INTERNATIONAL MONETARY FUND

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# JORDAN

January 2024

## REQUEST FOR AN EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND CANCELLATION OF THE CURRENT ARRANGEMENT UNDER THE EXTENDED FUND FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR JORDAN

In the context of the Request for an Extended Arrangement Under the Extended Fund Facility and Cancellation of the Current Arrangement Under the Extended Fund Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on January 10, 2024, following discussions that ended on November 9, 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 December 18, 2023.
- A **Statement by the Executive Director, Alternate Executive Director, and Senior Advisor** for Jordan.

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.**

# IMF Executive Board Approves US$1.2 Billion Extended Arrangement Under the Extended Fund Facility for Jordan

FOR IMMEDIATE RELEASE

- The IMF Executive Board approved today a new 4-year Extended Fund Facility (EFF) arrangement with Jordan, in the amount of about US$1.2 billion, to support the authorities' economic program.
- Thanks to adept policy making and international support, Jordan has withstood well a series of shocks over the past few years and maintained macro-stability, broad-based economic growth, and market access, and strengthened social safety nets.
- Building on Jordan's consistently strong performance under the previous program, the new EFF arrangement will support the authorities' efforts toward maintaining macro-stability, further building resilience, and accelerating structural reforms to achieve stronger, more inclusive growth and job creation.

**Washington, DC – January 10, 2024:** The Executive Board of the International Monetary Fund (IMF) approved today a four-year arrangement under the Extended Fund Facility (EFF) with Jordan, for an amount equivalent to SDR 926.37 million (about US$1.2 billion and equivalent to 270 percent of Jordan's quota), to support the country's economic and financial reform program. The new arrangement replaces and succeeds the previous EFF arrangement that was approved in March 2020 and that was set to expire in March 2024.

Sound policy making and support from international partners have helped Jordan to withstand well a series of shocks over the past few years and to maintain macro-stability, broad-based economic growth, and market access, and strengthen social safety nets. The new EFF arrangement will continue to support the authorities' efforts toward maintaining macro-stability and further building resilience, including by continuing with a gradual fiscal consolidation to place public debt on a steady downward path, while protecting social and capital spending and improving the financial viability and efficiency of the electricity sector; and by safeguarding the exchange rate peg with appropriate monetary policies. Moreover, the authorities' efforts will also continue to be focused on accelerating structural reforms to achieve stronger growth and job creation, notably by further improving the business environment, access to finance, labor market flexibility, and public administration. The new arrangement builds on Jordan's strong performance under the previous arrangement; six reviews were completed on time under the previous arrangement and all commitments that had been set for the seventh review were met.

Today's approval of the new IMF-supported program by the Board provides Jordan with immediate access to SDR 144.102 million (about US$190 million); the remaining amount will be phased over the duration of the program, subject to eight program reviews.

Following the Executive Board's discussion on Jordan, Mr. Kenji Okamura, Deputy Managing Director and Acting Chair, issued the following statement:

"Jordan has weathered well a series of shocks over the past few years, maintaining macro-stability and moderate economic growth thanks to adept policy making and sizable international support. Prudent fiscal and monetary policies have reduced deficits, strengthened reserve buffers, preserved financial stability, and maintained market confidence in a challenging global and regional environment. Significant progress has also been made in implementing structural reforms.

"Going forward, supported by the new EFF arrangement, policies are focused on maintaining macro-stability and further building resilience, and accelerating structural reforms to achieve stronger, more inclusive growth and job creation, to tackle high unemployment.

"Building on progress made in recent years, the authorities will continue with a gradual fiscal consolidation—supported by measures to broaden the tax base and improve tax compliance and spending efficiency—to place public debt on a steady downward path, while creating space for priority social and capital spending. The planned expansion of social assistance, with further improvements in targeting, will be key to ensuring adequate protection of vulnerable households. Improving the efficiency and viability of public utilities also remains crucial for preserving the sustainability of public finances, while ensuring the delivery of essential services.

"The Central Bank of Jordan maintained its prudent policies, which have safeguarded the peg to the U.S. dollar and provided financial stability. The peg has served Jordan well and helped keeping inflation low. Monetary policy should continue to focus on preserving monetary and financial stability, by adjusting policy rates as needed to support the peg. The banking sector remains healthy, while solid progress in strengthening financial integrity allowed Jordan to be removed from FATF's grey list. Implementation of the recommendations of the 2023 IMF-World Bank Financial System Stability Assessment will be important to further strengthen financial sector oversight.

"Further progress in implementing structural reforms to improve the business environment and attract private investment is crucial to create a dynamic private sector, foster job-rich growth, and achieve the objectives of Jordan's Economic Modernization Vision. In this regard, strengthening competition, further reducing red tape, and pressing ahead with labor market reforms to increase flexibility, lower youth unemployment, and enhance female labor participation are critical. Donor support remains essential to help Jordan navigate the challenging external environment, host the large number of refugees, and maintain the reform momentum."

## Jordan: Selected Economic Indicators, 2022–28

| | 2022 | 2023 Est. | 2024 Proj. | 2025 Proj. | 2026 Proj. | 2027 Proj. | 2028 Proj. |
|---|---|---|---|---|---|---|---|
| **Output** | | | | | | | |
| Real GDP growth (in percent) | 2.4 | 2.6 | 2.6 | 3.0 | 3.0 | 3.0 | 3.0 |
| **Employment (in percent)** | | | | | | | |
| Unemployment | 22.9 | … | … | … | … | … | … |
| **Prices** | | | | | | | |
| Inflation (in percent) 1/ | 4.2 | 2.2 | 2.7 | 2.4 | 2.5 | 2.5 | 2.5 |
| **Government Finances (in percent of GDP)** | | | | | | | |
| Central government fiscal operations | | | | | | | |
| Revenue and grants 2/ | 25.8 | 26.2 | 26.8 | 27.1 | 27.3 | 27.7 | 27.7 |
| *Of which:* grants | 2.3 | 2.1 | 1.9 | 1.6 | 1.6 | 1.5 | 1.5 |
| Expenditures 2/ | 31.6 | 31.5 | 32.4 | 32.3 | 32.0 | 30.9 | 30.1 |
| Overall central government balance | -5.8 | -5.3 | -5.5 | -5.2 | -4.7 | -3.2 | -2.4 |
| Primary government balance (exc. grants, NEPCO and WAJ) | -3.6 | -2.8 | -2.1 | -1.4 | -0.7 | 0.0 | 0.7 |
| Combined public sector balance 3/ | -4.8 | -4.6 | -4.1 | -3.1 | -2.2 | -1.4 | -0.7 |
| Government gross debt | 111.3 | 111.5 | 112.7 | 112.9 | 112.5 | 110.4 | 108.2 |
| Government gross debt, net of SSC holdings of government debt 4/ | 88.8 | 88.7 | 88.3 | 87.1 | 85.3 | 82.0 | 78.6 |
| **Money and Credit** | | | | | | | |
| Broad money (percent change) | 5.5 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 |
| Credit to the private sector (percent change) | 8.0 | 4.0 | 5.0 | 6.0 | 6.2 | 6.5 | 6.7 |
| **Balance of payments** | | | | | | | |
| Current account including grants (in percent of GDP) | -7.9 | -7.0 | -6.3 | -4.5 | -4.1 | -4.0 | -4.5 |
| Gross reserves (in months of imports) | 6.8 | 6.6 | 6.6 | 6.6 | 6.8 | 7.2 | 7.0 |
| In percent of Reserve Adequacy Metric | 102 | 94 | 91 | 91 | 95 | 101 | 101 |
| Public external debt (in percent of GDP) | 47.7 | 42.2 | 44.3 | 44.8 | 43.4 | 42.2 | 39.5 |

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.

4/ Government's direct and guaranteed debt (including NEPCO and WAJ debt). SSC stands for Social Security Corporation.

INTERNATIONAL MONETARY FUND

# JORDAN

December 18, 2023

## REQUEST FOR AN EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND CANCELLATION OF THE CURRENT ARRANGEMENT UNDER THE EXTENDED FUND FACILITY

## EXECUTIVE SUMMARY


**Context:** Jordan has weathered a series of shocks relatively well, owing to adept policy making and sizable international support. Despite a challenging global and regional environment, Jordan has maintained macro stability, its economy is growing, albeit at a moderate pace, and inflation is low. However, despite progress achieved, unemployment is still very high, public debt is elevated and above pre-pandemic levels, and structural challenges weigh on private sector development.

**Program objectives and policies:** Following the strong implementation of the 2020 program, a new EFF arrangement would help the authorities to advance policies and structural reforms, some of which are already in train, to strengthen economic resilience, and achieve stronger and more inclusive growth with lower unemployment. The new EFF arrangement will help cover balance of payments needs that stem from large debt service obligations in the coming years and a worse external environment than anticipated earlier, and will help catalyze support from other donors. In particular, the authorities' policies would focus on continuing with fiscal consolidation to place public debt on a steady downward path, while protecting social and capital spending; improving the financial viability and efficiency of public utilities; safeguarding the exchange rate peg with appropriate monetary policies; and accelerating structural reforms to create a more dynamic private sector that can create more jobs, including by improving the business environment, access to finance, labor market flexibility, and public administration.

**Program modalities:** To support these objectives, the authorities request a new four-year EFF arrangement in the amount of SDR 926.37 million, equivalent to 270 percent of quota or about US$1.2 billion. The new arrangement will replace the existing EFF arrangement that was set to expire in March 2024, and which will be cancelled.

**Risks:** Risks are high and tilted to the downside, stemming mainly from a possible deterioration in the external environment, including if regional tensions were to intensify, as well as from potential opposition to key reform measures. These risks, however, are mitigated by Jordan's strong track record in implementing sound policies, as well as by the strong support from the international community.

Approved By
**Thanos Arvanitis (MCD) and Jarkko Turunen (SPR)**

The team consisted of Ron van Rooden (head), Serpil Bouza, Fei Liu, Diala Al Masri, Annalaura Sacco (all MCD), Yahia Said (Resident Representative), Rayah Al-Farah, Leen Aghabi (local economists), Bryn Battersby, Lahcen Bounader (both FAD), Timila Dhakhwa (MCM), and Chuling Chen (SPR). Maya Choueiri (OED) participated in the mission. Discussions were held virtually during October 24–27, 2023 and in Amman during October 30–November 9, 2023. Staff met with Prime Minister Bisher Al-Khasawneh, Deputy Prime Minister for Economic Affairs Nasser Shraideh, Minister of Finance Mohamad Al-Ississ, Minister of Planning and International Cooperation Zeina Toukan, Governor of the Central Bank of Jordan Adel Al-Sharkas, and other senior officials, as well as other development partners, and private sector and civil society representatives. Farid Ahmad provided research assistance, Cecilia Pineda provided document management, and Sana Almunizel provided logistics support.

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# CONTEXT

1. **Over the past four years, Jordan has weathered a series of shocks relatively well, thanks to sound macro-economic policies and sizable international support.** The arrangement under the Extended Fund Facility (EFF) approved in March 2020 was designed to help Jordan rebuild buffers and address long-standing structural obstacles to growth, as well as challenges from hosting over 1 million Syrian refugees. The external environment turned out to be more difficult than originally envisaged, first as the pandemic hit and later with Russia's war in Ukraine and the subsequent rise in commodity prices, and most recently with the conflict in Gaza and Israel. To meet these challenges, the program was quickly adjusted and augmented to mitigate the impact of the shocks on Jordan's economy and to protect lives and livelihoods. Overall, the authorities have been successful in maintaining macro-stability and, despite the challenging environment, Jordan's economy is growing, albeit at a modest pace of 2–3 percent per year. Inflation, which had picked up in the wake of the rise in commodity prices, has since fallen, as commodity prices eased and in response to the tightening of monetary policy.

2. **Nonetheless, Jordan still faces considerable challenges in an uncertain external environment.** Risks to the outlook are large, including from a possible escalation of the conflict in Gaza. Global economic fragmentation, weak and uneven global growth, as well as climate change all pose considerable threats. Meanwhile, while notable progress in fiscal consolidation achieved under the 2020 EFF arrangement stabilized public debt, it is still elevated and above pre-pandemic levels, and gross financing needs are large. Moreover, unemployment remains high, at 22 percent. Youth unemployment is particularly high, at close to 50 percent, while female labor force participation is among the lowest in the world, at 14 percent. With Jordan's population growing at about 2 percent per year (not counting refugees), the current pace of economic growth is not enough to make a meaningful dent in unemployment.

3. **To anchor macro-economic policies in the coming years and to continue to reduce vulnerabilities, and especially to accelerate growth and job creation, the Jordanian authorities are requesting a new four-year EFF arrangement.** The new arrangement will help the authorities maintain macro-stability, including in the face of new shocks, accelerate structural reforms to achieve stronger, inclusive growth and reduce unemployment, and support the implementation of their Economic Modernization Vision, adopted in June 2022. The new arrangement will replace the existing arrangement that was set to expire in March 2024, and which the authorities are cancelling.

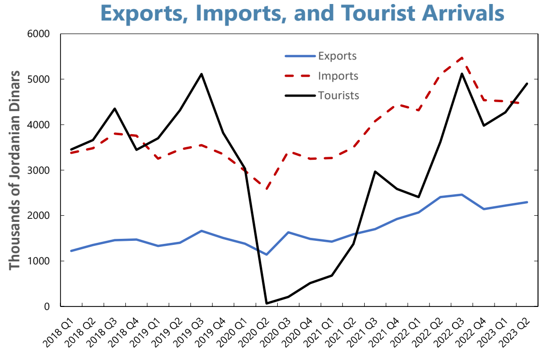
4. **Performance under the existing EFF arrangement has remained strong.** All end-June 2023 performance criteria (PCs) and indicative targets (ITs) were met. ITs for end-September 2023 were also met, except for the accumulation of arrears by NEPCO and SSC net financing to the central government. Fiscal and monetary policies have remained on track to meet end-December 2023 PCs. Similarly, all structural benchmarks (SBs) that had been set for the seventh review under the existing arrangement were also met, as well as several that had been set for December 2023.

# RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

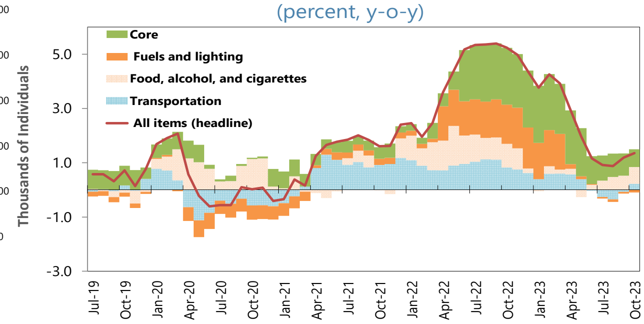
5. **Jordan's economy continues to show resilience.** Economic growth picked up pace in the first three quarters of 2023, with strong performance in all sectors, notably in manufacturing, transport, agriculture, and mining, as well as tourism-related sectors. The conflict in Gaza and Israel, however, has had an immediate adverse impact on tourist arrivals and overall confidence, and this effect is expected to linger. Assuming the conflict remains relatively contained, growth in 2023 and 2024 is projected to be held back at around 2.6 percent, as compared to earlier projections of growth approaching 3 percent in 2024. Growth would pick up pace in following years, as further progress is made in implementing reforms, and assuming an improving external environment. Similarly, compared to earlier projections, the current account deficit is expected to narrow to just under 6½ percent of GDP in 2024, from a projected 7 percent of GDP in 2023, and to narrow further in the following years. Inflation, meanwhile, has come down to low levels, to 1.3 percent (y-o-y) in November 2023, as global commodity prices have eased and the CBJ has raised its policy rate in line with the U.S. Federal Reserve. Headline inflation is projected to remain low, at around 2 percent in 2024.

**Economic Recovery and Inflation**

**Exports, Imports, and Tourist Arrivals**




**Contribution to Headline Inflation**
(percent, y-o-y)




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

6. **Social conditions remain challenging with persistent high unemployment.** The unemployment rate stood at 22.3 percent in the second quarter of 2023, declining only marginally from a year earlier. Youth unemployment remains stubbornly high, at 47 percent. Female labor force participation is low, at 13.8 percent in the first half of 2023, and driven especially by the very low participation of less-educated women.

7. **Risks to the outlook are high and tilted toward the downside** (Annex I). An escalation of the conflict in Gaza and Israel could substantially affect Jordan's economic outlook and its external and fiscal balances (Box 1). An intensification of broader geopolitical tensions could lead to a renewed surge in commodity prices, including food and fuel prices. Persistent inflationary pressures could lead central banks in advanced economies to maintain tight monetary policy for longer, with knock-on effects for global financial conditions and for emerging markets. All of these could weigh on domestic sentiment and raise social tensions, which could make it more difficult to advance

important structural reforms. Climate-change risks exacerbating Jordan's already dire water scarcity could also hurt growth and add further pressure on government finances. A resolution of regional conflicts and a renewed push for regional cooperation, stronger-than-expected remittance receipts, and faster progress in reform implementation pose upside potential.

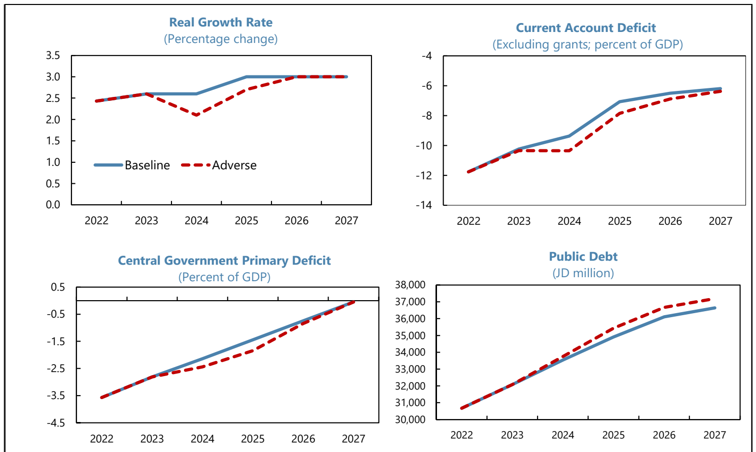
## Box 1. Possible Impact of a Prolonged or Escalating Conflict

*The repercussions of the conflict in Gaza and Israel for Jordan will depend on its length and intensity and are subject to a large degree of uncertainty. The longer the conflict lasts, and the wider it spreads, the larger the impact on Jordan's economy will be.*

Under the baseline scenario of a contained conflict, the impact on Jordan's economy is expected to be relatively limited, given the economy's resilience, the diversified sources of energy and foreign exchange receipts, and strong buffers. So far, the impact has been concentrated in the tourism sector, with cancellations by tourists from advanced economies, who comprise a third of tourism receipts. Energy and other trade linkages remain unaffected, and spreads have narrowed after an initial increase.

In the case of a prolonged or escalating conflict, potential deteriorations of investor and consumer confidence and a more substantial reduction of tourism receipts could dent economic growth, worsen external and fiscal balances, resulting in larger financing needs. FDI could also weaken. Meeting the financing needs could become challenging if global financial conditions also tighten or become more volatile. Moreover, the conflict may affect Jordan's access to capital markets, along with other frontier emerging markets. Energy supplies could be interrupted or become more costly. Social tensions could rise if the conflict prolongs and spreads.

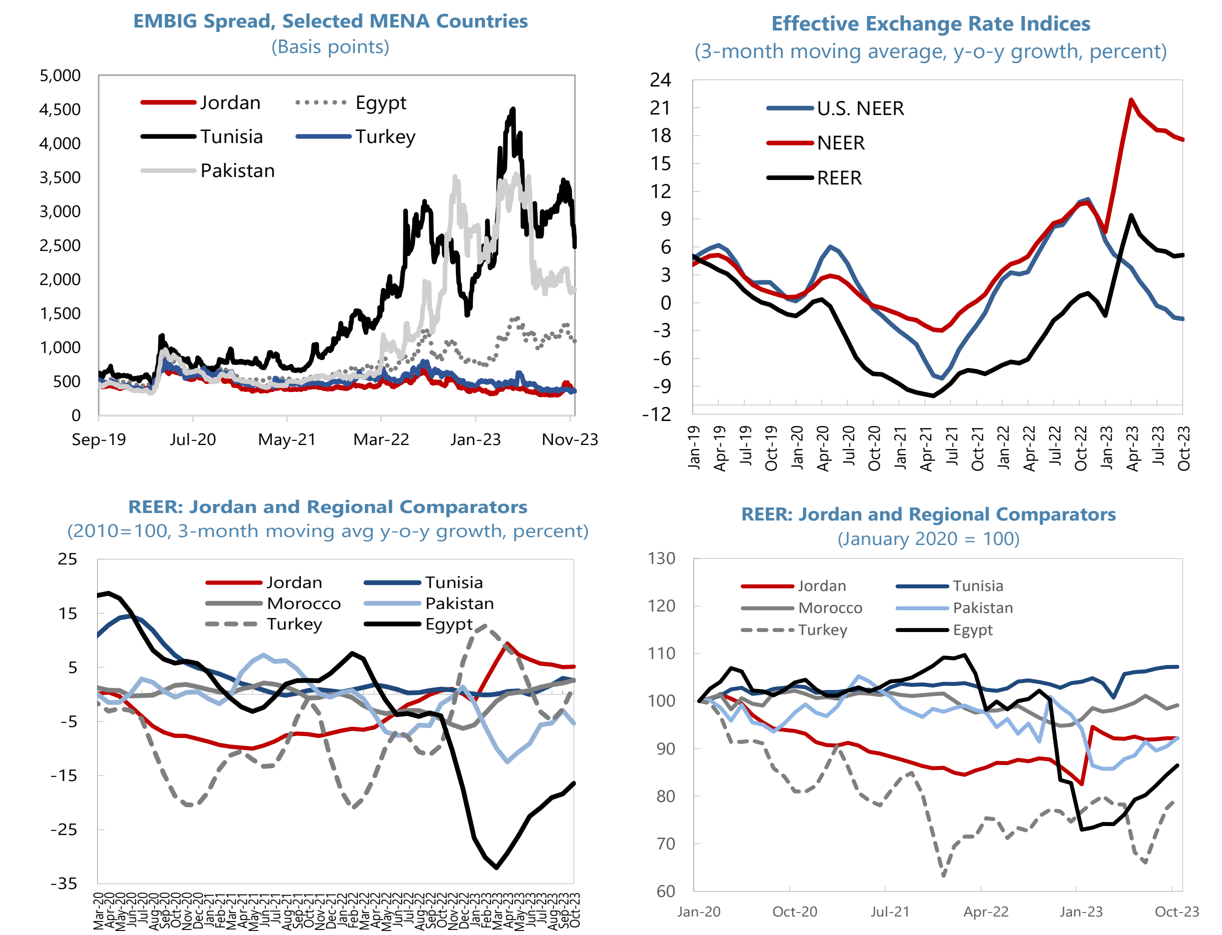
Under an adverse scenario of an expanding and intensifying conflict that lasts about one year, while not crossing Jordan's borders, but with disruptions to natural gas and water supplies, higher oil prices, and a larger drop in tourism receipts, economic outcomes would be considerably worse. Growth could slow to below 2 percent, and fiscal and current account balances would worsen, resulting in higher public debt.




Sources: IMF staff calculations.

Contingency measures to help deal with the impact of a possible deterioration of the outlook include a larger allocation for the emergency fund in the budget, while non-priority spending would be reduced, also to make room for further social support. The authorities are seeking to mobilize additional budget grants to provide a further cushion for dealing with any new shocks.

**Sovereign Spread and Exchange Rate Developments**




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

# POLICIES UNDER A NEW EFF ARRANGEMENT

*The current EFF arrangement has been successful in ensuring macro-stability, but growth has been insufficient to reduce unemployment and some difficult reforms require more time to implement. The new EFF arrangement would focus on maintaining stability and further building resilience, by continuing with fiscal consolidation to place public debt on a steady downward path, while protecting social and capital spending and improving the financial viability and efficiency of public utilities; and safeguarding the exchange rate peg with appropriate monetary policies. Moreover, it would focus on accelerating structural reforms to achieve stronger growth and job creation, notably by further improving the business environment, access to finance, labor market flexibility, and public administration. The reform agenda is guided by Jordan's Economic Modernization Vision and builds on the lessons from past engagements, as reflected in the Peer Reviewed Assessment (PRA) of Jordan's program engagement (Annex V).*

## A. Continuing with Fiscal Consolidation While Supporting Growth

**8. The authorities will continue with a gradual fiscal consolidation to place public debt on a steady downward path, while creating space for priority social spending and investment** (MEFP ¶5). With fiscal policy on track to meet this year's targets, the authorities managed to achieve a considerable fiscal consolidation during the current EFF arrangement, reducing the central government primary deficit (excluding grants) from 5.7 percent of GDP in 2020 to 2.8 percent in 2023. This was done almost entirely by improving revenue collection and keeping current expenditure nearly flat as a share of GDP, despite significant headwinds and spending pressures. Reflecting this performance, and despite the challenges to sustainably improving the finances of the public utilities, the general government primary deficit (excluding grants) was reduced from 4.5 percent of GDP in 2020 to a projected 1.6 percent of GDP in 2023, benefitting also from the sustained surpluses of the Social Security Corporation (SSC). The authorities aim to continue on this path and bring the central government primary deficit (excluding grants) down to zero by 2027. At the same time, structural measures (see below) will support a gradual reduction in the operational losses of the utilities sector to reduce the pressure on public finances. Combined, these efforts would move the general government primary balance (excluding grants) into a surplus of nearly 2 percent of GDP by 2027, the end of the proposed new EFF arrangement, and public debt to below 80 percent of GDP by 2028. The authorities have submitted a draft 2024 central government budget to parliament that is consistent with these goals and that would reduce the primary deficit (excluding grants) to 2.1 percent of GDP next year.

**Jordan: Central and General Government Balances, 2022-28**
(Percent of GDP)

| | 2022 | 2023 | | 2024 | | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|
| | Proj. | 6th Rev. | Proj. | 6th Rev. | Proj. | Proj. | Proj. | Proj. | Proj. |
| Central government primary balance (ex grants) | -3.6 | -2.9 | -2.8 | -2.0 | -2.1 | -1.4 | -0.7 | 0.0 | 0.6 |
| Utilities overall balance | -1.3 | -1.9 | -1.8 | -1.7 | -2.0 | -1.7 | -1.5 | -1.4 | -1.3 |
| NEPCO | -0.7 | -1.1 | -1.1 | -1.0 | -1.3 | -1.1 | -0.9 | -0.8 | -0.8 |
| Water sector | -0.6 | -0.8 | -0.7 | -0.7 | -0.7 | -0.6 | -0.6 | -0.5 | -0.5 |
| SSC surplus (ex interest income from CG) | 2.6 | 3.3 | 2.5 | 2.9 | 2.8 | 2.7 | 2.7 | 2.6 | 2.5 |
| Add back, interest bill of NEPCO and WAJ | 0.4 | 0.6 | 0.5 | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 |
| General government primary balance (ex grants) | -1.9 | -1.0 | -1.6 | -0.2 | -0.7 | 0.3 | 1.2 | 1.9 | 2.5 |
| General government primary balance (inc grants) | 0.4 | 1.3 | 0.5 | 1.8 | 1.2 | 1.9 | 2.8 | 3.4 | 4.0 |
| Central government grants | 2.3 | 2.3 | 2.1 | 2.0 | 1.9 | 1.6 | 1.6 | 1.5 | 1.5 |
| General government interest bill | 3.9 | 4.1 | 4.1 | 4.4 | 4.7 | 4.8 | 4.9 | 4.1 | 3.7 |
| General government overall balance | -3.4 | -2.6 | -3.6 | -2.6 | -3.5 | -2.9 | -2.1 | -0.6 | 0.3 |
| ***Memorandum items*** | | | | | | | | | |
| Public debt-to-GDP | 88.8 | 90.6 | 88.7 | 89.3 | 88.3 | 87.1 | 85.3 | 82.0 | 78.6 |
| Nominal GDP in JD million | 34,544 | 35,465 | 36,151 | 37,333 | 37,981 | 40,098 | 42,334 | 44,694 | 47,186 |

Sources: IMF staff calculations.

