	0.0	0.0	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3
Other domestic bank financing	0.8	-0.2	0.5	-0.8	0.1	1.9	1.7	2.6	2.8	2.5	2.4
Domestic nonbank financing	1.8	3.2	2.7	2.4	2.5	2.7	2.8	2.7	2.6	2.5	2.4
Use of deposits 3/	-0.3	0.9	-1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of non-financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
NEPCO operating balance	-0.5	-0.6	-0.7	-0.9	-1.1	-0.8	-1.0	-0.8	-0.7	-0.6	-0.5
WAJ overall balance, excluding project grants	-0.7	-0.8	-0.8	-0.7	-0.7	-0.7	-0.7	-0.6	-0.6	-0.5	-0.5
Water distribution companies overall balance	-0.2	0.0	-0.1	0.0	-0.1	0.0	-0.1	-0.1	0.0	0.0	0.0
Primary government balance, excluding grants and transfers to NEPCO and WAJ (PC)	-4.5	-3.7	-3.7	-2.9	-2.9	-1.7	-2.0	-1.1	-0.2	0.6	0.5
Combined public balance (PC) 4/	-5.9	-5.2	-5.2	-4.6	-4.8	-3.2	-3.7	-2.6	-1.5	-0.6	-0.6
Overall public balance, including grants	-7.8	-6.9	-7.4	-6.8	-7.0	-6.1	-6.6	-6.1	-5.1	-4.0	-3.8
Consolidated general government overall balance, excl. grants	-6.8	-5.3	-6.3	-4.8	-5.0	-4.1	-4.6	-3.6	-2.5	-1.4	0.0
Consolidated general government primary balance, excl. grants	-3.5	-1.6	-2.2	-1.0	-1.0	0.1	-0.2	0.8	1.9	2.7	0.0
Social Security Corporation balance	4.2	4.1	3.4	4.2	4.4	3.9	4.1	4.1	4.1	4.1	4.1
Government and guaranteed gross debt	111.7	113.1	114.1	112.6	113.8	112.0	114.1	113.7	112.4	110.4	108.7
Government and guaranteed gross debt, net of SSC's holdings	89.8	89.7	91.0	88.2	90.6	86.2	89.3	87.5	85.0	81.9	79.8
Of which: External	41.8	42.8	48.9	44.8	43.8	43.6	43.3	41.4	38.5	35.3	33.2
Programmed stock of health and energy arrears	0.7	0.3	0.6	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Stock of health arrears	0.7	0.3	0.4	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Stock of energy arrears (fuel and electricity) 5/	0.0	0.0	0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
GDP at market prices (JD millions)	32,033	34,524	33,691	36,911	35,465	39,004	37,333	39,415	41,612	43,932	46,381

Sources: Jordanian authorities; and IMF staff estimates and projections.

1/ Starting 2019, the fiscal accounts consolidate the operations of 29 government units, with a neutral impact on the overall balance.
2/ Includes net issuance of domestic FX bonds.
3/ In 2021, includes drawdown of SDR allocation amount from the government's account at CBJ.
4/ Primary government balance excluding grants and transfers to NEPCO and WAJ, plus NEPCO operating balance, WAJ overall balance, and starting in 2019, water distribution companies overall balance.
5/ In 2021, JD100 million in arrears will be resolved through securitization.

Table 2c. Jordan: General Government: Summary of Fiscal Operations, 2021–28 1/
(In millions of Jordanian dinars, unless otherwise noted)

		2022		2023		2024		2025	2026	2027	2028
	2021	5th Rev	Prel.	5th Rev	Proj.	5th Rev	Proj.	Proj.	Proj.	Proj.	Proj.
A. Total general government revenues:	12,237	13,442	13,058	14,315	14,196	15,079	14,733	15,520	16,618	17,711	18,715
(in percent of GDP)	38.2	38.8	38.8	38.8	40.0	38.7	39.5	39.4	39.9	40.3	40.4
Central government revenues, excl. grants	7,325	8,234	8,122	8,744	8,710	9,391	9,126	9,791	10,574	11,320	11,974
A*. Central government grants	803	815	792	780	815	696	732	575	565	583	615
NEPCO	1,311	1,328	1,361	1,420	1,404	1,515	1,491	1,549	1,611	1,656	1,686
WAJ	42	76	66	72	59	73	60	61	61	62	63
WAJ Revenues - excluding grants (million JD)	31	41	28	42	29	43	30	31	31	32	33
WAJ grants A**	11	35	38	30	30	30	30	30	30	30	30
Water distribution companies	216	256	209	269	214	283	218	222	225	227	232
SSC (excluding interest revenues on gov debt holding)	2,540	2,732	2,508	3,030	2,994	3,122	3,106	3,321	3,581	3,862	4,145
B. Total general government expenditure, inc. use of cash:	13,377	14,427	14,367	15,292	15,136	15,944	15,701	16,338	17,053	17,725	18,599
(in percent of GDP)	41.8	41.7	42.6	41.4	42.7	40.9	42.1	41.5	41.0	40.3	40.1
Central government (excl. interest paid to SSC)	9,794	10,566	10,607	11,027	10,965	11,436	11,273	11,715	12,205	12,586	13,201
NEPCO	1,464	1,549	1,594	1,758	1,807	1,810	1,892	1,909	1,926	1,942	1,964
WAJ	256	308	289	317	293	306	283	270	264	263	263
WAJ Total Expenditures (including interest payments)	130	136	101	134	111	136	113	112	114	115	117
Water distribution companies	289	266	234	279	238	293	240	243	245	247	248
SSC	1,574	1,739	1,643	1,911	1,832	2,099	2,013	2,202	2,413	2,688	2,922
Wages and salaries	18	20	20	21	20	22	21	22	24	25	26
Social security payments	1,528	1,681	1,612	1,849	1,773	2,034	1,951	2,136	2,344	2,615	2,845
Goods and services	28	38	11	41	39	43	41	43	46	48	50
E. Interest expenditure:	1,170	1,238	1,335	1,396	1,441	1,583	1,628	1,726	1,799	1,797	1,742
Central government (excluding interest paid to SSC)	1,025	1,033	1,190	1,195	1,241	1,365	1,408	1,490	1,548	1,530	1,460
NEPCO	110	164	116	164	162	181	182	200	214	230	244
WAJ Interest Payments	36	41	29	37	37	38	38	36	37	37	37
1. Central government primary balance (ex grants)	-1,444	-1,298	-1,233	-1,088	-1,014	-680	-739	-434	-83	264	232
(in percent of GDP)	-4.5	-3.7	-3.7	-2.9	-2.9	-1.7	-2.0	-1.1	-0.2	0.6	0.5
2. Balance of utilities (NEPCO, WAJ, water distribution companies)	-451	-462	-519	-593	-691	-539	-646	-589	-537	-506	-494
(in percent of GDP)	-1.4	-1.3	-1.5	-1.6	-1.9	-1.4	-1.7	-1.5	-1.3	-1.2	-1.1
3. Combined public balance (1+2)	-1,895	-1,761	-1,751	-1,682	-1,706	-1,219	-1,386	-1,023	-621	-242	-262
(in percent of GDP)	-5.9	-5.1	-5.2	-4.6	-4.8	-3.1	-3.7	-2.6	-1.5	-0.6	-0.6
4. SSC balance	965	993	865	1,119	1,162	1,022	1,094	1,119	1,168	1,174	1,223
(in percent of GDP)	3.0	2.9	2.6	3.0	3.3	2.6	2.9	2.8	2.8	2.7	2.6
5. General government primary balance (ex grants) (3+4) 1/	-784	-563	-741	-361	-344	22	-72	333	798	1199	1243
(in percent of GDP)	-2.4	-1.6	-2.2	-1.0	-1.0	0.1	-0.2	0.8	1.9	2.7	2.7
6. General government overall balance	-1,140	-986	-1,309	-978	-939	-865	-968	-818	-436	-15	117
(in percent of GDP)	-3.6	-2.8	-3.9	-2.6	-2.6	-2.2	-2.6	-2.1	-1.0	0.0	0.3
7. General government balance excluding grants	-1,954	-1,836	-2,139	-1,787	-1,785	-1,591	-1,730	-1,423	-1,031	-628	-529
(in percent of GDP)	-6.1	-5.3	-6.3	-4.8	-5.0	-4.1	-4.6	-3.6	-2.5	-1.4	-1.1
Consolidated debt of general government = Debt_{t-1} + Net borrowing	29,373	31,064	30,668	32,560	32,132	33,615	33,321	34,503	35,359	35,984	36,997
(in percent of GDP)	91.7	89.7	91.0	88.2	90.6	86.2	89.3	87.5	85.0	81.9	79.8
Net borrowing need:											
General government overall deficit incl. discretionary measures	1,140	986.0	1,309	978.0	939	865.0	968	818	436	15	-117
Prefunding of amortizing debt and use/buildup of deposits		242	242	15	15	11	11	11	13	13	14
SSIF investment outside GG	774	313	52	640	643	459	488	570	625	691	1,024
Guaranteed off-budget project loans	19	62	64	36	39	67	68	60	43	50	92
CBJ repurchases in respect of 2012 EFF	4	-13	-1	-172	-173	-346	-346	-277	-260	-143	0
Recapitalization and guarantee of Royal Jordanian	35	0	0	0	0	0	0	0	0	0	0
Securitization of domestic arrears	105										
Unconsolidated debt of general government	36,376	39,167	37,990	41,563	40,354	43,668	42,593	44,825	46,781	48,506	50,394
(in percent of GDP)	113.6	113.1	112.8	112.6	113.8	112.0	114.1	113.7	112.4	110.4	108.7
Memorandum items:											
SSIF interest income government debt	378	420	287	421	381	486	444	501	557	617	676
SSIF government debt holding (% of total Assets)	57	54	54	54	55	56	56	57	57	58	57
Nominal GDP at market prices	32,033	34,624	33,691	36,911	35,465	39,004	37,333	39,415	41,612	43,932	46,381

Sources: Jordanian authorities; and IMF staff estimates and projections.

1/including NEPCO and the water sector interest expenditures

Table 2d. Jordan: Central Government: Summary of Quarterly Fiscal Operations, 2023–24
(In millions of Jordanian dinars)

	2023					2024				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	2,099	2,228	2,657	2,542	9,525	1,940	2,596	1,873	2,971	9,858
Domestic revenue	2,069	2,174	2,156	2,311	8,710	1,940	2,568	1,824	2,316	9,126
Tax revenue, *of which* :	1,600	1,565	1,586	1,823	6,574	1,517	2,024	1,322	1,669	7,009
Taxes on income and profits	446	706	354	191	1,697	407	777	365	249	1,797
Sales taxes	1,063	768	1,144	1,540	4,516	998	1,138	842	1,312	4,767
Taxes on foreign trade	65	64	61	66	257	80	77	82	75	315
Other taxes	26	26	27	26	105	33	31	33	34	130
Nontax revenue	469	610	570	488	2,136	423	545	502	647	2,116
Grants	30	53	501	231	815	0	28	49	655	732
Total expenditures, inc. other use of cash	2,477	2,864	2,572	3,179	11,346	2,519	2,789	2,953	3,201	11,717
Current expenditure	2,177	2,402	2,178	2,844	9,854	2,236	2,365	2,480	2,906	10,240
Wages and salaries	480	501	498	493	1,972	490	512	509	503	2,013
Interest payments	399	416	371	436	1,622	427	418	525	481	1,852
Domestic	289	263	253	268	1,073	305	292	337	293	1,228
External	110	153	118	167	548	123	126	188	187	624
Military and public security expenditure	697	735	719	848	2,999	748	717	863	836	3,165
Subsidies	10	10	0	211	271	10	10	0	223	283
Transfers, *of which* :	491	614	492	682	2,492	469	613	493	682	2,471
Pensions	413	419	418	430	1,681	416	420	424	442	1,702
Cash transfers, NAF social assistance	0	100	0	149	249	0	100	0	149	249
Medical treatments, clearance of health and energy arrears	48	57	33	62	200	17	62	19	32	130
Transfers to public sector institutions	43	67	53	51	213	45	40	61	69	214
Other transfers	-13	-29	-12	-10	150	-9	-9	-11	-9	176
Purchases of goods & services	100	126	98	174	498	91	95	89	180	456
Capital expenditure	171	412	294	615	1,492	153	375	374	575	1,477
Net lending	0	0	0	0	0	0	0	0	0	0
Transfer to NEPCO	0	0	0	0	0	0	0	0	0	0
Adjustment on receivables and payables (use of cash)	130	50	100	-280	0	130	50	100	-280	0
Overall balance of the central government from above the line	-378	-636	84	-638	-1,821	-579	-194	-1,080	-230	-1,860
Statistical discrepancy, net	0	0	0	0	0	0	0	0	0	0
Overall balance of the central government at current policies	-378	-636	84	-638	-1,821	-579	-194	-1,080	-230	-1,860
Overall balance after fiscal measures	-378	-636	84	-638	-1,821	-579	-194	-1,080	-230	-1,860
Advances to water sector	61	32	102	28	223	83	80	0	117	280
Financing	439	668	18	666	2,128	662	274	1,080	347	2,147
Foreign financing (net) 1/	-268	846	307	306	1,191	53	30	172	281	537
Domestic financing (net)	708	-179	-289	360	938	608	244	908	66	1,610
CBJ on-lending of net IMF financing	-24	0	-47	73	2	-88	0	0	29	-58
Other domestic bank financing	-69	-789	-127	693	46	696	118	409	131	629
Domestic nonbank financing	166	610	-115	239	900	0	136	499	-94	1,050
Use of deposits	635	0	0	-645	-10	0	-10	0	0	-10
Sale of non-financial assets	0	0	0	0	0	0	0	0	0	0
Memorandum items:										
NEPCO operating balance	-86	-101	-103	-112	-402	-85	-100	-102	-88	-376
WAJ overall balance, excluding project grants	-82	-75	-54	-54	-264	-79	-71	-51	-51	-253
Water distribution companies overall balance	-9	4	-9	-9	-25	-9	3	-9	-9	-23
Primary government balance excluding grants	-9	-274	-46	-433	-1,014	-152	197	-604	-404	-739
Primary government balance, excluding grants and transfers to NEPCO and WAJ (PC)	-9	-274	-46	-433	-1,014	-152	197	-604	-404	-739
Combined public balance (PC) 2/	-187	-446	-212	-608	-1,706	-324	29	-766	-552	-1,386
Government and guaranteed gross debt 3/	39,570	40,374	40,406	41,475	40,354	43,579	45,610	47,304	48,775	42,593
Government and guaranteed gross debt, net of SSC's holdings (IT) 3/	32,567	33,370	33,402	34,471	33,350	36,575	38,607	40,300	41,772	35,589

Sources: Jordanian authorities; and IMF staff estimates and projections.

1/ Includes net issuance of domestic FX bonds.

2/ Primary government balance excluding grants and transfers to NEPCO and WAJ, plus NEPCO operating balance, WAJ overall balance, and, starting in 2019, water distribution companies overall balance.

3/ Includes securitization of arrears to municipalities and other entities undertaken and guarantees given to Royal Jordanian.

Table 2e. Jordan: NEPCO Operating Balance and Financing, 2021–28 1/

	2021 Act.	2022 5th Rev	2022 Est.	2023 5th Rev	2023 Proj.	2024 5th Rev	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.
NEPCO Balance											
Revenues *of which*	1,311	1,328	1,361	1,420	1,404	1,515	1,491	1,549	1,611	1,656	1,686
Electricity sales	1,286	1,328	1,334	1,370	1,374	1,465	1,447	1,502	1,559	1,600	1,627
Expenses	1,464	1,549	1,594	1,758	1,807	1,810	1,892	1,909	1,926	1,942	1,964
Purchase of electricity	1,303	1,325	1,458	1,534	1,584	1,570	1,650	1,649	1,652	1,652	1,659
Depreciation	31	31	32	31	32	31	32	32	32	32	32
Interest payments 2/	110	164	116	164	162	181	182	200	214	230	244
Other expenses	20	29	-12	29	28	29	28	28	28	28	28
Additional measures							30	30	30	30	30
Operating balance (QPC)	-153	-220	-233	-338	-402	-296	-371	-330	-285	-256	-247
Total net domestic financing	153	220	233	338	402	296	371	330	285	256	247
Banks	264	336	487	338	546	296	371	330	285	256	247
Loans and bonds	233	336	395	338	546	296	371	330	285	256	247
Overdrafts	31	0	92	0	0	0	0	0	0	0	0
Other items 3/	-61	-15	-383	0	0	0	0	0	0	0	0
Increase in payables	-50	-100	129	0	-144	0	0	0	0	0	0
Direct transfer from central government	-3	0	-424	0	0	0	0	0	0	0	0
To cover losses and repay arrears	-3	0	-424	0	0	0	0	0	0	0	0
To repay loans	0	0	0	0	0	0	0	0	0	0	0
Payables to the private sector	-47	-100	552	0	-144	0	0	0	0	0	0
Of which: Increase in arrears	30	-100	44	0	-144	0	0	0	0	0	0
Memorandum items:											
Operating balance (percent of GDP)	-0.5	-0.6	-0.7	-0.9	-1.1	-0.8	-1.0	-0.8	-0.7	-0.6	-0.5
Brent oil prices (USD per barrel)	69	98	96	86	73	80	69	67	65	64	63
Outstanding loans and bonds (stocks, end-of-period)	2,728	3,164	3,124	3,502	3,814	3,798	4,185	4,515	4,800	5,056	5,303
Overdrafts	259	259	351	259	351	259	351	351	351	351	351
Total payables	3,175	3,075	3,303	3,075	3,159	3,075	3,159	3,159	3,159	3,159	3,159
to government 4/	2,259	2,259	1,835	2,259	1,835	2,259	1,835	1,835	1,835	1,835	1,835
to private sector	916	816	1,468	816	1,324	816	1,324	1,324	1,324	1,324	1,324
Of which: arrears (IT)	100	0	144	0	0	0	0	0	0	0	0

Sources: NEPCO; Jordanian authorities; and IMF staff estimates.

1/ Staff's projections assume revenues from regional electricity exports of JD 25 million per year in 2022-23 (rising to JD 40 million thereafter); the second unit of the oil shale project coming online in 2023; and full implementation of measures agreed with the authorities (if these measures do not deliver the requisite savings, the authorities will need to consider additional measures to make up the shortfall).

2/ Interest payments exclude interest on account payables to the government.

3/ Includes changes in accounts receivable, depreciation, project expenditures, and other items.

4/ Payables to the government include transfers from the government to NEPCO; they are excluded from the computation of the stock of arrears.

Table 2f. Jordan: WAJ and Distribution Companies Balance and Financing, 2021–28
(In millions of Jordanian dinars)

	2021 Act.	2022 5th Rev	2022 Est.	2023 5th Rev	2023 Proj.	2024 5th Rev	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.
WAJ Balance:											
Total Revenues	31	41	28	42	29	43	30	31	31	32	33
of which :											
Sales of goods and services	31	40	28	41	29	42	30	31	31	32	33
Current Expenditure 1/	130	136	101	134	111	136	113	112	114	115	117
Salaries, wages and allowances 1/	18	19	11	19	11	19	12	12	12	12	12
Social Security contributions	2	2	2	2	2	2	2	2	2	2	2
Use of goods and services	27	27	12	27	12	27	12	12	12	12	13
Disi Project operational charge	39	40	40	41	41	42	42	43	44	45	45
Samra operational charge	7	7	7	7	7	7	7	7	7	7	8
Interest payments, *of which:*	36	41	29	37	37	38	38	36	37	37	37
Interest payments on domestic loans	27	28	21	24	24	24	24	21	21	22	22
Interest payments on foreign loans	9	13	8	13	13	14	14	15	15	15	15
Primary balance 2/	-62	-55	-44	-55	-44	-55	-45	-45	-46	-46	-47
Capital Expenditure	126	172	188	183	183	170	170	158	150	148	146
WAJ Overall balance	-225	-267	-261	-275	-264	-263	-253	-239	-232	-231	-230
Overall balance of Distribution Companies 3/	-51	-10	-25	-20	-25	-10	-23	-20	-20	-19	-17
Overall balance Consolidated Water Sector 4/	-276	-277	-286	-285	-289	-273	-275	-260	-252	-250	-247
Total net financing	276	277	286	285	289	273	275	260	252	250	247
Grants	11	35	38	30	30	30	30	30	30	30	30
Transfers from Central Government 5/	221	289	202	281	296	243	245	190	182	180	177
Loans (net borrowing)	29	40	21	40	40	40	40	40	40	40	40
of which :											
Domestic loans	0	0	0	0	0	0	0	0	0	0	0
Foreign loans	29	40	21	40	40	40	40	40	40	40	40
Others 6/	16	-87	24	-66	-77	-40	-40	0	0	0	0
Memorandum items:											
WAJ overall balance (percent of GDP)	-0.7	-0.8	-0.8	-0.7	-0.7	-0.7	-0.7	-0.6	-0.6	-0.5	-0.5
Overall balance of Distribution Companies (percent of GDP)	-0.2	0.0	-0.1	0.0	-0.1	0.0	-0.1	-0.1	0.0	0.0	0.0
Overall balance Consolidated Water Sector (percent of GDP) 4/	-0.9	-0.8	-0.8	-0.8	-0.8	-0.7	-0.7	-0.7	-0.6	-0.6	-0.5
Domestic payment arrears of WAJ in JD million 7/	90	55	48	20	20	0	0	0	0	0	0
Domestic payment arrears of Aqaba, Miyahuna and Yarmouk Distribution Companies in JD million 8/	102	51	69	20	20	0	0	0	0	0	0
Outstanding loans, *of which:*	2,565	2,894	2,789	3,215	3,125	3,498	3,410	3,640	3,862	4,082	4,299
Domestic loans and bonds	655	655	655	655	655	655	655	655	655	655	655
Foreign loans	528	568	550	608	590	648	630	670	710	750	790
Advances from Central Government	1382	1671	1584	1952	1880	2195	2125	2315	2497	2677	2854
Grants and foreign loans to capital expenditure ratio (in percent)	31	44	32	38	38	41	41	44	47	47	48
Grants to capital expenditure ratio (in percent)	8	20	20	16	16	18	18	19	20	20	21
Effective interest rate (in percent), *of which:*	1.6	1.6	1.1	1.3	1.3	1.2	1.2	1.1	1.0	1.0	0.9
Domestic loans (in percent)	4.1	4.3	3.2	3.7	3.7	3.6	3.6	3.2	3.3	3.3	3.4
Foreign loans (in percent)	1.9	2.4	1.5	2.4	2.4	2.3	2.4	2.4	2.3	2.1	2.0

Sources: Jordanian authorities; and IMF staff estimates. Projections for 2019 onwards reflect latest numbers in the 2019 draft Budget Law.

1/ Including other expenses such as pensions.

2/ Excluding interest payments and grants.

3/ The sum of the overall balances of Aqaba, Miyahuna and Yarmouk Water Companie

4/ The sum of the overall balances of the distribution companies and WAJ.

5/ Information from the Ministry of Finance.

6/ Including settlement of liabilities, capital and other government

7/ Arrears owed by WAJ only, to all entities. Excludes advances from Central Government for which WAJ does not pay interest and that do not have established maturity.

8/ Arrears owed by Aqaba, Miyahuna and Yarmouk Distribution Companies. Excludes advances from Central Government for which Aqaba, Miyahuna and Yarmouk Distribution Companies do not pay interest.

Table 3a. Jordan: Summary Balance of Payments, 2021–28
(In millions of U.S. dollars, unless otherwise indicated)

		2022		2023		2024		2025	2026	2027	2028
	2021	5th Rev	Est.	5th Rev	Proj.	5th Rev	Proj.	Proj.	Proj.	Proj.	Proj.
Current account (CA)	-3,723	-3,795	-4,165	-2,967	-3,752	-2,598	-2,833	-2,199	-1,731	-1,980	-2,313
Trade balance	-9,823	-11,898	-11,912	-10,654	-10,284	-10,823	-9,882	-9,834	-10,051	-10,702	-12,071
Exports f.o.b.	9,371	11,997	12,398	12,244	12,575	11,538	12,072	12,559	13,334	13,821	14,316
Imports f.o.b.	19,194	23,895	24,310	22,898	22,858	22,361	21,954	22,393	23,385	24,522	26,387
Energy	3,017	4,387	4,422	3,868	3,543	3,790	3,420	3,406	3,420	3,437	3,467
Non-energy	16,177	19,507	19,888	19,030	19,315	18,572	18,534	18,987	19,965	21,085	22,919
Services and income (net), *of which:*	126	1,771	1,772	1,060	778	1,537	1,312	1,953	2,540	3,203	4,132
Travel receipts	2,762	5,897	5,816	6,169	6,174	6,605	6,582	7,104	7,617	8,164	8,753
Current transfers (net), *of which:*	5,974	6,332	5,974	6,627	5,754	6,687	5,736	5,682	5,780	5,519	5,626
Public grants	1,705	1,499	1,861	1,599	1,651	1,423	1,474	1,330	1,315	950	950
Remittances	3,062	3,487	3,107	3,690	3,187	3,923	3,366	3,472	3,574	3,670	3,769
Capital and financial account 1/	944	895	-127	2,232	2,494	1,976	1,460	2,611	2,839	3,002	3,590
Public sector, *of which:* 2/	-377	-213	-1,280	177	166	-11	-884	-216	-646	-586	65
Public commercial external borrowing	6	150	-618	1,000	1,250	0	0	0	0	0	0
Issuance	0	1,150	382	1,000	1,250	0	0	1,000	1,000	1,000	0
Amortization	6	-1,000	-1,000	0	0	0	0	-1,000	-1,000	-1,000	0
Public sector loans	-43	9	-375	0	-1,024	-22	9	-157	-646	-586	65
Disbursement (xcl. program financing)	511	493	436	503	508	480	485	455	384	412	516
Amortization	-554	-483	-811	-503	-1,532	-502	-475	-611	-1,031	-998	-451
GCC deposits at CBJ	0	-333	-333	-833	0	0	-833	0	0	0	0
SDR allocation	472	0	0	0	0	0	0	0	0	0	0
Foreign direct investment	607	848	1,154	1,105	1,394	1,269	1,667	1,959	2,462	2,549	2,540
Portfolio flows (private)	-86	-28	-96	140	140	217	217	199	330	552	520
Other capital flows	800	288	93	809	793	502	460	670	693	487	465
Errors and omissions	1,830	0	1,308	0	0	0	0	0	0	0	0
Overall balance	-949	-2,900	-2,985	-736	-1,258	-622	-1,373	411	1,108	1,022	1,277
Financing	949	2,900	2,950	736	1,258	622	1,373	-411	-1,108	-1,022	-1,277
Reserves (+ = decrease)	-2,387	1,212	744	-501	-254	104	689	-809	-1,330	-891	-1,017
Commercial banks' NFA (+ = decrease)	1,467	-150	348	-200	-200	-200	-200	0	0	0	0
Program financing (+ = increase)	1,868	1,838	1,859	1,436	1,712	718	884	398	222	-131	-260
Official budget support	1,325	1,330	1,335	1,474	1,750	856	1,021	607	419	104	0
World Bank	469	468	468	569	729	356	516	255	197	0	0
Emergency pandemic support	210	0	0	0	0	0	0	0	0	0	0
Bilateral and other multilateral loans	856	862	866	904	1,020	499	505	352	222	104	0
EU emergency pandemic support	116	0	0	0	0	0	0	0	0	0	0
IMF (net), *of which:*	542	507	525	-37	-37	-137	-136	-209	-198	-235	-260
Fund purchases, *of which:*	542	525	525	96	96	119	119	0	0	0	0
EFF augmentation/rephasing at 4th review	0	152	151	-87	-87	27	27	0	0	0	0
Memorandum items:											
Gross reserves	19,045	17,834	18,190	18,334	18,445	18,231	17,756	18,565	19,895	20,786	21,804
Gross usable reserves 3/	17,272	16,061	16,432	16,561	16,687	16,458	15,998	16,808	18,138	19,029	20,046
In percent of the IMF Reserve Adequacy Metric	114	99	102	95	99	91	91	91	95	97	99
In months of next year's imports of GNFS	6.9	6.7	6.9	7.0	7.2	6.8	6.8	6.8	7.0	6.8	6.8
Current account (percent of GDP)	-8.2	-7.8	-8.8	-5.7	-7.5	-4.7	-5.4	-4.0	-2.9	-3.2	-3.5
Current account ex-grants (percent of GDP)	-12.0	-10.8	-12.7	-8.8	-10.8	-7.3	-8.2	-6.3	-5.2	-4.7	-5.0
CA ex-grants and energy imports (percent of GDP)	-5.3	-1.9	-3.4	-1.3	-3.7	-0.4	-1.7	-0.2	0.6	0.8	0.3
Energy imports	6.7	9.0	9.3	7.4	7.1	6.9	6.5	6.1	5.8	5.5	5.3
Public grants	3.8	3.1	3.9	3.1	3.3	2.6	2.8	2.4	2.2	1.5	1.5
Merchandize export growth (percent)	17.8	28.0	32.3	2.1	1.4	-5.8	-4.0	4.0	6.2	3.6	3.6
Re-exports	1.6	30.0	17.0	3.8	3.4	8.1	7.1	8.4	8.7	8.2	8.2
Domestic exports	19.7	27.8	33.8	1.9	1.3	-7.2	-5.0	3.6	5.9	3.2	3.1
Merchandize import growth (percent)	25.0	24.5	26.7	-4.2	-6.0	-2.3	-4.0	2.0	4.4	4.9	7.6
Energy (percent)	44.0	45.4	46.6	-11.8	-19.9	-2.0	-3.5	-0.4	0.4	0.5	0.9
Non-energy (percent)	22.0	20.6	22.9	-2.4	-2.9	-2.4	-4.0	2.4	5.2	5.6	8.7
Travel growth (percent)	95.8	113.5	110.5	4.6	6.2	7.1	6.6	7.9	7.2	7.2	7.2
Remittances growth (percent)	1.0	13.9	1.5	5.8	2.6	6.3	5.6	3.2	2.9	2.7	2.7
FDI	0.3	0.7	1.4	1.1	1.8	1.3	2.2	2.5	3.2	3.1	2.9
Total external debt (percent of GDP)	82.6	80.6	86.9	81.5	87.7	79.6	86.2	83.3	79.3	75.4	72.4
Of which , Public external debt (Percent of GDP)	41.8	42.8	42.0	44.8	43.8	43.6	43.3	41.4	38.5	35.3	33.2
Nominal GDP	45,180	48,836	47,518	52,060	50,022	55,013	52,656	55,592	58,691	61,963	65,418

Sources: Jordanian authorities; and IMF staff estimates and projections.

1/ Central bank reserve accummulation, commercial banks' NFAs, and program financing are shown below-the-line.

2/ Includes changes in CBJ liabilities, including GCC deposits of $1.2 billion made in 2018 of which the last 833 mature in 2024

3/ Including gold and excluding commercial banks' FX deposits at the CBJ, bilateral accounts and forward contracts.

Table 3b. Jordan: External Financing Requirements and Sources, 2021–28
(In millions of U.S. dollars, unless otherwise indicated)

			2022	2023		2024		2025	2026	2027	2028
		2021	Est.	5th Rev	Proj.	5th Rev	Proj.	Proj.	Proj.	Proj.	Proj.
(1)	**Gross financing requirements**	**5,976**	**8,171**	**6,036**	**7,068**	**4,779**	**5,871**	**5,350**	**5,274**	**5,162**	**3,974**
	Current account deficit (excl. grants)	5,428	6,026	4,566	5,402	4,021	4,307	3,529	3,046	2,930	3,263
	of which: Energy imports	3,017	4,422	3,868	3,543	3,790	3,420	3,406	3,420	3,437	3,467
	Amortization of public sector loans 1/	554	811	503	1,532	502	475	611	1,031	998	451
	Amortization of sovereign bonds 2/	-6	1,000	0	0	0	0	1,000	1,000	1,000	0
	GCC deposits at the CBJ	0	333	833	0	0	833	0	0	0	0
	IMF repurchases	0	0	133	133	256	255	209	198	235	260
(2)	**Change in reserves (+ = increase)**	**2,387**	**-744**	**501**	**254**	**-104**	**-689**	**809**	**1,330**	**891**	**1,017**
(3)	**Gross financing sources**	**4,665**	**4,226**	**4,968**	**5,476**	**3,701**	**4,043**	**5,552**	**6,185**	**5,949**	**4,991**
	FDI, net	607	1,154	1,105	1,394	1,269	1,667	1,959	2,462	2,549	2,540
	Public grants	1,705	1,861	1,599	1,651	1,423	1,474	1,330	1,315	950	950
	Public sector borrowing (xcl. official budget support) 2/	710	638	503	508	480	485	455	384	412	516
	of which: Unidentified prospective financing 2/	200	202	0	0	0	0	0	0	0	0
	Issuance of sovereign bonds 3/	0	650	1,000	1,250	0	0	1,000	1,000	1,000	0
	GCC deposits at the CBJ	0	0	0	0	0	0	0	0	0	0
	Non-resident purchases of local debt	-302	-268	0	0	0	0	0	0	0	0
	CBJ other financing (net) 4/	-237	-156	11	-60	11	-60	-60	0	0	0
	SDR allocation held at CBJ	472	0	0	0	0	0	0	0	0	0
	Private capital flows, net 5/	2,182	345	750	733	519	477	868	1,023	1,039	985
(4)	**Errors and omissions**	1,830	1,308	0	0	0	0	0	0	0	0
(1)+(2)-(3)-(4)	**Total financing needs**	**1,868**	**1,893**	**1,569**	**1,846**	**975**	**1,140**	**607**	**419**	**104**	**0**
	Official public external financing	**1,868**	**1,859**	**1,569**	**1,846**	**975**	**1,140**	**607**	**419**	**104**	**0**
	Identified official budget support	1,325	1,335	1,474	1,750	856	1,021	607	419	104	0
	EU and WB emergency pandemic support	32	0	0	0	0	0	0	0	0	0
	IMF purchases, *of which*	542	525	96	96	119	119	0	0	0	0
	RFI	0	0	0	0	0	0	0	0	0	0
	EFF augmentation at 4th review	0	151	-87	-87	27	27	0	0	0	0
	Unidentified external financing	0	0	0	0	0	0	0	0	0	0
	Memorandum Items:										
	Gross financing requirements (in percent of GDP)	26.3	34.2	23.1	28.1	17.3	22.2	19.1	17.9	16.6	12.1
	Gross Usable Reserves	17,272	16,432	16,561	16,687	16,458	15,998	16,808	18,138	19,029	20,046
	In percent of the IMF Reserve Adequacy Metric 6/	114	102	95	99	91	91	91	95	97	99
	In months of next year's imports of GNFS	6.9	6.9	7.0	7.2	6.8	6.8	6.8	7.0	6.8	6.8

Sources: Jordanian authorities; and IMF staff estimates and projections.