**9. Supported by the continued fiscal consolidation, public debt will remain sustainable.** The attached debt sustainability analysis (Annex IV) indicates that public debt is assessed to be sustainable. While risks remain, including from future shocks and lower yields from policy measures and with sizable gross financing needs, the authorities' commitment to sound macro-economic policies, as well as development partners' strong commitment to Jordan and continued market access constitute important safeguards. Contingency measures include a larger allocation for the emergency fund in the 2024 budget and a reduction in non-priority spending if needed, while the authorities are seeking to mobilize additional budget grants to provide a further cushion for dealing with any new shocks. The government's gross financing needs are projected to continue to be covered in large part by donor support, including from IFIs and bilateral donors, continued capital market access, and with the remainder financed domestically, by the Social Security Investment Fund (SSIF), which invests its sizable surpluses predominantly in government securities, and to a lesser extent—so as to not crowd out the private sector—by the banking system.

**10. To achieve the needed fiscal consolidation, the authorities aim to make further progress in broadening the tax base** (MEFP ¶6). Revenue measures account for about two-thirds, or about 1.5 percent of GDP, of the planned fiscal adjustment. Notably, recognizing the scope for reducing remaining tax gaps, key initiatives include a further reduction in exemptions and additional efforts to improve compliance. The latter includes: (i) upgrading the Income and Sales Tax Department's (ISTD) IT infrastructure; (ii) expanding the application of new transfer pricing rules across various business categories; (iii) further rolling out e-invoicing (*SB for March 2025*); (iv) implementing digital track-and-trace systems for tobacco and alcohol (*SB for March 2024*) and adding chemical markers to diesel, to contain smuggling (*SB for November 2024*); and (v) transitioning to AI- and risk-based auditing. Additionally, this will be complemented by enhanced data sharing between the ISTD and Customs Administration (*SB for September 2024*) and streamlined customs clearance processes (*SB for September 2024*).

**11. Public administration reform will improve efficiency and support fiscal consolidation through expenditure restraint** (MEFP ¶7). Expenditure reforms, including containing the wage bill and improving spending efficiency, account for the remaining one-third of the planned fiscal adjustment. Notably, the authorities are implementing the Public Sector Modernization Roadmap, including operationalizing the newly established Public Service and Administration Commission, and launching an automated HR management information system that includes real-time civil service data and performance management functions to support the roles and functions of the newly established commission. To start, effective January 2024, all hiring and promotion decisions for all senior positions will be based on professional qualifications and performance (*SB for March 2024*); and a new performance-based salary-setting mechanism for the bulk of all civil service employees will be introduced by the end of 2024 (*SB for December 2024*).

**12. The authorities will further expand social assistance** (MEFP ¶7). They are maintaining a minimum threshold for social spending. Moreover, while the National Aid Fund has proven effective in reaching the most vulnerable households, covering over 80 percent of the bottom quintile of households, the number of households covered will be increased from 220,000 in 2023 to 236,000 in 2024 and further to 250,000 in 2025, to further improve coverage and address additional needs for social protection. Looking further ahead, to tackle the long-term fiscal risks from demographic changes (Annex IV), the authorities, with the assistance of development partners, will conduct an actuarial study to assess the SSC's outlook and develop a set of parametric reforms as needed to ensure its long-term financial viability, while ensuring adequate retirement benefits.

**13. Public financial management will also be strengthened further** (MEFP ¶8). The authorities will expand the analysis of contingent liabilities and state-owned enterprises (SOEs) in the 2024 fiscal risk statement. Public investment management will be improved by strengthening processes for project appraisal and selection, drawing on recommendations from the 2017 Public Investment Management Assessment (PIMA) and the 2020 PIMA follow-up. To implement these reforms, the authorities will issue a project management circular to ensure that all capital projects included in the 2025 budget are approved by the Public Investment Management (PIM) unit at the Ministry of Planning and International Cooperation (MOPIC) and are registered in the National Registry of Investment Projects (NRIP) (*SB for September 2024*).

## B. Maintaining Financial Stability While Improving Access to Finance

**14. The CBJ's policies will continue to focus on preserving monetary and financial stability** (MEFP ¶9). Monetary policy will continue to be underpinned by the CBJ's firm commitment to the exchange rate peg to the US dollar. The CBJ has raised its policy rates eleven 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. These actions have been effective in maintaining price and financial stability. Although credit growth has slowed, reflecting the impact of the higher interest rates, it remains positive. International reserves are broadly adequate at close to 100 percent of ARA metric and 6½ months of imports. Overall, the peg remains appropriate, as it has been an effective nominal anchor and confidence in the dinar remains strong. Jordan's external position is assessed as broadly in line with fundamentals (Annex III).

**15. The banking system appears healthy** (MEFP ¶10). The banking system's capital adequacy ratio remains well above the regulatory minimum of 12 percent. Non-performing loans (NPL) are relatively low, and provisioning is strong. Nonetheless, the CBJ will 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 | 2023 1/ |
|---|---|---|---|---|---|
| Risk-weighted capital adequacy ratio | 18.3 | 18.3 | 18.0 | 17.3 | 17.4 |
| NPLs (In percent of total loans) | 5.0 | 5.5 | 5.0 | 4.5 | 5.0 |
| Provisions (In percent of classified loans) | 69.5 | 71.5 | 79.9 | 81.5 | 78.4 |
| Liquidity ratio | 134.1 | 136.5 | 141.5 | 138.0 | 135.4 |
| Return on assets | 1.2 | 0.6 | 1.0 | 1.0 | 1.2 |
| Loans to deposits ratio | 81.6 | 84.5 | 82.8 | 83.5 | 84.8 |

Source: Central Bank of Jordan.
1/ Preliminary June data.

**16. The authorities are committed to implementing the recommendations of the joint IMF-World Bank Financial System Stability Assessment (FSSA)** (MEFP ¶11). The authorities have already set up a multi-agency crisis management committee between CBJ, MOF and Jordan Deposit Insurance Corporation (JODIC) to adequately operationalize the crisis management framework. In the period ahead, the CBJ will: (i) align prudential requirements on asset classification with Basel Core Principles (*SB for June 2024*); (ii) introduce Pillar 2 risk assessment methodologies to make capital assessments more sensitive to individual banks' risk profiles (*SB for November 2025*); (iii) align prudential requirements for concentration risk and related party exposure with Basel Core Principles (*SB for November 2026*); and (iv) design and operationalize procedures for the compensation of depositors together with JODIC (*SB for November 2026*).

**17. The authorities have made substantial progress in strengthening their Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) framework** (MEFP ¶12). This resulted in the removal of Jordan from the Financial Action Task Force (FATF) gray list in October 2023. The authorities will continue their efforts to further strengthen the effectiveness of the AML/CFT framework, including by enhancing supervision of all reporting entities, enforcement, and international cooperation.

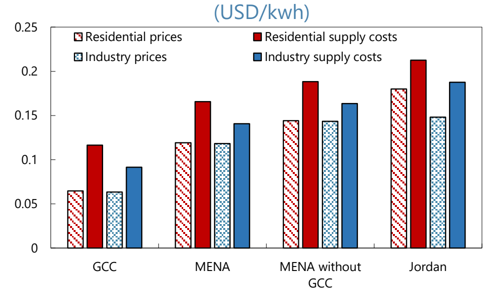
**18. The authorities aim to improve access to finance for micro, small, and medium enterprises (MSMEs)** (MEFP ¶13). While some 85 percent of MSMEs are reported to have bank accounts, only some 15 percent have received bank financing. MSMEs are mostly self-financed, limiting their ability to invest and expand. The authorities aim to set up a wholesale funding facility, with the help of development partners, to particularly support micro-finance institutions and other regulated non-bank credit institutions in providing financing to MSMEs. The scope and quality of data captured by the Credit Bureau, as well as access to credit reports, will be improved. At the same time, the CBJ will continue to gradually scale back its remaining subsidized lending scheme, including by reducing its concessionality, as it complicates monetary policy transmission.

## C. Improving Efficiency and Viability of the Electricity and Water Sectors

**19. The utility companies continue to put a substantial burden on public finances.** NEPCO's and WAJ's operational losses are almost equal to the central government's primary budget deficit (excluding grants) and are adding to public debt. Improving their finances is crucial to ensuring fiscal sustainability and supporting the authorities' efforts to create additional room for social and capital spending.

**20. NEPCO's operational losses increased in 2023 broadly as expected, but the outlook remains challenging.** NEPCO's losses are expected to land at 1.1 percent of GDP in 2023, in line with earlier expectations, contained by a set of cost saving and revenue raising measures implemented during the year (MEFP ¶15). However, NEPCO's finances remain under pressure and losses are expected to widen further to 1.3 percent of GDP in 2024, due to lower growth in electricity demand, as more people shift to renewable energy, and higher payments for electricity purchases and financing costs. The scope for improving NEPCO's finances in the near term is limited given the long-term contractual obligations, both on the generation side (with expensive offtake agreements) and distribution side (with guaranteed rates of return), while electricity tariffs are already relatively high relative to regional peers, especially for the commercial and industrial sectors, and households increasingly shift to self-generation.

**Electricity Costs**
(USD/kwh)




Sources: IMF Fuel Subsidies database; and IMF staff calculations. Note that while numbers are largely comparable, there could be heterogeneity in the calculation of average costs across countries.

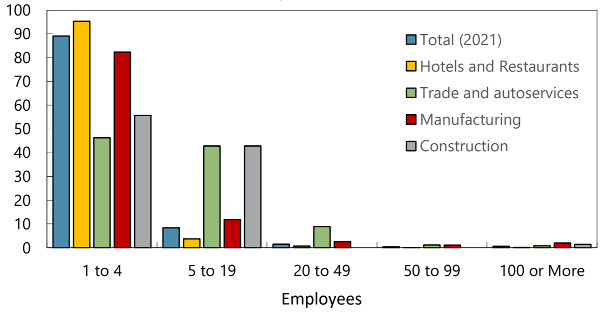
**21. Placing NEPCO's finances on a stronger financial footing, while improving the electricity sector's efficiency, will require sustained, multi-year efforts** (MEFP ¶16). To support the strategy, several reviews are underway, conducted by reputable consultants, to help with the design of long-term measures to reduce costs and improve efficiency. In the meantime, the authorities will: (i) review distribution companies' licenses to achieve higher bulk supply tariffs charged by NEPCO; (ii) in line with progress in installing smart meters, apply time-of-use tariffs for the commercial and industrial sectors, capturing at least 15 percent of total electricity consumption by July 2024 (*SB for July 2024*) and at least 30 percent of total electricity consumption by January 2025 *(SB for January 2025*); (iii) introduce an economically efficient tariff design for access to, usage of, and selling electricity to the power grid for new self-generators by switching from net metering to net billing (*SB for September 2024*); (iv) introduce a legally and regulatory permissible levy on electricity generation companies (*SB for April 2024*); and (v) further enhance NEPCO's governance in line with best practices (MEFP ¶17). Based on the results of the comprehensive review of the electricity sector that is expected to be completed by mid-2024, further steps will be developed to improve the sector's efficiency and improve NEPCO's finances, with a view to gradually reducing NEPCO's losses to 0.8 percent of GDP by 2028.

**22. Progress is being made in improving the water sector's finances** (MEFP ¶18). The authorities are making steady progress in implementing the National Water Strategy (NWS), in line also with the cabinet-approved Financial Sustainability Roadmap (FSR). This includes reducing non-revenue water (NRW) by at least 2 percent per year—NRW was reduced by 3.1 percent last year—to bring NRW levels down to 37 percent and 25 percent by 2030 and 2040, respectively. The authorities have also announced a multi-year path for raising water tariffs, starting with a first tariff increase at the start of 2024, with a view to ensure recovery of operating and maintenance costs by 2030. The authorities are aiming to increase waste-water treatment for re-use in agriculture, as well as employing more efficient irrigation systems and expanding rainfed agriculture and rainwater harvesting. Addressing Jordan's water needs, however, will also require major investments, including through the desalination of seawater and improvements in the supply network, and including the planned Aqaba–Amman Conveyance project. Hence, the water sector's financial losses will only gradually decline over the coming years, narrowing from 0.7 percent of GDP in 2023 and 2024, to 0.5 percent of GDP by 2027.

## D. Accelerating Structural Reforms to Support Inclusive Growth

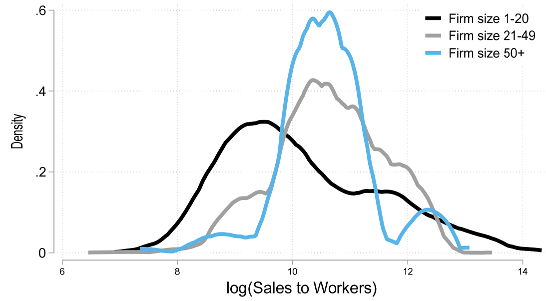
**23. Stronger growth is needed to significantly raise incomes and reduce unemployment.** While progress was made in implementing structural reforms in recent years and growth recovered, job creation has not kept pace with population growth and skill mismatches persist. The private sector in Jordan continues to grapple with a range of obstacles, including high energy costs, unpredictable and extensive regulatory processes, limited access to finance, and labor market rigidities. The distribution of firm sizes in Jordan is heavily skewed towards micro and small enterprises, while the number of medium-sized enterprises is relatively low. Small businesses appear to face considerable obstacles to expand.

**Firm Size Distribution**
(percent)




Sources: The Department of Statistics of Jordan (2021); IMF staff calculations.

**Productivity by Firm Size**

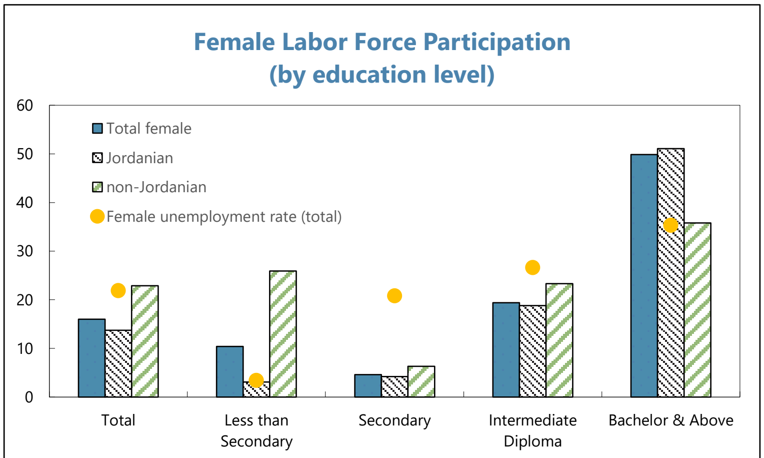



Sources: Enterprise Surveys, World Bank (2013 and 2019 panel); IMF staff calculations.

**24. The authorities aim to accelerate structural reforms to create a more dynamic private sector that can create more jobs.** These reforms are focused on improving the business environment, attracting investment, fostering competition, and improving labor market flexibility. These reforms are crucial to achieving the goals of the Economic Modernization Vision. Key reform areas include:

- **Enhancing the business environment, strengthening competition, and attracting higher levels of investment** (MEFP ¶20). The authorities will continue to streamline the processes for, and reduce the costs of, starting and closing a business. To that effect, they will: (i) submit to parliament the necessary legislation to abolish licenses in the tourism sector (*SB for March 2024*); (ii) abolish licensing requirements for libraries, cultural and sport activities, and streamline licensing requirements for the food, childcare, and education sectors (*SB for September 2024*); (iii) clarify provisions in the Companies Law regarding personal liability of partners in limited liability companies (*SB for May 2024*); (iv) strengthen the Competition Directorate, including by bringing its authority in line with international best practices, and submit legislation to that effect to parliament (*SB for October 2025*); and (vi) complete the digitalization of all government services (*SB for December 2025*), which would improve services and reduce costs for businesses and individual citizens alike and reduce the scope for corruption.

- **Introducing labor market reforms to encourage formal employment, including of women, while providing appropriate protection to workers, and harmonizing pay for male and female workers** (MEFP ¶21). An outdated and restrictive labor law needs to be amended to increase labor market flexibility and allow for flexible work arrangements (*SB for September 2025*). Enhancing female labor force participation also requires improving access to child-care, including adjustments to childcare provisions in the labor law to ensure that they do not create obstacles for formal employment. In parallel, the social security law needs to be amended to facilitate flexible work arrangements, while also harmonizing benefits for males and females (*SB for September 2025*). Similarly, pay structures within the civil service will be reviewed to ensure pay equality for male and female employees. The authorities are also working to formalize the care economy to improve services and competitiveness, which would create more work opportunities, especially for women. As part of the review of the SSC's viability, the authorities will also explore replacing the current unemployment insurance program, which is based on individual accounts, with a program based on risk pooling.



Sources: Department of Statistics Jordan, Q2 2023 data, and IMF staff calculations.

- **Further enhancing governance** (MEFP ¶22), by: (i) criminalizing illicit gains from public procurement; (ii) continuing the roll-out of e-procurement, making it mandatory for all government entities by end-2025; and (iii) requiring companies to disclose benefical ownership information in accordance with the new beneficial owner registry regulations.

# PROGRAM MODALITIES

**25. The authorities are requesting a new four-year arrangement under the EFF, with access equivalent to 270 percent of quota (SDR 926.37 million; about US$1.2 billion).** The new arrangement is to succeed the existing EFF arrangement, which is cancelled by the authorities. Notwithstanding strong progress under the current EFF arrangement, Jordan still has a substantial balance of payments need, not only as it faces large external debt service obligations in the coming years, but also given the need to further strengthen reserve buffers in a more challenging external environment, to reach 100 percent of the ARA metric. The need to enhance reserve coverage also warrants a modest frontloading of access. The size and duration of the new arrangement will support the authorities' multi-year efforts to reduce vulnerabilities and further increase resilience and boost growth. The terms of the EFF better fit Jordan's balance of payments needs and the still large structural reform agenda. The attached Letter of Intent (LOI) and Memorandum of Economic and Financial Policies (MEFP) describe the authorities' economic program and set out their detailed policy commitments. Quantitative performance criteria and indicative targets are proposed and will be monitored under semi-annual program reviews (MEFP Table 1b). PCs for the first test date are proposed for December 2023, to align the assessment of fiscal targets with the end of the fiscal year. Structural benchmarks are calibrated to monitor progress in key reform areas (MEFP Table 2b).

**26. The program is fully financed, with firm commitments in place for the first 12 months and good prospects for the remainder of the program.** External financing from development partners is firmly committed for the first 12 months. Additional financing by key development partners is expected to be forthcoming during the remainder of the program, notably from the World Bank, the European Union, and several bilateral donors (GCC countries, Japan, Germany, France, among others). In addition, Jordan has access to international capital markets, reflected in the relatively low sovereign spreads. Purchases under the proposed EFF arrangement will cover the remaining balance of payments needs (see also Tables 3c and 3d).

**Jordan: External Financing Gap and Funding, 2023–27**
(In million of U.S. dollars)

| | 12 months from EFF start | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|
| **Financing gap** | 1,903 | 1,508 | 1,903 | 1,687 | 1,153 | 1,251 |
| **Official Financing** | | | | | | |
| IMF EFF disbursement | 455 | 32 | 455 | 264 | 265 | 265 |
| Identified official public external financing | 1,448 | 1,476 | 1,448 | 524 | 485 | 378 |
| World Bank | 716 | 708 | 716 | 329 | 306 | 200 |
| European Union | 0 | 222 | 0 | 0 | 0 | 0 |
| Japan | 100 | 100 | 100 | 0 | 0 | 0 |
| Others 1/ | 632 | 447 | 632 | 195 | 179 | 178 |
| Unidentified official public external financing | 0 | 0 | 0 | 900 | 404 | 608 |
| ***Memorandum item*** | | | | | | |
| Eurobond issuance | 500 | 1,250 | 500 | 1,250 | 1,250 | 1,250 |

Source: IMF staff projections.
1/ Include bilateral and multilateral financing from Canada, France, Germany, Italy, Kuwait, Saudi Arabia, UAE, Islamic Development Bank and Asia Infrastructure Investment Bank.

**27. Jordan's capacity to repay the Fund remains adequate.** The obligations to the Fund (repurchases and charges) are projected to peak in 2029 at 104 percent of quota, or in 2024 at about 0.8 percent of GDP, and about 1.9 percent of exports of goods and services, before gradually declining in the following years (Table 7). Together with the sizable financing needs throughout the program period, this poses some risks to the Fund. The timely implementation of policies under the program and expected external financing from the official sector, including to help Jordan shoulder the costs of hosting large number of refugees (Box 2), and its continued capital market access provide assurances that Jordan will be in a strong position to repay timely its obligations to the Fund. As noted above, Jordan's public debt continues to be assessed as sustainable.

**28. An update safeguards assessment of the CBJ is in progress.** The CBJ implemented most of the 2020 safeguards assessment recommendations, with the enhancement of disclosures in the CBJ's financial statements still pending. The update assessment will review, *inter alia*, the financial reporting practices, the legal framework, and risks related to the central bank's subsidized lending schemes. The Memorandum of Understanding between the CBJ and Ministry of Finance on responsibilities for servicing financial obligations to the Fund will also be updated.

**29. Progress has also been made in designing a comprehensive set of reform measures that could be supported by an arrangement under the Resilience and Sustainability Facility.** Reform measures that focused on addressing climate change and enhancing pandemic preparedness were discussed with line ministries and key development partners, including the World Health Organization and the World Bank. The authorities' request for support under the RSF is expected to be taken forward in the course of 2024.

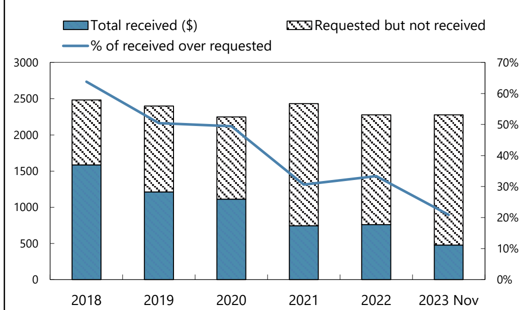
## Box 2. Refugees in Jordan

**Jordan is among the top refugee-hosting countries per capita worldwide.** As of October 2023, there were 730,000 refugees registered with UNHCR, of which, 89 percent were Syrians, 8 percent Iraqis, while the rest were Yemeni, Sudanese, Somali and other nationalities. There are also 2.3 million Palestinians refugees in Jordan, according to UNRWA.

**Jordan continues to stand out as an exemplary host.** The country has devoted strong efforts in providing refugees access to healthcare and education, as well as employment opportunities. The 2016 Jordan Compact, shaped by the government and the international community in response to the large influx of Syrians, sets a global blueprint for a sustainable pathway toward economic opportunities for refugees and host communities. To date, as per authorities' data, more than 396,000 12-month work permits have been issued to Syrian refugees, ensuring access to work, mainly in agriculture, construction, and manufacturing, as well as in higher-skilled employment on an exceptional basis (i.e., health workers during the pandemic).

**Sustained and stepped-up humanitarian and development funding from the international community remains essential to harness the positive gains and to support Jordan in hosting refugees as a global public good.** Despite the sizable support provided by the international community over the years, funding has been declining in recent years, reaching a low 33 percent as a share of the requested funding in 2022, down from 64 percent in 2018. As of November 2023, received funding only accounted for about 21 percent of total support requested. Going forward, continued financial support by the international community remains crucial in providing Jordan the needed funding for hosting refugees. Furthermore, with a large share of the urban refugee population (over 80 percent of total refugees) under the age of 18 (about half of the urban refugees) and between 18 and 35 years of age (about a third of the urban refugees), Jordan can also benefit from its generous support, in particular education, by enhancing the refugees' contribution to the country's economic growth trajectory.

**Funding Trend for Refugees**




Sources: Jordan Response Plan; IMF staff calculations.

# STAFF APPRAISAL

**30. The authorities have continued to pursue sound macro-economic policies amidst challenging domestic and external conditions.** Thanks to these commendable efforts and strong ownership of the current EFF arrangement, Jordan has weathered the shocks of the last few years relatively well and has successfully maintained macro-stability, differentiating itself from other emerging market economies. However, economic growth has been insufficient to substantially reduce unemployment and raise people's incomes, and lingering structural challenges in the broader public sector have kept public debt elevated. Against a challenging and highly uncertain external environment, the authorities' economic program, as outlined in the attached LOI and MEFP, rightly focuses on strengthening resilience and ensuring continued macro-stability, while accelerating reforms to achieve stronger and inclusive growth.

**31. Fiscal policy needs to stay the course, continuing a gradual consolidation to place public debt firmly on a downward path**. The 2024 central government budget submitted to parliament is consistent with this goal. The envisaged pace of fiscal adjustment is both feasible and appropriate given the economy's conjuncture, balancing the need for consolidation with supporting the economy. The authorities need to remain steadfast in their efforts to further broaden the tax base, including by removing remaining exemptions, further improving compliance, and capturing the informal economy. This will need to be accompanied by efforts to curtail current spending, notably the wage bill, necessary also to make room for additional social and capital spending, to support vulnerable households and economic growth.

**32. The adept conduct of monetary policy has helped safeguard the peg and financial stability.** The exchange rate peg continues to serve Jordan well, providing stability and low inflation, and Jordan's external position is assessed to be in line with fundamentals. The CBJ should continue to adjust its policy rates as needed to support the peg and ensure that reserve buffers remain adequate. The CBJ should also continue to gradually unwind its last remaining subsidized lending scheme and closely monitor banks' asset quality and further strengthen its financial sector oversight in line with the recommendations of the recent FSSA.

**33. Decisive implementation of electricity and water sector reforms is critical to ensure financial sustainability and a reliable and efficient supply of electricity and water.** The financial outlook of the electricity sector continues to pose significant challenges, necessitating strong measures to reduce costs and enhance efficiency. Likewise, the steadfast execution of the Financial Sustainability Roadmap is crucial for the water sector to effectively tackle water scarcity and minimize financial losses.

**34. Further progress in implementing structural reforms to improve the business climate and attract investment is crucial to achieve the objectives of the Economic Modernization Vision.** To accelerate growth and lower unemployment, strong efforts are needed to enhance competition, increase labor market flexibility, and further reduce impediments to doing business and investment. Only by creating a more dynamic private sector will it be possible to sustainably create sufficient jobs for Jordan's growing population. Equal pay and benefits and better access to transport and childcare are essential for increasing female labor force participation.

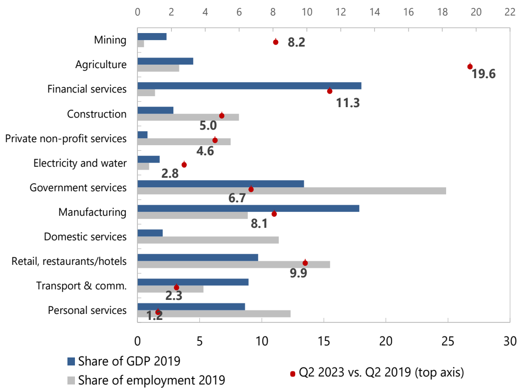
**35. Staff welcomes the authorities' climate adaptation and mitigation efforts, as well as efforts to enhance Jordan's pandemic preparedness.** Staff will continue to assist the authorities with the preparation for a possible RSF arrangement.

**36. Staff supports the authorities' request for a new four-year arrangement under the EFF at the access level requested.** The new program will serve as an important anchor for the authorities' economic policies aimed at maintaining macro-stability and accelerating growth and will help catalyze donor support. The authorities' strong commitment to the program and the broad support of the international community will be essential to the success of the program.