1/ Includes project loans and Arab Monetary Fund and loans on the books of CBJ, and excludes IMF repurchases.

2/ Includes loans on CBJ books.

3/ Includes guaranteed and non-guaranteed bonds.

4/ Includes CBJ other accounts receivable/payable (net) minus deposit flows (net), excluding GCC deposits.

5/ Includes changes in commercial banks' NFA.

6/ The IMF reserve metric is calculated as a weighted sum of exports, broad money, short-term debt, and other portfolio liabilities.

Table 3c. Jordan: Foreign Exchange Needs and Sources, 2021–28
(In millions of U.S. dollars, unless otherwise indicated)

			2022	2023		2024		2025	2026	2027	2028
		2021	Est.	5th Rev	Proj.	5th Rev	Proj.	Proj.	Proj.	Proj.	Proj.
(1)	**General Government Gross Needs**	**3,266**	**4,755**	**3,020**	**4,556**	**1,689**	**3,145**	**3,736**	**4,565**	**3,857**	**2,059**
	NEPCO energy imports	854	987	714	826	746	777	756	752	744	747
	Net interest payments	514	390	136	739	184	804	876	840	526	-98
	Amortization of external debt 1/	548	2,478	1,470	1,665	758	1,564	1,821	2,228	2,232	711
	Amortization of domestic debt in FX	1,350	900	700	1,326	0	0	284	745	355	700
(2)	**General Government Sources**	**4,108**	**4,324**	**3,898**	**4,831**	**2,022**	**2,077**	**3,069**	**3,444**	**2,716**	**2,166**
	Public grants	1,705	1,861	1,599	1,651	1,423	1,474	1,330	1,315	950	950
	Public sector borrowing 2/	1,253	1,163	599	604	599	604	455	384	412	516
	Sovereign bonds 3/	0	650	1,000	1,250	0	0	1,000	1,000	1,000	0
	Local bonds in FX	1,150	650	700	1,326	0	0	284	745	355	700
	GCC deposits at the CBJ	0	0	0	0	0	0	0	0	0	0
(3)=(2)-(1)	**General Government Balance**	**842**	**-430**	**878**	**275**	**333**	**-1,068**	**-668**	**-1,120**	**-1,141**	**107**
(4)	**Financing under the EFF**	**1,325**	**1,335**	**1,474**	**1,750**	**856**	**1,021**	**607**	**419**	**104**	**0**
	Identified official budget support	1,325	1,335	1,474	1,750	856	1,021	607	419	104	0
(5)=(3)+(4)	**General Government Balance under the EFF**	**2,168**	**904**	**2,352**	**2,024**	**1,189**	**-48**	**-61**	**-701**	**-1,037**	**107**
(6)	**CBJ Balance under the EFF**, of which	**-2,689**	**476**	**-501**	**-254**	**104**	**689**	**-809**	**-1,330**	**-891**	**-1,017**
	Increase in gross reserves	2,387	-744	501	254	-104	-689	809	1,330	891	1,017
(7)=(5)+(6)	**Public Sector Net Balance**	**-521**	**1,380**	**1,851**	**1,770**	**1,292**	**641**	**-870**	**-2,031**	**-1,928**	**-911**

Sources: Jordanian authorities; and IMF staff estimates and projections.

1/ Includes general government and CBJ (incl. IMF repurchases and repayment of GCC deposits).

2/ Includes project loans, Arab Monetary Fund, IMF purchases, and unidentified financing.

3/ Includes guaranteed and non-guaranteed bonds.

Table 3d. Jordan: External Budget Financing, 2021–28
(In millions of U.S. dollars unless otherwise indicated)

	2021	2022 Est.	2023 5th Rev	2023 Proj.	2024 5th Rev	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.
Budget grants	**1,058**	**1,104**	**1,023**	**1,769**	**905**	**1,651**	**1,497**	**1,482**	**1,395**	**1,395**
EU	84	105	84	84	80	80	37	37	0	0
GCC 1/	99	105	164	164	74	74	0	0	0	0
United States	845	845	0	696	0	696	685	685	685	685
Other 2/	30	48	775	825	751	801	775	760	710	710
GCC grants transferred from CBJ to MOF	**75**	**58**	**77**	**77**	**77**	**77**	**0**	0	0	0
Loans	**1,513**	**1,546**	**1,685**	**1,961**	**1,067**	**1,232**	**819**	**631**	**316**	**316**
Multilateral	**743**	**745**	**966**	**1,126**	**705**	**865**	**484**	**422**	**212**	**212**
Arab Monetary Fund	212	212	212	212	212	212	212	212	212	212
Asian Infrastructure Investment Bank	63	65	85	85	38	38	18	13	0	0
EBRD	0	0	0	0	0	0	0	0	0	0
Islamic Development Bank	0	0	100	100	100	100	0	0	0	0
World Bank	469	468	569	729	356	516	255	197	0	0
Bilateral	**770**	**801**	**719**	**835**	**362**	**367**	**335**	**209**	**104**	**104**
Canada	0	15	45	90	0	0	0	0	0	0
EU	295	0	200	214	0	0	0	0	0	0
France	59	192	51	106	103	105	105	104	52	52
Germany	173	0	50	50	103	105	105	104	52	52
Italy	35	21	82	85	31	32	0	0	0	0
Japan	100	100	100	100	0	0	0	0	0	0
Kuwait	10	105	125	125	125	125	125	0	0	0
Saudi Arabia	50	368	66	66	0	0	0	0	0	0
UAE	49	0	0	0	0	0	0	0	0	0
IMF purchases	**560**	**546**	**100**	**100**	**124**	**124**	**0**	**0**	**0**	**0**
Sovereign issuance	**0**	**650**	**1,000**	**1,250**	**0**	**0**	**1,000**	**1,000**	**1,000**	**0**
Guaranted	0	0	0	0	0	0	0	0	0	0
Non-guaranteed	0	650	1,000	1,250	0	0	1,000	1,000	1,000	0

Sources: Jordanian authorities; and IMF staff estimates and projections.
1/ Grants pledged at the 2018 Mecca Summit and USD 300 million grant from UAE to be disbursed in 2020:Q2 through 2021:Q1.
2/ Includes the grant component from the Concessional Financing Facility and in 2023-25 expected disbursements under new MOUs.

Table 4a. Jordan: Monetary Survey, 2021–28

		2022		2023		2024		2025	2026	2027	2028
	2021	5th Rev	Proj.	5th Rev	Proj.	5th Rev	Proj.	Proj.	Proj.	Proj.	Proj.
	(Stocks, in millions of Jordanian dinars)										
Net foreign assets	7,467	6,964	6,911	8,133	7,296	8,353	7,672	8,373	9,434	10,209	11,091
Central bank	11,736	11,127	11,435	12,154	11,677	12,233	11,912	12,613	13,674	14,449	15,331
Commercial banks	-4,269	-4,163	-4,523	-4,021	-4,382	-3,879	-4,240	-4,240	-4,240	-4,240	-4,240
Net domestic assets	32,029	35,141	34,760	36,752	36,706	39,078	38,780	40,669	42,341	44,453	46,619
Net claims on general government	14,519	15,026	15,437	14,849	15,955	15,587	16,665	17,696	18,795	19,919	21,042
Net claims on central budgetary government 1/	11,700	11,957	11,917	11,642	11,944	12,284	12,483	13,385	14,399	15,482	16,565
Net claims on NEPCO	2,481	2,717	2,969	2,855	3,459	2,951	3,630	3,760	3,845	3,885	3,925
Net claims on other own budget agencies 2/	-721	-706	-926	-706	-926	-706	-926	-926	-926	-926	-926
Claims on other public entities	1,058	1,058	1,477	1,058	1,477	1,058	1,477	1,477	1,477	1,477	1,477
Claims on financial institutions	1,328	1,328	1,197	1,328	1,197	1,328	1,197	1,197	1,197	1,197	1,197
Claims on the private sector	27,559	29,279	29,759	30,542	31,387	32,231	33,201	35,209	37,407	39,820	42,513
Other items (net)	-11,378	-10,493	-11,633	-9,968	-11,833	-10,068	-12,283	-13,433	-15,058	-16,483	-18,133
Broad money	39,495	42,105	41,672	44,885	44,002	47,431	46,452	49,042	51,776	54,662	57,710
Currency in circulation	6,225	6,653	6,037	7,025	6,512	7,352	6,805	7,111	7,430	7,762	8,108
Jordanian dinar deposits	26,944	28,575	28,985	30,667	30,479	32,545	32,233	34,173	36,142	38,224	40,425
Foreign currency deposits	6,326	6,878	6,649	7,194	7,011	7,535	7,414	7,757	8,204	8,677	9,176
	(Flows, in millions of Jordanian dinars)										
Net foreign assets	-62	-503	-555	1,169	384	220	376	701	1,061	775	881
Net domestic assets	2,550	3,112	2,731	1,611	1,946	2,326	2,074	1,889	1,673	2,111	2,166
Net claims on general government	1,529	492	918	-177	517	737	710	1,031	1,099	1,123	1,123
Net claims on central budgetary government	1,423	257	217	-315	27	642	539	901	1,014	1,083	1,083
Net claims on NEPCO	264	236	487	138	490	96	171	130	85	40	40
Net claims on other own budget agencies	-351	0	-205	0	0	0	0	0	0	0	0
Claims on financial institutions	-31	0	-131	0	0	0	0	0	0	0	0
Claims on the private sector	1,297	1,735	2,200	1,263	1,628	1,689	1,814	2,007	2,198	2,413	2,693
Other items (net)	-245	885	-255	525	-200	-100	-450	-1,150	-1,625	-1,425	-1,650
Broad money	2,488	2,610	2,176	2,780	2,330	2,546	2,450	2,590	2,734	2,886	3,047
Currency in circulation	286	427	-188	372	475	327	293	306	319	332	346
Jordanian dinar deposits	2,096	1,631	2,041	2,092	1,494	1,877	1,754	1,941	1,968	2,082	2,202
Foreign currency deposits	107	552	323	316	361	341	403	343	447	473	500
Memorandum items:											
Year-on-year broad money growth (percent)	6.7	6.6	5.5	6.6	5.6	5.7	5.6	5.6	5.6	5.6	5.6
Year-on-year private sector credit growth (percent)	4.9	6.3	8.0	4.3	5.5	5.5	5.8	6.0	6.2	6.5	6.8
Foreign currency/total deposits (percent)	19.0	19.4	18.7	19.0	18.7	18.8	18.7	18.5	18.5	18.5	18.5
Private sector credit/total deposits (percent)	82.8	82.6	83.5	80.7	83.7	80.4	83.7	84.0	84.4	84.9	85.7
Currency in circulation/JD deposits (percent)	23.1	23.3	20.8	22.9	21.4	22.6	21.1	20.8	20.6	20.3	20.1
Money multiplier (for JD liquidity)	3.4	3.5	3.8	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Velocity (GDP/M)	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8

Sources: Jordanian authorities; and IMF staff estimates and projections.

1/ Includes SBA support onlent to the government by the CBJ.

2/ Includes WAJ.

Table 4b. Jordan: Summary Accounts of the Central Bank of Jordan, 2021–28

		2022		2023		2024		2025	2026	2027	2028
	2021	5th Rev	Proj.	5th Rev	Proj.	5th Rev	Proj.	Proj.	Proj.	Proj.	Proj.
					(Stocks, in millions of Jordanian dinars)						
Net foreign assets 1/	11,736	11,127	11,435	12,154	11,677	12,233	11,912	12,613	13,674	14,449	15,331
Foreign assets	14,269	13,410	13,663	13,765	13,825	13,692	13,316	13,869	14,791	15,399	16,096
Of which: Bilateral accounts	767	767	767	767	767	767	767	767	767	767	767
Of which: encumbered due to forwards or swaps	613	613	658	613	658	613	658	658	658	658	658
Foreign liabilities	2,534	2,283	2,228	1,611	2,147	1,459	1,405	1,257	1,117	950	766
Of which: Net Fund Position	1,085	1,445	1,388	1,418	1,362	1,321	1,265	1,117	977	810	626
Of which: GCC grants-related	1,114	837	840	191	785	136	140	140	140	140	140
Net domestic assets	-1,920	-916	-2,283	-1,967	-1,680	-1,450	-1,361	-1,515	-2,024	-2,154	-2,354
Net claims on central budgetary government 2/	1,353	1,714	1,336	1,695	1,317	1,605	1,228	1,090	924	914	904
Net claims on own budget agencies and other public er	-150	-150	-331	-150	-331	-150	-331	-331	-331	-331	-331
Net claims on financial institutions	760	760	676	760	676	760	676	676	676	676	676
Net claims on private sector	23	23	26	23	26	23	26	26	26	26	26
Net claims on commercial banks	-3,462	-2,054	-3,112	-3,186	-2,067	-2,680	-1,959	-2,175	-2,518	-2,638	-2,828
Of which: FX deposits of commercial banks	710	710	654	710	654	710	654	654	654	654	654
CDs	0	-600	-600	-500	-700	-400	-400	-200	-200	-200	-200
Other items, net (asset: +)	-442	-607	-276	-607	-601	-607	-601	-601	-601	-601	-601
Jordanian dinar reserve money	9,816	10,211	9,152	10,187	9,998	10,783	10,551	11,098	11,650	12,296	12,977
Currency	6,835	7,262	6,678	7,634	7,153	7,961	7,446	7,752	8,071	8,403	8,749
Commercial bank reserves	2,981	2,949	2,474	2,553	2,845	2,821	3,105	3,346	3,580	3,893	4,228
Of which: required reserves	1,336	1,416	1,457	1,520	1,532	1,613	1,620	1,718	1,817	1,922	2,032
					(Flows, in millions of Jordanian dinars)						
Net foreign assets	971	-609	-301	1,027	243	79	234	701	1,061	775	881
Foreign assets	1,478	-859	-606	355	161	-73	-508	553	921	609	697
Foreign liabilities	507	-250	-305	-672	-81	-152	-742	-148	-140	-166	-184
Net domestic assets	-303	1,004	-363	-1,051	603	517	319	-154	-509	-130	-200
Net claims on central budgetary government	189	361	-17	-19	-19	-89	-89	-138	-165	-10	-10
Net claims on commercial banks	-676	1,408	349	-1,132	1,045	506	108	-216	-344	-120	-190
Other items, net (asset: +)	238	-165	167	0	-325	0	0	0	0	0	0
Jordanian dinar reserve money	668	395	-664	-24	845	596	553	547	552	645	681
Currency	338	427	-157	372	475	327	293	306	319	332	346
Commercial banks' reserves	330	-32	-507	-396	371	269	260	241	233	313	335
Memorandum items:											
Gross international reserves ($ millions)	19,045	17,833	18,190	18,334	18,417	18,230	17,700	18,480	19,779	20,638	21,621
Gross usable international reserves ($ millions)	17,272	16,060	16,432	16,561	16,687	16,458	15,998	16,808	18,138	19,029	20,046
As a ratio to JD broad money (in percent)	37	32	33	31	32	29	29	29	29	29	29
As a ratio of JD reserve money (in percent)	125	112	127	115	118	108	107	107	110	109	109
Net international reserves (millions of JD)	11,093	9,874	10,196	10,256	10,384	10,279	9,972	10,673	11,735	12,510	13,391
Net international reserves (millions of U.S. dollars)	15,646	13,927	14,381	14,465	14,645	14,498	14,065	15,054	16,551	17,644	18,888
Money multiplier (for JD liquidity)	3.4	3.5	3.8	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7

Sources: Jordanian authorities; and IMF staff estimates and projections.