## Figure 1. Jordan: Real Sector Developments

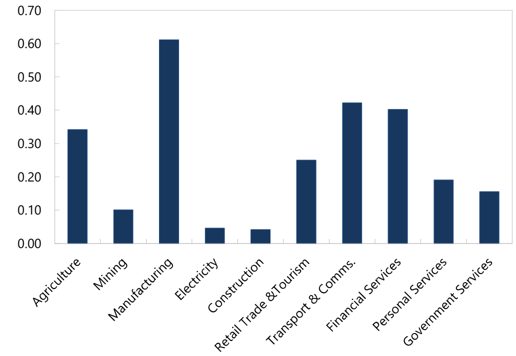
*Growth in 2023 Q2 has shown strong recovery vis-a-vis pre-pandemic rates, with notable growth in mining, agriculture, financial services, and construction.*

**Sectoral GDP Relative to Pre-Pandemic**
(Percent)



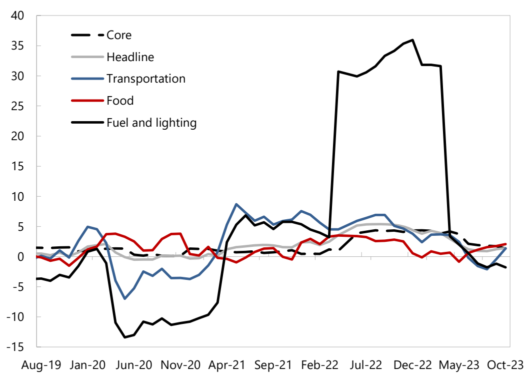

*The sectors that contributed most to growth in 2023 Q2 were manufacturing, agriculture, transport, and financial services.*

**Sectoral Contribution to GDP Growth**
(2023 Q2, percentage points)



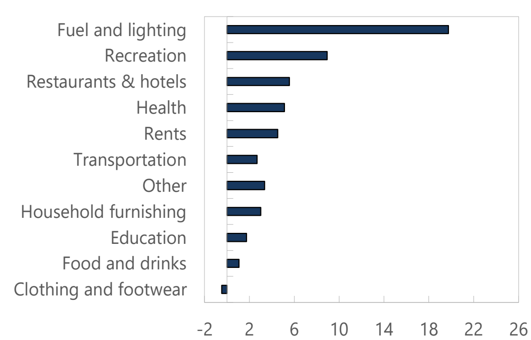

*Inflation has decelerated.*

**CPI Inflation**
(Y-o-y)



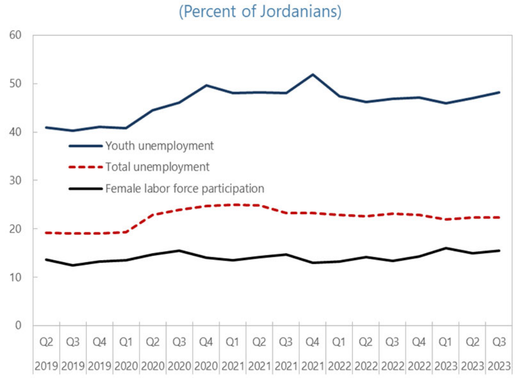

*Inflation has been driven mainly by energy prices.*

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



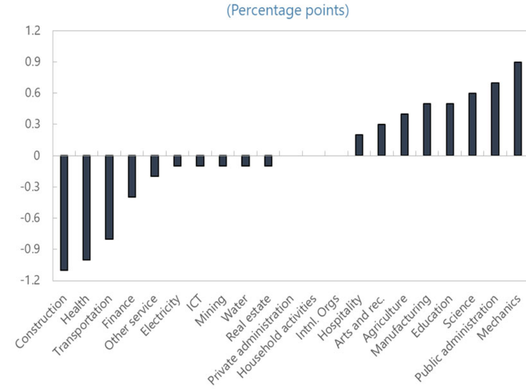

*Youth unemployment rate stays high and female participation remains low.*

**Jordan: Labor Market Outcome**
(Percent of Jordanians)




*Overall, employment recovery has been heterogenous across sectors.*

**Change in Employment of Jordanians by Sector**
**Q3 2022 - Q3 2023**
(Percentage points)

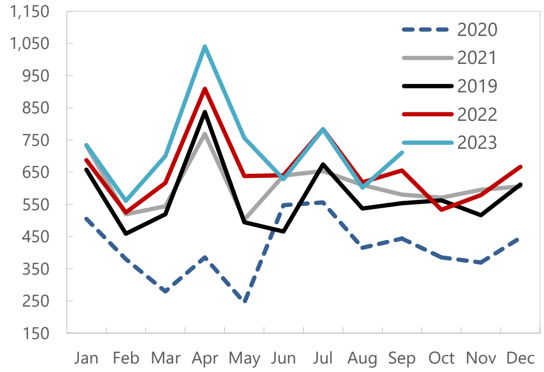



Sources: Jordanian authorities; Haver Analytics; and IMF staff calculations.

## Figure 2. Jordan: Fiscal Developments

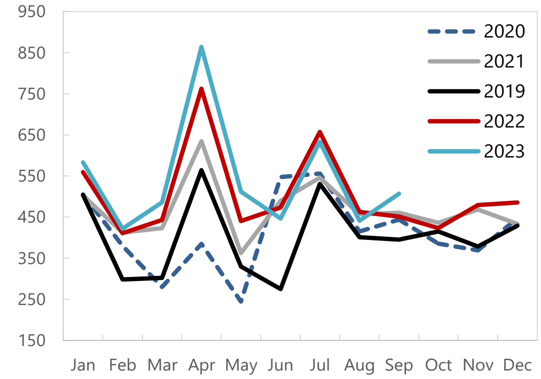
*Domestic revenue has been recovering from COVID.*

**Domestic Revenues**
(JD millions)



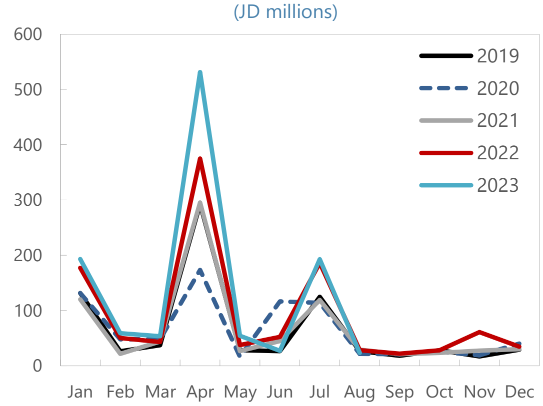

*Tax revenues saw a strong rebound in 2022 and 2023,*

**Tax Revenues**
(JD millions)



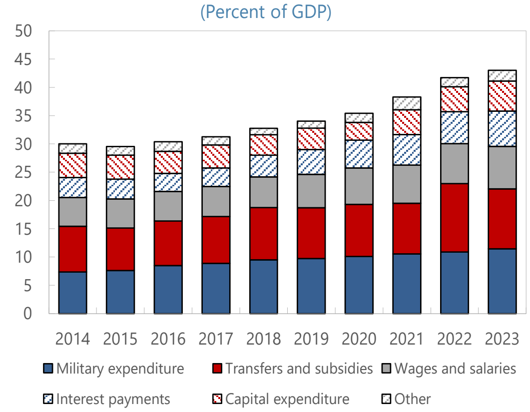

*…mainly driven by income and profit taxes.*

**Corporate Income Tax**
(JD millions)



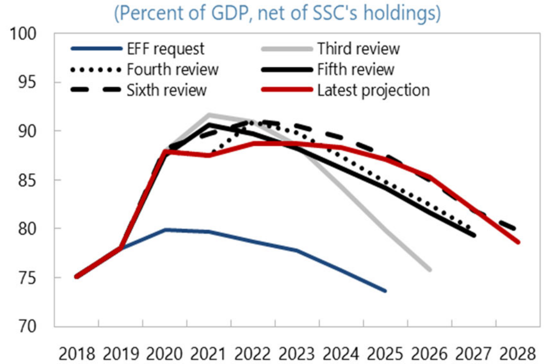

*Government expenditure increased with larger subsidies and transfers and investment.*

**Government Expenditure**
(Percent of GDP)



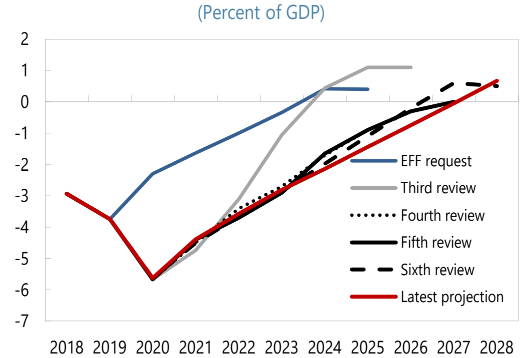

*Public debt is projected to gradually decline, to just under 80 percent of GDP by 2028.*

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




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

**Primary Central Government Balance**
(Percent of GDP)

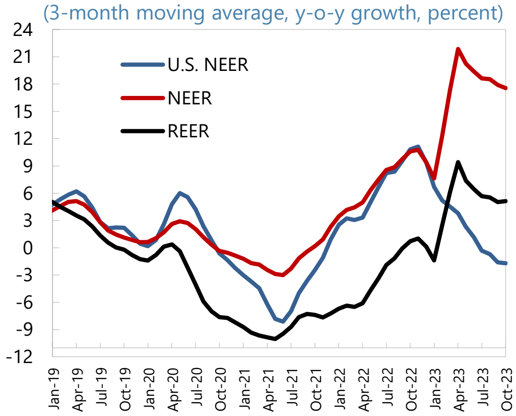



Sources: Jordanian authorities and IMF staff calculations.
Note: 2023 revenues and expenditures are estimates.

## Figure 3. Jordan: External Sector Developments

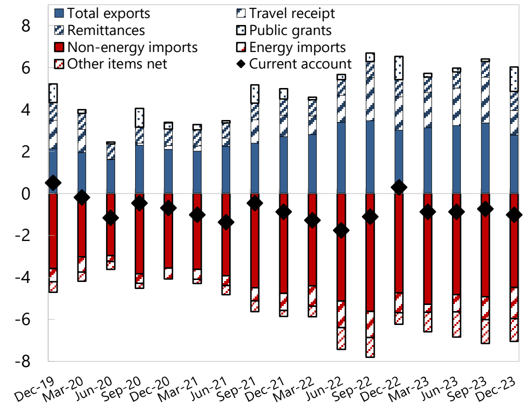
*An effective real appreciation…*

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



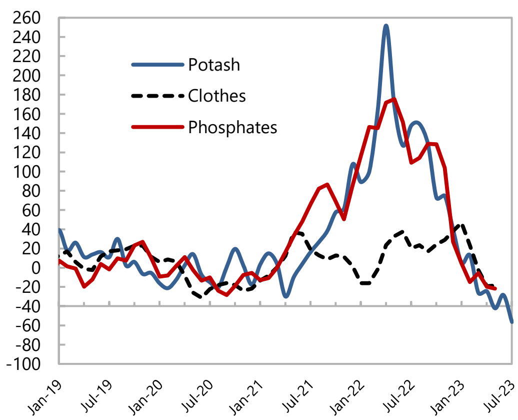

*…along with rising import prices, especially fuel, kept the current account deficit higher than expected.*

**Current Account, 2019-23**
(USD billions)



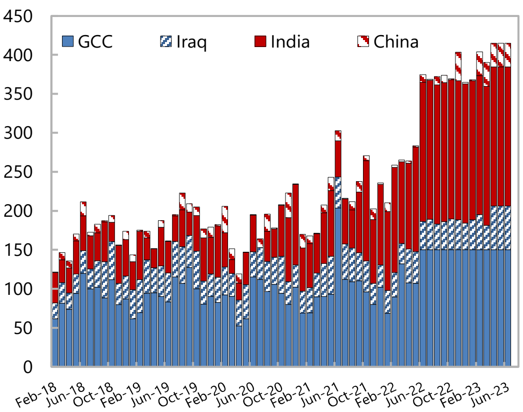

*Exports surged, driven by rising fertilizer prices but also higher volumes.*

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



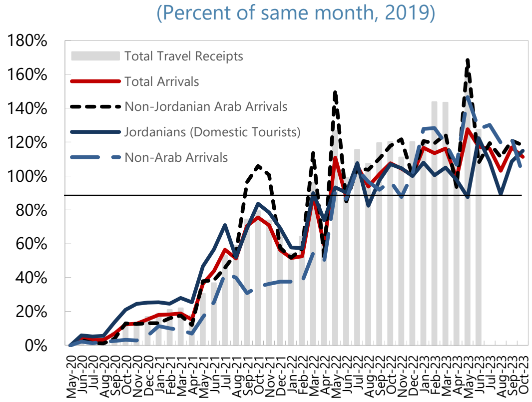

*Exports to GCC countries grew, marking deeper regional integration.*

**Exports to Select Markets**
(Nominal millions LCU)



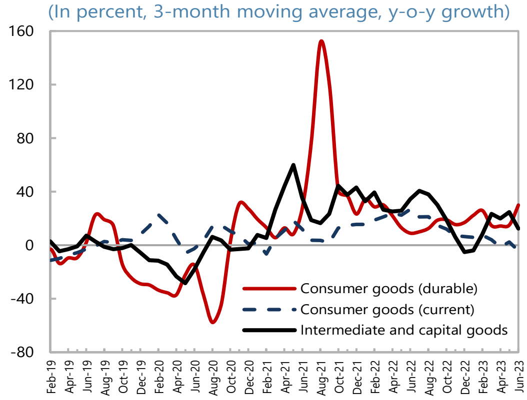

*Tourism receipts surpassed pre-pandemic levels.*

**Tourist Arrivals and Receipts 1/**
(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)

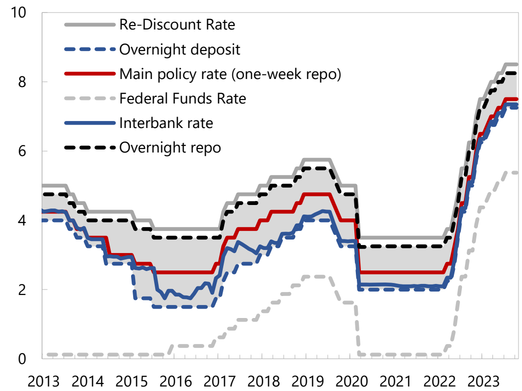



1/ Total travel receipts data reflect the latest available as of December 18, 2023.
Sources: Jordanian authorities; Haver Analytics; and IMF staff calculations.

## Figure 4. Jordan: Monetary and Financial Indicators

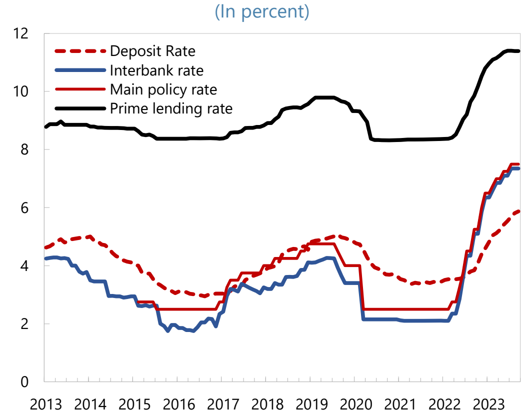
*Policy rates have been raised in line with those of the US Federal Reserve.*

**Interest Rates**
(In percent)



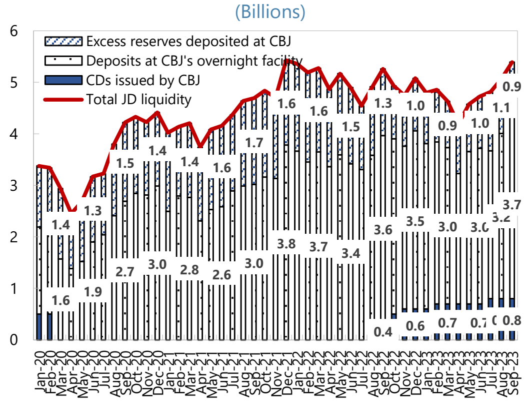

*Deposit and lending rates have also increased albeit more slowly.*

**Interest Rates**
(In percent)



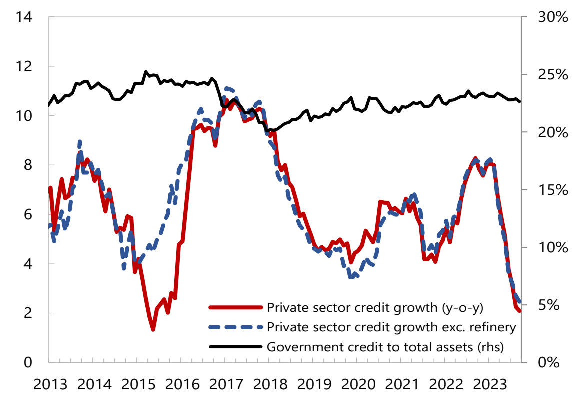

*Banks' liquidity conditions remain comfortable…*

**Banks' JD Liquidity**
(Billions)



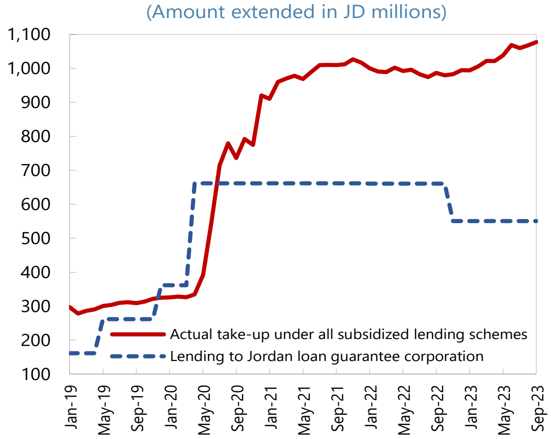

*…but private sector credit growth has slowed in response to the higher interest rates.*

**Domestic Credit of the Banking System**



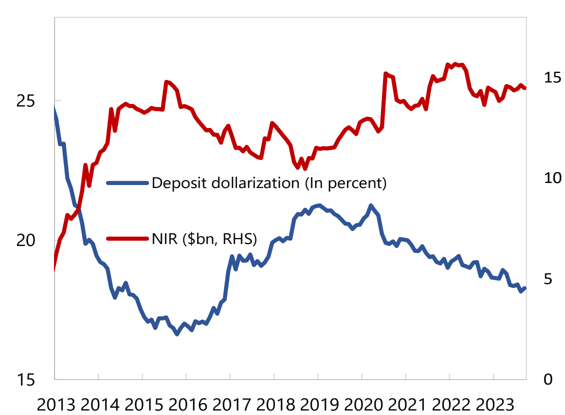

*The CBJ's subsidized SME lending scheme has expired and the demand for the remaining scheme is low.*

**CBJ Subsidized Lending Schemes**
(Amount extended in JD millions)




*Ample reserves continue to support confidence.*

**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, 2022–28

| | Act. 2022 | 6th Rev 2023 | Proj. 2023 | 6th Rev 2024 | Proj. 2024 | 6th Rev 2025 | Proj. 2025 | Proj. 2026 | Proj. 2027 | Proj. 2028 |
|---|---|---|---|---|---|---|---|---|---|---|
| | (Annual percentage change, unless otherwise noted) | | | | | | | | | |
| Output and prices | | | | | | | | | | |
| Real GDP at market prices | 2.4 | 2.6 | 2.6 | 2.7 | 2.6 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| GDP deflator at market prices | 2.6 | 2.6 | 2.0 | 2.5 | 2.4 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| Nominal GDP at market prices | 5.1 | 5.3 | 4.7 | 5.3 | 5.1 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 |
| Nominal GDP at market prices (JD millions) | 34,544 | 35,465 | 36,151 | 37,333 | 37,981 | 39,415 | 40,098 | 42,334 | 44,694 | 47,186 |
| Nominal GDP at market prices ($ millions) | 48,722 | 50,022 | 50,989 | 52,656 | 53,570 | 55,592 | 56,556 | 59,709 | 63,038 | 66,553 |
| Consumer price inflation (annual average) | 4.2 | 2.5 | 2.2 | 2.6 | 2.7 | 2.5 | 2.4 | 2.5 | 2.5 | 2.5 |
| Consumer price inflation (end of period) | 4.4 | 2.7 | 2.0 | 2.6 | 2.7 | 2.5 | 2.4 | 2.5 | 2.5 | 2.5 |
| Unemployment rate (period average, percent) 1/ | 22.9 | … | … | … | … | … | … | … | … | … |
| | (Percent of GDP, unless otherwise noted) | | | | | | | | | |
| Fiscal operations | | | | | | | | | | |
| Revenue and grants | 25.8 | 26.9 | 26.2 | 26.4 | 26.8 | 26.3 | 27.1 | 27.3 | 27.7 | 27.7 |
| *Of which:* grants | 2.3 | 2.3 | 2.1 | 2.0 | 1.9 | 1.5 | 1.6 | 1.6 | 1.5 | 1.5 |
| Expenditure 2/ | 31.6 | 32.0 | 31.5 | 31.4 | 32.4 | 31.0 | 32.3 | 32.0 | 30.9 | 30.1 |
| 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 |
| Overall central government balance 4/ | -5.8 | -5.1 | -5.3 | -5.0 | -5.5 | -4.7 | -5.2 | -4.7 | -3.2 | -2.4 |
| Overall central government balance excluding grants | -8.1 | -7.4 | -7.4 | -6.9 | -7.4 | -6.2 | -6.8 | -6.2 | -4.7 | -3.9 |
| Primary government balance (excluding grants) | -3.6 | -2.9 | -2.8 | -2.0 | -2.1 | -1.1 | -1.4 | -0.7 | 0.0 | 0.7 |
| NEPCO operating balance | -0.7 | -1.1 | -1.1 | -1.0 | -1.3 | -0.8 | -1.1 | -0.9 | -0.8 | -0.8 |
| WAJ overall balance | -0.6 | -0.7 | -0.7 | -0.7 | -0.6 | -0.6 | -0.6 | -0.6 | -0.5 | -0.5 |
| Water distribution companies overall balance | -0.2 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | 0.0 |
| Combined public sector balance 5/ | -4.8 | -4.8 | -4.6 | -3.7 | -4.1 | -2.6 | -3.1 | -2.2 | -1.4 | -0.7 |
| Consolidated general government overall balance, excl. grants | -5.8 | -5.0 | -5.8 | -4.6 | -5.5 | -3.6 | -4.6 | -3.8 | -2.2 | -1.3 |
| Consolidated general government primary balance, excl. grants | -1.9 | -1.0 | -1.6 | -0.2 | -0.7 | 0.8 | 0.3 | 1.2 | 1.9 | 2.5 |
| Government and guaranteed gross debt 6/ | 111.3 | 113.8 | 111.5 | 114.1 | 112.7 | 113.7 | 112.9 | 112.5 | 110.4 | 108.2 |
| Government and guaranteed gross debt, net of SSC's holdings 6/ | 88.8 | 90.6 | 88.7 | 89.3 | 88.3 | 87.5 | 87.1 | 85.3 | 82.0 | 78.6 |
| *Of which:* external debt | 47.7 | 43.8 | 42.2 | 43.3 | 44.3 | 41.4 | 44.8 | 43.4 | 42.2 | 39.5 |
| External sector | | | | | | | | | | |
| Current account balance (including grants), *of which:* | -7.9 | -7.5 | -7.0 | -5.4 | -6.3 | -4.0 | -4.5 | -4.1 | -4.0 | -4.5 |
| Exports of goods, f.o.b. ($ billions) | 12.7 | 12.6 | 12.5 | 12.1 | 12.7 | 12.6 | 13.1 | 13.6 | 14.2 | 14.9 |
| Imports of goods, f.o.b. ($ billions) | 24.3 | 22.9 | 23.3 | 22.0 | 22.8 | 22.4 | 23.2 | 24.3 | 25.7 | 27.1 |
| Oil and oil products ($ billions) | 4.4 | 3.5 | 3.8 | 3.4 | 3.9 | 3.4 | 3.8 | 3.7 | 3.7 | 3.7 |
| Current account balance (excluding grants) | -11.8 | -10.8 | -10.2 | -8.2 | -9.4 | -6.3 | -7.1 | -6.5 | -6.2 | -6.3 |
| Private capital inflows (net) | 2.4 | 3.1 | 2.4 | 3.6 | 2.9 | 3.9 | 3.8 | 4.6 | 5.1 | 5.0 |
| Public grants and identified budget loans (excl. IMF) | 6.6 | 6.8 | 6.1 | 4.7 | 5.7 | 3.5 | 3.5 | 3.2 | 2.8 | 1.8 |
| | (Annual percentage change) | | | | | | | | | |
| Monetary sector | | | | | | | | | | |
| Broad money | 5.5 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 |
| Net foreign assets | -7.4 | 5.6 | -1.2 | 5.2 | 5.3 | 9.1 | 16.6 | 12.6 | 14.4 | 5.8 |
| Net domestic assets | 8.5 | 5.6 | 7.0 | 5.7 | 5.7 | 4.9 | 3.6 | 4.1 | 3.6 | 5.5 |
| Credit to private sector | 8.0 | 5.5 | 4.0 | 5.8 | 5.0 | 6.0 | 6.0 | 6.2 | 6.5 | 6.7 |
| Credit to central government | 1.9 | 0.2 | 2.0 | 4.5 | 0.3 | 7.2 | 0.6 | 2.2 | 0.3 | 1.6 |
| **Memorandum items:** | | | | | | | | | | |
| Gross usable international reserves ($ millions) | 16,432 | 16,687 | 15,784 | 15,998 | 16,066 | 16,808 | 16,965 | 18,516 | 20,455 | 21,078 |
| In months of prospective imports | 6.8 | 7.2 | 6.6 | 6.8 | 6.6 | 6.8 | 6.6 | 6.8 | 7.2 | 7.0 |
| In percent of reserve adequacy metric | 102 | 99 | 94 | 91 | 91 | 91 | 91 | 95 | 101 | 101 |
| Net international reserves ($ millions) | 14,381 | 14,645 | 13,834 | 14,065 | 13,918 | 15,054 | 14,763 | 16,248 | 18,158 | 19,043 |
| Population (millions) 7/ | 11.3 | 10.3 | 11.3 | 10.3 | 11.4 | 10.3 | 11.4 | 11.6 | 11.7 | 11.8 |
| Nominal per capita GDP ($) | 4,317 | 4,851 | 4,498 | 5,102 | 4,705 | 5,376 | 4,943 | 5,145 | 5,386 | 5,634 |
| 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 |
| 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 |
| Real effective exchange rate (end of period, 2010=100) 8/ | 98.6 | … | … | … | … | … | … | … | … | … |
| Percent change (+=appreciation; end of period) | -1.7 | … | … | … | … | … | … | … | … | … |

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, 2022–28 1/

(In millions of Jordanian dinars)

| | | 6th Rev | Proj. | 6th Rev | Proj. | 6th Rev | Proj. | Proj. | Proj. | Proj. |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 | 2024 | 2025 | 2025 | 2026 | 2027 | 2028 |
| Total revenue and grants | 8,914 | 9,525 | 9,468 | 9,858 | 10,192 | 10,367 | 10,879 | 11,574 | 12,396 | 13,075 |
| Domestic revenue | 8,122 | 8,710 | 8,719 | 9,126 | 9,485 | 9,791 | 10,218 | 10,916 | 11,721 | 12,364 |
| Tax revenue, *of which:* | 6,048 | 6,574 | 6,589 | 7,009 | 7,168 | 7,537 | 7,752 | 8,288 | 8,913 | 9,401 |
| Taxes on income and profits | 1,548 | 1,697 | 1,760 | 1,797 | 1,950 | 1,917 | 2,091 | 2,250 | 2,422 | 2,563 |
| Sales taxes | 4,168 | 4,516 | 4,450 | 4,767 | 4,758 | 5,075 | 5,106 | 5,388 | 5,748 | 6,065 |
| Taxes on foreign trade | 233 | 257 | 253 | 315 | 315 | 407 | 410 | 495 | 581 | 602 |
| Other taxes | 100 | 105 | 125 | 130 | 145 | 138 | 146 | 154 | 163 | 172 |
| Nontax revenue | 2,074 | 2,136 | 2,130 | 2,116 | 2,317 | 2,254 | 2,466 | 2,628 | 2,808 | 2,962 |
| Grants | 792 | 815 | 749<br>ok | 732 | 708 | 575 | 661 | 658 | 674 | 711 |
| Total expenditures, inc. other use of cash | 10,914 | 11,346 | 11,393 | 11,717 | 12,292 | 12,215 | 12,957 | 13,549 | 13,828 | 14,195 |
| Current expenditure | 9,752 | 9,854 | 9,791 | 10,240 | 10,594 | 10,685 | 11,111 | 11,653 | 11,802 | 12,137 |
| Wages and salaries | 1,849 | 1,972 | 1,981 | 2,013 | 2,090 | 2,065 | 2,144 | 2,241 | 2,308 | 2,423 |
| Interest payments | 1,477 | 1,622 | 1,659 | 1,852 | 1,995 | 1,990 | 2,160 | 2,330 | 2,111 | 2,097 |
| Domestic | 979 | 1,073 | 1,024 | 1,228 | 1,195 | 1,358 | 1,214 | 1,283 | 1,471 | 1,559 |
| External | 498 | 548 | 635 | 624 | 800 | 633 | 946 | 1,047 | 641 | 538 |
| Military and public security expenditure, *of which:* | 2,846 | 2,999 | 2,999 | 3,165 | 3,141 | 3,325 | 3,300 | 3,424 | 3,557 | 3,684 |
| Military expenditure | 1,508 | 1,563 | 1,563 | 1,650 | 1,647 | 1,736 | 1,733 | 1,790 | 1,851 | 1,908 |
| Subsidies | 808 | 271 | 277 | 283 | 288 | 257 | 261 | 231 | 242 | 253 |
| Transfers, *of which*: | 2,355 | 2,492 | 2,402 | 2,471 | 2,600 | 2,566 | 2,747 | 2,900 | 3,070 | 3,139 |
| Pensions | 1,638 | 1,681 | 1,641 | 1,702 | 1,720 | 1,797 | 1,816 | 1,917 | 2,030 | 2,141 |
| Cash transfers, NAF social assistance | 241 | 249 | 244 | 249 | 280 | 260 | 293 | 300 | 307 | 315 |
| Transfers to health fund, *of which:* | 130 | 200 | 145 | 130 | 156 | 77 | 177 | 176 | 175 | 174 |
| Health arrears clearance | 52 | 80 | 53 | 40 | 66 | 0 | 100 | 100 | 100 | 100 |
| Energy arrears clearance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers to public sector institutions | 197 | 213 | 213 | 214 | 235 | 226 | 248 | 262 | 277 | 292 |
| Other transfers | 149 | 150 | 159 | 176 | 210 | 205 | 214 | 246 | 281 | 215 |
| Purchases of goods & services | 417 | 498 | 474 | 456 | 479 | 482 | 499 | 527 | 514 | 542 |
| Capital expenditure | 1,162 | 1,492 | 1,601 | 1,477 | 1,698 | 1,530 | 1,846 | 1,897 | 2,026 | 2,057 |
| Net lending | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer to NEPCO | 0<br>0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjustment on receivables and payables (use of cash) | -83 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total balance from above the line | -2,000 | -1,821 | -1,925 | -1,860 | -2,100 | -1,848 | -2,078 | -1,975 | -1,433 | -1,120 |
| Overall central government balance at current policies | -2,000 | -1,821 | -1,925 | -1,860 | -2,100 | -1,848 | -2,078 | -1,975 | -1,433 | -1,120 |
| Additional fiscal effort (cumulative) | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overall central government balance | -2,000 | -1,821 | -1,925 | -1,860 | -2,100 | -1,849 | -2,078 | -1,975 | -1,433 | -1,120 |
| Financing | 2,204 | 2,128 | 1,925 | 2,147 | 2,100 | 2,113 | 2,078 | 1,975 | 1,433 | 1,120 |
| Foreign financing (net) 2/ | 1,588 | 1,191 | 982 | 537 | 1,195 | 147 | 904 | 227 | 320 | -168 |
| Domestic financing (net) | 616 | 938 | 943 | 1,610 | 905 | 1,966 | 1,174 | 1,748 | 1,113 | 1,288 |
| Net IMF financing | | 2 | -46 | -58 | 176 | -113 | 73 | 82 | 44 | -167 |
| Other domestic bank financing | 158 | 46 | 99 | 629 | -311 | 1,039 | 11 | 526 | -121 | 215 |
| Domestic nonbank financing | 903 | 900 | 900 | 1,050 | 1,050 | 1,050 | 1,100 | 1,150 | 1,200 | 1,250 |
| Use of deposits | -445 | -10 | -10 | -10 | -10 | -10 | -10 | -10 | -10 | -10 |
| Sale of non-financial assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Memorandum items:*** | | | | | | | | | | |
| NEPCO operating balance | -233 | -402 | -400 | -371 | -502 | -330 | -428 | -398 | -376 | -375 |
| Water sector consolidated balance | -203 | -264 | -262 | -253 | -252 | -239 | -250 | -242 | -244 | -231 |
| Primary government balance, excluding grants and transfers to NEPCO and WAJ | -1,233 | -1,014 | -1,014 | -739 | -812 | -434 | -579 | -303 | 5 | 266 |
| Combined public balance 3/ | -1,723 | -1,706 | -1,676 | -1,386 | -1,566 | -1,023 | -1,256 | -943 | -615 | -341 |
| Overall public balance, including grants | -2,453 | -2,482 | -2,602 | -2,476 | -2,870 | -2,408 | -2,763 | -2,611 | -2,046 | -1,716 |
| Consolidated general government overall balance, excl. grants | -2,014 | -1,785 | -2,100 | -1,730 | -2,072 | -1,423 | -1,845 | -1,597 | -986 | -596 |
| Consolidated general government primary balance, excl. grants | -641 | -344 | -583 | -72 | -251 | 333 | 120 | 506 | 862 | 1,198 |
| Social Security Corporation balance | 1,169 | 1,543 | 1,270 | 1,538 | 1,520 | 1,620 | 1,602 | 1,706 | 1,770 | 1,872 |
| Government and guaranteed gross debt | 38,432 | 40,354 | 40,301 | 42,593 | 42,813 | 44,825 | 45,286 | 47,618 | 49,352 | 51,062 |
| Government and guaranteed gross debt, net of SSC's holdings | 30,668 | 32,132 | 32,078 | 33,321 | 33,541 | 34,503 | 34,914 | 36,096 | 36,630 | 37,090 |
| *Of which:* External | 16,489 | 15,520 | 15,270 | 16,154 | 16,825 | 16,325 | 17,965 | 18,386 | 18,868 | 18,656 |
| Short-term debt 2/ | | 1,516 | 1,516 | 1,516 | 1,516 | 1,516 | 1,516 | 1,516 | 1,516 | 1,516 |
| Programmed stock of health and energy arrears | 205 | 90 | 90 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Stock of health arrears | 149 | 70 | 70 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Stock of energy arrears (fuel and electricity) | 56 | 20 | 20 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| GDP at market prices | 34,544 | 35,465 | 36,151 | 37,333 | 37,981 | 39,415 | 40,098 | 42,334 | 44,694 | 47,186 |

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/ 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.

## Table 2b. Jordan: Central Government: Summary of Fiscal Operations, 2022–28 1/

(In percent of GDP)

| | 2022 | 6th Rev 2023 | Proj. 2023 | 6th Rev 2024 | Proj. 2024 | 6th Rev 2025 | Proj. 2025 | Proj. 2026 | Proj. 2027 | Proj. 2028 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total revenue and grants | 25.8 | 26.9 | 26.2 | 26.4 | 26.8 | 26.3 | 27.1 | 27.3 | 27.7 | 27.7 |
| Domestic revenue | 23.5 | 24.6 | 24.1 | 24.4 | 25.0 | 24.8 | 25.5 | 25.8 | 26.2 | 26.2 |
| Tax revenue, *of which*: | 17.5 | 18.5 | 18.2 | 18.8 | 18.9 | 19.1 | 19.3 | 19.6 | 19.9 | 19.9 |
| Taxes on income and profits | 4.5 | 4.8 | 4.9 | 4.8 | 5.1 | 4.9 | 5.2 | 5.3 | 5.4 | 5.4 |
| Sales taxes | 12.1 | 12.7 | 12.3 | 12.8 | 12.5 | 12.9 | 12.7 | 12.7 | 12.9 | 12.9 |
| Taxes on foreign trade | 0.7 | 0.7 | 0.7 | 0.8 | 0.8 | 1.0 | 1.0 | 1.2 | 1.3 | 1.3 |
| Other taxes | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 |
| Nontax revenue | 6.0 | 6.0 | 5.9 | 5.7 | 6.1 | 5.7 | 6.1 | 6.2 | 6.3 | 6.3 |
| Grants | 2.3 | 2.3 | 2.1 | 2.0 | 1.9 | 1.5 | 1.6 | 1.6 | 1.5 | 1.5 |
| Total expenditures, inc. other use of cash | 31.6 | 32.0 | 31.5 | 31.4 | 32.4 | 31.0 | 32.3 | 32.0 | 30.9 | 30.1 |
| Current expenditure | 28.2 | 27.8 | 27.1 | 27.4 | 27.9 | 27.1 | 27.7 | 27.5 | 26.4 | 25.7 |
| Wages and salaries | 5.4 | 5.6 | 5.5 | 5.4 | 5.5 | 5.2 | 5.3 | 5.3 | 5.2 | 5.1 |
| Interest payments | 4.3 | 4.6 | 4.6 | 5.0 | 5.3 | 5.1 | 5.4 | 5.5 | 4.7 | 4.4 |
| Domestic | 2.8 | 3.0 | 2.8 | 3.3 | 3.1 | 3.4 | 3.0 | 3.0 | 3.3 | 3.3 |
| External | 1.4 | 1.5 | 1.8 | 1.7 | 2.1 | 1.6 | 2.4 | 2.5 | 1.4 | 1.1 |
| Military and public security expenditure, *of which:* | 8.2 | 8.5 | 8.3 | 8.5 | 8.3 | 8.4 | 8.2 | 8.1 | 8.0 | 7.8 |
| Military expenditure | 4.4 | 4.4 | 4.3 | 4.4 | 4.3 | 4.4 | 4.3 | 4.2 | 4.1 | 4.0 |
| Subsidies | 2.3 | 0.8 | 0.8 | 0.8 | 0.8 | 0.7 | 0.6 | 0.5 | 0.5 | 0.5 |
| Transfers, *of which*: | 6.8 | 7.0 | 6.6 | 6.6 | 6.8 | 6.5 | 6.9 | 6.9 | 6.9 | 6.7 |
| Pensions | 4.7 | 4.7 | 4.5 | 4.6 | 4.5 | 4.6 | 4.5 | 4.5 | 4.5 | 4.5 |
| Cash transfers, NAF social assistance | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Transfers to health fund, *of which:* | 0.4 | 0.6 | 0.4 | 0.3 | 0.4 | 0.2 | 0.4 | 0.4 | 0.4 | 0.4 |
| Health arrears clearance | 0.1 | 0.2 | 0.1 | 0.1 | 0.2 | 0.0 | 0.2 | 0.2 | 0.2 | 0.2 |
| Energy arrears clearance | 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 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Purchases of goods & services | 1.2 | 1.4 | 1.3 | 1.2 | 1.3 | 1.2 | 1.2 | 1.2 | 1.1 | 1.1 |
| Capital expenditure | 3.4 | 4.2 | 4.4 | 4.0 | 4.5 | 3.9 | 4.6 | 4.5 | 4.5 | 4.4 |
| Adjustment on receivables and payables (use of cash) | -0.2 | 0.0 | 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 | 0.0 | 0.0 |
| Overall central government balance after fiscal measures | -5.8 | -5.1 | -5.3 | -5.0 | -5.5 | -4.7 | -5.2 | -4.7 | -3.2 | -2.4 |
| Advances to water sector, *of which:* | 0.0 | 0.6 | 0.0 | 0.8 | 0.0 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Distribution companies | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 |
| Financing | 6.4 | 6.0 | 5.3 | 5.8 | 5.5 | 5.4 | 5.2 | 4.7 | 3.2 | 2.4 |
| Foreign financing (net) 2/ | 4.6 | 3.4 | 2.7 | 1.4 | 3.1 | 0.4 | 2.3 | 0.5 | 0.7 | -0.4 |
| Domestic financing (net) | 1.8 | 2.6 | 2.6 | 4.3 | 2.4 | 5.0 | 2.9 | 4.1 | 2.5 | 2.7 |
| Net IMF financing | 0.0 | 0.0 | -0.1 | -0.2 | 0.5 | -0.3 | 0.2 | 0.2 | 0.1 | -0.4 |
| Other domestic bank financing | 0.5 | 0.1 | 0.3 | 1.7 | -0.8 | 2.6 | 0.0 | 1.2 | -0.3 | 0.5 |
| Domestic nonbank financing | 2.6 | 2.5 | 2.5 | 2.8 | 2.8 | 2.7 | 2.7 | 2.7 | 2.7 | 2.6 |
| Use of deposits | -1.3 | 0.0 | 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 |
| ***Memorandum items:*** | | | | | | | | | | |
| NEPCO operating balance | -0.7 | -1.1 | -1.1 | -1.0 | -1.3 | -0.8 | -1.1 | -0.9 | -0.8 | -0.8 |
| Water sector consolidated overall balance | -0.6 | -0.7 | -0.7 | -0.7 | -0.7 | -0.6 | -0.6 | -0.6 | -0.5 | -0.5 |
| Primary government balance, excluding grants and transfers to NEPCO and WAJ (PC) | -3.6 | -2.9 | -2.8 | -2.0 | -2.1 | -1.1 | -1.4 | -0.7 | 0.0 | 0.6 |
| Combined public balance (PC) 3/ | -5.0 | -4.8 | -4.6 | -3.7 | -4.1 | -2.6 | -3.1 | -2.2 | -1.4 | -0.7 |
| Overall public balance, including grants | -7.1 | -7.0 | -7.2 | -6.6 | -7.6 | -6.1 | -6.9 | -6.2 | -4.6 | -3.6 |
| Consolidated general government overall balance, excl. grants | -5.8 | -5.0 | -5.8 | -4.6 | -5.5 | -3.6 | -4.6 | -3.8 | -2.2 | -1.3 |
| Consolidated general government primary balance, excl. grants | -1.9 | -1.0 | -1.6 | -0.2 | -0.7 | 0.8 | 0.3 | 1.2 | 1.9 | 2.5 |
| Social Security Corporation balance | 3.4 | 4.4 | 3.5 | 4.1 | 4.0 | 4.1 | 4.0 | 4.0 | 4.0 | 4.0 |
| Government and guaranteed gross debt | 111.3 | 113.8 | 111.5 | 114.1 | 112.7 | 113.7 | 112.9 | 112.5 | 110.4 | 108.2 |
| Government and guaranteed gross debt, net of SSC's holdings | 88.8 | 90.6 | 88.7 | 89.3 | 88.3 | 87.5 | 87.1 | 85.3 | 82.0 | 78.6 |
| *Of which:* External | 47.7 | 43.8 | 42.2 | 43.3 | 44.3 | 41.4 | 44.8 | 43.4 | 42.2 | 39.5 |
| Programmed stock of health and energy arrears | 0.6 | 0.3 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Stock of health arrears | 0.4 | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Stock of energy arrears (fuel and electricity) | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| GDP at market prices (JD millions) | 34,544 | 35,465 | 36,151 | 37,333 | 37,981 | 39,415 | 40,098 | 42,334 | 44,694 | 47,186 |

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/ 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.

## Table 2c. Jordan: General Government: Summary of Fiscal Operations, 2022–28 1/
(In millions of Jordanian dinars, unless otherwise noted)

| | | 2023 | | 2024 | | 2025 | | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 6th Rev | Proj. | 6th Rev | Proj. | 6th Rev | Proj. | Proj. | Proj. | Proj. |
| A. Total general government revenues: | 13,096 | 14,196 | 13,928 | 14,733 | 15,089 | 15,520 | 16,045 | 17,079 | 18,237 | 19,238 |
| *(in percent of GDP)* | 37.9 | 40.0 | 38.5 | 39.5 | 39.7 | 39.4 | 40.0 | 40.3 | 40.8 | 40.8 |
| Central government revenues, excl. grants | 8,122 | 8,710 | 8,719 | 9,126 | 9,485 | 9,791 | 10,218 | 10,916 | 11,721 | 12,364 |
| Central government grants | 792 | 815 | 749 | 732 | 708 | 575 | 661 | 658 | 674 | 711 |
| NEPCO | 1,361 | 1,404 | 1,416 | 1,491 | 1,484 | 1,549 | 1,522 | 1,583 | 1,628 | 1,658 |
| WAJ | 50.6 | 59.2 | 44.8 | 59.9 | 46.1 | 60.7 | 47.8 | 49.5 | 51.4 | 53.9 |
| Water distribution companies | 249 | 214 | 263 | 218 | 277 | 222 | 292 | 314 | 326 | 339 |
| SSC (excluding interest revenues on gov debt holding) | 2,521 | 2,994 | 2,737 | 3,106 | 3,090 | 3,321 | 3,304 | 3,560 | 3,836 | 4,112 |
| B. Total general government expenditure, inc. use of cash: | 14,386 | 15,136 | 15,290 | 15,701 | 16,463 | 16,338 | 17,263 | 18,045 | 18,564 | 19,136 |
| *(in percent of GDP)* | 41.6 | 42.7 | 42.3 | 42.1 | 43.3 | 41.5 | 43.1 | 42.6 | 41.5 | 40.6 |
| Central government (excl. interest paid to SSC) | 10,607 | 10,965 | 11,027 | 11,273 | 11,848 | 11,715 | 12,457 | 12,989 | 13,206 | 13,508 |
| NEPCO | 1,594 | 1,807 | 1,815 | 1,892 | 1,986 | 1,909 | 1,979 | 2,010 | 2,034 | 2,063 |
| WAJ | 242 | 293 | 302 | 283 | 292 | 270 | 294 | 291 | 286 | 279 |
| Water distribution companies | 304 | 238 | 312 | 240 | 323 | 243 | 330 | 340 | 350 | 358 |
| SSC | 1,639 | 1,832 | 1,834 | 2,013 | 2,014 | 2,202 | 2,203 | 2,414 | 2,688 | 2,927 |
| Wages and salaries | 20.1 | 20.2 | 20.6 | 21.2 | 21.6 | 22.4 | 22.8 | 23.9 | 25.0 | 26.1 |
| Social security payments | 1,612 | 1,773 | 1,773 | 1,951 | 1,951 | 2,136 | 2,136 | 2,344 | 2,615 | 2,851 |
| Goods and services | 6.7 | 38.9 | 39.7 | 41.0 | 41.7 | 43.2 | 44.0 | 46.0 | 48.2 | 50.4 |
| C. Interest expenditure: | 1,335 | 1,441 | 1,483 | 1,628 | 1,791 | 1,726 | 1,935 | 2,073 | 1,818 | 1,764 |
| Central government (excluding interest paid to SSC) | 1,190 | 1,241 | 1,293 | 1,408 | 1,551 | 1,490 | 1,659 | 1,770 | 1,489 | 1,410 |
| NEPCO | 116 | 162 | 164 | 182 | 209 | 200 | 240 | 267 | 292 | 316 |
| WAJ Interest Payments | 29.1 | 37.4 | 26.0 | 38.0 | 30.3 | 36.2 | 36.2 | 36.6 | 37.0 | 37.5 |
| *1. Central government primary balance (ex grants)* | -1,233 | -1,014 | -1,014 | -739 | -812 | -434 | -579 | -303 | 5 | 266 |
| *(in percent of GDP)* | -3.6 | -2.9 | -2.8 | -2.0 | -2.1 | -1.1 | -1.4 | -0.7 | 0.0 | 0.6 |
| *2. Central government primary balance (inc grants)* | -440.3 | -198.9 | -266.0 | -7.5 | -104.8 | 141.9 | 82.2 | 354.7 | 678.7 | 977.0 |
| *(in percent of GDP)* | -1.3 | -0.6 | -0.7 | 0.0 | -0.3 | 0.4 | 0.2 | 0.8 | 1.5 | 2.1 |
| *3. Balance of utilities (NEPCO, WAJ, water distribution companies)* | -436 | -691 | -662 | -646 | -754 | -589 | -677 | -639 | -620 | -607 |
| *(in percent of GDP)* | -1.3 | -1.9 | -1.8 | -1.7 | -2.0 | -1.5 | -1.7 | -1.5 | -1.4 | -1.3 |
| *4. Combined public balance (1+3)* | -1,668 | -1,706 | -1,676 | -1,386 | -1,566 | -1,023 | -1,256 | -943 | -615 | -341 |
| *(in percent of GDP)* | -4.8 | -4.8 | -4.6 | -3.7 | -4.1 | -2.6 | -3.1 | -2.2 | -1.4 | -0.7 |
| *5. SSC balance* | 882 | 1,162 | 903 | 1,094 | 1,076 | 1,119 | 1,101 | 1,145 | 1,148 | 1,185 |
| *(in percent of GDP)* | 2.6 | 3.3 | 2.5 | 2.9 | 2.8 | 2.8 | 2.7 | 2.7 | 2.6 | 2.5 |
| *6. General government primary balance (ex grants) (4+5) 1/* | -641 | -344 | -583 | -72 | -251 | 333 | 120 | 506 | 862 | 1,198 |
| *(in percent of GDP)* | -1.9 | -1.0 | -1.6 | -0.2 | -0.7 | 0.8 | 0.3 | 1.2 | 1.9 | 2.5 |
| *7. General government primary balance (inc grants)* | 150.7 | 471.4 | 165.6 | 659.5 | 456.5 | 908.3 | 781.3 | 1,164.2 | 1,535.9 | 1,909.3 |
| *(in percent of GDP)* | 0.4 | 1.3 | 0.5 | 1.8 | 1.2 | 2.3 | 1.9 | 2.8 | 3.4 | 4.0 |
| *8. General government overall balance* | -1,184 | -939.4 | -1,317 | -968 | -1,334 | -818 | -1,154 | -909 | -282 | 145 |
| *(in percent of GDP)* | -3.4 | -2.6 | -3.6 | -2.6 | -3.5 | -2.1 | -2.9 | -2.1 | -0.6 | 0.3 |
| *9. General government balance excluding grants* | -2,014 | -1,785 | -2,100 | -1,730 | -2,072 | -1,423 | -1,845 | -1,597 | -986 | -596 |
| *(in percent of GDP)* | -5.8 | -5.0 | -5.8 | -4.6 | -5.5 | -3.6 | -4.6 | -3.8 | -2.2 | -1.3 |
| Consolidated debt of general government = $\text{Debt}_{t-1}$ + Net borrowing need | 30,668 | 32,132 | 32,078 | 33,321 | 33,541 | 34,503 | 34,914 | 36,096 | 36,630 | 37,090 |
| *(in percent of GDP)* | 88.8 | 90.6 | 88.7 | 89.3 | 88.3 | 87.5 | 87.1 | 85.3 | 82.0 | 78.6 |
| Net borrowing need: | | | | | | | | | | |
| General government overall deficit incl. discretionary measures | 1,184.1 | 939.4 | 1,317.0 | 968.1 | 1,334.1 | 818.0 | 1,153.6 | 909.0 | 282.3 | -145.4 |
| Prefunding of amortizing debt and use/buildup of deposits | 242.0 | 15.0 | 15.0 | 11.0 | 11.0 | 11.0 | 11.0 | 13.0 | 13.0 | 14.0 |
| SSIF investment outside GG | 69.3 | 642.7 | 199.6 | 487.5 | 369.6 | 570.1 | 401.6 | 455.5 | 499.9 | 482.1 |
| Guaranteed off-budget project loans | 63.8 | 39.2 | 43.0 | 67.8 | 76.8 | 60.4 | 69.5 | 51.3 | 49.6 | 91.5 |
| CBJ repurchases in respect of 2012 EFF | 16.3 | -172.5 | -164.1 | -345.6 | -328.7 | -277.2 | -263.2 | -246.4 | -311.4 | 17.6 |
| Recapitalization and guarantee of Royal Jordanian | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Securitization of domestic arrears | | | | | | | | | | |
| Unconsolidated debt of general government | 37,990 | 40,354 | 40,301 | 42,593 | 42,813 | 44,825 | 45,286 | 47,618 | 49,352 | 51,062 |
| *(in percent of GDP)* | 110.0 | 113.8 | 111.5 | 114.1 | 112.7 | 113.7 | 112.9 | 112.5 | 110.4 | 108.2 |
| **Memorandum items:** | | | | | | | | | | |
| SSIF interest income government debt | 287 | 381 | 366 | 444 | 444 | 501 | 501 | 560 | 622 | 687 |
| SSIF government debt holding (% of total Assets) | 54 | 55 | 56 | 56 | 57 | 57 | 58 | 59 | 60 | 60 |
| NEPCO additional unallocated measures | 0 | 0 | 0 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| Nominal GDP at market prices | 34,544 | 35,465 | 36,151 | 37,333 | 37,981 | 39,415 | 40,098 | 42,334 | 44,694 | 47,186 |