1/ The SDR allocation has been transferred to central government in April 2022. It is reflected in CBJ's foreign assets, but is no longer a foreign liability of the CBJ but that of central government.

2/ Includes SBA support onlent to the government by the CBJ.

Table 5. Jordan: Access and Phasing Under the Extended Fund Facility (EFF) Arrangement

Review	Availability Date	Action	Purchase	
			SDR Million	Percent of Quota 1/
	March 25, 2020	Board approval of EFF	102.930	30.0
First Review	September 30, 2020	Observance of end-June 2020 performance criteria, completion of first review	102.930	30.0
Second Review	March 30, 2021	Observance of end-December 2020 performance criteria, completion of second review	144.102	42.0
Third Review	September 30, 2021	Observance of end-June 2021 performance criteria, completion of third review	240.170	70.0
Fourth Review	March 30, 2022	Observance of end-December 2021 performance criteria, completion of fourth review	137.240	40.0
Fifth Review	September 30, 2022	Observance of end-June 2022 performance criteria, completion of fifth review	257.325	75.0
Sixth Review	March 30, 2023	Observance of end-December 2022 performance criteria, completion of sixth review	24.017	7.0
Seventh Review	September 30, 2023	Observance of end-June 2023 performance criteria, completion of seventh review	48.034	14.0
Eighth Review	March 15, 2024	Observance of end-December 2023 performance criteria, completion of eighth review	89.206	26.0
Total			**1145.954**	**334.0**

Source: IMF staff estimates.

1/ Jordan's quota is SDR 343.1 million.

Table 6. Jordan: Indicators of Fund Credit, 2019–34
(In millions of SDR unless stated otherwise)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
				Prel.							Projections					
Existing and prospective Fund arrangements																
									(SDR million)							
Disbursements	120.1	497.4	384.3	394.6	72.1	89.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of existing and prospective Fund credit 1/	365.1	720.4	1,091.8	1,469.3	1,441.3	1,338.9	1,182.6	1,035.6	861.5	668.7	480.3	310.5	178.4	109.8	81.2	75.4
Obligations to the Fund 2/	310.3	151.0	25.2	40.9	130.3	222.0	184.0	171.6	192.5	203.8	194.4	173.9	134.5	69.7	29.1	6.0
Principal (repayments/repurchases)	298.4	142.1	12.9	17.2	100.1	191.5	156.4	147.0	174.1	192.7	188.4	169.8	132.1	68.6	28.6	5.7
Charges and interest 3/	11.9	9.0	12.3	23.8	30.3	30.5	27.7	24.7	18.4	11.0	6.0	4.1	2.4	1.1	0.5	0.3
									(Percent)							
Stock of existing and prospective Fund credit 1/ 4/																
In percent of quota	106.4	210.0	318.2	428.2	420.1	390.2	344.7	301.8	251.1	194.9	140.0	90.5	52.0	32.0	23.7	22.0
In percent of GDP	1.1	2.4	3.3	4.2	4.0	3.5	2.9	2.4	1.9	1.4	1.0	0.6	0.3	0.2	0.1	0.1
In percent of exports of goods and services	3.1	9.9	10.8	9.9	9.4	8.8	7.3	6.0	4.8	3.5	2.3	1.4	0.8	0.4	0.3	0.3
In percent of gross usable reserves	3.7	6.9	8.7	12.3	11.9	11.5	9.7	7.9	6.3	4.6	3.2	1.9	1.1	0.6	0.4	0.4
In percent of government revenue	4.7	10.5	13.1	16.0	14.7	13.2	11.1	9.0	7.0	5.2	3.6	2.2	1.2	0.7	0.5	0.4
In percent of total external debt	1.7	3.0	4.1	4.3	4.2	3.7	3.2	2.8	2.3	1.7	1.1	0.7	0.3	0.1	0.0	0.0
Obligations to the Fund (repurchases and charges) 4/																
In percent of quota	90.4	44.0	7.3	11.9	38.0	64.7	53.6	50.0	56.1	59.4	56.7	50.7	39.2	20.3	8.5	1.7
In percent of GDP	1.0	0.5	0.1	0.1	0.4	0.6	0.5	0.4	0.4	0.4	0.4	0.3	0.2	0.1	0.0	0.0
In percent of exports of goods and services	2.6	2.0	0.2	0.3	0.9	1.5	1.1	1.0	1.1	1.1	0.9	0.8	0.6	0.3	0.1	0.0
In percent of gross usable reserves	3.2	1.4	0.2	0.3	1.1	1.9	1.5	1.3	1.4	1.4	1.3	1.1	0.8	0.4	0.2	0.0
In percent of government revenue	4.0	2.1	0.3	0.4	1.3	2.2	1.7	1.5	1.6	1.6	1.5	1.2	0.9	0.4	0.2	0.0
In percent of total external debt service	10.2	4.8	0.6	0.6	2.9	5.7	3.9	3.5	4.1	6.3	4.9	3.5	3.2	1.5	0.6	0.1
Memorandum items																
Quota (SDR million)	343.1	343.1	343.1	343.1	343.1	343.1	343.1	343.1	343.1	343.1	343.1	343.1	343.1	343.1	343.1	343.1
Gross domestic product, baseline (USD million)	44,566	43,641	45,180	47,518	50,022	52,656	55,592	58,691	61,963	65,418	69,065	72,915	76,980	81,272	85,803	90,586
Exports of goods and services (USD million)	16,193	10,459	13,889	20,364	20,957	20,997	22,170	23,624	24,832	26,105	28,295	30,300	32,533	34,967	37,620	40,515
Gross usable reserves (USD million)	13,512	15,127	17,272	16,432	16,659	15,943	16,723	18,022	18,880	19,864	20,898	21,987	23,132	24,337	25,604	26,938
Government revenue (USD million)	10,828	9,914	11,464	12,616	13,440	13,909	14,643	15,734	16,813	17,782	18,410	19,394	20,432	21,525	22,677	23,892
External debt service (USD million)	4,221	4,318	2,963	5,281	6,042	5,231	6,284	6,587	6,388	4,368	5,310	6,609	5,613	6,369	6,959	5,719
Total external debt (USD million)	30,306	34,695	37,329	41,302	43,864	45,369	46,313	46,546	46,732	47,387	47,661	46,704	46,789	46,146	44,891	44,878

Sources: IMF Finance Department; and IMF staff estimates and projections.

1/ End of period.

2/ Repayment schedule based on scheduled debt service obligations.

3/ Using GRA rate of charge of 4.79 (as of May 25, 2023).

4/ Using the end-2020:Q1 forecast of the SDR/USD rate in 2022-2034 forecasts.

Table 7. Jordan: Quantitative Performance Criteria and Indicative Targets, December 2022–December 2023 1/

	Dec-22				Mar-23				Jun-23	Sep-23	Dec-23	
	PC	Adjusted	Actual		IT	Adjusted	Actual		PC	IT	5th Review	Proposed PC
					(in JD millions, unless specified otherwise)							
Performance Criteria												
Primary fiscal deficit of central government, excluding grants and net transfers to NEPCO and WAJ 2/	1,298	1,251	1,233	Met	300	269	218	Met	650	850	1,088	1,014
Combined public deficit (flow, cumulative ceiling)	1,848	1,801	1,751	Met	650	619			1,300	1,550	1,682	1,682
Net International Reserves of the Central Bank of Jordan in USD million (stock, floor)	13,226	13,231	13,585	Met	12,634	12,134	12,883	Met	12,644	12,745	13,967	13,493
Ceiling on accumulation of external debt service arrears 3/	0		0	Met	0		0	Met	0	0	0	0
Indicative Targets												
Social spending by the central government (flow, cumulative floor)	896		1171	Met	151		155	Met	266	603	532	941
Public debt (stock, ceiling) 4/	31,764		30,668	Met	31,963		30,926	Met	32,162	32,361	32,560	32,546
Domestic payment arrears of NEPCO (stock, ceiling) 5/	0		144	Not Met	0		195	Not Met	0	0	0	0
Domestic payment arrears of WAJ (stock, ceiling) 6/	55		48	Met	55		39	Met	55	40	20	20
Domestic payment arrears of Aqaba, Miyahuna and Yarmouk Distribution Companies (stock, ceiling) 7/	51		69	Not Met	51		69	Not Met	51	40	20	20
Net Domestic Assets of the Central Bank of Jordan (stock, ceiling)	695	690	-480	Met	807	1,307	-206	Met	682	695	265	265
SSC net financing to the central government (flow, ceiling)	610		792	Not Met	166		0	Met	776	813	1,015	900
Memorandum items for adjustors												
Foreign budgetary grants received by the central government (flow)	815		792		11		28		30	131	780	777
Foreign budgetary grants and loans received by the Central Bank of Jordan (USD millions, flow, cumulative from beginning of year)	2,643		2,650		50		50		111	1,149	2,708	3,034
Programmed stock of the combined health and energy arrears	170		205		110		150		120	105	50	90
Contingency Covid-19 spending												
Domestic payment arrears of WAJ and water distribution companies	106		117		106				106	80	40	40

1/ Proposed quantitative performance criteria and indicative targets under the new program.
2/ The end-Dec 2022 targets for primary deficit and combined public deficit already incorporate the contingency Covid spending of 110 (as the underlying criteria in TMU paragraph 40 have been triggered). The memorandum item on contingency Covid spending is only reported for information.
3/ Continuous.
4/ Public debt includes central government debt (including off-budget project loans) and government-guarantees to NEPCO, WAJ, and other public entities, net of SSC's holdings of government debt.
5/ Arrears owed by NEPCO only, to all entities. Excludes debt to the central government, which is not expected to be repaid, with central government having assumed the costs.
6/ Arrears owed by WAJ only, to all entities. Excludes advances from Central Government for which WAJ does not pay interest and that do not have established maturity.
7/ Arrears owed by Aqaba, Miyahuna and Yarmouk distribution companies only, to all entities. Excludes advances from central government for which Aqaba, Miyahuna and Yarmouk distribution companies do not pay interest and that do not have established maturity.

Table 8. Jordan: Status of Existing and Proposed New Structural Conditionality

No.	Measure	Time Frame (by end-period)	Status	Macroeconomic Rationale	Proposed Action
I. Proposed New Structural Benchmarks					
1	Issue a Cabinet decision to establish an inter-ministerial committee responsible for determining the total amount of outstanding arrears, based on certified and confirmed audits, in the health and energy sectors.	July 2023		Improving fiscal discipline and transparency	
2	Establish MOUs to allow the Department of Statistics to gain regular and timely access to the latest and legally permissible government (MOF, ISTD, CCD) and CBJ data sources, with a clear schedule for data dissemination.	September 2023		Ensuring accurate and timely data dissemination including national accounts.	
3	Hire an internationally renowned consulting firm to conduct a comprehensive review of the electricity system (generation, transmission, distribution) and propose actions needed to achieve NEPCO's financial sustainability.	November 2023		Financial viability of the electricity sector	
4	Set up a multi-agency crisis management committee (based on an MoU) between CBJ, MoF, and JODIC to adequately operationalize the crisis management framework.	December 2023		Strengthen crisis management.	
5	Issue instructions implementing the new amendments of the Labor law under Article 69-B by expanding protections for pregnant women and persons with disabilities to enhance decent and safe workplace conditions.	December 2023		Supporting female labor force participation	
II. Existing Structural Benchmarks					
1	Publish 2019 annual and revised quarterly GDP data	March 2023	Met	Supporting program monitoring and surveillance	

Table 8. Jordan: Status of Existing and Proposed New Structural Conditionality (concluded)

No.	Measure	Time Frame (by end-period)	Status	Macroeconomic Rationale	Proposed Action
II. Existing Structural Benchmarks (continued)					
2	Issue a cabinet decision for the joint committee between the Ministry of Finance and the Ministry of Water and Irrigation to meet on a quarterly basis with a view to clearing all arrears of the water sector by end-March 2024	March 2023	Met	Financial viability of the water sector	
3	Implement, in consultation with IMF staff, time of use tariffs, and other adjustments needed to generate JD 50 million in revenue for NEPCO in 2023	May 2023	Met	Financial viability of the electricity sector	
4	Apply e-audit system, utilizing AI, to all submitted tax returns to identify compliance risks	June 2023	Met	Improving tax compliance	
5	Launch for one-third of sales transactions a new e-invoicing system to collect data.	June 2023	Met	Improving tax compliance	
6	Develop a risk-based capital and solvency regime for the insurance sector bringing it in line with international best practices	June 2023	Met	Enhancing CBJ's supervision	
7	Start implementation of a digital track-and-trace system for alcohol companies	June 2023		Revenue mobilization	Reset to December 2023
III. Existing Structural Benchmarks (with due dates after the sixth review)					
8	Implement the items in Jordan's FATF action plan to strengthen the effectiveness of the AML/CFT system.	October 2023		Strengthening the effectiveness of AML/CFT	
9	Submit legislation to enable the abolishment of five licenses in the tourism sector identified in the 2019 cabinet decision for elimination	December 2023		Reducing the cost of doing business	
10	Consistent with the 2021 FTE's findings and recommendations, the new macro-fiscal unit at MOF will prepare and publish a Fiscal Risk Statement with the 2024 budget, outlining key macroeconomic and contingent liabilities risks	December 2023		Managing fiscal risks and fiscal transparency	

Appendix I. Letter of Intent

Amman, Jordan
June 12, 2023

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C., 20431
U.S.A.

Dear Ms. Georgieva:

Substantial global economic headwinds, including tightening and volatile global financial conditions, the repercussions of a prolonged Russian war in Ukraine, risks from global economic fragmentation, and lingering effects from the pandemic, pose exogenous challenges for Jordan. At the same time, unemployment remains very high, and especially youth unemployment. Despite these headwinds, we expect Jordan's broad-based economic recovery to continue, supported by prudent policies to preserve our macroeconomic stability, and by structural reforms to boost productivity and competitiveness. These policies and reforms have helped us contain inflationary pressures, preserve market access at favorable conditions, and maintain confidence in our economy against a challenging global economic backdrop.

We remain fully committed to the objectives of our EFF-supported reform program: preserving debt sustainability and external buffers, maintaining monetary and financial stability, and advancing structural reforms to achieve higher and more inclusive growth. We are strengthening social safety nets, working to reduce unemployment, promoting labor force participation, particularly for youth and women, boosting competition through regulatory reforms, and improving governance and transparency. We have launched the Economic Modernization Vision in June 2022, which will guide our policy efforts to improve the business climate and enhance competitiveness, including to attract FDI. We require a more reliable stream of financing, in line with the support pledged by the international community under the Jordan Compact and the 2019 London Initiative to enable us to continue shouldering the global public good burden of hosting 1.3 million Syrian refugees.

As a result of our sustained prudent and ambitious policies, despite the challenges we face, we were able to meet all end-December 2022 quantitative performance criteria (QPCs) for the central government primary deficit (excluding grants), the combined public deficit, and net international reserves; and most indicative targets (IT). Revenue growth remained strong, helped by a continued robust effort to fight tax evasion, close tax loopholes, and strengthen tax administration. We have fully aligned the prices of gasoline and diesel with international market levels, despite significant political and social pressures. The Central Bank of Jordan (CBJ) has successfully maintained monetary and financial stability, with a liquid and resilient banking system owing also to a strong and effective prudential and supervisory framework, and the CBJ has raised its policy rate fully in line with the actions of the U.S. Federal Reserve. Our commitment to the exchange rate peg to the U.S. dollar has played a crucial role in providing a credible nominal anchor for monetary and macroeconomic stability, resulting in a relatively low, and declining, inflation rate. Moreover, program performance remains strong in 2023, with the indicative targets on the central government primary deficit (excluding grants), the combined public deficit, and net international reserves met as well.

We have also met six structural benchmarks (SBs). The Cabinet has issued a decision for the joint committee between the Ministry of Finance and the Ministry of Water and Irrigation to meet on a quarterly basis with a view to clearing all water sector arrears by end-March 2024. The Department of Statistics has published 2019 annual and revised quarterly GDP data. We have applied e-auditing systems to all submitted tax returns to improve compliance, and we also launched an e-invoicing system for over half of all sales transactions by value, exceeding the target of one third. We have implemented measures needed to generate JD 50 million in revenue for NEPCO in 2023. The CBJ has developed a risk-based capital and solvency regime for the insurance sector.

Moving forward, we remain committed to implement prudent macroeconomic policies and advance reforms to underpin macroeconomic stability and support the post-pandemic recovery, aiming to achieve, strong, inclusive, and sustainable medium-term growth, create jobs, and raise people's incomes. We will continue with fiscal consolidation and improving the financial sustainability of the electricity and water sectors, aiming to reduce public debt to 80 percent of GDP over the medium term, while ensuring sufficient support for vulnerable households and creating room for higher public investment. The CBJ's monetary policy will continue to be underpinned by its firm commitment to the exchange rate peg to the U.S. dollar, and the CBJ will continue to adjust its policy rates in line with the actions of the U.S. Federal Reserve. These and other policies and reform commitments, including new proposed SBs for the remainder of 2023, are detailed in the attached Memorandum of Economic and Financial Policies (MEFP).

In view of our strong program performance and policy commitments, we request the completion of the sixth review under the extended arrangement and approval of the related purchase. We also request modification of the end-December 2023 performance criterion on the central government primary deficit (excluding grants and transfers to NEPCO and WAJ) and of the end-December 2023 performance criterion on the CBJ's net international reserves as presented in Table 1 of the attached MEFP. We believe that the policies set forth in the attached MEFP are adequate to achieve the objectives of our program, but we stand ready to take further measures that may become appropriate for this purpose. We will consult with the IMF on the adoption of these measures, and in advance of revisions to the policies contained in the MEFP, in accordance with the IMF's policies on such consultations. The implementation of our program will continue to be monitored through semi-annual quantitative performance criteria, structural benchmarks, and quarterly indicative targets as described in the MEFP and in the attached Technical Memorandum of Understanding (TMU). The Government and the CBJ will provide the IMF with the data and information necessary to monitor performance under the program as specified in the TMU. We expect the seventh review to be completed on or after September 30, 2023, and the last review on or after March 15, 2024.

The IMF has been a reliable partner in providing policy advice, financial support, capacity development, and an anchor for the reform momentum for Jordan through a very difficult period. We are grateful for the significant financial support that the IMF has provided as part of its quick response to the global shocks that have adversely impacted Jordan's economy; the successive recalibrations to the EFF program that have enabled us to meet vital health, social protection, job support, and capital spending needs, while maintaining macroeconomic stability and market access; and extensive technical assistance to facilitate the implementation of critical structural reforms. We hope that this partnership between Jordan and the IMF will only grow stronger going forward as we navigate the complex policy challenges generated by the global economic headwinds. In this light, we are requesting commencing discussions on a potential new program complemented with financing under the newly created Resilience and Sustainability Facility (RSF), aimed at providing affordable, long-term financing to help build resilience, including to address pressing health and climate challenges.

We authorize the IMF to publish this Letter of Intent and its attachments, as well as the accompanying staff report, upon completion of the sixth review by the IMF's Executive Board.

Sincerely,

/s/	/s/
Mohamad Al-Ississ Minister of Finance	Adel Al-Sharkas Governor of the Central Bank

Attachment I. Memorandum of Economic and Financial Policies

CONTEXT

1. The economic recovery continues, supported by timely and commensurate policy responses. Real GDP growth reached 2.5 percent in 2022, buoyed by exports and tourism. The unemployment rate remains elevated, however, with only a modest decline to 22.9 percent by end 2022, from its peak of 24.1 percent in 2021. Youth and female unemployment remain worryingly high at 50 percent and 31.4 percent, respectively, in 2022. Inflation has fallen to 2.9 percent y-o-y in April 2023, due to tighter monetary policies and moderating global commodity prices.

2. The current account deficit widened in 2022, mainly due to higher fuel and food prices, as well as higher demand for imports and travel. These factors were partially offset by higher phosphate, potash, and fertilizer exports, due to higher prices and export quantities, and a strong rebound in tourism. Accordingly, the 2022 current account deficit reached 8.8 percent of GDP. Nonetheless, our international reserves have remained adequate to support the peg, at just over 100 percent of the ARA metric, supported by prudent macroeconomic policies and resilient donor inflows. Looking ahead, the current account deficit is expected to narrow to 7.5 percent of GDP, reflecting a further recovery in tourism and lower import prices that are partially offset by lower prices of key export commodities. Despite the tightening of global financial conditions, Jordan has maintained access to international capital markets, successfully issuing a 6-year US$1.25 billion bond at 7½ percent in April 2023.

3. Growth is expected to further strengthen over the medium term, spurred by the Economic Modernization Vision. We expect growth to reach 2.6 and 2.7 percent in 2023 and 2024, respectively, and then to gradually rise further to 3 percent over the medium term, supported by our structural reforms aimed at boosting potential growth. However, significant downside risks to the outlook remain from volatile and tightening global financial conditions, potentially slower-than-expected global growth, stubbornly high unemployment, geopolitical tensions, and challenging socio-economic conditions. On the upside, regional political rapprochement may help deescalate tensions and catalyze trade and investment, higher commodity prices could support mining exports, and increased remittances, tourism, and investment could also boost growth.

4. In these challenging times, declining donor support for Syrian refugees is ever more concerning as Jordan copes with the associated fiscal and social costs. The financing requirement according to the Jordan Response Plan to address the needs of refugees remains substantially underfunded. The sharp reduction in humanitarian support for refugees and host communities via UNHCR and WFP presents significant challenges. These shortfalls are increasing pressures on host and refugee vulnerable communities, with UNHCR and the World Bank reporting that nearly two-thirds of refugees live below the international poverty line, and the shortfalls are hampering Jordan's ability to continue to provide refugees with essential services while reducing macroeconomic vulnerabilities. Furthermore, accommodating refugees' health, education, water, electricity and labor market needs for over a decade has significantly constrained Jordan's fiscal space.

5. The implementation of our reform program under the EFF remains strong. Despite pressures from high fuel and food prices and tightening global financial conditions, we were able to meet the end-December 2022 quantitative performance criteria (QPCs) and end-March 2023 indicative targets (ITs) for the primary fiscal deficit of the central government, the combined public deficit, net international reserves (NIR), net domestic assets (NDA) and non-incurrence of external debt service arrears. Similarly, most other indicative targets for end-December 2022 and end-March 2023 have also been observed (MEFP Table 1). We have also met all three structural benchmarks due for this review and have additionally met three SBs ahead of time (MEFP Table 2). Jordan's strong economic performance has been recognized by markets, as reflected in the successful April 2023 $1.25 bn billion Eurobond issuance at 7.5 percent, which was six times oversubscribed. Moreover, in May 2023, Fitch affirmed Jordan's sovereign rating at BB-, with a stable outlook.

POLICIES FOR SAFEGUARDING MACROECONOMIC STABILITY AND BOOSTING GROWTH

Fiscal Policy and Structural Fiscal Reforms

6. Our fiscal program continues to be on track. The end-December 2022 PCs and end-March 2023 ITs for the central government primary deficit and the combined public sector deficit were met. The 2022 primary deficit (excluding grants and transfers to NEPCO and WAJ) recorded JD 1,233 million, or 3.7 percent of GDP, slightly below the target, thanks to an overperformance in non-tax revenue and taxes on income and profits, given higher phosphate and potash prices, as well as delays in capital spending execution. This amounted to a fiscal consolidation of 0.8 percent of GDP. Revenue mobilization kept its momentum in the first quarter of 2023, with domestic revenues through March increasing by 9.1 percent y-o-y, mainly driven by taxes on income and profits. This more than offset the pick-up in execution rates in capital expenditure, and on balance the end-March ITs on the central government primary and combined public balances were met.

7. We are committed to continue with fiscal consolidation in 2023. We have secured significant savings by eliminating, despite significant social and political pressures, the temporary price support on gasoline and diesel that had been introduced for part of 2022 to cushion the impact of the Russia's war on Ukraine. We remain committed to adjusting prices for gasoline and diesel in line with international market prices, while protecting vulnerable households through cash transfers. These savings together with revenue-enhancing measures create room for higher capital spending this year. Accordingly, the 2023 budget is on track to deliver a primary deficit (excluding grants and transfers to NEPCO and WAJ) of JD 1,014 million, or 2.9 percent of GDP, implying a further consolidation of 0.8 percent of GDP. Moreover, we will use any overperformance in revenue collection to pay off more expensive debt and will not shift any capital spending allocation to current spending. In case any risks to the budget materialize, we will take the necessary contingency measures to ensure that the fiscal targets will be met, including by postponing non-priority spending.

8. We are committed to continue with fiscal consolidation also in the years ahead, to ensure that public debt is placed firmly on a downward path. We aim to reduce public debt from 92 percent of GDP in 2021 to below 80 percent of GDP by 2028, thus further strengthening our debt sustainability. To achieve this, we aim to bring the general government overall balance to zero by 2027, by continuing to increase revenue collection, notably by further broadening of the revenue base in a progressive and structural fashion, as well as by streamlining current spending and enhancing spending efficiency.

9. We will further improve revenue collection. With technical assistance (TA) from the IMF's Fiscal Affairs Department (FAD), we have already made significant progress, mainly by closing tax loopholes, while ISTD has made substantial inroads into improving compliance. We will implement further revenue measures yielding 1.5 percent of GDP over 2024–28. The implementation of new legislative and administrative reforms is expected to generate an additional 0.4 percent of GDP in revenues in 2024, and an additional 1.1 percent of GDP over 2025–28. This is expected to comprise *inter alia*: (i) measures to broaden the income tax base by further rationalizing tax exemptions (including via the new investment law); (ii) the implementation of compliance improvement plans in the Large Taxpayer and Free Professionals Directorates; (iii) efforts to broaden the GST base by implementing place of taxation rules and rationalizing GST exemptions via the new investment law, as well as an anticipated reduction in smuggling following the recent customs reform; (iv) closure of key tax loopholes as a result of bringing ASEZA within the national tax and customs systems; and (v) fully implementing the track-and-trace system for alcohol while better tackling cigarette smuggling through stronger inter-agency border control, and better compliance enforcement efforts domestically.

10. We will also further curtail current spending. We have identified measures to improve expenditure efficiency to deliver 0.2 percent of GDP in savings in 2024, and an additional 0.7 percent of GDP over 2025–28. These reforms include: (i) containment of the growth of the public wage bill below nominal GDP growth and implementation of our public administration reform strategy; (ii) roll out of e-procurement to the broader public sector; (iii) efficiencies in the health care sector, including via improved targeting of exemptions and incentivizing more efficient use of resources in public hospitals; and (iv) improved administration of grain subsidies to reduce waste and leakage.

	Cumulative Yield		
	2024	**2025**	**2028**
Required discretionary effort to close the fiscal gap (cumulative)	**0.6**	**1.2**	**2.5**
Total expected yield from envisioned reforms (cumulative)	**0.6**	**1.2**	**2.5**
Revenue reforms	**0.4**	**0.8**	**1.5**
Broaden income tax base by rationalizing new CIT incentives (new investment law enacted in 2022); and improving compliance for large tax payers and free professionals (starting 2023)	0.1	0.2	0.4
Broaden GST base by introducing place of taxation rules (enacted in 2022); rationalizing new GST incentives (new investment law, see above); and recent customs reform to reduce avenues/incentives for smuggling	0.1	0.2	0.4
Close tax loopholes by bringing ASEZA tax and customs functions within national systems (law passed in May 2022)	0.1	0.2	0.4
Introduce digital track-and-trace system (for all cigarette companies in 2022; and for alcohol by end-2023)	0.1	0.2	0.3
Expenditure reforms	**0.2**	**0.4**	**1.0**
Further contain public wage bill growth to below nominal GDP growth from 2023	0.1	0.2	0.4
Roll out JONEPS (e-procurement) in health and education ministries; to broader central and general government entities (starting 2024)	0.1	0.2	0.3
Improved efficiencies/reduced exemptions in the provision of health insurance	0.0	0.0	0.2
Potential additional reforms (cumulative, subject to FAD technical assistance)			0.5

11. To durably improve the efficiency of public finances, we are advancing a broad set of structural fiscal reforms:

(i) **Tax policy and revenue administration.**

- We introduced a **new regime for incentivizing investment** giving the MOF a central role in the granting and management of all fiscal incentives for investment in Jordan. We issued bylaws to implement the new Investment Environment Law. In this context, the MOF will conduct annual cost-benefit analyses of all new fiscal incentives for that year with the view to safeguard fiscal sustainability, and report on these by the end of each year.

- We are implementing the **revenue mobilization plan** developed with the support of the IMF's Fiscal Affairs Department (FAD) in 2021. The plan encompasses both tax policy and administration, including a focus on implementing recent and ongoing legislative reforms. To support smooth implementation of the recent transfer pricing and economic substance reforms, ISTD has conducted extensive awareness campaigns for taxpayers, including conducting trainings and posting online guidelines. ISTD has also prepared an FAD-supported roadmap, which translates our overarching strategic objectives as outlined in the 2021 plan to timebound intermediate and operational targets, with a mapping to concrete steps toward delivering on revenue administration reforms.

- We will enhance **ISTD capacity** by upgrading its IT infrastructure, including a new Integrated Tax Administration System (ITAS). In this regard, we will issue a tender for ITAS by December 2023. At the same time, we are improving tax compliance by continuing to strengthen ISTD's audit function. In this regard, we have implemented an e-audit system covering all tax returns, to improve our audit functions **(*met SB for June 2023*)**. Looking ahead, we are further developing our e-audit system to include comparative benchmarks for taxpayers by December 2023.

- In other **tax administration reforms,** we are taking measures to tackle the smuggling of tobacco and alcohol and strengthen their tax administration. Notwithstanding technical challenges, we continue to work on implementing a digital track-and-trace system for alcohol with rollout planned by end-2023 (***SB for June 2023, proposed to be reset to December 2023***).

- We launched the **e-invoicing system (*met SB for June 2023*)** covering 58 percent of sales transactions subject to GST by value (overperforming the program target of one-third). This is expected to strengthen the monitoring of economic activities, address under-invoicing through a random enforcement mechanism, and strengthen the audit function of the sales-tax framework. We aim to roll out this system to cover 90 percent of sales transactions by end-2023.

(ii) **Social safety net.** The existing program, supported by the IMF, encompasses a minimum threshold for social spending (IT), consisting of: (i) non-wage components of the education and health sectors' current expenditure envelope; (ii) National Aid Fund's (NAF) and other entities' social protection programs; and (iii) the school feeding program. The number of families covered through NAF has reached more than 220,000, although there are unmet needs for social protection, as indicated also by the high rates of poverty and unemployment. Consequently, to ensure that vulnerable households are adequately and efficiently protected:

- We had temporarily subsidized kerosene during the winter months of 2023 by suspending excises, as it is a heating fuel mainly used by poor households.

- We continue to make improvements to our targeting methodology used to determine eligibility for cash assistance (with World Bank technical support). Recent improvements include adjusting weights to reflect dependent adult children and ensuring adequate weights for female-headed households. To further improve efficiency in social protection programs, we are working on integrating all existing NAF programs for all Jordanian nationals into one single program by end-2024.

- We have continued to protect the population from the impact of higher international food prices and have extended this support till end-2023. To ensure that this support reaches those who most need it, we will explore options, with the help of IMF FAD TA, to optimize the cost of this support, strengthen audits of the supply chain, and stiffen penalties for misuse.

(iii) **Public sector administrative reform and efficiency.** We will leverage the recently launched Public Sector Modernization Roadmap to improve the efficiency of the public sector, including by: (i) strengthening regulatory bodies, with a view to increase their independence, accountability, and transparency, starting with the Energy and Mining Regulatory Committee; (ii) revising civil service staffing practices, including by developing a system of merit-based hiring and promotions and starting its implementation in January 2024, beginning with all senior positions; and (iii) continuing with the digitalization of government services with a view to digitalize at least 40 percent of all government services by end-2023 and at least 60 percent by end-2024. We are committed to additional efforts to ensure the attractiveness of the civil service for experienced and high-skilled professionals, and to enhance efficiency, e.g., by merging or restructuring various public agencies and enhancing the institutional roles within the Government of Jordan to strengthen budgetary oversight and human resource planning.

(iv) **Public financial management (PFM).** The incurrence of health and energy arrears has continued, reaching JD 205 million by end-December 2022, mainly from the health sector. We will issue a Cabinet decision to establish an inter-ministerial committee responsible for determining the total amount of outstanding arrears, based on certified and confirmed audits, in the health and energy sectors ***(proposed benchmark for July 2023)***. The MOF will report on the stock of verified arrears in the first quarter of 2024. We have also requested TA from the IMF and other development partners on addressing health sector arrears and are working to improve the targeting of healthcare exemptions. We will follow up on the implementation of IMF TA recommendations on cash management, including reforms in cash forecasting and cash and debt management integration, which could help better manage cash flow volatility, reduce the incurrence of arrears, and improve the prospects for obtaining domestic market financing at competitive rates. To eliminate off-budget expenditures, we are strengthening top-down budgeting, and improving the quality of fiscal projections.