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

1/Excluding 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 Prel. | Q2 Proj. | Q3 Proj. | Q4 Proj. | Annual Proj. | Q1 Proj. | Q2 Proj. | Q3 Proj. | Q4 Proj. | Annual Proj. |
| Total revenue and grants | 2,020.7 | 2,258.7 | 2,613.4 | 2,574.6 | 9,467.8 | 1,979.4 | 2,707.0 | 1,966.8 | 3,538.9 | 10,192.1 |
| Domestic revenue | 2,013.1 | 2,209.7 | 2,153.5 | 2,342.7 | 8,719.3 | 1,979.4 | 2,700.2 | 1,923.3 | 2,881.7 | 9,484.6 |
| Tax revenue, *of which* : | 1,509.5 | 1,601.6 | 1,585.3 | 1,892.1 | 6,588.8 | 1,521.0 | 2,105.7 | 1,375.5 | 2,165.4 | 7,167.6 |
| Taxes on income and profits | 417.9 | 735.7 | 366.3 | 240.1 | 1,760.2 | 439.5 | 851.6 | 394.8 | 264.0 | 1,950.0 |
| Sales taxes | 1,002.6 | 770.7 | 1,126.9 | 1,549.8 | 4,450.0 | 964.9 | 1,141.8 | 861.5 | 1,789.4 | 4,757.6 |
| Taxes on foreign trade | 59.0 | 63.7 | 60.5 | 70.3 | 253.5 | 80.3 | 77.5 | 82.6 | 74.7 | 315.1 |
| Other taxes | 30.0 | 31.5 | 31.7 | 31.9 | 125.1 | 36.2 | 34.9 | 36.6 | 37.3 | 145.0 |
| Nontax revenue | 503.6 | 608.1 | 568.2 | 450.6 | 2,130.4 | 458.5 | 594.5 | 547.8 | 716.3 | 2,317.0 |
| Grants | 7.6 | 49.0 | 459.9 | 231.9 | 748.5 | 0.0 | 6.8 | 43.5 | 657.2 | 707.5 |
| Total expenditures, inc. other use of cash | 2,383.5 | 2,840.9 | 2,491.2 | 3,677.2 | 11,392.7 | 2,601.0 | 2,916.0 | 3,088.5 | 3,686.6 | 12,292.0 |
| Current expenditure | 2,258.2 | 2,398.6 | 2,175.6 | 2,959.1 | 9,791.4 | 2,294.8 | 2,435.3 | 2,558.9 | 3,305.1 | 10,594.0 |
| Wages and salaries | 481.7 | 503.3 | 500.6 | 495.3 | 1,980.9 | 508.3 | 531.1 | 528.2 | 522.6 | 2,090.1 |
| Interest payments | 439.5 | 427.7 | 377.8 | 413.9 | 1,659.0 | 453.8 | 446.2 | 569.2 | 525.9 | 1,995.0 |
| Domestic | 276.2 | 250.7 | 241.3 | 256.3 | 1,024.4 | 296.7 | 284.3 | 328.4 | 285.7 | 1,195.0 |
| External | 163.3 | 177.0 | 136.6 | 157.7 | 634.6 | 157.1 | 161.9 | 240.8 | 240.2 | 800.0 |
| Military and public security expenditure | 696.5 | 734.8 | 719.2 | 848.5 | 2,999.0 | 742.6 | 712.1 | 856.8 | 829.9 | 3,141.3 |
| Subsidies | 20.0 | 20.0 | 10.0 | 227.0 | 277.0 | 10.0 | 10.0 | 0.0 | 268.5 | 288.5 |
| Transfers, *of which* : | 525.3 | 592.6 | 475.1 | 808.8 | 2,401.8 | 484.2 | 636.4 | 510.9 | 968.7 | 2,600.2 |
| Pensions | 403.4 | 408.8 | 408.3 | 420.1 | 1,640.6 | 420.1 | 424.2 | 428.6 | 446.8 | 1,719.7 |
| Cash transfers, NAF social assistance | 0.0 | 100.0 | 0.0 | 144.0 | 244.0 | 0.0 | 100.0 | 0.0 | 180.0 | 280.0 |
| Medical treatments, clearance of health and energy arrears | 35.0 | 41.1 | 24.0 | 45.0 | 145.0 | 20.8 | 74.6 | 22.8 | 37.8 | 156.0 |
| Transfers to public sector institutions | 42.6 | 66.9 | 52.7 | 50.8 | 213.0 | 48.9 | 43.7 | 66.7 | 75.4 | 234.7 |
| Other transfers | 44.3 | -24.2 | -9.9 | 149.0 | 159.2 | -5.6 | -6.1 | -7.2 | 228.8 | 209.8 |
| Purchases of goods & services | 95.1 | 120.2 | 92.9 | 165.6 | 473.7 | 95.9 | 99.6 | 93.9 | 189.5 | 478.9 |
| Capital expenditure | 125.3 | 442.3 | 315.6 | 718.1 | 1,601.3 | 176.2 | 430.7 | 429.6 | 661.5 | 1,697.9 |
| Net lending | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transfer to NEPCO | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Adjustment on receivables and payables (use of cash) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 130.0 | 50.0 | 100.0 | -280.0 | 0.0 |
| Overall balance of the central government from above the line | -362.7 | -582.1 | 122.2 | -1,102.6 | -1,925.0 | -621.5 | -209.0 | -1,121.6 | -147.7 | -2,099.8 |
| Statistical discrepancy, net | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall balance of the central government at current policies | -362.7 | -582.1 | 122.2 | -1,102.6 | -1,925.0 | -621.5 | -209.0 | -1,121.6 | -147.7 | -2,099.8 |
| Unalocated discretionary fiscal measures 1/ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | | | | |
| Overall balance after fiscal measures | -362.7 | -582.1 | 122.2 | -1,102.6 | -1,925.0 | -621.5 | -209.0 | -1,121.6 | -147.7 | -2,099.8 |
| Advances to water sector | 53.9 | 19.0 | 83.0 | -156.0 | 0.0 | 54.2 | 26.4 | 89.2 | -169.8 | 0.0 |
| Financing | 416.7 | 601.2 | -39.3 | 946.6 | 1,925.0 | 675.7 | 235.4 | 1,210.9 | -22.1 | 2,099.8 |
| Foreign financing (net) 1/ | -10.5 | 850.4 | 413.5 | -271.1 | 982.3 | 53.7 | 384.4 | 59.1 | 697.7 | 1,195.0 |
| Domestic financing (net) | 427.2 | -249.3 | -452.8 | 1,217.7 | 942.7 | 622.0 | -149.0 | 1,151.7 | -719.8 | 904.9 |
| CBJ on-lending of net IMF financing | 0.0 | 0.0 | -22.8 | -23.5 | -46.4 | -136.7 | -92.9 | 0.0 | 405.6 | 176.0 |
| Other domestic bank financing | -373.7 | -929.5 | -248.8 | 1,651.1 | 99.0 | 758.7 | -191.9 | 652.5 | -1,530.4 | -311.1 |
| Domestic nonbank financing | 165.8 | 610.2 | -115.3 | 239.3 | 900.0 | 0.0 | 135.7 | 499.3 | 415.0 | 1,050.0 |
| Use of deposits | 635.0 | 70.0 | -65.8 | -649.1 | -10.0 | 0.0 | 0.0 | 0.0 | -10.0 | -10.0 |
| 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 |
| ***Memorandum items:*** | | | | | | | | | | |
| NEPCO operating balance | -88.6 | -104.1 | -106.2 | -101.0 | -399.9 | -109.4 | -123.8 | -125.9 | -112.7 | -471.9 |
| WAJ overall balance, excluding project grants | -67.5 | -61.2 | -43.9 | -43.9 | -261.7 | -72.2 | -65.4 | -46.9 | -46.9 | -252.0 |
| Water distribution companies overall balance | -16.7 | 6.4 | -16.9 | -16.9 | -49.1 | -10.0 | 3.8 | -10.1 | -10.1 | -46.4 |
| Primary government balance excluding grants | 69.2 | -203.5 | 40.1 | -920.5 | -1,014.5 | -167.7 | 230.4 | -596.0 | -279.1 | -812.3 |
| Primary government balance, excluding grants and transfers to NEPCO and WAJ (PC) | 69.2 | -203.5 | 40.1 | -920.5 | -1,014.5 | -167.7 | 230.4 | -596.0 | -279.1 | -812.3 |
| Combined public balance (PC) 2/ | -103.7 | -362.4 | -126.9 | -1,082.3 | -1,676.1 | -359.3 | 45.0 | -778.9 | -448.8 | -1,566.2 |
| Government and guaranteed gross debt 3/ | 38,093.8 | 38,456.1 | 38,583.1 | 39,665.4 | 40,300.6 | 43,881.1 | 43,836.2 | 44,615.0 | 45,063.8 | 42,813.3 |
| Government and guaranteed gross debt, net of SSC's holdings (IT) 3/ | 30,771.7 | 31,134.0 | 31,261.0 | 32,343.3 | 32,078.5 | 34,609.0 | 34,564.1 | 35,342.9 | 35,791.7 | 33,541.2 |

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, 2022–28 1/

(In millions of Jordanian dinars)

| | 2022 Act. | 2023 6th Rev | 2023 Proj. | 2024 6th Rev | 2024 Proj. | 2025 6th Rev | 2025 Proj. | 2026 Proj. | 2027 Proj. | 2028 Proj. |
|---|---|---|---|---|---|---|---|---|---|---|
| NEPCO Balance | | | | | | | | | | |
| Revenues *of which* | 1,361 | 1,404 | 1,416 | 1,491 | 1,484 | 1,549 | 1,522 | 1,583 | 1,628 | 1,658 |
| Electricity sales | 1,334 | 1,374 | 1,361 | 1,447 | 1,414 | 1,502 | 1,475 | 1,531 | 1,572 | 1,599 |
| Expenses | 1,594 | 1,807 | 1,815 | 1,892 | 1,986 | 1,909 | 1,979 | 2,010 | 2,034 | 2,063 |
| Purchase of electricity | 1,458 | 1,584 | 1,598 | 1,650 | 1,698 | 1,649 | 1,661 | 1,665 | 1,663 | 1,668 |
| Depreciation | 32 | 32 | 32 | 32 | 34 | 32 | 34 | 34 | 34 | 34 |
| Interest payments 2/ | 116 | 162 | 164 | 182 | 209 | 200 | 240 | 267 | 292 | 316 |
| Other expenses | -12 | 28 | 22 | 28 | 45 | 28 | 45 | 45 | 45 | 45 |
| Additional measures | | | | 30 | 0 | 30 | 30 | 30 | 30 | 30 |
| Operating balance (QPC) | -233 | -402 | -400 | -371 | -502 | -330 | -428 | -398 | -376 | -375 |
| | | | | | | | | | | |
| Total net domestic financing | 233 | 402 | 400 | 371 | 502 | 330 | 428 | 398 | 376 | 375 |
| Banks | 487 | 546 | 544 | 371 | 502 | 330 | 428 | 398 | 376 | 375 |
| Loans and bonds | 395 | 546 | 551 | 371 | 502 | 330 | 428 | 398 | 376 | 375 |
| Overdrafts | 92 | 0 | -53 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other items 3/ | -131 | 0 | 29 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase in payables | -123 | -144 | -173 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Direct transfer from central government | -250 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| To cover losses and repay arrears | -250 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| To repay loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Payables to the private sector | 127 | -144 | -173 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Of which:* Increase in arrears | 44 | -144 | -144 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | |
| ***Memorandum items:*** | | | | | | | | | | |
| Operating balance (percent of GDP) | -0.7 | -1.1 | -1.1 | -1.0 | -1.3 | -0.8 | -1.1 | -0.9 | -0.8 | -0.8 |
| Brent oil prices (USD per barrel) | 96 | 73 | 80 | 69 | 80 | 67 | 76 | 73 | 70 | 67 |
| Outstanding loans and bonds (stocks, end-of-period) | 3,124 | 3,814 | 3,674 | 4,185 | 4,176 | 4,515 | 4,604 | 5,001 | 5,377 | 5,753 |
| Overdrafts | 351 | 351 | 298 | 351 | 298 | 351 | 298 | 298 | 298 | 298 |
| Total payables | 2,834 | 3,159 | 2,661 | 3,159 | 2,661 | 3,159 | 2,661 | 2,661 | 2,661 | 2,661 |
| to government 4/ | 2,009 | 1,835 | 2,009 | 1,835 | 2,009 | 1,835 | 2,009 | 2,009 | 2,009 | 2,009 |
| to private sector | 824 | 1,324 | 652 | 1,324 | 652 | 1,324 | 652 | 652 | 652 | 652 |
| *Of which:* arrears (IT) | 144 | 0 | 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: Consolidated Water Sector Balance and Financing, 2022–28

(In millions of Jordanian dinars)

| | 2022 Act. | 2023 Est. | 2024 Proj. | 2025 Proj. | 2026 Proj. | 2027 Proj. | 2028 Proj. |
|---|---|---|---|---|---|---|---|
| Consolidated Water Sector Balance | | | | | | | |
| Total Revenues (inc. Grants) | 300 | 308 | 323 | 340 | 363 | 378 | 393 |
| *of which:* Water Sales 1/ | 181 | 188 | 202 | 218 | 240 | 254 | 268 |
| Expenditure 2/ | 348 | 364 | 377 | 385 | 396 | 407 | 416 |
| *of which:* | | | | | | | |
| Salaries, wages and allowances | 66 | 72 | 74 | 76 | 78 | 81 | 83 |
| Electricity Expenses | 128 | 136 | 144 | 146 | 152 | 157 | 160 |
| Adminstrative Expenses | 45 | 46 | 47 | 48 | 49 | 50 | 51 |
| Disi Water Purchases | 67 | 70 | 72 | 73 | 75 | 77 | 78 |
| Samra Water Purchases | 42 | 40 | 41 | 41 | 42 | 43 | 44 |
| Interest payments | 33 | 35 | 37 | 38 | 40 | 41 | 43 |
| Operating balance (QPC) | -33 | -56 | -55 | -45 | -33 | -29 | -23 |
| Capital Expenditure | 150 | 181 | 173 | 178 | 183 | 187 | 182 |
| WAJ Overall balance | -192 | -257 | -246 | -247 | -242 | -234 | -225 |
| Overall balance of Distribution Companies 3/ | -55 | -49 | -46 | -38 | -26 | -24 | -19 |
| Overall balance Consolidated Water Sector 4/ | -203 | -262 | -252 | -250 | -242 | -244 | -231 |
| Total net financing | 203 | 262 | 252 | 250 | 242 | 244 | 231 |
| Grants | 38 | 34 | 30 | 28 | 26 | 34 | 27 |
| Transfers from Central Government 5/ | 169 | 229 | 213 | 182 | 176 | 170 | 164 |
| Loans (net borrowing) | 21 | 39 | 40 | 40 | 40 | 40 | 40 |
| *of which* : | | | | | | | |
| Domestic loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign loans | 21 | 39 | 40 | 40 | 40 | 40 | 40 |
| Others 6/ | -25 | -40 | -31 | 0 | 0 | 0 | 0 |
| ***Memorandum items:*** | | | | | | | |
| WAJ overall balance (percent of GDP) | -0.6 | -0.7 | -0.6 | -0.6 | -0.6 | -0.5 | -0.5 |
| Overall balance of Distribution Companies (percent of GDP) | -0.2 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | 0.0 |
| Overall balance Consolidated Water Sector (percent of GDP) | -0.6 | -0.7 | -0.7 | -0.6 | -0.6 | -0.5 | -0.5 |
| Domestic payment arrears of WAJ in JD million 7/ | 48 | 25 | 0 | 0 | 0 | 0 | 0 |
| Domestic payment arrears of Aqaba, Miyahuna and Yarmouk Distribution Companies in JD million 8/ | 69 | 7 | 0 | 0 | 0 | 0 | 0 |
| Outstanding loans, *of which:* | 2,027 | 2,295 | 2,548 | 2,770 | 2,986 | 3,196 | 3,400 |
| Domestic loans and bonds | 197 | 197 | 197 | 197 | 197 | 197 | 197 |
| Foreign loans | 385 | 424 | 464 | 504 | 544 | 584 | 624 |
| Advances from Central Government | 1445 | 1674 | 1887 | 2069 | 2245 | 2415 | 2579 |
| Grants and foreign loans to capital expenditure ratio (in percent) | 40 | 40 | 40 | 38 | 36 | 39 | 37 |
| Grants to capital expenditure ratio (in percent) | 25 | 19 | 17 | 16 | 14 | 18 | 15 |
| Effective interest rate (in percent) | 1.6 | 1.7 | 1.6 | 1.5 | 1.4 | 1.4 | 1.3 |

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

1/ Water Sales includes the combined sales of WAJ and the Water Distribution Companies: Yarmouk, Miyahouna, and Aqaba.

2/ Including other expenses such as pensions.

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

4/ The consolidated balance of the distribution companies and WAJ, which substracts amortization payments of WAJ and adds losses of Karaq, Tafila, Maan, and Balqa.

5/ Information from the Ministry of Finance.

6/ Including settlement of liabilities, capital and other government support, installments of centralized debt.

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, 2022–28
(In millions of U.S. dollars, unless otherwise indicated)

| | 2022 | 2023 | | 2024 | | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|
| | | 6th Rev | Est. | 6th Rev | Proj. | Proj. | Proj. | Proj. | Proj. |
| Current account (CA) | -3,870 | -3,752 | -3,577 | -2,833 | -3,396 | -2,546 | -2,433 | -2,541 | -2,983 |
| Trade balance | -11,634 | -10,284 | -10,810 | -9,882 | -10,130 | -10,097 | -10,675 | -11,499 | -12,191 |
| Exports f.o.b. | 12,690 | 12,575 | 12,497 | 12,072 | 12,696 | 13,132 | 13,596 | 14,168 | 14,903 |
| Imports f.o.b. | 24,324 | 22,858 | 23,307 | 21,954 | 22,826 | 23,229 | 24,271 | 25,667 | 27,094 |
| Energy | 4,422 | 3,543 | 3,790 | 3,420 | 3,876 | 3,767 | 3,721 | 3,684 | 3,670 |
| Non-energy | 19,902 | 19,315 | 19,516 | 18,534 | 18,950 | 19,462 | 20,550 | 21,983 | 23,424 |
| Services and income (net), *of which:* | 1,789 | 778 | 1,484 | 1,312 | 930 | 1,833 | 2,418 | 3,118 | 3,394 |
| Travel receipts | 5,816 | 6,174 | 6,812 | 6,582 | 6,655 | 7,380 | 7,919 | 8,477 | 9,068 |
| Current transfers (net), *of which:* | 5,974 | 5,754 | 5,748 | 5,736 | 5,804 | 5,718 | 5,824 | 5,841 | 5,813 |
| Public grants | 1,861 | 1,651 | 1,640 | 1,474 | 1,619 | 1,453 | 1,448 | 1,358 | 1,220 |
| Remittances | 3,107 | 3,187 | 3,182 | 3,366 | 3,268 | 3,359 | 3,453 | 3,549 | 3,647 |
| Capital and financial account 1/ | -29 | 2,494 | 1,904 | 1,460 | 2,381 | 1,968 | 3,030 | 3,465 | 3,868 |
| Public sector, *of which:* 2/ | -1,280 | 166 | 151 | -884 | 487 | -761 | -361 | -335 | -37 |
| Public commercial external borrowing | -618 | 1,250 | 1,250 | 0 | 500 | 250 | 250 | 250 | 0 |
| Eurobond or loans | 382 | 1,250 | 1,250 | 0 | 500 | 1,250 | 1,250 | 1,250 | 1,250 |
| Amortization | -1,000 | 0 | 0 | 0 | 0 | -1,000 | -1,000 | -1,000 | -1,250 |
| Public sector loans | -375 | -1,024 | -1,039 | 9 | 47 | -118 | -611 | -585 | -37 |
| Disbursement (xcl. program financing) | 436 | 508 | 514 | 485 | 521 | 492 | 418 | 412 | 412 |
| Amortization | -811 | -1,532 | -1,552 | -475 | -474 | -610 | -1,029 | -996 | -449 |
| GCC deposits at CBJ | -333 | 0 | 0 | -833 | 0 | -833 | 0 | 0 | 0 |
| SDR allocation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign direct investment | 1,253 | 1,394 | 1,261 | 1,667 | 1,499 | 1,931 | 2,288 | 2,615 | 2,760 |
| Portfolio flows (private) | -96 | 140 | -44 | 217 | 59 | 203 | 484 | 590 | 566 |
| Other capital flows | 93 | 793 | 536 | 460 | 337 | 595 | 619 | 594 | 580 |
| Errors and omissions | 949 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overall balance | -2,950 | -1,258 | -1,673 | -1,373 | -1,014 | -578 | 597 | 924 | 885 |
| Financing | 2,950 | 1,258 | 1,673 | 1,373 | 1,014 | 578 | -597 | -924 | -885 |
| Reserves (+ = decrease) | 744 | -254 | 648 | 689 | -282 | -898 | -1,551 | -1,939 | -623 |
| Commercial banks' NFA (+ = decrease) | 348 | -200 | -350 | -200 | -350 | 0 | 0 | 0 | 0 |
| Program financing (+ = increase) | 1,859 | 1,712 | 1,375 | 884 | 1,646 | 1,476 | 954 | 1,015 | -262 |
| Official budget support | 1,335 | 1,750 | 1,476 | 1,021 | 1,448 | 1,423 | 889 | 986 | 0 |
| World Bank | 468 | 729 | 708 | 516 | 716 | 329 | 306 | 200 | 0 |
| Emergency pandemic support | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bilateral and other multilateral loans | 866 | 1,020 | 768 | 505 | 732 | 195 | 179 | 0 | 0 |
| EU emergency pandemic support | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IMF (net), *of which:* | 525 | -37 | -102 | -136 | 198 | 53 | 66 | 29 | -262 |
| IMF EFF disbursement | 525 | 96 | 32 | 119 | 455 | 264 | 265 | 265 | 0 |
| *Unidentified external budget financing* | 0 | | 0 | | 0 | 900 | 404 | 608 | 0 |
| ***Memorandum items:*** | | | | | | | | | |
| Gross reserves | 18,190 | 18,445 | 17,542 | 17,756 | 17,824 | 18,722 | 20,274 | 22,213 | 22,835 |
| Gross usable reserves 3/ | 16,432 | 16,687 | 15,784 | 15,998 | 16,066 | 16,965 | 18,516 | 20,455 | 21,078 |
| In percent of the IMF Reserve Adequacy Metric | 102 | 99 | 94 | 91 | 91 | 91 | 95 | 101 | 101 |
| In months of next year's imports of GNFS | 6.8 | 7.2 | 6.6 | 6.8 | 6.6 | 6.6 | 6.8 | 7.2 | 7.0 |
| Current account (percent of GDP) | -7.9 | -7.5 | -7.0 | -5.4 | -6.3 | -4.5 | -4.1 | -4.0 | -4.5 |
| Current account ex-grants (percent of GDP) | -11.8 | -10.8 | -10.2 | -8.2 | -9.4 | -7.1 | -6.5 | -6.2 | -6.3 |
| CA ex-grants and energy imports (percent of GDP) | -2.7 | -3.7 | -2.8 | -1.7 | -2.1 | -0.4 | -0.3 | -0.3 | -0.8 |
| Energy imports | 9.1 | 7.1 | 7.4 | 6.5 | 7.2 | 6.7 | 6.2 | 5.8 | 5.5 |
| Public grants | 3.8 | 3.3 | 3.2 | 2.8 | 3.0 | 2.6 | 2.4 | 2.2 | 1.8 |
| Merchandize export growth (percent) | 35.4 | 1.4 | -1.5 | -4.0 | 1.6 | 3.4 | 3.5 | 4.2 | 5.2 |
| Re-exports | 17.0 | 3.4 | -7.2 | 7.1 | 9.0 | 6.9 | 6.8 | 5.9 | 5.9 |
| Domestic exports | 37.3 | 1.3 | -1.0 | -5.0 | 1.0 | 3.1 | 3.2 | 4.1 | 5.1 |
| Merchandize import growth (percent) | 31.1 | -6.0 | -4.2 | -4.0 | -2.1 | 1.8 | 4.5 | 5.8 | 5.6 |
| Energy (percent) | 85.8 | -19.9 | -14.3 | -3.5 | 2.3 | -2.8 | -1.2 | -1.0 | -0.4 |
| Non-energy (percent) | 23.0 | -2.9 | -1.9 | -4.0 | -2.9 | 2.7 | 5.6 | 7.0 | 6.6 |
| Travel growth (percent) | 110.5 | 6.2 | 17.1 | 6.6 | -2.3 | 10.9 | 7.3 | 7.0 | 7.0 |
| Remittances growth (percent) | 1.5 | 2.6 | 2.4 | 5.6 | 2.7 | 2.8 | 2.8 | 2.8 | 2.8 |
| FDI (percent of GDP) | 2.6 | 1.8 | 2.5 | 2.2 | 2.8 | 3.4 | 3.8 | 4.1 | 4.1 |
| Total external debt (percent of GDP) | 84.3 | 87.7 | 84.1 | 86.2 | 84.7 | 84.1 | 81.7 | 79.7 | 76.2 |
| *Of which*, Public external debt (Percent of GDP) | 41.0 | 43.8 | 42.2 | 43.3 | 44.3 | 44.8 | 43.4 | 42.2 | 39.5 |
| Nominal GDP | 48,722 | 50,022 | 50,989 | 52,656 | 53,570 | 56,556 | 59,709 | 63,038 | 66,553 |

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 $833m mature in 2025.
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, 2022–28
(In millions of U.S. dollars, unless otherwise indicated)

| | | 2022 | 2023 | | 2024 | | 2025 | | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 6th Rev | Est. | 6th Rev | Proj. | 6th Rev | Proj. | Proj. | Proj. | Proj. |
| **(1)** | **Gross financing requirements** | **7,876** | **7,068** | **6,903** | **5,871** | **5,746** | **5,350** | **6,652** | **6,110** | **6,131** | **6,164** |
| | Current account deficit (excl. grants) | 5,731 | 5,402 | 5,217 | 4,307 | 5,015 | 3,529 | 3,998 | 3,882 | 3,899 | 4,203 |
| | *of which:* Energy imports | 4,422 | 3,543 | 3,790 | 3,420 | 3,876 | 3,406 | 3,767 | 3,721 | 3,684 | 3,670 |
| | Amortization of public sector loans 1/ | 811 | 1,532 | 1,552 | 475 | 474 | 611 | 610 | 1,029 | 996 | 449 |
| | Amortization of sovereign bonds 2/ | 1,000 | 0 | 0 | 0 | 0 | 1,000 | 1,000 | 1,000 | 1,000 | 1,250 |
| | GCC deposits at the CBJ | 333 | 0 | 0 | 833 | 0 | 0 | 833 | 0 | 0 | 0 |
| | IMF repurchases | 0 | 133 | 134 | 255 | 257 | 209 | 211 | 199 | 236 | 262 |
| **(2)** | **Change in reserves (+ = increase) 3/** | **-744** | **254** | **-648** | **-689** | **282** | **809** | **898** | **1,551** | **1,939** | **623** |
| **(3)** | **Gross financing sources** | **4,324** | **5,476** | **4,746** | **4,043** | **4,125** | **5,552** | **5,864** | **6,508** | **6,819** | **6,787** |
| | FDI, net | 1,253 | 1,394 | 1,261 | 1,667 | 1,499 | 1,959 | 1,931 | 2,288 | 2,615 | 2,760 |
| | Public grants | 1,861 | 1,651 | 1,640 | 1,474 | 1,619 | 1,330 | 1,453 | 1,448 | 1,358 | 1,220 |
| | Public sector borrowing (xcl. official budget support) 2/ | 638 | 508 | 514 | 485 | 521 | 455 | 492 | 418 | 412 | 412 |
| | *of which:* Unidentified prospective financing 2/ | 202 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Issuance of sovereign bonds 4/ | 650 | 1,250 | 1,250 | 0 | 500 | 1,000 | 1,250 | 1,250 | 1,250 | 1,250 |
| | GCC deposits at the CBJ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Non-resident purchases of local debt | -268 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | CBJ other financing (net) 5/ | -156 | -60 | -60 | -60 | -60 | -60 | -60 | 0 | 0 | 0 |
| | SDR allocation held at CBJ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Private capital flows, net 6/ | 345 | 733 | 143 | 477 | 46 | 868 | 798 | 1,103 | 1,185 | 1,146 |
| **(4)** | **Errors and omissions** | 949 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **(1)+(2)-(3)-(4)** | **Total financing needs** | **1,859** | **1,846** | **1,508** | **1,140** | **1,903** | **607** | **1,687** | **1,153** | **1,251** | **0** |
| | **Official public external financing** | **1,859** | **1,846** | **1,508** | **1,140** | **1,903** | **607** | **1,687** | **1,153** | **1,251** | **0** |
| | Identified official budget support | 1,335 | 1,750 | 1,476 | 1,021 | 1,448 | 607 | 524 | 485 | 378 | 0 |
| | IMF EFF purchases | 525 | 96 | 32 | 119 | 455 | 0 | 264 | 265 | 265 | 0 |
| | *Unidentified external budget financing* | 0 | | 0 | | 0 | | 900 | 404 | 608 | 0 |
| | **Memorandum Items:** | | | | | | | | | | |
| | Gross financing requirements (in percent of GDP) | 32.2 | 28.1 | 26.9 | 22.2 | 21.3 | 19.1 | 23.4 | 20.4 | 19.3 | 18.4 |
| | Gross Usable Reserves | 16,432 | 16,687 | 15,784 | 15,998 | 16,066 | 16,808 | 16,965 | 18,516 | 20,455 | 21,078 |
| | In percent of the IMF Reserve Adequacy Metric 7/ | 102 | 99 | 94 | 91 | 91 | 91 | 91 | 95 | 101 | 101 |
| | In months of next year's imports of GNFS | 6.8 | 7.2 | 6.6 | 6.8 | 6.6 | 6.8 | 6.6 | 6.8 | 7.2 | 7.0 |

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/ Including only the IMF EFF disbursements.
4/ Includes guaranteed and non-guaranteed bonds.
5/ Includes CBJ other accounts receivable/payable (net) minus deposit flows (net), excluding GCC deposits.
6/ Includes changes in commercial banks' NFA.
7/ 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, 2022–28

(In millions of U.S. dollars, unless otherwise indicated)

| | | | 2023 | | 2024 | | 2025 | | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2022 | 6th Rev | Est. | 6th Rev | Proj. | 6th Rev | Proj. | Proj. | Proj. | Proj. |
| **(1)** | **General Government Gross Needs** | **4,755** | **3,020** | **4,547** | **3,145** | **2,474** | **3,736** | **4,760** | **4,798** | **4,035** | **4,197** |
| | NEPCO energy imports | 987 | 714 | 793 | 777 | 809 | 756 | 757 | 752 | 741 | 742 |
| | Net interest payments | 390 | 136 | 742 | 804 | 934 | 876 | 1,066 | 1,073 | 707 | 793 |
| | Amortization of external debt 1/ | 2,478 | 1,470 | 1,686 | 1,564 | 731 | 1,821 | 2,654 | 2,228 | 2,232 | 1,961 |
| | Amortization of domestic debt in FX | 900 | 700 | 1,326 | 0 | 0 | 284 | 284 | 745 | 355 | 700 |
| **(2)** | **General Government Sources** | **4,324** | **3,898** | **4,761** | **2,077** | **3,095** | **3,069** | **3,742** | **4,126** | **3,639** | **3,581** |
| | Public grants | 1,861 | 1,599 | 1,640 | 1,474 | 1,619 | 1,330 | 1,453 | 1,448 | 1,358 | 1,220 |
| | Public sector borrowing 2/ | 1,163 | 599 | 546 | 604 | 976 | 455 | 755 | 683 | 677 | 412 |
| | Sovereign bonds 3/ | 650 | 1,000 | 1,250 | 0 | 500 | 1,000 | 1,250 | 1,250 | 1,250 | 1,250 |
| | Local bonds in FX | 650 | 700 | 1,326 | 0 | 0 | 284 | 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** | **-430** | **878** | **214** | **-1,068** | **621** | **-668** | **-1,019** | **-672** | **-396** | **-615** |
| **(4)** | **Financing under the EFF** | **1,335** | **1,474** | **1,476** | **1,021** | **1,448** | **607** | **1,423** | **889** | **986** | **0** |
| | Identified official budget support | 1,335 | 1,474 | 1,476 | 1,021 | 1,448 | 607 | 524 | 485 | 378 | 0 |
| | *Unidentified external budget financing 4/* | 0 | | 0 | | 0 | | 900 | 404 | 608 | 0 |
| **(5)=(3)+(4)** | **General Government Balance under the EFF** | **904** | **2,352** | **1,691** | **-48** | **2,069** | **-61** | **404** | **217** | **590** | **-615** |
| **(6)** | **CBJ Balance under the EFF**, of which | **476** | **-501** | **648** | **689** | **-282** | **-809** | **-898** | **-1,551** | **-1,939** | **-623** |
| | Increase in gross reserves | -744 | 501 | -648 | -689 | 282 | 809 | 898 | 1,551 | 1,939 | 623 |
| **(7)=(5)+(6)** | **Public Sector Net Balance** | **1,380** | **1,851** | **2,339** | **641** | **1,788** | **-870** | **-494** | **-1,335** | **-1,349** | **-1,238** |

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, and IMF purchases.