(v) **Public procurement.** We will continue to roll out the Jordan National E-Procurement System (JONEPS) for ministries and government entities and will implement it for all 100 government entities by end-2025. The Government Procurement Department is working closely with municipalities, including GAM, to start the implementation of JONEPS through the Ministry of Local Administration by early-2024, including by training key users that will work with various municipalities.

(vi) **Fiscal transparency and fiscal risks management.** Consistent with the 2021 FTE's findings and recommendations, the Macro-Fiscal Unit (MFU) at MOF will prepare and publish a Fiscal Risk

Statement with the 2024 budget, outlining key macroeconomic and contingent liabilities risks ***(SB for December 2023)***. Moreover, we are hiring a dedicated expert in the Fiscal Commitments and Contingent Liabilities (FCCL) unit to build our risk assessment capacity for PPPs. This will enable us to expand FCCL coverage by end-December 2023 to three more of the largest existing PPPs, in addition to the three we already covered in 2022. Separately, we will continue publishing information on COVID related spending, including beneficial ownership of entities awarded contracts, on the MOF website.

(vii) **Investment quality and predictability.** We will strengthen the implementation of recommendations from the 2017 IMF Public Investment Management Assessment (PIMA) and related follow-up in 2020. We will build IT and human capacities to step up our efforts in project appraisal and sustainability assessments. In addition, we have requested a Climate PIMA to support our implementation capacity of our climate adaptation investment agenda, which is integral to our Economic Modernization Vision. We will also work to amend the PPP legislation to streamline the execution of the framework, while maintaining robust safeguards and due diligence.

(viii) **Fiscal policy and debt management capacity.** Building on the success of the Project Management Unit (PMU) in MOF in driving the ambitious structural fiscal reform agenda, we are strengthening the Macro Fiscal Unit (MFU) that is being tasked with producing medium-term macroeconomic forecasts and generating fiscal projections on a quarterly basis for the running budget year and on an annual basis for the medium term. Going forward, as the MFU's capacity enhances, including with FAD assistance, the unit will also aim to assess and present the dynamic and distributional impacts of revenue and expenditure measures.

Monetary and Financial Policies

12. The CBJ continues to be successful in preserving monetary and financial stability in a continued challenging environment. Monetary policy will continue to be underpinned by our firm commitment to the exchange rate peg to the US dollar. The peg has served our economy well by providing a credible nominal anchor of monetary and financial stability. We have raised the policy rates in line with the US Federal Reserve and have also issued certificates of deposit (CDs) of JD700 million since August 2022, further tightening monetary policy. While the growth of credit to private sector was robust at 6.8 percent y-o-y as of March 2023, it has come down from a high of 8 percent y-o-y in December 2022. Looking ahead, the CBJ will continue to closely monitor the state of the economy and pro-actively manage banking system liquidity. The CBJ will remain vigilant to changes in global financial conditions and stands ready to undertake the policy adjustments necessary to credibly protect monetary and financial stability. Our key operational target will continue to be to maintain international reserves above 100 percent of the IMF's Reserve Adequacy Metric.

13. The CBJ has been supporting businesses, through two subsidized lending schemes aimed at protecting employment and boosting productive economic sectors. During the pandemic, we launched the JD 700 million SME lending scheme, which was fully utilized and ended in April 2023. This scheme played a vital role in preventing layoffs and protecting jobs during a challenging period. The JD 1.4 billion scheme, which was created in 2011 to refinance bank loans for eligible projects and support productive economic sectors, has been critical in supporting Jordan's growth momentum. However, we acknowledge the necessity of aligning this scheme with our monetary policy stance and evolving economic conditions, and we will gradually reduce its concessionality. As a first step, we will raise the interest rate by 50 basis points on new loans issued under the scheme, effective from February 2024.

14. Our banking system has remained liquid and well-capitalized. The system-wide capital adequacy stood at 17.3 percent at end-December 2022, broadly unchanged from a year earlier and well above the CBJ regulatory minimum of 12 percent. Non-performing loans decreased to 4.5 percent as of end -December 2022, down from 5 percent in 2021. Meanwhile, the provisions in percent of classified loans have increased by 1.6 percentage points to 81.5 percent at end-December 2022, compared to a year earlier.

15. We will continue to closely monitor and address risks in the banking system, leveraging our strong prudential and supervisory framework. The CBJ's accounting, reporting, and provisioning practices are designed to ensure an adequate and timely monitoring of risks. The CBJ continuously conducts stress tests to ensure that all banks have sufficient buffers in case of a significant rise in NPLs and hit to profits. To ensure that asset quality problems are recognized and addressed early, we have continued to require banks to follow strict provisioning standards, in line with IFRS9's forward-looking expected loss approach. Should capital adequacy fall below the 12 percent CBJ threshold for any bank, the CBJ will require the bank to submit a credible capital restoration plan to rebuild capital.

16. The joint IMF-World Bank Financial Sector Assessment Program (FSAP) was completed in March 2023. The FSAP provided an important opportunity for assessing the resilience of the financial sector at a challenging time for the global economy. The FSAP's systemic risk analysis found that Jordan's banking sector appeared broadly resilient and that Jordan's financial sector had withstood a series of large external shocks—the Global Financial Crisis, the Arab Spring, the war in Syria and the resulting influx of refugees, the pandemic, and Russia's war on Ukraine—well. Moreover, banks would be able to withstand a large global stagflationary shock, if it were to occur, given high levels of systemwide regulatory capital and robust earnings. While it stressed that credit concentration risk and banks' exposures to the sovereign are large, banks have ample liquidity and can manage significant liquidity pressures, and contagion risk among banks is limited. Key recommendations included: (i) further strengthening banking supervision, by making it more risk-based and forward-looking, including by developing pillar 2 supervisory assessments for more risk-sensitive capital requirements; (ii) enhancing systemic risk analysis, including by filling data gaps to enable stress tests on a globally consolidated basis, running systemic foreign currency liquidity analyses, and performing more granular analyses of household and corporate sector vulnerabilities; and (iii) improving the crisis management and bank resolution framework. We are committed to making progress in implementing the FSAP recommendations and further strengthening the resilience of the financial sector in Jordan. In this regard, we will set up a multi-agency crisis management committee (based on an MoU) that comprises the CBJ, MoF, and JODIC, to adequately operationalize the crisis management framework ***(proposed SB for December 2023).***

17. We have developed a risk-based capital and solvency regime for the insurance sector, bringing it in line with international best practices *(met SB for June 2023)*. This regime aims to: (i) provide incentives for insurance companies to better manage risks; and (ii) help the CBJ get a better perspective of the risk profiles of individual insurers, as well as the market as a whole. The new framework is forward-looking and encourages insurance market development and is in line with international trends and best practices while recognizing and reflecting the realities of Jordanian market conditions. The CBJ has worked with the World Bank on developing the solvency margin instructions and the relevant instructions have been issued in June 2023.

18. We are further strengthening the regime for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT). We continue to work actively to ensure effective implementation of the items in Jordan's FATF action plan by end-October 2023 ***(SB for October 2023)***. According to Jordan's third progress report to the FATF, 17 action items out of 24 are addressed or largely addressed, while significant steps have also been taken to address the remaining 7 actions. The fourth progress report was recently discussed with the joint group and feedback on the report is expected to be received by end-May 2023. Measures have been taken to improve the effectiveness of the supervisory system on financial and designated non-financial businesses and professions (DNFBPs), including: (i) strengthening the capabilities of the AML/CFT Supervision by increasing the number of supervisors and providing them with adequate training; (ii) enhancing the implementation of AML/CFT risk-based supervision by increasing the number of on-site inspections; (iii) taking measures to ensure compliance with the implementation of Security Council resolutions related to terrorism, its financing, and proliferation financing; (iv) applying propionate and dissuasive financial sanctions on regulated Financial Institutions (FIs) for regulatory breaches; and (v) raising awareness for regulated FIs and DNFBPs on their obligations relating to Targeted Financial Sanctions by carrying out a number of training programs and workshop. Additional steps taken towards improving the AML/CFT regime include: (i) strengthening the legal and operational TF-related TFS framework; (ii) making basic and beneficial ownership information accessible by competent authorities; (iii) maintaining statistics on ML investigations and prosecution; and (iv) strengthening the legal framework with respect to confiscation and pursuing money laundering investigations and prosecutions for predicate offences in line with its risk profile. From a technical compliance perspective Jordan has carried out extensive revisions to its laws and is rated compliant or largely compliant with 32 out of 40 recommendations.

19. We continue to benefit from IMF TA to update our monetary policy, payment systems and banking supervision frameworks. We continue to receive TA from the IMF's Institute for Capacity Development (ICD) on setting up a comprehensive and state-of-the-art monetary and economic policy modeling framework, which will help us ground our policy decision-making in model-based quantitative analysis. We have also received TA from the IMF's Monetary and Capital Markets Department (MCM) on the conceptual framework and operational issues around central bank digital currency (CBDC), where we are exploring wholesale vs. retail options. In addition, as part of our effort to continuously keep abreast of international best practices, we are receiving MCM TA (including training workshops) on risk-based banking supervision. The CBJ has also received TA from the IMF's Statistics Department (STA) focusing on the redevelopment of their property price indices and in particular their residential property price indices. We have also recently received TA on monetary and financial statistics to expand the coverage to the Other Financial Corporations.

Electricity and Water Sector Reforms

20. NEPCO's financial outlook remains challenging. While NEPCO's natural gas import prices are expected to gradually decline—thanks to lower global prices and our long-term contracts—electricity purchases from the oil shale PPA will exert significant pressures on NEPCO's costs. Lower profitability in distribution companies have also pushed NEPCO's sales down as they forced reductions in the bulk supply tariff to honor EMRC's legacy contractual profit margin commitments to these companies. Over the medium to long term, continued elevated generation costs and relatively weak electricity demand, also as customers switch to self-generation, represent major pressures on NEPCO's financial balance.

21. We have started implementing reforms to shore up NEPCO's financial position in the face of these challenges. We adopted an action plan, developed in collaboration with World Bank and IMF staff, aiming to reduce NEPCO's losses by JD 90 million in 2023 and JD 135 million in 2024. Accordingly, we: (i) have extended the connection fee for self-generation to businesses, to compensate for use of NEPCO's grid; (ii) are enforcing annual KPIs for distribution companies to reduce technical losses and O&M expenses for 2023–2026; (iii) are transferring mining royalties from oil shale PPA to NEPCO; (iv) have introduced Time-of-Use tariffs; (v) are conducting a tariff review to identify incorrect subsidy inclusions; and (v) are optimizing the use of the Rehab and Risha power plants. Thanks to these efforts, we will generate an additional JD 50 million in revenue for NEPCO in 2023 ***(met SB for May 2023)***. We have also achieved significant savings by optimizing gas transportation costs.

22. We are determined to move forward with the reforms in the action plan to durably reduce NEPCO's deficits. We will secure a telecom license to enable NEPCO to provide billable telecom services using its fiber optics infrastructure by December 2023. We will continue to strengthen enforcement to reduce non-technical losses due to tampering with electricity meters. Over the medium term, we will replace the Floating Storage Regasification Unit (FSRU) with cheaper substitutes by 2025. We will also establish a specialized company for LNG purchases by 2026. Moreover, we will hire an internationally renowned consulting firm to conduct a comprehensive review of the electricity system (generation, transmission, distribution) and propose actions to achieve NEPCO's financial sustainability ***(proposed SB for November 2023)***. We will also conduct a review of all renewable energy PPAs. In addition, we will strengthen electricity grid interconnections with neighboring countries, including Egypt, Syria, Iraq, and Saudi Arabia. We are committed to take additional measures as needed to ensure that NEPCO's operational losses will not exceed 1 percent of GDP in 2024 and are gradually reduced to close to ½ percent of GDP over the medium term.

23. We are improving the electricity sector's governance. We are strengthening separate disclosure of financial accounts of NEPCO's four business units (bulk supply, system operator, gas supply and transmission). We continue to enhance the roles and responsibilities of the NEPCO Board, empowering the Board to review, monitor and approve NEPCO's strategy, budget and financing plan. We continue to improve NEPCO's risk management by strengthening the role of the Risk and Audit Committee (NEPCO Board Resolution of October 2020) and implementing the strategy and risk management function (NEPCO Board Resolution of August 2021). We will continue to expand NEPCO's internal audit function by introducing new methodologies, documentation and testing. We will extend and revise NEPCO's EHS (environmental, health and safety) management system to cover planning, construction and operation, to be aligned with international best practice.

24. We are committed to arresting NEPCO's arrears to the power plants and governmental entities' electricity arrears. NEPCO continued its effort to repay arrears in 2022, but at the same time had incurred new arrears to SAMRA and other energy companies. NEPCO plans to repay all arrears to other energy companies by end-September 2023, and we are committed to settling the cross arrears between SAMRA, NEPCO, and the government by end-2023.

25. We are scaling up reforms in the water sector to ensure a sustainable path for the supply of water, critical for both growth and macroeconomic stability. In this context, in line with the Cabinet-approved Financial Sustainability Roadmap (FSR) and supported by the Memorandum of Understanding (MoU) signed with the US, we have started to implement the National Water Strategy (NWS). We will optimize operating and maintenance costs, reduce non-revenue water (NRW), increase energy efficiency of the water sector, and ensure that revenues will be sufficient to achieve full cost recovery of water and wastewater services' operations and maintenance (including operations and maintenance of build-operate-and-transfer projects) by 2030 and also including capital costs of build-operate-and-transfer projects by 2040. Since mid-2022, we have already achieved a reduction in NRW by 2.3 percentage points, to 50 percent, and we are targeting a further reduction in NRW by 2–3 percentage points each year, to reduce NRW to 37 percent and 25 percent by 2030 and 2040, respectively. Additionally, in line with the Financial Sustainability Roadmap and the commitments undertaken in the MoU signed with the U.S., we are improving bill collection. We have already shifted from quarterly billing to monthly billing in the Aqaba area and we are rolling this out nationwide by end-2023. We are also improving the operational efficiency of water distribution companies, including by testing performance-based contracts. Moreover, we expect annual energy efficiency savings of 257 GWh. We are also developing an agricultural water reduction strategy that considers measures such as reducing unauthorized freshwater use in agriculture, highland and desert groundwater conservation, rotational fallowing in highland and desert areas, and increasing treated wastewater use.

26. We are committed to arresting the accumulation of water sector arrears. These arrears currently stand at JD 80 million. We issued a cabinet decision establishing a joint committee of the Ministry of Finance and the Ministry of Water and Irrigation that is to meet on a quarterly basis, with a view to clearing all arrears of the water sector by end-March 2024 ***(met SB for March 2023).*** We remain committed to arresting the accumulation of arrears towards water sector PPPs and electricity distribution companies, including through timely cash transfers from MOF to WAJ.

Structural Policies to Promote Jobs and Growth

27. We are committed to implementing reforms focusing on increasing labor force participation and generating jobs. The unemployment rate for Jordanians remains high at 22.9 percent in 2022 Q4, with youth unemployment at close to 50 percent. Job creation has not kept pace with population growth and skill mismatches persist. The overall labor force participation rate is 33.4 percent, with female labor force participation being one of the lowest in the world at 14 percent. In this context, we are working to:

i. Increase female labor force participation and enhance gender equality:

- Parliament has passed Labor Law amendments enhancing protections for women from harassment and violence in the workplace and removing restrictions on female employment in certain professions and industries. We will issue instructions implementing the new amendments of the Labor law under Article 69-B by expanding protections for pregnant women and persons with disabilities to enhance decent and safe workplace conditions ***(proposed SB for***

***December 2023)*.** We will also produce guidelines for companies to adopt as part of their internal statutes in order for them to comply with the protections of workers against violence and harassment in the workplace.