3/ Includes guaranteed and non-guaranteed bonds.

4/ After IMF EFF disbursement.

## Table 3d. Jordan: External Budget Financing, 2022–28
(In millions of U.S. dollars unless otherwise indicated)

| | | 2023 | | 2024 | | 2025 | | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 6th Rev | Est. | 6th Rev | Proj. | 6th Rev | Proj. | Proj. | Proj. | Proj. |
| **Budget grants** | **1,104** | **1,769** | **1,776** | **1,651** | **1,741** | **1,497** | **1,553** | **1,549** | **1,458** | **1,320** |
| EU | 105 | 84 | 61 | 80 | 142 | 37 | 154 | 126 | 93 | 0 |
| GCC 1/ | 105 | 164 | 129 | 74 | 89 | 0 | 71 | 95 | 45 | 0 |
| United States | 845 | 696 | 845 | 696 | 853 | 685 | 693 | 693 | 685 | 685 |
| Other 2/ | 48 | 825 | 740 | 801 | 657 | 775 | 636 | 636 | 635 | 635 |
| **GCC grants transferred from CBJ to MOF** | **58** | **77** | **77** | **77** | **77** | **0** | **0** | **0** | **0** | **0** |
| **Loans** | **1,546** | **1,685** | **1,621** | **1,232** | **1,659** | **819** | **1,635** | **1,100** | **590** | **212** |
| **Multilateral** | **745** | **966** | **979** | **865** | **1,177** | **484** | **735** | **696** | **590** | **212** |
| Arab Monetary Fund | 212 | 212 | 212 | 212 | 212 | 212 | 212 | 212 | 212 | 212 |
| Asian Infrastructure Investment Bank | 65 | 85 | 59 | 38 | 85 | 18 | 85 | 80 | 80 | 0 |
| EBRD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Islamic Development Bank | 0 | 100 | 0 | 100 | 0 | 0 | 0 | 0 | 0 | 0 |
| World Bank | 468 | 569 | 708 | 516 | 716 | 255 | 329 | 306 | 200 | 0 |
| EIB | 0 | | 0 | | 131 | | 110 | 99 | 98 | 0 |
| Other | 0 | | 67 | | 33 | | 0 | 0 | 0 | 0 |
| **Bilateral** | **801** | **719** | **642** | **367** | **482** | **335** | **0** | **0** | **0** | **0** |
| Canada | 15 | 45 | 88 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EU | 0 | 200 | 222 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| France | 192 | 51 | 53 | 105 | 137 | 105 | 0 | 0 | 0 | 0 |
| Germany | 0 | 50 | 158 | 105 | 164 | 105 | 0 | 0 | 0 | 0 |
| Italy | 21 | 82 | 21 | 32 | 81 | 0 | 0 | 0 | 0 | 0 |
| Japan | 100 | 100 | 100 | 0 | 100 | 0 | 0 | 0 | 0 | 0 |
| Kuwait | 105 | 125 | 0 | 125 | 0 | 125 | 0 | 0 | 0 | 0 |
| Saudi Arabia | 368 | 66 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| UAE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Unidentified external budget financing*** | 0 | | 0 | | 0 | | 900 | 404 | 608 | 0 |
| **IMF purchases** | **525** | **100** | **32** | **124** | **455** | **0** | **264** | **265** | **265** | **0** |
| **Sovereign issuance** | **650** | **1,000** | **1,250** | **0** | **500** | **1,000** | **1,250** | **1,250** | **1,250** | **1,250** |
| Guaranted | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-guaranteed | 650 | 1,000 | 1,250 | 0 | 500 | 1,000 | 1,250 | 1,250 | 1,250 | 1,250 |

Sources: Jordanian authorities; and IMF staff estimates and projections.
1/ Grants pledged at the 2018 Mecca Summit and USD 300 million grant from UAE 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, 2022–28

| | 2022 | 2023 6th Rev | 2023 Proj. | 2024 6th Rev | 2024 Proj. | 2025 6th Rev | 2025 Proj. | 2026 Proj. | 2027 Proj. | 2028 Proj. |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | (Stocks, in millions of Jordanian dinars) | | | | | | |
| Net foreign assets | 6,911 | 7,296 | 6,827 | 7,672 | 7,189 | 8,373 | 8,379 | 9,432 | 10,787 | 11,414 |
| Central bank | 11,435 | 11,677 | 11,102 | 11,912 | 11,216 | 12,613 | 12,406 | 13,460 | 14,814 | 15,441 |
| Commercial banks | -4,523 | -4,382 | -4,275 | -4,240 | -4,027 | -4,240 | -4,027 | -4,027 | -4,027 | -4,027 |
| Net domestic assets | 34,760 | 36,706 | 37,179 | 38,780 | 39,299 | 40,669 | 40,701 | 42,384 | 43,918 | 46,341 |
| Net claims on general government | 15,437 | 15,955 | 16,213 | 16,665 | 16,980 | 17,696 | 17,283 | 17,755 | 17,838 | 18,081 |
| Net claims on central budgetary government 1/ | 11,917 | 11,944 | 12,158 | 12,483 | 12,199 | 13,385 | 12,274 | 12,548 | 12,592 | 12,795 |
| Net claims on NEPCO | 2,969 | 3,459 | 3,267 | 3,630 | 3,718 | 3,760 | 3,946 | 4,144 | 4,184 | 4,224 |
| Net claims on other own budget agencies 2/ | -926 | -926 | -689 | -926 | -414 | -926 | -414 | -414 | -414 | -414 |
| Claims on other public entities | 1,477 | 1,477 | 1,477 | 1,477 | 1,477 | 1,477 | 1,477 | 1,477 | 1,477 | 1,477 |
| Claims on financial institutions | 1,197 | 1,197 | 1,197 | 1,197 | 1,197 | 1,197 | 1,197 | 1,197 | 1,197 | 1,197 |
| Claims on the private sector | 29,759 | 31,387 | 30,952 | 33,201 | 32,505 | 35,209 | 34,454 | 36,590 | 38,966 | 41,596 |
| Other items (net) | -11,633 | -11,833 | -11,183 | -12,283 | -11,383 | -13,433 | -12,233 | -13,158 | -14,083 | -14,533 |
| Broad money | 41,672 | 44,002 | 44,006 | 46,452 | 46,488 | 49,042 | 49,080 | 51,816 | 54,705 | 57,755 |
| Currency in circulation | 6,037 | 6,512 | 6,513 | 6,805 | 6,811 | 7,111 | 7,117 | 7,436 | 7,768 | 8,115 |
| Jordanian dinar deposits | 28,985 | 30,479 | 30,482 | 32,233 | 32,258 | 34,173 | 34,200 | 36,170 | 38,254 | 40,457 |
| Foreign currency deposits | 6,649 | 7,011 | 7,011 | 7,414 | 7,420 | 7,757 | 7,763 | 8,210 | 8,683 | 9,183 |
| | | | | (Flows, in millions of Jordanian dinars) | | | | | | |
| Net foreign assets | -555 | 384 | -84 | 376 | 362 | 701 | 1,190 | 1,053 | 1,354 | 627 |
| Net domestic assets | 2,731 | 1,946 | 2,419 | 2,074 | 2,120 | 1,889 | 1,402 | 1,683 | 1,535 | 2,423 |
| Net claims on general government | 918 | 517 | 776 | 710 | 767 | 1,031 | 303 | 472 | 84 | 243 |
| Net claims on central budgetary government | 217 | 27 | 241 | 539 | 41 | 901 | 75 | 274 | 44 | 203 |
| Net claims on NEPCO | 487 | 490 | 298 | 171 | 452 | 130 | 228 | 198 | 40 | 40 |
| Net claims on other own budget agencies | -205 | 0 | 237 | 0 | 274 | 0 | 0 | 0 | 0 | 0 |
| Claims on financial institutions | -131 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Claims on the private sector | 2,200 | 1,628 | 1,193 | 1,814 | 1,553 | 2,007 | 1,949 | 2,136 | 2,376 | 2,630 |
| Other items (net) | -255 | -200 | 450 | -450 | -200 | -1,150 | -850 | -925 | -925 | -450 |
| Broad money | 2,176 | 2,330 | 2,334 | 2,450 | 2,482 | 2,590 | 2,592 | 2,736 | 2,889 | 3,050 |
| Currency in circulation | -188 | 475 | 475 | 293 | 298 | 306 | 306 | 319 | 332 | 346 |
| Jordanian dinar deposits | 2,041 | 1,494 | 1,497 | 1,754 | 1,776 | 1,941 | 1,942 | 1,970 | 2,083 | 2,203 |
| Foreign currency deposits | 323 | 361 | 362 | 403 | 409 | 343 | 343 | 447 | 473 | 500 |
| ***Memorandum items:*** | | | | | | | | | | |
| Year-on-year broad money growth (percent) | 5.5 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 |
| Year-on-year private sector credit growth (percent) | 8.0 | 5.5 | 4.0 | 5.8 | 5.0 | 6.0 | 6.0 | 6.2 | 6.5 | 6.7 |
| Foreign currency/total deposits (percent) | 18.7 | 18.7 | 18.7 | 18.7 | 18.7 | 18.5 | 18.5 | 18.5 | 18.5 | 18.5 |
| Private sector credit/total deposits (percent) | 83.5 | 83.7 | 82.6 | 83.7 | 81.9 | 84.0 | 82.1 | 82.4 | 83.0 | 83.8 |
| Currency in circulation/JD deposits (percent) | 20.8 | 21.4 | 21.4 | 21.1 | 21.1 | 20.8 | 20.8 | 20.6 | 20.3 | 20.1 |
| Money multiplier (for JD liquidity) | 3.8 | 3.7 | 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 |

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, 2022–28

| | | 2023 | | 2024 | | 2025 | | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 6th Rev | Proj. | 6th Rev | Proj. | 6th Rev | Proj. | Proj. | Proj. | Proj. |
| | (Stocks, in millions of Jordanian dinars) | | | | | | | | | |
| Net foreign assets 1/ | 11,435 | 11,677 | 11,102 | 11,912 | 11,216 | 12,613 | 12,406 | 13,460 | 14,814 | 15,441 |
| Foreign assets | 13,663 | 13,825 | 13,204 | 13,316 | 13,403 | 13,869 | 14,040 | 15,140 | 16,515 | 16,957 |
| *Of which:* Bilateral accounts | 767 | 767 | 767 | 767 | 767 | 767 | 767 | 767 | 767 | 767 |
| *Of which:* encumbered due to forwards or swaps | 658 | 658 | 658 | 658 | 658 | 658 | 658 | 658 | 658 | 658 |
| Foreign liabilities | 2,228 | 2,147 | 2,102 | 1,405 | 2,187 | 1,257 | 1,634 | 1,681 | 1,701 | 1,516 |
| *Of which:* Net Fund Position | 1,388 | 1,362 | 1,316 | 1,265 | 1,457 | 1,117 | 1,494 | 1,541 | 1,562 | 1,376 |
| *Of which:* GCC grants-related | 840 | 785 | 785 | 140 | 731 | 140 | 140 | 140 | 140 | 140 |
| Net domestic assets | -2,283 | -1,680 | -1,104 | -1,361 | -657 | -1,515 | -1,300 | -1,800 | -2,508 | -2,454 |
| Net claims on central budgetary government 2/ | 1,336 | 1,317 | 1,480 | 1,228 | 1,847 | 1,090 | 1,911 | 1,648 | 1,788 | 1,828 |
| Net claims on own budget agencies and other public entities | -331 | -331 | -331 | -331 | -331 | -331 | -331 | -331 | -331 | -331 |
| Net claims on financial institutions | 676 | 676 | 676 | 676 | 676 | 676 | 676 | 676 | 676 | 676 |
| Net claims on private sector | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 |
| Net claims on commercial banks | -3,112 | -2,067 | -1,354 | -1,959 | -1,874 | -2,175 | -2,781 | -3,018 | -3,866 | -3,852 |
| *Of which:* FX deposits of commercial banks | 654 | 654 | 654 | 654 | 654 | 654 | 654 | 654 | 654 | 654 |
| CDs | -600 | -700 | -800 | -400 | -400 | -200 | -200 | -200 | -200 | -200 |
| Other items, net (asset: +) | -276 | -601 | -801 | -601 | -601 | -601 | -601 | -601 | -601 | -601 |
| Jordanian dinar reserve money | 9,152 | 9,998 | 9,999 | 10,551 | 10,559 | 11,098 | 11,107 | 11,659 | 12,305 | 12,987 |
| Currency | 6,678 | 7,153 | 7,154 | 7,446 | 7,451 | 7,752 | 7,757 | 8,076 | 8,409 | 8,755 |
| Commercial bank reserves | 2,474 | 2,845 | 2,845 | 3,105 | 3,108 | 3,346 | 3,349 | 3,583 | 3,896 | 4,232 |
| *Of which:* required reserves | 1,457 | 1,532 | 1,532 | 1,620 | 1,622 | 1,718 | 1,719 | 1,818 | 1,923 | 2,034 |
| | (Flows, in millions of Jordanian dinars) | | | | | | | | | |
| Net foreign assets | -301 | 243 | -333 | 234 | 114 | 701 | 1,190 | 1,053 | 1,354 | 627 |
| Foreign assets | -606 | 161 | -460 | -508 | 200 | 553 | 637 | 1,100 | 1,375 | 441 |
| Foreign liabilities | -305 | -81 | -127 | -742 | 86 | -148 | -553 | 47 | 21 | -186 |
| Net domestic assets | -363 | 603 | 1,179 | 319 | 447 | -154 | -643 | -501 | -708 | 55 |
| Net claims on central budgetary government | -17 | -19 | 144 | -89 | 367 | -138 | 64 | -263 | 140 | 40 |
| Net claims on commercial banks | 349 | 1,045 | 1,758 | 108 | -520 | -216 | -906 | -237 | -848 | 15 |
| Other items, net (asset: +) | 167 | -325 | -525 | 0 | 200 | 0 | 0 | 0 | 0 | 0 |
| Jordanian dinar reserve money | -664 | 845 | 846 | 553 | 561 | 547 | 548 | 553 | 646 | 682 |
| Currency | -157 | 475 | 475 | 293 | 298 | 306 | 306 | 319 | 332 | 346 |
| Commercial banks' reserves | -507 | 371 | 371 | 260 | 263 | 241 | 242 | 234 | 313 | 335 |
| ***Memorandum items:*** | | | | | | | | | | |
| Gross international reserves ($ millions) | 18,190 | 18,417 | 17,542 | 17,700 | 17,824 | 18,480 | 18,722 | 20,274 | 22,213 | 22,835 |
| Gross usable international reserves ($ millions) | 16,432 | 16,687 | 15,784 | 15,998 | 16,066 | 16,808 | 16,965 | 18,516 | 20,455 | 21,078 |
| As a ratio to JD broad money (in percent) | 33 | 32 | 30 | 29 | 29 | 29 | 29 | 30 | 32 | 31 |
| As a ratio of JD reserve money (in percent) | 127 | 118 | 112 | 107 | 108 | 107 | 108 | 113 | 118 | 115 |
| Net international reserves (millions of JD) | 10,196 | 10,384 | 9,808 | 9,972 | 9,868 | 10,673 | 10,467 | 11,520 | 12,874 | 13,502 |
| Net international reserves (millions of U.S. dollars) | 14,381 | 14,645 | 13,834 | 14,065 | 13,918 | 15,054 | 14,763 | 16,248 | 18,158 | 19,043 |
| Money multiplier (for JD liquidity) | 3.8 | 3.7 | 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 2020–24 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 revie | 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 reviev | 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 revie | 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: Proposed Access and Phasing Under the New EFF Arrangement 1/

| Review | Availability Date | Action | Purchase | |
|---|---|---|---|---|
| | | | SDR Million | Percent of Quota 1/ |
| | January 10, 2024 | Board approval of EFF | 144.102 | 42.0 |
| First Review | April 1, 2024 | Observance of end-December 2023 performance criteria, completion of first review | 97.784 | 28.5 |
| Second Review | October 1, 2024 | Observance of end-June 2024 performance criteria, completion of second review | 97.784 | 28.5 |
| Third Review | April 1, 2025 | Observance of end-December 2024 performance criteria, completion of third review | 97.784 | 28.5 |
| Fourth Review | October 1, 2025 | Observance of end-June 2025 performance criteria, completion of fourth review | 97.784 | 28.5 |
| Fifth Review | April 1, 2026 | Observance of end-December 2025 performance criteria, completion of fifth review | 97.784 | 28.5 |
| Sixth Review | October 1, 2026 | Observance of end-June 2026 performance criteria, completion of sixth review | 97.784 | 28.5 |
| Seventh Review | April 1, 2027 | Observance of end-December 2026 performance criteria, completion of seventh review | 97.784 | 28.5 |
| Eight Review | October 1, 2027 | Observance of end-June 2027 performance criteria, completion of eighth review | 97.780 | 28.5 |
| **Total** | | | **926.370** | **270.0** |

Source: IMF staff estimates.
1/ Jordan's quota is SDR 343.1 million.

## Table 7. Jordan: Indicators of Fund Credit, 2023-47

(In millions of SDR unless stated otherwise)

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 | 2043 | 2044 | 2045 | 2046 | 2047 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Proj | | | | | | | | | | | | | | | | | | | | | | | | |
| **Existing and prospective Fund credit (SDR million)** | | | | | | | | | | | | | | | | | | | | | | | | | |
| Disbursements | 24 | 340 | 196 | 196 | 196 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFF | 24 | 340 | 196 | 196 | 196 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| RFI | 0 | 0 | 0 | 0 | 0 | 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/ | 1,393 | 1,541 | 1,581 | 1,641 | 1,648 | 1,439 | 1,197 | 940 | 688 | 464 | 305 | 171 | 81 | 24 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFF | 1,175 | 1,468 | 1,581 | 1,641 | 1,648 | 1,439 | 1,197 | 940 | 688 | 464 | 305 | 171 | 81 | 24 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| RFI | 219 | 73 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Obligations 2/ | 199 | 307 | 278 | 266 | 323 | 340 | 357 | 351 | 325 | 278 | 201 | 169 | 118 | 81 | 46 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Principal (repayments/repurchases) | 100 | 192 | 156 | 136 | 188 | 208 | 243 | 257 | 252 | 224 | 158 | 134 | 90 | 57 | 24 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFF | 27 | 46 | 83 | 136 | 188 | 208 | 243 | 257 | 252 | 224 | 158 | 134 | 90 | 57 | 24 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| RFI | 73 | 146 | 73 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Charges and interest 3/ | 99 | 116 | 122 | 131 | 134 | 132 | 114 | 94 | 73 | 54 | 42 | 34 | 28 | 24 | 21 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| SDR | 17 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| GRA | 81 | 95 | 102 | 110 | 114 | 111 | 94 | 74 | 53 | 34 | 22 | 14 | 8 | 4 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Fund obligations (repurchases and charges) in percent of: 4/** | | | | | | | | | | | | | | | | | | | | | | | | | |
| Quota | 57.9 | 89.5 | 81.1 | 77.6 | 94.1 | 99.1 | 103.9 | 102.3 | 94.7 | 81.1 | 58.5 | 49.2 | 34.4 | 23.6 | 13.3 | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 |
| GDP | 0.5 | 0.8 | 0.7 | 0.6 | 0.7 | 0.7 | 0.7 | 0.6 | 0.6 | 0.4 | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Exports of goods and services | 1.2 | 1.9 | 1.6 | 1.5 | 1.7 | 1.7 | 1.7 | 1.5 | 1.3 | 1.1 | 0.7 | 0.6 | 0.4 | 0.3 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Gross international reserves | 1.7 | 2.6 | 2.2 | 1.9 | 2.1 | 2.2 | 2.2 | 2.1 | 1.9 | 1.6 | 1.1 | 0.9 | 0.6 | 0.4 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Government revenue | 2.0 | 2.9 | 2.4 | 2.2 | 2.5 | 2.5 | 2.4 | 2.2 | 1.9 | 1.6 | 1.1 | 0.9 | 0.6 | 0.4 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| External debt service, public | 10.4 | 22.5 | 12.2 | 10.2 | 13.6 | 15.2 | 21.8 | 14.5 | 18.9 | 12.2 | 7.3 | 8.0 | 5.3 | 3.4 | 1.8 | 0.8 | 0.7 | 0.7 | 0.7 | 0.6 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 |
| **Fund credit outstanding in percent of: 1/ 4/** | | | | | | | | | | | | | | | | | | | | | | | | | |
| Quota | 406 | 449 | 461 | 478 | 480 | 420 | 349 | 274 | 200 | 135 | 89 | 50 | 24 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFF | 342 | 428 | 461 | 478 | 480 | 420 | 349 | 274 | 200 | 135 | 89 | 50 | 24 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| RFI | 64 | 21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| GDP | 3.7 | 3.8 | 3.7 | 3.7 | 3.5 | 2.9 | 2.3 | 1.7 | 1.2 | 0.8 | 0.5 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Exports of goods and services | 8.6 | 9.5 | 9.2 | 9.0 | 8.6 | 7.1 | 5.6 | 4.1 | 2.8 | 1.8 | 1.1 | 0.6 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Gross international reserves | 11.8 | 12.8 | 12.5 | 11.9 | 10.8 | 9.1 | 7.4 | 5.6 | 4.0 | 2.6 | 1.7 | 0.9 | 0.4 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Government revenue | 14.0 | 14.3 | 13.8 | 13.5 | 12.6 | 10.4 | 8.0 | 6.0 | 4.1 | 2.6 | 1.7 | 0.9 | 0.4 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| External debt, public | 8.7 | 8.7 | 8.3 | 8.5 | 8.3 | 7.3 | 6.2 | 4.9 | 3.7 | 2.7 | 2.0 | 1.2 | 0.5 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **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 | 343.1 | 343.1 | 343.1 | 343.1 | 343.1 | 343.1 | 343.1 | 343.1 | 343.1 |
| Gross domestic product (USD million) | 50,989 | 53,570 | 56,556 | 59,709 | 63,038 | 66,553 | 70,263 | 74,180 | 78,316 | 82,682 | 87,291 | 92,158 | 97,295 | 102,720 | 108,446 | 114,492 | 120,875 | 127,614 | 134,728 | 142,239 | 150,169 | 158,541 | 167,380 | 176,711 | 186,563 |
| Exports of goods and services (USD million) | 21,685 | 21,720 | 23,097 | 24,273 | 25,581 | 27,097 | 28,697 | 30,551 | 32,474 | 34,506 | 36,773 | 38,220 | 39,725 | 41,290 | 42,916 | 44,605 | 46,362 | 48,187 | 50,085 | 52,057 | 54,107 | 56,237 | 58,452 | 60,753 | 63,146 |
| Gross international reserves (USD million) | 15,784 | 16,065 | 16,964 | 18,515 | 20,454 | 21,077 | 21,718 | 22,379 | 23,060 | 23,762 | 24,485 | 25,231 | 25,998 | 26,790 | 27,605 | 28,445 | 29,311 | 30,203 | 31,122 | 32,069 | 33,045 | 34,051 | 35,087 | 36,155 | 37,256 |
| Government revenue (USD million) | 13,354 | 14,375 | 15,344 | 16,316 | 17,466 | 18,548 | 19,889 | 21,074 | 22,334 | 23,672 | 23,930 | 25,146 | 26,425 | 27,768 | 29,180 | 30,663 | 32,222 | 33,861 | 35,582 | 37,391 | 39,292 | 41,290 | 43,389 | 45,596 | 47,914 |
| External debt service, public (USD million) | 2,556 | 1,829 | 3,051 | 3,498 | 3,182 | 2,997 | 2,193 | 3,231 | 2,305 | 3,048 | 3,675 | 2,832 | 2,990 | 3,157 | 3,333 | 3,519 | 3,715 | 3,922 | 4,141 | 4,372 | 4,615 | 4,873 | 5,144 | 5,431 | 5,734 |
| Total external debt, public (USD million) | 21,538 | 23,731 | 25,339 | 25,932 | 26,613 | 26,313 | 26,002 | 25,491 | 24,642 | 23,014 | 20,671 | 19,089 | 20,153 | 21,277 | 22,463 | 23,715 | 25,037 | 26,433 | 27,907 | 29,463 | 31,105 | 32,839 | 34,670 | 36,603 | 38,644 |

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 5.176 (as of November 30, 2023).

4/ Using the end-2023:Q4 forecast of the SDR/USD rate in 2023-2047 forecasts.

# Annex I. Risk Assessment Matrix[1]

| Risks and Likelihood | Economic Impact | Policy Responses |
|---|---|---|
| **Global Risks** | | |
| High | High | |
| **Intensification of regional conflict(s).** Escalation of the conflict in Gaza and Israel, Russia's war in Ukraine, or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, FDI and financial flows, and payment systems, and lead to refugee flows. | • Disruptions to energy, water and food, tourism and remittances, would worsen the fiscal and current account balances, increasing external financing needs.<br>• Inflation pressure could rise due to higher import prices. | • Provide targeted fiscal measures to ensure delivery of essential public services, including security, and to support vulnerable households, including refugees.<br>• Strengthen social safety nets. |
| High | High | |
| **Commodity price volatility.** A succession of supply disruptions and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, contagion effects, and social and economic instability. | • An increase in fuel and/or food prices would significantly increase fuel and/or wheat import bill; current account deficit and external financing needs. | • Provide targeted fiscal measures to support vulnerable households, including refugees.<br>• Strengthen social safety nets. |
| Medium | High | |
| **Abrupt global slowdown or recession.** Global and idiosyncratic risk factors combine to cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation causing sudden stops in EMDEs.<br>• **U.S.:** Amid tight labor markets and/or commodity price shocks, inflation remains elevated, prompting the Fed to keep rates higher for longer and resulting in more abrupt financial, housing and commercial real estate market correction, and "hard landing." | • The global slowdown could reduce remittances and tourism inflows and thus affect economic activity and dampen domestic growth outlook, while worsening the fiscal and current account balances.<br>• An increase in global risk premia and still higher Fed rates could result in a negative feedback loop between sovereign and banks and further worsening bank balance sheets. It would also result in higher funding costs for corporates and the sovereign. Asset quality deterioration for banks. | • Provide targeted support to vulnerable groups.<br>• CBJ to follow Fed and raise policy rates conditional on domestic conditions and capital flow responses to any change in spread over federal funds rate.<br>• Monitor banks' buffers to withstand shocks, introduce measures recommended by the FSSA as appropriate.<br>• Accelerate structural measures that foster private investment and private sector development that creates jobs and promotes more sustainable and inclusive growth. |

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

| Risks and Likelihood | Economic Impact | Policy Responses |
|---|---|---|
| • **Europe:** Intensifying fallout from the war in Ukraine, recurrent energy crisis and supply disruptions, and monetary tightening exacerbate economic downturns, and housing and commercial real estate market corrections.<br>• **China:** Sharper-than-expected slowdown in the property sector, unexpected fiscal tightening due to local government financing stress and decline in investment, and/or rising geopolitical tensions disrupt economic activity. | | |
| **Medium** | **Medium** | |
| **Monetary policy miscalibration.** Amid high economic uncertainty and financial sector fragility, major central banks pause monetary policy tightening or pivot to loosen policy stance prematurely, de-anchoring inflation expectations, triggering a wage-price spiral and spillovers to financial markets. | • A sharp tightening of global financial conditions and spiking risk premia can increase vulnerabilities of the sovereign, banks, and households. | • CBJ to follow the U.S. Fed and raise policy rates conditional on domestic conditions and capital flow responses to any change in spread over the federal funds rate.<br>• Provide targeted support to vulnerable groups.<br>• Monitor banks' buffers to withstand shocks, introduce measures recommended by the FSSA as appropriate. |
| **Medium** | **Medium** | |
| **Systemic financial instability.** Sharp swings in real interest rates and risk premia, and asset repricing amid economic slowdowns and policy shifts trigger insolvencies in countries with weak banks or non-bank financial institutions, causing market dislocations and adverse cross-border spillovers. | • An increase in global risk premia and still higher Fed rates could result in a negative feedback loop between sovereign and banks and further worsening bank balance sheets. It would also result in higher funding costs for corporates and the sovereign. Asset quality deterioration for banks. | • CBJ to follow the U.S. Fed and raise policy rates conditional on domestic conditions and capital flow responses to any change in spread over the federal funds rate.<br>• Monitor banks' buffers to withstand shocks, introduce measures recommended by the FSSA as appropriate. |

| Risks and Likelihood | Economic Impact | Policy Responses |
|---|---|---|
| **Medium** | **High** | |
| **Sovereign debt distress.** Domino effects of higher global interest rates, a growth slowdown in AEs, and/or disorderly debt events in some EMDEs spillover to other highly indebted countries, resulting in capital outflows, an increase in risk premia, and loss of market access. | • Higher risk premia would result in higher funding costs for corporates and the sovereign. Bank asset quality could deteriorate.<br>• Capital outflows could materialize. | • If market conditions become disorderly, consider capital flow measures as part of a broader macroeconomic package to address the root causes in accordance with the IMF Institutional View.<br>• Maintain prudent macroeconomic policies.<br>• Continue fiscal consolidation to ensure debt sustainability. |
| **High** | **Medium** | |
| **Deepening geoeconomic fragmentation**. Broader and deeper conflict(s) and weakened international cooperation result in a more rapid reconfiguration of trade and FDI, supply disruptions, protectionism, technological and payments systems fragmentation, rising input costs, financial instability, a fracturing of international monetary and financial systems, and lower potential growth. | • FDI inflows could slowdown and higher import costs would worsen the fiscal and current account balances. Such development could affect potential growth if persists. | • Accelerate structural reforms that promote economic diversification and foster greater private sector development that creates jobs and promotes inclusive growth.<br>• Monitor banks' buffers to withstand shocks, introduce measures recommended by the FSAP as appropriate. |
| **Domestic Risks** | | |
| **Medium** | **High** | |
| **Increase in water scarcity due to climate change** | • Water shortages would affect daily life and disrupt economic activity. It could also trigger social discontent. | • Prioritize securing sustainable water supplies.<br>• Targeted fiscal measures to support vulnerable households.<br>• Adopt measures to improve efficiency and ensure financial sustainability of the water sector. |
| **Medium** | **High** | |
| **Persistently high Unemployment amplifies poverty and inequality** | • Persistently high unemployment, especially among youth, and rising poverty and inequality, coupled with a growing dissatisfaction with the government, leads to widespread protests and violence.<br>• Weaken recent reform momentum.<br>• Damage investor perceptions of business environment.<br>• Slow growth, calling debt sustainability into question. | • Accelerate structural reforms that promote economic diversification and foster greater private sector development that creates jobs and promotes inclusive growth.<br>• Strengthen social safety nets. |

# Annex II. Capacity Development Strategy for 2024–25

CD priority areas are aligned with the authorities' reform agenda, aiming at maintaining macro-stability and fostering sustainable growth, while tackling climate change and enhancing potential future pandemic preparedness. Jordan has relatively strong institutional capacity and a good track record of implementing CD recommendations. The CD strategy aims to ensure adequate integration of CD recommendations with policy advice in the context of program design. The main CD priorities and objectives are summarized in the table below.

**Key CD Priorities**

| Priorities | Objectives |
|---|---|
| Tax policy | Broaden the tax base, including by assessing the efficiency of VAT and improving tax expenditure reporting. |
| Revenue Administration | Strengthen revenue administration and governance arrangements and customs and tax administration core functions; assess the tax gap. |
| Public Financial Management | Strengthen budget planning, especially for infrastructure building and climate-change-related investments, and develop the Medium-Term Budget Framework; strengthen the identification, monitoring, and management of fiscal risks; enhance the efficiency of public investment; improve debt and cash management practices and commitment controls.<br><br>Implement recommendations from PIMA and C-PIMA. |
| Expenditure Policy | Implement an appropriate framework for domestic prices adjustment following international developments to contain the subsidy bill.<br><br>Enhance the social assistance system, including the social safety net, pensions, and unemployment insurance, and including via increased coverage of social assistance and improving the fiscal sustainability of the SSC.<br><br>Implement recommendations from IMF TA on healthcare spending. |
| Financial Supervision and Regulation | Implement recommendations of the 2023 FSSA; ensure financial sector resilience and risk-based supervision, address systemic risks. |
| Financial Stability | Improve the crisis management and bank resolution framework in line with recommendations from the 2023 FSSA. |

# Annex III. External Sector Assessment

***Overall Assessment:*** *The external position of Jordan in 2023 is assessed to be broadly consistent with the level implied by fundamentals and desirable policies. The current account deficit narrowed from about 8 percent of GDP in 2022 to 7.1 percent of GDP in 2023H1, on the back of a continued recovery of exports and tourism and decline in food and fuel prices. However, capital inflows could not fully cover the current account deficit, which led to some decline in reserves, as well as the reserve coverage ratio, to 102 percent in 2022 (114 percent in 2021), with a further decline projected in 2023.*

***Potential Policy Responses:*** *Jordan's external stability depends on sound macroeconomic policies and continued structural reforms to maintain macroeconomic stability, strengthen debt sustainability, and improve the business climate. Boosting reserves to above 100 percent of the IMF ARA metric is crucial for rebuilding buffers for external shocks and maintaining external stability.*

***Foreign Assets and Liabilities: Position and Trajectory***

**Background.** The Net International Investment Position (NIIP) stood at -107 percent of GDP in 2023H1, similar to its end-2022 level (-106 percent of GDP). Gross assets and gross liabilities both increased slightly, with gross assets at 60 percent of GDP and gross liabilities at 167 percent. Apart from reserves, which accounted for over 60 percent of total gross assets and 36 percent of GDP, the majority is accounted for by commercial banks in the form of foreign deposits and loans (14 percent of GDP). Gross liabilities reached 167 percent of GDP, of which FDI represented about half, at 79 percent of GDP, followed by loans and deposits of commercial banks (30.5 percent of GDP) and government (19.8 percent of GDP). The NIIP has deteriorated during the last decade due to widening current account deficits caused by various external shocks (e.g., disruption of gas supply from Egypt, conflicts in Iraq and Syria, the pandemic, commodity price shocks), but is projected to improve in the medium term, as exports and tourism receipts strengthen.

**Assessment.** The large share of FDI mitigated the risks from gross external liabilities, as it is less volatile than other funding sources. The banking sector liabilities in the form of loans and deposits are partly offset by the counterpart of banks' external assets. While reserve buffers have declined in 2022, it held steady in 2023 H1, but the ongoing regional conflict could weaken reserve buffers, with disruptions to the tourism sector and the overall economy. With sound economic policies and solid reform progress under successive EFF arrangements, the NIIP is projected to improve over the medium term with narrowing current account deficits.

| | | | | | |
|---|---|---|---|---|---|
| ***2023H1 (% GDP)*** | ***NIIP: -107*** | ***Gross Assets: 60*** | ***Debt Assets: 51*** | ***Gross Liabilities: 167*** | ***Debt Liabilities: 81*** |

***Current Account***

**Background.** The current account deficit narrowed from about 8 percent of GDP in 2022 to 7.1 percent of GDP in 2023H1, with a recovery in exports and tourism receipts and a decline in food and fuel prices. Energy imports declined from 9.7 percent of GDP in 2022 to 5.5 percent of GDP in 2023H1, while tourism receipts grew by more than 60 percent. The ongoing regional conflict would likely reduce the growth momentum of tourism receipts and add pressure on the current account balance. Over the medium term, as exports and tourism continue to strengthen, the current account balance is expected to continue to narrow to 4 – 4½ percent of GDP.

**Assessment.** The EBA CA model estimates a 2023 current account norm of -5.0 percent of GDP. After accounting for cyclical factors and conflict related adjustment, the CA balance is adjusted to -5.7 percent of GDP. This leads to a current account gap of -0.7 percent of GDP, including a policy gap of 3.5 percent of GDP, which reflects a tighter fiscal position than in equilibrium to bring down debt to sustainable levels. Policy adjustments alone are unlikely to eliminate the CA gap and need to be complemented by structural reforms to enhance competitiveness and productivity.

| Jordan: EBA-lite Model Results, 2023 | | |
|---|---|---|
| | **CA model** 1/ | **REER model** 1/ |
| | (in percent of GDP) | |
| **CA-Actual** | **-7.0** | |
| Cyclical contributions (from model) (-) | -0.2 | |
| Additional temporary/statistical factors (-) 2/ | -1.1 | |
| Natural disasters and conflicts (-) | 0.0 | |
| **Adjusted CA** | **-5.7** | |
| **CA Norm** (from model) 3/ | **-5.0** | |
| Adjustments to the norm (-) | 0.0 | |
| **Adjusted CA Norm** | **-5.0** | |
| **CA Gap** | **-0.7** | **6.6** |
| o/w Relative policy gap | 3.5 | |
| Elasticity | -0.3 | |
| **REER Gap** (in percent) | **2.3** | **-22.5** |

1/ Based on the EBA-lite 3.0 methodology
2/ Additional adjustment to account for the temporary impact of the Israel-Gaza conflict on tourism (13 percent of GDP). 50 percent of the shock to tourism is assumed temporary.
3/ Cyclically adjusted, including multilateral consistency adjustments.

## *Real Exchange Rate*

**Background.** After depreciating 2.5 percent in 2022, the real effective exchange rate (REER) started to appreciate again in 2023, with an appreciation of 9.1 percent by end-October as compared to end-2022. On the other hand, the Nominal Effective Exchange Rate (NEER) continued to appreciate by 18 percent in the first 10 months in 2023 as compared to the same period in 2022, after appreciating 7.8 percent on average in 2022, deviating from the US NEER.

**Assessment.** The EBA-lite CA model implies a slight REER overvaluation of 2.3 percent in 2023, based on the CA gap of -0.7 and a REER elasticity of 0.3. This CA estimate does not fully incorporate the impact on the current account of the influx of refugees and associated aid flows. On the other hand, the REER model indicates a 22.5 percent undervaluation primarily due to Jordan's low dependency ratio. Staff estimate for the CA gap of -0.7 percent and a REER at fair value for 2023, a judgement in line with the preferred CA EBA-lite model. Overall, staff assesses the 2023 REER gap to be in the range of 0 to -10 percent.

## *Capital and Financial Accounts: Flows and Policy Measures*

**Background.** After more than doubling in 2022, net FDI increased by 12 percent in 2023H1 as compared to 2022H1. Although still below the level seen in the five years prior to the pandemic, the net FDI is estimated to continue recovering with the economic rebound and improving business climate. Official support from donors is expected to exceed that of 2022. Errors and emissions, while shrinking to 2 percent of GDP in 2022, remain still large and an obstacle to accurately evaluate the overall balance of payment conditions. Reserves have remained steady since end-2022 but could weaken if the regional conflict spreads or persists.

**Assessment.** Over the medium term, the current account deficit is projected to further narrow and FDI is expected to pick up and recover to pre-pandemic levels. However, structural impediments to attracting FDI and a potential decline in official donor support could put pressures on financing the current account deficit while maintaining reserve buffers. Continued structural reforms to improve competitiveness and the business climate are important to boost investor confidence and sustain donor support.

| FX Intervention and Reserves Level |
| --- |
| **Background.** The Jordanian dinar is pegged to US dollar and FX intervention is implemented as a supplementary policy to maintain the peg (the main policy instrument is the policy rate, which is adjusted 1-to-1 with changes in the U.S. Federal Reserve policy rate). Gross usable reserves were equivalent to 46 percent of GDP at 2023Q3, similar to the level at end-2022. Reserve coverage by IMF ARA metric stayed at 102 percent, or 6.7 months of imports in 2022, but is expected to decline in 2023 due to higher outflows from the commercial banks and lower official support. The level of reserves is affected by a large errors and emissions component.<br><br>**Assessment.** Reserves have stayed above program targets and provided important support for the peg. Gross usable reserves at or above the 100 percent of the IMF reserve adequacy metric should be maintained. However, reserve coverage is projected to further weaken in the coming years, as the current account adjustment is delayed by external shocks and large external debt service obligations falling due. |

# Annex IV. Sovereign Risk and Debt Sustainability Assessment

## Table AIV.1. Jordan: Risk of Sovereign Stress

| Horizon | Mechanical signal | Final assessment | Comments |
|---|---|---|---|
| **Overall** | ... | Moderate | This follows directly from the "moderate" medium-term risk assessment. |
| **Near term 1/** | n.a. | n.a. | Not applicable |
| **Medium term** | Moderate | Moderate | In line with the mechanical signals, medium term risks are assessed as moderate, reflecting a declining debt/GDP ratio and manageable financing risks, based on the assumed fiscal consolidation over 2023-28. |
| Fanchart | Moderate | ... | |
| GFN | Moderate | ... | |
| Stress test | ... | ... | |
| **Long term** | ... | Moderate | Jordan's social security fund provides a useful buffer, partly reflecting current favorable demographic composition. However, demographic changes in the next decade, if not addressed by pension reforms and other structural reforms, could prompt rundown of the pension assets and pose risks for pension sustainability. Elevated gross financing needs are also a risk, if fiscal consolidation and debt reduction are delayed by additional spending pressures from healthcare spending, water scarcity, inefficient energy companies or climate related costs. On balance, staff assesses long-term risks to be moderate. |
| **Sustainability assessment 2/** | | Sustainable | The debt/GDP ratio is projected to decline to just below 80 percent by 2028, and financing risks, in line with a relatively long effective debt maturity of 6 years and robust development partner support, remain manageable. The baseline fiscal consolidation is gradual and backed by identified measures. Accordingly, debt is assessed as sustainable. However, further tightening of global financial conditions, commodity prices shocks, failure to reverse water and electricity sectors deficits, weaker global growth, and higher EM risk premia present downside risks to this baseline. |
| **Debt stabilization in the baseline** | | | Yes |

### DSA Summary Assessment

Jordan's public debt is assessed as sustainable. The medium-term baseline delivers a downward path for the debt/GDP ratio, driven mainly by fiscal consolidation and growth. Public debt peaked at 89 percent of GDP in 2022, but is expected to decline starting 2023 to reach just below 80 percent by 2028. Jordan's high public debt renders it vulnerable to a tightening in financial conditions, but the large share of concessional debt provides an important cushion. Moreover, Jordan has significant buffers: FX reserves at 7 months of imports; and assets of the Social Security Investment Fund reached 40 percent of GDP. Continued fiscal consolidation and accelerated structural reforms, including decisive actions to address NEPCO's deficits and address the water scarcity challenge in a fiscally prudent manner, as well as reforms to improve long-term pension sustainability and address climate change remain essential to maintain debt sustainability and enhance inclusive growth and competitiveness.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

## Table AIV.2. Jordan: Debt Coverage and Disclosures

| | | | | | | Comments |
|---|---|---|---|---|---|---|
| **1. Debt coverage in the DSA: 1/** | CG | GG | NFPS | CPS | Other | |
| **1a. If central government, are non-central government entities insignificant?** | | | | | n.a. | |
| **2. Subsectors included in the chosen coverage in (1) above:** | | | | | | |
| Subsectors captured in the baseline | | | | | Inclusion | |
| 1 Budgetary central government | | | | | Yes | |
| 2 Extra budgetary funds (EBFs) | | | | | No | Not applicable |
| 3 Social security funds (SSFs) | | | | | Yes | |
| 4 State governments | | | | | No | |
| 5 Local governments | | | | | No | |
| 6 Public nonfinancial corporations | | | | | Yes | Water and electricity only |
| 7 Central bank | | | | | No | |
| 8 Other public financial corporations | | | | | No | |
| **3. Instrument coverage:** | Currency & deposits | Loans | Debt securities | Oth acct. payable 2/ | IPSGSs 3/ | |
| **4. Accounting principles:** | Basis of recording | | Valuation of debt stock | | | |
| | Non-cash basis 4/ | Cash basis | Nominal value 5/ | Face value 6/ | Market value 7/ | |
| **5. Debt consolidation across sectors:** | | Consolidated | | Non-consolidated | | |

**Color code:** chosen coverage; Missing from recommended coverage; Not applicable

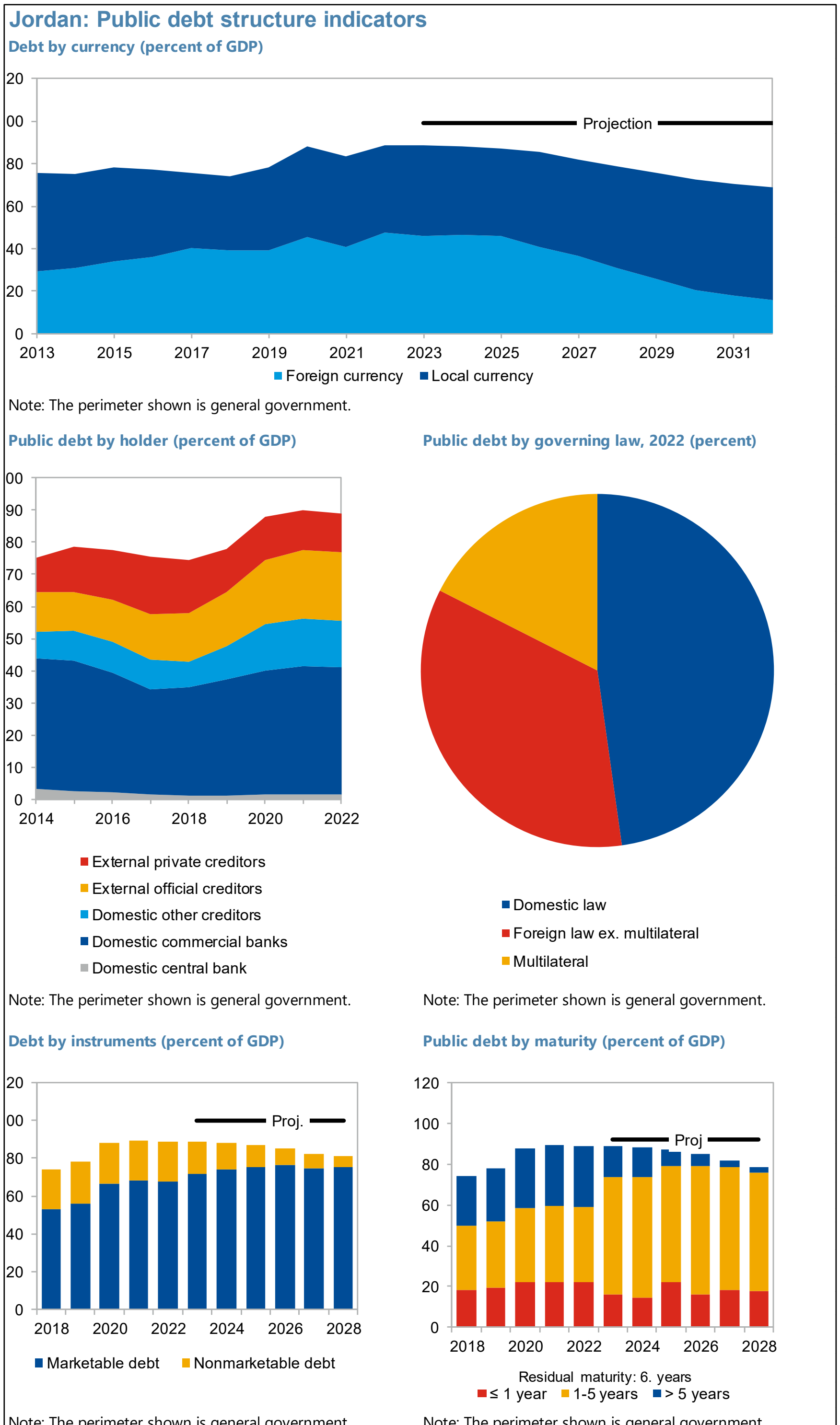
**Reporting on intra-government debt holdings**

| Issuer \ Holder | Budget. central govt | Extra-budget. funds (EBFs) | Social security funds (SSFs) | State govt. | Local govt. | Nonfin. pub. corp. | Central bank | Oth. pub. fin corp | Total |
|---|---|---|---|---|---|---|---|---|---|
| 1 Budget. central govt. | | | | | | | | | 0 |
| 2 Extra-budget. funds | | | | | | | | | 0 |
| 3 Social security funds | 8.2 | | | | | | | | 8.2 |
| 4 State govt. | | | | | | | | | 0 |
| 5 Local govt. | | | | | | | | | 0 |
| 6 Nonfin pub. corp. | | | | | | | | | 0 |
| 7 Central bank | | | | | | | | | 0 |
| 8 Oth. pub. fin. corp | | | | | | | | | 0 |
| Total | 8.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8.2 |

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

The coverage in this SRDSA seeks to approximate general government. The coverage includes the central government, the Social Security Fund, NEPCO, WAJ, and water distribution companies. The coverage does not include local governments or the deposit insurance fund. GCC desposits at the CBJ, amounting to US$833 million, are not included in public debt because CBJ is assessed to have adequate capacity to repay, i.e., without the need to resort to detrimental measures.

## Figure AIV.1. Jordan: Public Debt Structure Indicators



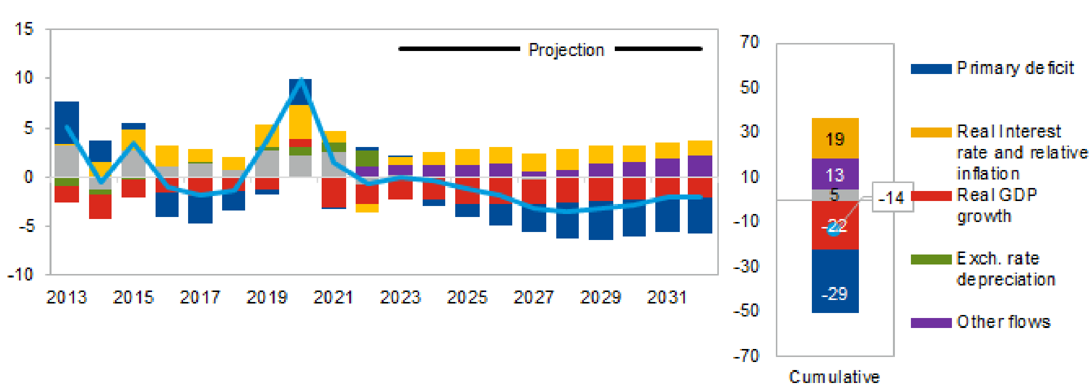

Jordan's public debt is about evenly split between foreign and local currency-denominated instruments, mainly held by domestic commercial banks and external official creditors. In the long term, the share of domestic financing is expected to increase as repayment of official external debt accelerates.Jordan's current residual debt maturity is 6 years, and is expected to be mainly in the range 1-5 years in the medium term horizon.