- We have issued bylaws and instructions to support higher female participation in boards of state-owned enterprises and companies where the Social Security Investment Fund has representation on the board.

ii. Address labor market segmentation:

- With the economy fully reopened, we have repealed all Defense Orders, including Defense Order 6 which prohibited layoffs, in order to reduce the segmentation in the labor market between new entrants (youth) and established workers and support a more dynamic labor market.
- We are making progress on the comprehensive review of labor legislation in consultation with international development partners to assess policies affecting labor-market costs and segmentation (including benchmarking to peers). The review will be shared with IMF staff by end-November 2023, and it will provide the basis for policy recommendations on how to tackle labor market segmentation, enhance the capacity of employers to hire the most productive workers, and reduce impediments to job creation.
- In order to enhance civil service efficiency and productivity, Jordan launched a Public Sector Modernization Roadmap. As part of this, we are undertaking reforms to tie remuneration more closely to performance as part of a comprehensive HR Strategy, including by developing an evaluation system linked to individual and institutional performance by September 2023 and enabling the competitive hiring of candidates outside the existing pipeline, starting in 2024.

iii. Reduce youth unemployment:

- To incentivize the hiring of new workers under the age of 30, parliament has passed amendments to the social security law reducing the applicable social security contribution rate by the employer from 11 percent to 5.5 percent.
- The National Employment Scheme, which provides support for private sector employment and training of new hires, has received around 55,703 applicants since its launch, and has resulted in over 21,000 new hires as of April 30, 2023, of which almost half are female and over 1,600 are NAF beneficiaries.
- The comprehensive review of labor legislations will also assess options to reduce the costs of hiring youth, leveraging international experience.

iv. Encourage formality:

- The Ministry of Labor has issued 62,457 working permits for Syrian refugees in 2022 and approximately 14,000 in the first quarter of 2023, while foregoing the JD 425 fee for each permit, allowing them to work in all sectors open to non-Jordanians without being tied to a specific employer and with freedom to move between employers and geographical areas.

28. A key element of our growth strategy is enhancing the business environment, and we are committed to promoting dynamism in the private sector, improving competition, and fostering investment:

- We continue to strengthen the new **insolvency framework,** including by licensing practitioners and training judges in best practices. Moreover, we have established an Insolvency Committee and Licensing and Monitoring Unit, with eight registered cases currently in the insolvency registry. We are developing the electronic registry, aiming to bring it online by end-2023.

- To strengthen our **competition regulatory and legal framework**, parliament passed legislation to strengthen the competition framework, which attempts to curb the prevalence of dominant firms, including by sharpening the definition for market concentration and stiffening the penalties for violations. The Competition Directorate at the Ministry of Industry and Trade will complete studies of the state of competition in the oil derivative and transport sectors, including identifying potential unfair practices, and share these with IMF staff by February 2024.

- We will reduce **entry barriers for new businesses** by abolishing the sectoral licenses for bookstores, cultural centers, and sport centers. We will also submit legislation to enable the abolishment of the five other licenses in the tourism sector identified in the 2019 cabinet decision for elimination ***(SB for December 2023)*****.**

- **Trade and transport facilitation.** Jordan Customs is upgrading the infrastructure needed to fully leverage the National Single Window (including for all points of border entry), which will allow for single inspections at entry in coordination with regulatory bodies. We also have streamlined the pre-arrival approval process and reduced the overlap and duplication in over 2,600 permit requirements between the main seven trade-related regulatory agencies. In addition, we will establish a single border authority under Jordan Customs to improve the effectiveness and efficiency of managing international trade and reduce the burden placed on traders with regards to border control operations.

- Strengthening **governance and increasing transparency** is critical for growth**.** We are continuing to ensure that the Integrity and Anti-Corruption Commission (IACC) is adequately resourced, including by implementing the amendments to the Illicit Gains Law passed in August 2021 and the IACC law enacted in 2022. We are exploring the scope for strengthening these further including via legislative changes and bylaws to criminalize illicit gains from public procurement. We have also established a beneficial ownership registry for companies, in accordance with the real beneficiary registry bylaw No. 62 of 2022, which came into effect in February 2023. The Companies Control Department has mandated that all registered companies comply with the disclosure of real beneficiaries and maintain a special register for partners and shareholders, to be updated within 30 days of any modification.

29. Timely and accurate economic data has become increasingly critical in calibrating policy responses as Jordan navigates an uncertain global economic environment. We are continuing our efforts to increase the quality of primary statistics derived from annual industry surveys and ensure their consistency with the data compiled from quarterly surveys. The Department of Statistics (DoS) has published the 2019 annual and revised quarterly GDP statistics in March 2023 ***(met SB for March 2023)***. DoS will adhere to a regular publication and revision schedule that includes revisions to quarterly GDP based on annual GDP estimates moving forward as well. In addition, we will establish Memoranda of Understanding (MOUs) to allow DoS to gain regular and timely access to the latest and legally permissible government (MOF, ISTD, CCD) and CBJ data sources, with a clear schedule for data dissemination ***(proposed SB for September 2023),*** as this will be essential to the accurate calculation of national accounts data, among other important indicators.

PROGRAM MONITORING

30. Progress in the implementation of our policies, which are supported by the IMF, will be monitored through semi-annual reviews, quantitative performance criteria (PCs), indicative targets (ITs), and structural benchmarks (SBs). These are detailed in Tables 1 and 2, with definitions and data requirements provided in the attached Technical Memorandum of Understanding. Quantitative targets for June 2023 and December 2023 are PCs. IMF disbursements will be on-lent to the government during the program period. We signed a Memorandum of Understanding between the CBJ and the Ministry of Finance on responsibilities for servicing financial obligations to the IMF. Timely data provision is key to the success of the program. In order to strengthen our monitoring of the cost of subsidies, MOF will also provide IMF staff with monthly data on wheat and barley purchases together with tender details and proceeds from sales to the mills (Technical Memorandum of Understanding ¶57). In addition, we will produce and share quarterly and annual financial results of the electricity sector (NEPCO and the three distribution companies), and water sector without delay, to allow for timely program monitoring.

Table 1. Jordan: Proposed Quantitative Performance Criteria and Indicative Targets, December 2022–December 2023 1/

	Dec-22				Mar-23				Jun-23	Sep-23	Dec-23	
	PC	Adjusted	Actual		IT	Adjusted	Actual		PC	IT	5th Review	Proposed PC
					(in JD millions, unless specified otherwise)							
Performance Criteria												
Primary fiscal deficit of central government, excluding grants and net transfers to NEPCO and WAJ 2/	1,298	1,251	1,233	Met	300	269	218	Met	650	850	1,088	1,014
Combined public deficit (flow, cumulative ceiling)	1,848	1,801	1,751	Met	650	619			1,300	1,550	1,682	1,682
Net International Reserves of the Central Bank of Jordan in USD million (stock, floor)	13,226	13,231	13,585	Met	12,634	12,134	12,883	Met	12,644	12,745	13,967	13,493
Ceiling on accumulation of external debt service arrears 3/	0		0	Met	0		0	Met	0	0	0	0
Indicative Targets												
Social spending by the central government (flow, cumulative floor)	896		1171	Met	151		155	Met	266	603	532	941
Public debt (stock, ceiling) 4/	31,764		30,668	Met	31,963		30,926	Met	32,162	32,361	32,560	32,546
Domestic payment arrears of NEPCO (stock, ceiling) 5/	0		144	Not Met	0		195	Not Met	0	0	0	0
Domestic payment arrears of WAJ (stock, ceiling) 6/	55		48	Met	55		39	Met	55	40	20	20
Domestic payment arrears of Aqaba, Miyahuna and Yarmouk Distribution Companies (stock, ceiling) 7/	51		69	Not Met	51		69	Not Met	51	40	20	20
Net Domestic Assets of the Central Bank of Jordan (stock, ceiling)	695	690	-480	Met	807	1,307	-206	Met	682	695	265	265
SSC net financing to the central government (flow, ceiling)	610		792	Not Met	166		0	Met	776	813	1,015	900
Memorandum items for adjustors												
Foreign budgetary grants received by the central government (flow)	815		792		11		28		30	131	780	777
Foreign budgetary grants and loans received by the Central Bank of Jordan (USD millions, flow, cumulative from beginning of year)	2,643		2,650		50		50		111	1,149	2,708	3,034
Programmed stock of the combined health and energy arrears	170		205		110		150		120	105	50	90
Contingency Covid-19 spending												
Domestic payment arrears of WAJ and water distribution companies	106		117		106				106	80	40	40

1/ Proposed quantitative performance criteria and indicative targets under the new program.
2/ The end-Dec 2022 targets for primary deficit and combined public deficit already incorporate the contingency Covid spending of 110 (as the underlying criteria in TMU paragraph 40 have been triggered). The memorandum item on contingency Covid spending is only reported for information.
3/ Continuous.
4/ Public debt includes central government debt (including off-budget project loans) and government-guarantees to NEPCO, WAJ, and other public entities, net of SSC's holdings of government debt.
5/ Arrears owed by NEPCO only, to all entities. Excludes debt to the central government, which is not expected to be repaid, with central government having assumed the costs.
6/ Arrears owed by WAJ only, to all entities. Excludes advances from Central Government for which WAJ does not pay interest and that do not have established maturity.
7/ Arrears owed by Aqaba, Miyahuna and Yarmouk distribution companies only, to all entities. Excludes advances from central government for which Aqaba, Miyahuna and Yarmouk distribution companies do not pay interest and that do not have established maturity.

Table 2. Jordan: Status of Existing and Proposed New Structural Conditionality					
No.	**Measure**	**Time Frame (by end-period)**	**Status**	**Macroeconomic Rationale**	**Proposed Action**
I. Proposed New Structural Benchmarks					
1	Issue a Cabinet decision to establish an inter-ministerial committee responsible for determining the total amount of outstanding arrears, based on certified and confirmed audits, in the health and energy sectors.	July 2023		Improving fiscal discipline and transparency	
2	Establish MOUs to allow the Department of Statistics to gain regular and timely access to the latest and legally permissible government (MOF, ISTD, CCD) and CBJ data sources, with a clear schedule for data dissemination.	September 2023		Ensuring accurate and timely data dissemination including national accounts.	
3	Hire an internationally renowned consulting firm to conduct a comprehensive review of the electricity system (generation, transmission, distribution) and propose actions needed to achieve NEPCO's financial sustainability.	November 2023		Financial viability of the electricity sector	
4	Set up a multi-agency crisis management committee (based on an MoU) between CBJ, MoF, and JODIC to adequately operationalize the crisis management framework.	December 2023		Strengthen crisis management.	
5	Issue instructions implementing the new amendments of the Labor law under Article 69-B by expanding protections for pregnant women and persons with disabilities to enhance decent and safe workplace conditions.	December 2023		Supporting female labor force participation	
II. Existing Structural Benchmarks					
1	Publish 2019 annual and revised quarterly GDP data	March 2023	Met	Supporting program monitoring and surveillance	

Table 2. Jordan: Status of Existing and Proposed New Structural Conditionality (concluded)

No.	Measure	Time Frame (by end-period)	Status	Macroeconomic Rationale	Proposed Action
2	Issue a cabinet decision for the joint committee between the Ministry of Finance and the Ministry of Water and Irrigation to meet on a quarterly basis with a view to clearing all arrears of the water sector by end-March 2024	March 2023	Met	Financial viability of the water sector	
3	Implement, in consultation with IMF staff, time of use tariffs, and other adjustments needed to generate JD 50 million in revenue for NEPCO in 2023	May 2023	Met	Financial viability of the electricity sector	
4	Apply e-audit system, utilizing AI, to all submitted tax returns to identify compliance risks	June 2023	Met	Improving tax compliance	
5	Launch for one-third of sales transactions a new e-invoicing system to collect data.	June 2023	Met	Improving tax compliance	
6	Develop a risk-based capital and solvency regime for the insurance sector bringing it in line with international best practices	June 2023	Met	Enhancing CBJ's supervision	
7	Start implementation of a digital track-and-trace system for alcohol companies	June 2023		Revenue mobilization	Reset to December 2023
III. Existing Structural Benchmarks (with due dates after the sixth review)					
8	Implement the items in Jordan's FATF action plan to strengthen the effectiveness of the AML/CFT system.	October 2023		Strengthening the effectiveness of AML/CFT	
9	Submit legislation to enable the abolishment of five licenses in the tourism sector identified in the 2019 cabinet decision for elimination	December 2023		Reducing the cost of doing business	
10	Consistent with the 2021 FTE's findings and recommendations, the new macro-fiscal unit at MOF will prepare and publish a Fiscal Risk Statement with the 2024 budget, outlining key macroeconomic and contingent liabilities risks	December 2023		Managing fiscal risks and fiscal transparency	

Attachment II. Technical Memorandum of Understanding

1. This memorandum sets our understandings between the Jordanian authorities and IMF staff regarding the definitions of quantitative performance criteria and indicative targets, as well as respective reporting requirements for the arrangement under the Extended Fund Facility.

2. The program performance criteria and indicative targets are reported in Table 1 attached to the Memorandum of Economic and Financial Policies (MEFP) dated June 12, 2023. The exchange rates and gold price for the purposes of the program are shown in the table below. The exchange rate of the Jordanian dinar to the U.S. dollar is set at JD 0.709 = $1 and the gold price is set at JD 1046.52 per fine troy ounce for the measurement of the program performance criterion on net international reserves.

Program Exchange Rates	
Currency	**Jordanian Dinar Per Unit of Foreign Currency**
British Pound	0.911106
Japanese Yen	0.006505
Euro	0.786889
Canadian dollar	0.538721
SDR	0.975744

3. Any developments that could lead to a significant deviation from quantitative program targets will prompt discussions between the authorities and staff on an appropriate policy response.

4. For program monitoring purposes, debt is defined as set forth in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014.[1,2]

[1] SM/14/304, Supplement 1.

[2] (a) For the purpose of this guideline, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows: (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and (iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property. (b) Under the definition of debt set

(continued)

QUANTITATIVE PERFORMANCE CRITERIA, INDICATIVE TARGETS, AND CONTINUOUS PERFORMANCE CRITERION: DEFINITIONS

A. Quantitative Performance Criteria and Indicative Targets

5. The quantitative performance criteria and indicative targets specified in Table 1 attached to the MEFP are:

6. A performance criterion (ceiling) on the primary fiscal deficit of the central government excluding grants and net transfers to the National Electric Power Company (NEPCO), and the Water Authority of Jordan (WAJ) and Aqaba, Miyahuna, and Yarmouk water companies ("state-owned water sector");

7. A performance criterion (ceiling) on the combined primary deficit of the central government (as defined above), the operational loss of NEPCO, the overall deficit of WAJ, and the overall deficit of Aqaba, Miyahuna, and Yarmouk water companies ("combined public deficit");

8. A performance criterion (floor) on the net international reserves (NIR) of the Central Bank of Jordan (CBJ);

9. A continuous performance criterion (zero ceiling) on the accumulation of external debt service arrears;

10. An indicative target (floor) on social spending by the central government;

11. An indicative target (ceiling) on public debt, net of SSC's holdings of government debt;

12. An indicative target (ceiling) on the domestic payment arrears of NEPCO;

13. An indicative target (ceiling) on the domestic payment arrears of WAJ;

14. An indicative target (ceiling) on the domestic payment arrears of Aqaba, Miyahuna, and Yarmouk Water Companies;

15. An indicative target (ceiling) on the net domestic assets (NDA) of the CBJ.

16. An indicative target (ceiling) on the Social Security Investment Fund's net financing to the central government.

17. The performance criteria on the central government's primary fiscal deficit and the combined public deficit, as well as the indicative targets on social spending by the central government are monitored semi-annually (with indicative targets for the other quarters) on a

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out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

cumulative basis from the beginning of the calendar year. The performance criterion on the NIR and the indicative targets on public debt, short-term public debt, domestic payment arrears of NEPCO, WAJ, and Aqaba, Miyahuna, and Yarmouk Water Companies, and NDA of the CBJ are monitored semi-annually (with indicative targets for the other quarters) in terms of stock levels. The performance criterion on the accumulation of external debt service arrears is monitored on a continuous basis.

B. Ceiling on the Primary Deficit of the Central Government Excluding Grants and Net Transfers to NEPCO and State-Owned Water Sector

18. The **central government** is defined as the budgetary central government that is covered by the annual General Budget Law (GBL). It includes all ministries and government departments that operate in the context of the central authority system of the state. The operations of the central government will be measured on a cash basis.

19. For program monitoring purposes, **the primary deficit of the central government excluding grants and net transfers to NEPCO and the state-owned water sector** is defined as the sum of: (i) net external financing of the central government; (ii) receipts from the sale of government assets received during the relevant period; (iii) net domestic bank financing of the central government; (iv) net domestic nonbank financing of the central government; (v) grants received from abroad by the central government, including grants from the Gulf Cooperation Council; *less* (vi) domestic and foreign interest payments by the central government; and (vii) net transfers from the central government to NEPCO and the stated-owned water sector.

20. Net external financing of the central government is defined as cash external debt disbursements received by the central government, *less* external debt repayments paid by the central government. The debts covered are debts of the central government (excluding debts outside the general budget) and any foreign debts that are channeled through the central government to finance operations of the rest of the public sector.

21. Receipts from the sale of government assets consist of all transfers of monies received by the central government in connection with such operations. This includes receipts from the sale of shares, the sale of non-financial assets, as well as leases and the sale of licenses or exploration rights with duration of 10 years and longer.

22. Net domestic bank financing of the central government is defined as the change in the banking system's claims in Jordanian dinars and in foreign currency on the central government, net of the balance of the General Treasury Account with the CBJ.

23. Net domestic nonbank financing of the central government is defined as central government borrowing from, less repayments to, the non-bank sector (including the nonfinancial public sector not covered by the general budget, and, specifically, the Social Security Investment Fund). It is equivalent to the cumulative change from the level existing on December 31 of the previous year in the stocks of government debt held by nonbanks and in the float.

24. Net transfers from the central government to NEPCO and the state-owned water sector are calculated as (i) direct transfers from the central government to NEPCO and the state-owned water sector (or NEPCO and the state-owned water sector's creditors) on behalf of NEPCO and the state-owned water sector (including subsidies, cash advances, and payment of debt or government guarantees if called), *minus* (ii) any transfers of cash from NEPCO and the state-owned water sector to the central government (including repayments of debt, arrears or cash advances).

25. **Adjustors:** The ceiling on the primary deficit of the central government excluding grants and net transfers to NEPCO and the state-owned water sector will be adjusted:

26. Downward by the extent to which foreign budgetary grants received by the central government (as **specified** in Table 1) during the relevant period falls short of the levels specified in Table 1 of the MEFP by 50 percent of the shortfall.

27. Upward by the extent to which foreign budgetary grants received by the central government (as **specified** in Table 1 of the MEFP) during the relevant period exceed the levels specified in Table 1 of the MEFP, by 50 percent of the overperformance.

28. Downward by the extent to which the combined stock of health and energy arrears by the central government falls above of the projected combined stock of health and energy arrears specified in Table 1 of the MEFP, excluding any one-off settlement operation (such as the write-off of intra-governmental claims).

29. Upward by the extent to which the stock of arrears by WAJ and the distribution companies falls below the projected stock of arrears specified in Table 1 of the MEFP, excluding any one-off settlement operation (such as the write-off of intra-governmental claims).

30. Downward by the extent to which the stock of checks issued by the central government but not yet cashed by the beneficiary exceeds JD 200 million (the programmed stock as specified in Table 1 of the MEFP) in case of the end-year indicative target or performance criterion.

31. For 2022, upward by up to JD 110 (0.3 percent of GDP) should weekly cases, hospitalizations or the share on non-fully-vaccinated population exceed levels agreed in the Cabinet.

C. Ceiling on the Combined Public Deficit

32. For program monitoring purposes, **the combined public deficit** is defined as the sum of: (i) the primary deficit of the central government excluding grants and net transfers to NEPCO and the state-owned water sector of the central government as defined in Section B; (ii) the operational loss of NEPCO; and (iii) the overall deficit of the state-owned water sector.

33. The **operational loss of NEPCO** is defined as the difference between total operating revenues and total costs for normal operations conducted within the year as reported in the unaudited income statement. Total operating revenues are defined as the sum of: (i) sales of operating power; and (ii) all other revenue, excluding proceeds from central government transfers or payments of NEPCO's obligations on NEPCO's behalf. Total costs are defined as the sum of: (i) purchase of electric power, including fuel costs, capacity and energy charges, and all costs related to electricity generation to be borne by NEPCO; (ii) any fuel transportation costs; (iii) depreciation costs; (iv) all other maintenance and operating expenses, including on wages and remuneration of the board of directors, and provisions; and (v) interest expense and any other financial costs.

34. The **overall balance of the state-owned water sector** is defined as the difference between total revenues and current and capital expenditures. Total revenues are defined as the sum of: (i) sales of goods and services; (ii) property income; and (iii) all other revenue, excluding grants and proceeds from central government transfers or payments of WAJ, Aqaba, Miyahuna or Yarmouk water companies' obligations on WAJ, Aqaba, Miyahuna or Yarmouk water companies' behalf. Current and capital expenditures are defined as the sum of: (i) salaries, wages and allowances; (ii) social security contributions; (iii) use of goods and services, including energy costs; (iv) interest payments on domestic and foreign loans; (v) any other expenses, including pensions; and (vi) capital expenditures.

35. **Adjustors:** The ceiling on the combined public deficit will be adjusted:

36. Downward by the extent to which foreign budgetary grants received by the central government (as specified in Table 1) during the relevant period falls short of the levels specified in Table 1 of the MEFP by 50 percent of the shortfall.

37. Upward by the extent to which foreign budgetary grants received by the central government (as **specified** in Table 1 of the MEFP) during the relevant period exceed the levels specified in Table 1 of the MEFP, by 50 percent of the overperformance. Downward by the extent to which the combined stock of health and energy arrears by the central government falls above of the projected combined stock of health and energy arrears specified in Table 1 of the MEFP, excluding any one-off settlement operation (such as the write-off of intra-governmental claims).

38. Downward by the extent to which the stock of checks issued by the central government but not yet cashed by the beneficiary exceeds JD 200 million (the programmed stock as specified in Table 1 of the MEFP) in case of the end-year indicative target or performance criterion.

39. For 2022, upward by up to JD 110 (0.3 percent of GDP) should weekly cases, hospitalizations or the share on non-fully-vaccinated population exceed levels agreed in the Cabinet.

D. Floor on the Net International Reserves of the CBJ

40. For program monitoring purposes, **the NIR of the CBJ** in U.S. dollars are defined as foreign assets of the CBJ minus its foreign liabilities.

41. **Foreign assets of the CBJ** are readily available claims on nonresidents denominated in foreign convertible currencies. They include foreign exchange (foreign currency cash, deposits with foreign correspondents, and holding of foreign securities), monetary gold, IMF reserve position, and SDR holdings. Excluded from foreign assets are any assets that are pledged, collateralized, or otherwise encumbered (e.g., pledged as collateral for foreign loans or through forward contract), CBJ's claims on resident banks and nonbanks, as well as on subsidiaries or branches of Jordanian commercial banks located abroad, claims in foreign exchange arising from derivatives in foreign currencies vis-à-vis domestic currency (such as futures, forward, swaps, and options), precious metals other than gold, assets in nonconvertible currencies, and illiquid swaps. Excluded from foreign assets is the outstanding balance of bilateral accounts with the Central Bank of Iraq of USD 1,081.67 million.

42. Foreign liabilities of the CBJ are defined as all foreign exchange liabilities to residents and nonresidents, including commitments to sell foreign exchange arising from derivatives (such as futures, forward, swaps and options, including any portion of the CBJ monetary gold that is collateralized), and Jordan's outstanding liabilities to the IMF. Excluded from reserve liabilities are government foreign exchange deposits with the CBJ, deposits from public institutions and government departments with independent budgets, commercial companies with state participation, deposits from donors (including grants received from the GCC and donor term deposits with the CBJ with an original maturity not less than 360 days), the two technical swaps with Citibank Jordan for USD 88.5 million, and amounts received under any SDR allocations received after March 31, 2016.

43. The stock of foreign assets and liabilities of the CBJ shall be valued at program exchange rates. As of March 30, 2023, the stock of NIR amounted to USD 12,883.1 million (at program exchange rates).

44. Adjustors: The floors on the NIR of the CBJ will be adjusted upward (downward) by the extent to which the sum of foreign budgetary grants and foreign budgetary loans—excluding any programmed guaranteed and non-guaranteed Eurobonds—received by the CBJ (as specified in Table 1) during the relevant period exceeds (falls short of) the levels specified in Table 1 of the MEFP within any calendar year. For the end-year floor on the NIR of the CBJ, the downward adjustment will be capped at 75 percent of the aforementioned shortfall. The floors will be adjusted upward by the amount that the outstanding balance of bilateral accounts with the Central Bank of Iraq is repaid, including both principal and interest payments.

E. Ceiling on the Accumulation of External Debt Service Arrears

45. External debt service arrears are defined as debt service payments (principal and interest) arising in respect of obligations to non-residents incurred directly or guaranteed by the central government or the CBJ, that have not been made at the time due, taking into account any contractual grace periods.

F. Floor on Social Spending by the Central Government

46. Social spending is defined as central government spending on: (i) non-wage components of the education and health sectors' current expenditure envelope, including all spending directly related to efforts to prevent, detect, control, treat and/or contain the spread of COVID-19 spending; (ii) NAF's and other entities' social protection programs; and (iii) the school feeding program.

G. Ceiling on Public Debt

47. Public debt is defined as the sum of: (i) central government direct debt (including off budget project loans); (ii) central government guarantees extended to NEPCO, WAJ and other public entities; and (iii) the stock of the CBJ's liabilities to the IMF (excluding SDR allocations) not lent on to the central government; minus the Social Security Corporation (SSC) holdings of government debt. For purpose of the program, the guarantee of a debt arises from any explicit legal obligation of the central government, or of any other agency acting on its behalf, to service such a debt in the event of nonpayment by the recipient (involving payments in cash or in kind), or from any implicit legal or contractual obligation to finance partially or in full any shortfall incurred by the debtor.

48. **Adjustors:** The ceiling on public debt will be adjusted:

49. Downward by the extent to which the cumulative disbursements under the EFF during the relevant period falls short of the levels specified in Table 1.

H. Ceiling on the Domestic Payment Arrears of NEPCO

50. **Domestic payment arrears by NEPCO** are defined as the belated settlement of a debtor's liabilities that are due under obligation (contract) for more than 60 days, or the creditor's refusal to receive a settlement duly offered by the debtor. Arrears to be covered include outstanding payments on wages and pensions; social security contributions; tax payments, and obligations to banks and other private companies and suppliers. Arrears exclude obligations to the central government arising from net transfers as specified in paragraph 12.

I. Ceiling on the Domestic Payment Arrears of WAJ, and Aqaba, Miyahuna, and Yarmouk Distribution Companies

51. **Domestic payment arrears by WAJ, and Aqaba, Miyahuna, and Yarmouk Distribution Companies** are defined as the belated settlement of a debtor's liabilities that are due under obligation (contract) for more than 60 days, or the creditor's refusal to receive a settlement duly offered by the debtor. Arrears to be covered include outstanding payments on wages and pensions; social security contributions; tax payments, and obligations to banks and other private companies and suppliers. Arrears exclude obligations to the central government arising from net transfers as specified in paragraph 12.

J. Ceiling on the Net Domestic Assets of the CBJ

52. **Reserve money of the CBJ** is defined as the sum of: (i) currency in circulation (currency outside banks and commercial banks' cash in vaults); and (ii) non-remunerated deposits of licensed banks with the CBJ in Jordanian dinars.

53. For program monitoring purposes, **the net domestic assets of the CBJ** are defined as the difference between the reserve money of the CBJ and its NIR as defined in Section D.

54. **Adjustors:** The ceilings on the NDA of the CBJ will be adjusted:

55. Upward (downward) by the extent to which the floors on the net international reserves of the CBJ are adjusted downward (upward).

56. Downward (upward) by the extent to which the CBJ decreases (increases) reserve requirements on Jordanian dinar deposits of the banking system. The adjustment will equal the change in the required reserve ratio multiplied by the stock of deposits with licensed banks at the start of the first month when the new reserve requirement ratio applies that are: (i) denominated in Jordanian dinars and; (ii) subject to reserve requirements.

DATA PROVISION

57. To permit the monitoring of developments under the program, the government will provide to the IMF (Division B of the Middle East and Central Asia Department) the information specified below.

58. Related to the ceiling on the primary deficit of the central government excluding grants and net transfers to NEPCO and the state-owned water sector:

59. The standard fiscal data tables as prepared by the ministry of finance covering detailed information on: revenue, including expanded information on revenues from oil derivatives, vehicles, and cigarettes, as agreed with IMF staff; expenditure; balances of government accounts with the banking system; foreign grants; domestic and external amortization and interest; net lending; debt swaps with official creditors; and monthly change in the stocks and the monthly value of stocks of uncashed checks and trust accounts.

60. The government financing information from the Treasury account, as agreed by both the Ministry of Finance and the Central Bank of Jordan, and any potential discrepancy between the government financial data and the monetary survey data (monthly).

61. Gross transfers to and from NEPCO and WAJ detailing the amounts paid or received in connection with debt transactions, transfers to cover losses, and any amount directed to repay any outstanding arrears of NEPCO or WAJ (monthly), including those to and from the relevant distribution companies.

62. Gross transfers to and from the trade account used by the Ministry of Industry and Trade for wheat and barley transactions including the sale price to mills (monthly).

63. Related to central government arrears:

64. The stock of all pending bills of the central government that have not been paid for more than 60 days at the end of each quarter (quarterly), including those of the health insurance fund, to distribution electricity companies, and to the Jordan Petroleum Refinery Company.

65. The value and quantity of fuel products consumed by public sector entities from the Jordan Petroleum Refinery Company (monthly).

66. Related to the combined public sector deficit:

67. All the information specified in paragraph 28.

68. Full unaudited income statement and the stock of accounts payable and payments overdue less and more than 60 days (quarterly) in order to compute the PC on NEPCO net loss, prepared by NEPCO's accounting department on a quarterly basis.

69. Latest audited income statement signed by the auditor (usually available twice yearly with a six-month delay) with full explanation of any changes made to the unaudited version transmitted to the IMF, as soon as it becomes available to NEPCO's management.

70. Full unaudited income statement and the stock of accounts payable and payments overdue less and more than 60 days (quarterly), prepared by WAJ's Directorate of Finance and Accounting on a quarterly basis.

71. Full unaudited income statements and the stocks of accounts payable and payments overdue less and more than 60 days (quarterly), prepared by each of the water distribution companies (Aqaba, Miyahuna, and Yarmouk) and WAJ's Directorates of Finance on a quarterly basis.

72. Full consolidated financial balance of WAJ and the water distribution companies (Aqaba, Miyahuna, and Yarmouk) prepared by WAJ's Directorates of Finance.

73. Breakdown of overdue payments by major creditor, and all overdue payments vis-à-vis the central government (quarterly).

74. Monthly gas flows from Egypt in million cubic meters (quarterly).

75. Monthly Liquefied Natural Gas (LNG) flows in the LNG terminal in Aqaba in million British Thermal Units and their average price, and breakdown of these flows between local use and re-exports to Egypt (quarterly).

76. Related to the floor on NIR of the CBJ and ceiling on its NDA:

77. CBJ's foreign exchange reserves and preliminary data on dollarization (weekly).

78. CBJ's monthly FX interventions in the interbank market

79. Data on CD auctions (following each auction).

80. Monetary statistics (monthly).

81. The outstanding balance of bilateral accounts with the Central Bank of Iraq (monthly).

82. Banking FSI (quarterly; starting 2021 Q1)

83. Related to the continuous performance criteria:

84. Details of official arrears accumulated on interest and principal payments to non-resident creditors. External arrears data will be provided using actual exchange rates and on a daily basis.

85. Related to the floors on public debt:

86. The fiscal tables on the central government's domestic and external debt (monthly).

87. Tables on the stock of debt guarantees extended to NEPCO, WAJ, and other public entities (monthly).

88. Data on short-term public debt (monthly).

89. Related to the floor on social spending by the central government:

90. A table on the amount of central government spending on each of the components of the social spending definition under the program (monthly).

91. Other economic data. Interest rates and consumer prices; and exports and imports; travel receipts and tourist arrivals; remittances; outstanding balance of non-resident purchases of domestic treasury bills and bonds; and GCC grants received by the CBJ and grants transferred by the CBJ to the Ministry of Finance (monthly).

92. Balance of payments (current and capital accounts) and external debt developments (quarterly).

93. List of short-, medium- and long-term public and publicly-guaranteed external loans contracted during each quarter, identifying, for each loan: the creditor, the borrower, the amount and currency, the maturity and grace period, interest rate arrangements, and the amortization profile (quarterly).

94. National accounts statistics (quarterly).

95. Weekly data and data on CD auctions should be sent to the Fund with a lag of no more than one week. Monthly and quarterly data should be sent within a period of no more than six weeks (for the monetary and fiscal variables), and within a period of no more than eight weeks for other data (three months for national accounts statistics and balance of payments and external debt statistics). Data related to the continuous performance criterion should be sent within one week after the date when the arrear was incurred. Any revisions to previously reported data should be communicated to the staff in the context of the regular updates.

DEFINITIONS OF THE PRINCIPAL CONCEPTS AND VARIABLES

96. Any variable that is mentioned herein for the purpose of monitoring a performance criterion, and that is not explicitly defined, shall be defined in accordance with the Fund's standard statistical methodology, such as the Government Financial Statistics. For variables that are omitted from the TMU but that are relevant for program targets, the authorities of Jordan shall consult with the staff on the appropriate treatment based on the Fund's standard statistical methodology and program purposes