## Table AIV.3. Jordan: Baseline Scenario

### Jordan: Baseline scenario
(percent of GDP unless indicated otherwise)

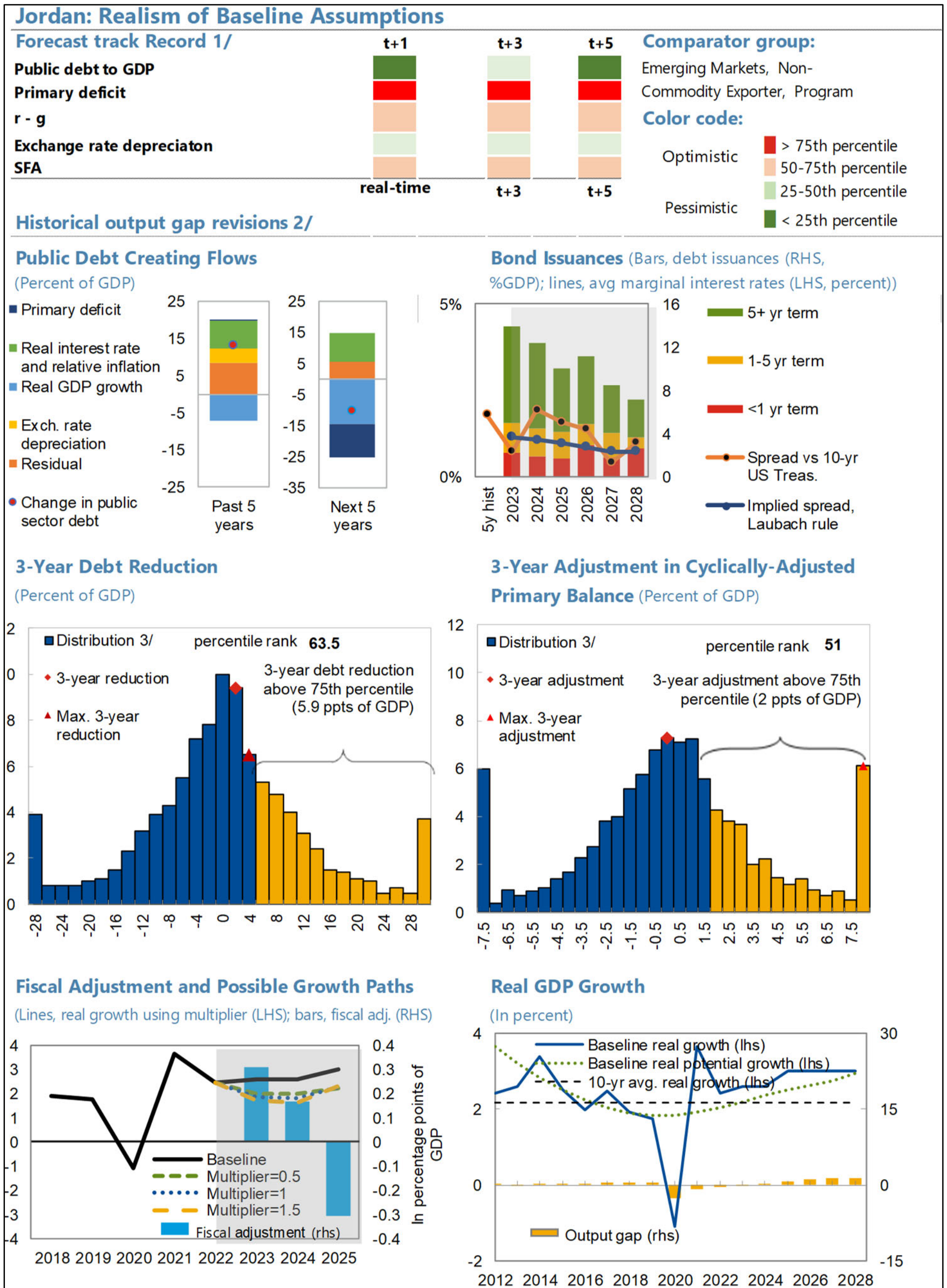
| | Actual | Medium-term projection | | | | | | Extended projection | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
| Public debt | 88.8 | 88.7 | 88.3 | 87.1 | 85.3 | 82.0 | 78.6 | 75.4 | 72.6 | 70.6 | 68.7 |
| Change in public debt | -0.7 | -0.1 | -0.4 | -1.2 | -1.9 | -3.2 | -3.4 | -3.1 | -2.8 | -2.1 | -1.9 |
| Contribution of identified flows | 0.0 | -0.2 | -0.4 | -1.0 | -1.7 | -3.0 | -3.3 | -3.0 | -2.7 | -2.0 | -1.8 |
| Primary deficit | 0.3 | 0.2 | -0.6 | -1.4 | -2.2 | -2.9 | -3.7 | -4.0 | -3.8 | -3.4 | -3.5 |
| Noninterest revenues | 38.0 | 38.6 | 39.8 | 40.1 | 40.4 | 40.8 | 41.0 | 40.6 | 40.6 | 40.6 | 40.6 |
| Noninterest expenditures | 38.3 | 38.8 | 39.2 | 38.7 | 38.2 | 37.9 | 37.3 | 36.6 | 36.8 | 37.2 | 37.1 |
| Automatic debt dynamics | -1.3 | -1.4 | -1.0 | -0.9 | -0.8 | -0.7 | -0.3 | -0.4 | -0.5 | -0.5 | -0.5 |
| Real interest rate and relative inflat | -0.8 | 0.8 | 1.3 | 1.6 | 1.7 | 1.8 | 2.1 | 1.9 | 1.7 | 1.6 | 1.5 |
| Real interest rate | -0.7 | 1.0 | 1.2 | 1.5 | 1.6 | 1.6 | 1.9 | 1.7 | 1.6 | 1.5 | 1.4 |
| Relative inflation | -0.1 | -0.2 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |
| Real growth rate | -2.1 | -2.2 | -2.2 | -2.6 | -2.5 | -2.5 | -2.4 | -2.3 | -2.2 | -2.1 | -2.1 |
| Real exchange rate | 1.7 | … | … | … | … | … | … | … | … | … | … |
| Other identified flows | 1.0 | 1.0 | 1.2 | 1.3 | 1.3 | 0.6 | 0.7 | 1.4 | 1.5 | 1.9 | 2.2 |
| Contingent liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other transactions | 1.0 | 1.0 | 1.2 | 1.3 | 1.3 | 0.6 | 0.7 | 1.4 | 1.5 | 1.9 | 2.2 |
| Contribution of residual | -0.7 | 0.2 | -0.1 | -0.1 | -0.2 | -0.2 | -0.2 | -0.1 | -0.1 | -0.1 | -0.1 |
| Gross financing needs | 20.5 | 21.2 | 18.2 | 16.1 | 22.5 | 16.0 | 17.8 | 16.8 | 20.0 | 19.3 | 17.6 |
| of which: debt service | 20.3 | 21.1 | 18.8 | 17.5 | 24.7 | 19.0 | 21.5 | 20.8 | 23.8 | 22.7 | 21.1 |
| Local currency | 12.4 | 12.3 | 12.8 | 10.7 | 15.7 | 10.8 | 15.1 | 14.1 | 17.5 | 18.9 | 17.6 |
| Foreign currency | 7.9 | 8.8 | 6.1 | 6.8 | 9.0 | 8.1 | 6.4 | 6.7 | 6.3 | 3.9 | 3.5 |
| Memo: | | | | | | | | | | | |
| Real GDP growth (percent) | 2.4 | 2.6 | 2.6 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Inflation (GDP deflator; percent) | 2.6 | 2.0 | 2.4 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| Nominal GDP growth (percent) | 5.1 | 4.7 | 5.1 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 |
| Effective interest rate (percent) | 1.7 | 3.2 | 3.9 | 4.3 | 4.4 | 4.4 | 5.0 | 4.8 | 4.8 | 4.7 | 4.7 |

**Contribution to change in public debt**
(Percent of GDP)




The main drivers behind the declining debt/GDP are growth and fiscal consolidation. The real effective interest rate and other flows (including SSC investment outside general government and off-budget project loans) do exert some upward pressure on debt/GDP. However, the effects of interest revenue, some use of deposits, and reduction of stock of guarentees (e.g. comfort letters offset these other flows) act to counterbalance these other flows. The provided table and the accompanying charts are based on public sector debt and balances (the latter include Social Security surpluses).

## Figure AIV.2. Jordan: Realism of Baseline Assumptions




Source: IMF Staff.
1/ Projections made in the October and April WEO vintage.
2/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.
The realism tools do not raise any significant red flags. While the forecast errors for the primary deficit projection flags red, this reflects the repeated revisions to the fiscal path in the context of the COVID-19 shock. On contribution of debt-creating flows: (i) growth was held back during 2017-21 due to the aftermath of the ISIS shock, weak structural reforms (in the context of an off-track Fund program) and then COVID; whereas the 2023-26 period will feature the post-COVID recovery as well as fruits from structural reforms implemented in the context of the new EFF; (ii) large fiscal deficits (and SFAs from issuance of “comfort letters”) during 2017-21, which included the two COVID years, are also set to tighten, in line with the programmed fiscal consolidation; and (iii) the US dollar’s effective depreciation during 2017-21, which is now reversing, is also likely to reduce the debt burden going forward. Separately, on the interest bill/GDP ratio, marginal interest rates have been raised significantly since the 4th review of the previous EFF, in light of the more aggressive Fed tightening, but this is offset by the fiscal drag from higher inflation, given a relatively long maturity of debt.

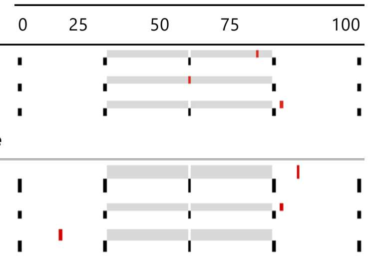
## Figure AIV.3. Jordan: Medium-Term Risk Analysis

### Jordan: Medium-term risk analysis

#### Debt fanchart and GFN financeability indexes

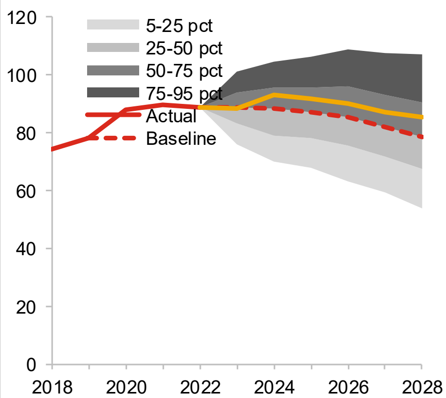
(Percent of GDP unless otherwise indicated)

| Module | Indicator | Value | Risk index | Risk signal |
|---|---|---|---|---|
| Debt fanchart module | Fanchart width | 53.3 | 0.8 | ... |
| | Probability of debt not stabilizing (pct) | 1.8 | 0.0 | ... |
| | Terminal debt level x institutions index | 42.8 | 0.9 | ... |
| | **Debt fanchart index** | **...** | **1.7** | **Moderate** |
| GFN finance-ability module | Average GFN in baseline | 18.6 | 6.4 | ... |
| | Bank claims on government (pct bank assets) | 22.8 | 7.4 | ... |
| | Chg. in claims on govt. in stress (pct bank assets) | 7.1 | 2.4 | ... |
| | **GFN financeability index** | **...** | **16.1** | **Moderate** |

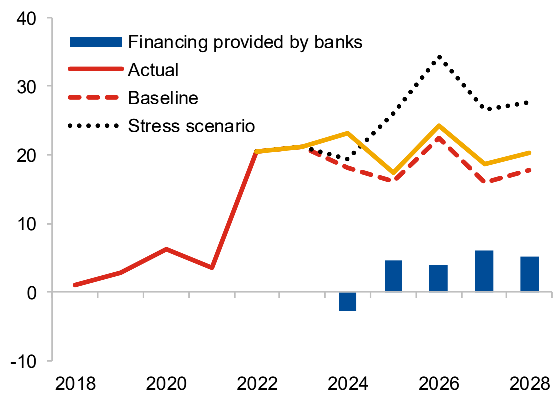



Legend: Interquartile range Jordan

#### Final fanchart (pct of GDP)




#### Gross Financing Needs (pct of GDP)

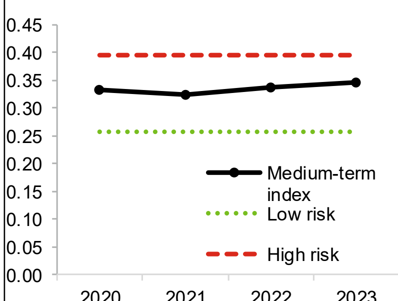



Triggered stress tests (stress tests not activated in gray)

Banking crisis Commodity prices Exchange rate Contingent liab. Natural disaster

#### Medium-term index

(index number)




#### Medium-term risk analysis

| | Low risk threshold | High risk threhsold | Weight in MTI | Normalized level |
|---|---|---|---|---|
| Debt fanchart index | 1.1 | 2.1 | 0.5 | 0.4 |
| GFN finaceability index | 7.6 | 17.9 | 0.5 | 0.3 |
| Medium-term index (MTI) | 0.3 | 0.4 | ... | 0.3, Moderate |

Prob. of missed crisis, 2023-2028 (if stress not predicted): 27.3 pct.

Prob. of false alarm, 2023-2028 (if stress predicted): 21.6 pct.

While the level of debt-to-GDP is elevated, the likelihood of non-stabilization is comparatively aligned with the median given the level of fiscal effort assumed under the program. Even under stress, risks to financingare deemed manageable.The SSC holds about 19 percent of GDP in assets outside of the general government sector, 70 percent of which are deposits or stocks, which should be liquid. These investments bring about reasonable interest income to the general government, which reduces GFNs. These latter are susceptible to changes in the banking sector claims to the general government. Nonetheless, the comfortable position of the banking sector makes this scenario highly unlikely. The medium-term risk is appropriately assessed as moderate.

## Figure AIV.4. Jordan: Long-Term Risk Module

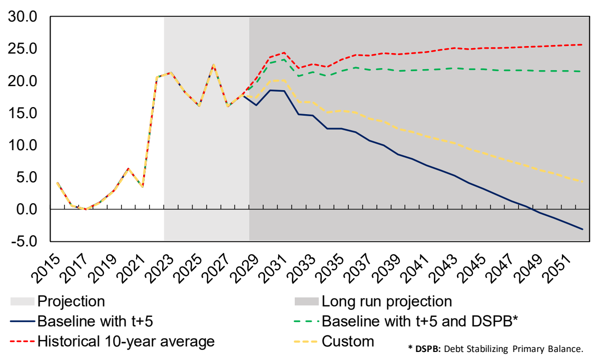
### Large Amortization Trigger

| Projection | Variable | Risk Indication |
|---|---|---|
| Medium-term extrapolation | GFN-to-GDP ratio<br>Amortization-to-GDP ratio<br>Amortization | |
| Medium-term extrapolation with debt stabilizing primary balance | GFN-to-GDP ratio<br>Amortization-to-GDP ratio<br>Amortization | |
| Historical average assumptions | GFN-to-GDP ratio<br>Amortization-to-GDP ratio<br>Amortization | |
| **Overall Risk Indication** | | |

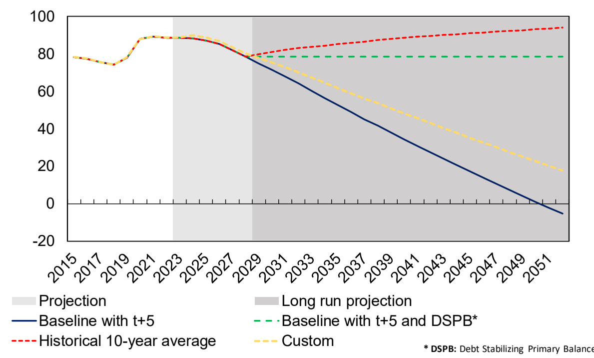
### Alternative Baseline Long-term Projections (including Custom scenario)

| | Baseline extension of fifth projection year | Custom baseline |
|---|---|---|
| Real GDP growth | 3.0% | 3.0% |
| Primary Balance-to-GDP ratio | 3.7% | 2.5% |
| Real depreciation | -2.4% | -2.4% |
| Inflation (GDP deflator) | 2.5% | 2.5% |

**GFN-to-GDP ratio**




**Total public debt-to-GDP ratio**



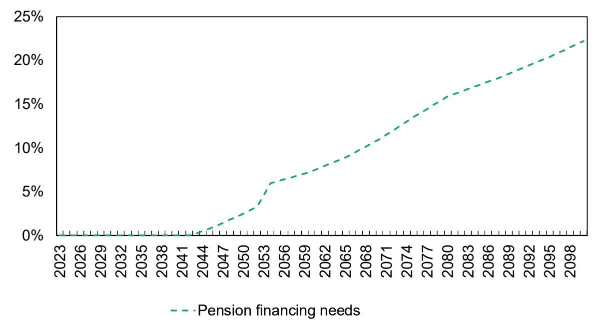

**Commentary:** The default large amortization module calculates gross financing needs (GFNs) and debt based on amortization from existing debt under three illustrative scenarios. The large GFNs in peak years suggest relatively high risks. The customized scenario has a more conservative baseline, which has a primary balance averaging 2.5 percent of GDP over the long term, with other macroeconomic parameters the same as in the Baseline with t+5. Debt is projected to steadily fall to below 60 percent of GDP by 2036. However, GFNs remain elevated at 15- 20 percent of GDP in this more conservative scenario, eventually dropping to below 10 percent in 2044. In the Baseline with t+5 scenario, where a higher primary balance at 3.7 percent of GDP is maintained, debt will decline to 60 percent of GDP by 2033, and the GFNs will gradually decline to 10 percent of GDP by 2038.

### Demographics: Pension

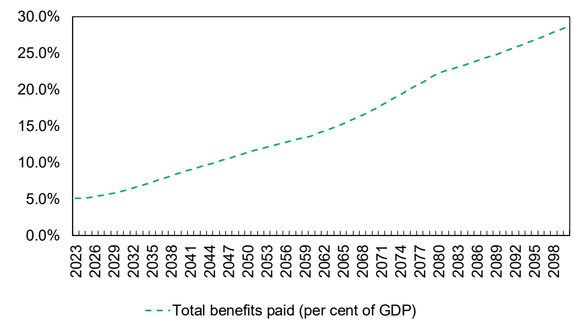
| Permanent adjustment needed in the pension system (pp of GDP per year) | To keep pension assets positive for: | | |
|---|---|---|---|
| | 30 years | 50 years | Until 2100 |
| | 0.48% | 2.96% | 6.46% |

## Figure AIV.4. Jordan: Long-Term Risk Module (concluded)

**Pension Financing Needs**

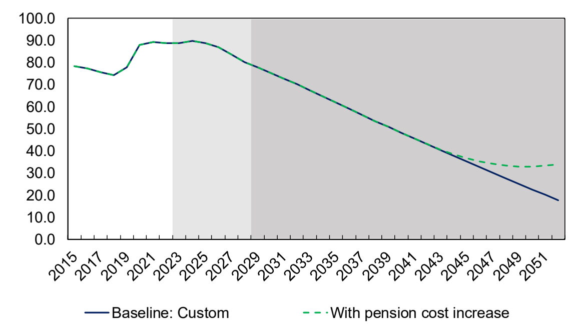



**Total benefits paid**




**GFN-to-GDP ratio**

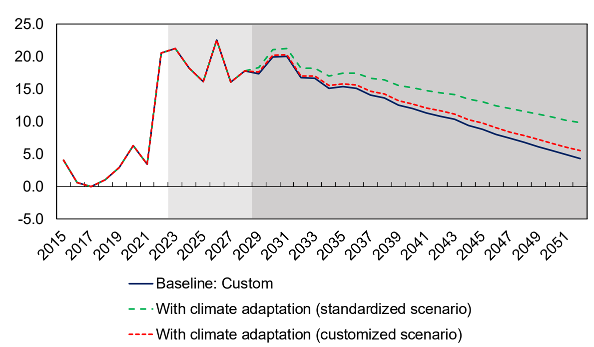

**Total public debt-to-GDP ratio**



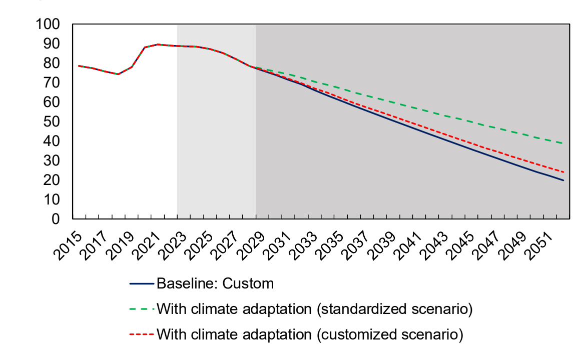

**Commentary:** Jordan's SSIF assets reached JOR 14.5 billion (40 percent of GDP) as of Q3 2023. While currently the SSC runs a surplus due to favorable demographic factors, from the 2030s payment will exceed benefits and the assets sales will be needed to finance the gap. In 2040s budget financing will be needed, pushing up annual GFNs and destabilizing debt. Ongoing pension reforms and structural reforms to increase labor market participation and boost employment could further improve its sustainability especially in the long run.

**Climate Change: Adaptation**

**GFN-to-GDP ratio**




**Total public debt-to-GDP ratio**




**Commentary:** The standard adaptation module adds 0.9 percent of GDP of costs in the medium term, which reflects average adaptation strengthening costs associated with investments, existing assets and coastal protection. The customized module adds 0.2 percent of GDP of the costs, as coastal protection costs are relatively small as compared to the standard adaptation assumptions. With the additional adaptation cost, debt will decline to around 70 percent of GDP by 2032 and further to 60 percent of GDP by 2036. The GFNs could be higher at 20 percent of GDP. However, the adapation related investments are estimated to yield long-term fiscal savings and reduce fiscal vulnerabilities, in particular for the energy and water sectors which have high fiscal costs and pose significant fiscal risks in the medium to long term. The scenarios suggest that these additional investments do not pose a large risk to the debt trajectory, although GFNs could be slightly higher.

## External Sector DSA

**1. The coverage of external debt in this DSA includes**: (i) public and publicly guaranteed external debt; and (ii) external liabilities of the banking sector and private corporations. Due to data limitations, the coverage of private external debt (especially the non-banking sector) is likely underestimated. The external debt is defined according to the residency criterion.

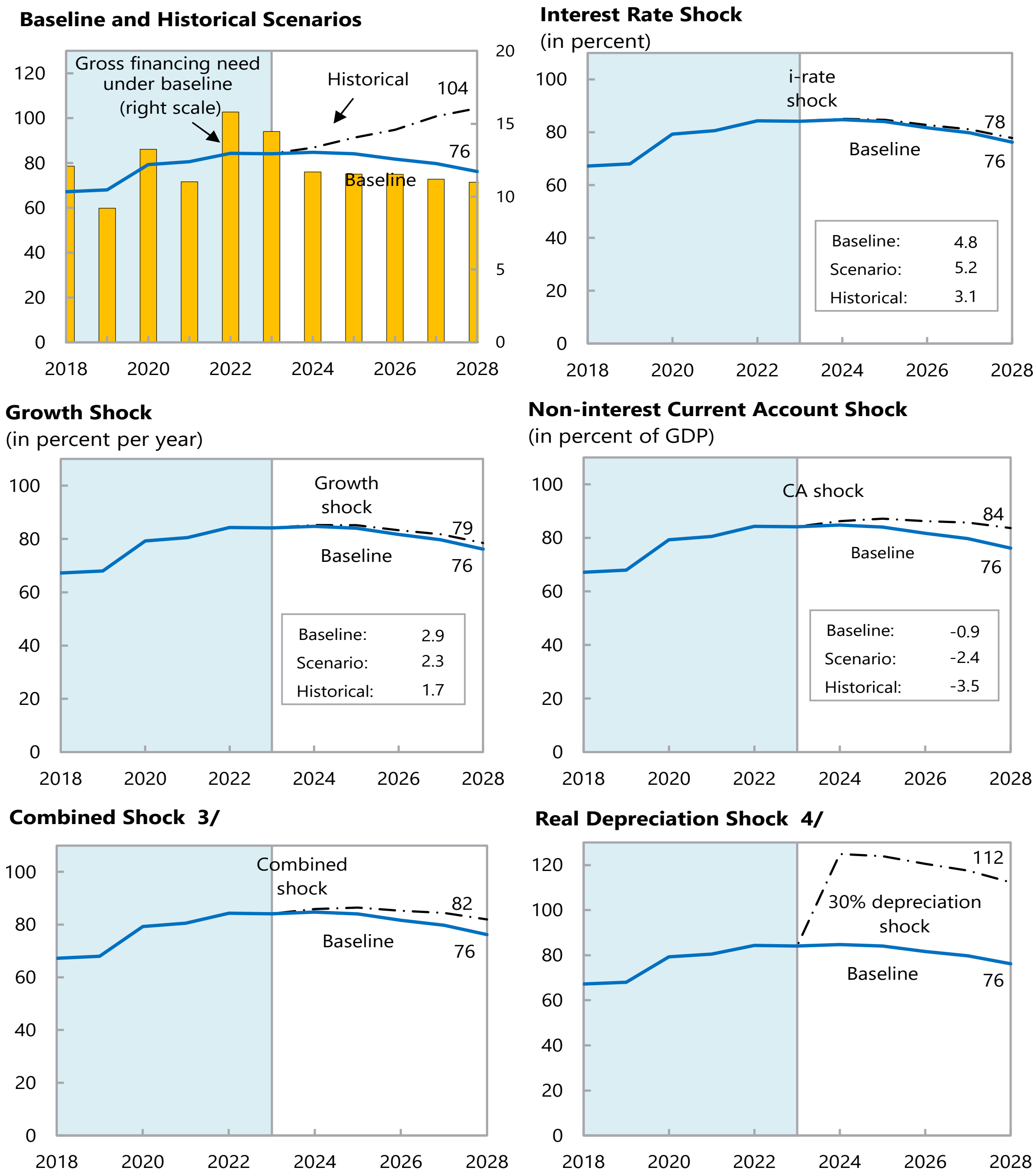
**2. Jordan's public external debt remains moderate but is projected to grow slightly over the medium term**. Public external debt is expected to rise from 41 percent of GDP in 2022 to 42 percent in 2023, before falling back to below 40 percent of GDP in 2028. The higher external public debt reflected higher external financing needs during the recovery after the pandemic and amid food and energy price shocks caused by Russia's war on Ukraine, as well as the shocks from the ongoing Israel-Gaza conflict. The composition of public external debt remains favorable, due to the sizable share of concessional borrowing, including pledges made as part of the Jordan Compact and the 2019 London Initiative, as well as new support pledged recently.

**3. Private external debt is expected to remain moderate in the 35 to 40 percent of GDP range.** As of end-2022, 77 percent of total private external debt was owed by banks (mostly in the form of non-resident deposits), with the remainder owed by non-financial corporations. In broad terms, the projections are predicated on banks maintaining their exposure to non-residents and on the non-bank corporate sector meeting part of its financing needs with debt-creating flows. Over the medium term, the share of firms' external debt is expected to gradually increase from roughly one-quarter to one-third of total private external debt. Given the currently available information on private external debt—particularly its moderate size and the healthy balance sheets of local banks—contingent liability risks to the public sector are expected to be contained.

**4. External financing requirements would remain sizable during the program and gradually decline thereafter.** The still elevated financing requirements reflect the gradual correction of the post-COVID-19 current account deficit, which has been delayed by high food and energy imports due to the Russia's war on Ukraine and the ongoing conflict in Gaza and Israel, and the large amortization needs, also stemming from the Eurobonds coming due during 2025–29.

**5. The external debt trajectory is relatively robust to shocks.** Standardized stress-test scenarios suggest that the sensitivity of external debt to current account and combined shocks is relatively low and interest rate and real growth shocks would only have a marginal impact on the external debt burden. The moderate risks to external debt sustainability are predicated on the assumption that FDI inflows will gradually pick up on the back of structural adjustment, that international market access will continue to be sustained, and that the accumulation of additional external buffers under the program will help cushion against external shocks and anchor private expectations. A large and permanent real depreciation shock would bring the ratio of external debt to GDP well above the baseline projections, underscoring the importance of safeguarding the peg through prudent policies.

**Figure AIV.5. Jordan: External Debt Sustainability: Bound Tests 1/2/**
(External debt in percent of GDP)




Sources: International Monetary Fund, Country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Five-year historical average for the variable is also shown.
2/ For historical scenarios, the historical averages are calculated over the five-year period, and the information is used to project debt dynamics five years ahead.
3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.
4/ One-time real depreciation of 30 percent occurs in 2020.

# Table AIV.4. Jordan: External Debt Sustainability Framework, 2018–28

## (In percent of GDP, unless otherwise indicated)

| | | Actual | | | | | | | | Projections | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | | | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | Debt-stabilizing non-interest current account 7/ |
| | | | | | | | | | | 41.9 | 40.4 | 39.3 | 38.3 | 37.5 | 36.6 | |
| 1 | **Baseline: External debt 1/** | 67.2 | 68.0 | 79.3 | 80.5 | 84.3 | 84.1 | | | **84.1** | **84.7** | **84.1** | **81.7** | **79.7** | **76.2** | **-6.7** |
| | *Of which* : Public and Publicly Guaranteed External Debt | 36.3 | 35.0 | 40.9 | 40.7 | 41.0 | 42.2 | | | 42.2 | 44.3 | 44.8 | 43.4 | 42.2 | 39.5 | |
| 2 | Change in external debt | -0.9 | 0.8 | 11.3 | 1.2 | 3.8 | -0.2 | | | -0.2 | 0.6 | -0.7 | -2.4 | -2.0 | -3.5 | |
| 3 | Identified external debt-creating flows (4+8+9) | 1.8 | -1.5 | 5.0 | 0.9 | 1.5 | 2.4 | | | 2.4 | 1.5 | -1.3 | -2.1 | -4.0 | -3.4 | |
| 4 | Current account deficit, excluding interest payments | 5.0 | -0.3 | 3.4 | 4.6 | 5.0 | 2.6 | | | 2.6 | 1.6 | 0.2 | 0.3 | 0.9 | 1.4 | |
| 5 | Deficit in balance of goods and services | 18.0 | 13.0 | 18.0 | 19.0 | 19.2 | 14.7 | | | 14.7 | 13.1 | 11.1 | 10.8 | 10.9 | 10.8 | |
| 6 | Exports | 34.8 | 36.3 | 23.9 | 30.0 | 42.4 | 42.5 | | | 42.5 | 40.5 | 40.8 | 40.7 | 40.6 | 40.7 | |
| 7 | Imports | 52.8 | 49.4 | 41.9 | 49.0 | 61.6 | 57.2 | | | 57.2 | 53.7 | 51.9 | 51.4 | 51.5 | 51.5 | |
| 8 | Net non-debt creating capital inflows (negative) | -2.2 | -1.5 | -1.7 | -1.3 | -2.6 | -2.5 | | | -2.5 | -2.8 | -3.4 | -3.8 | -5.7 | -5.6 | |
| 9 | Automatic debt dynamics 2/ | -0.9 | 0.3 | 3.3 | -2.4 | -0.9 | 2.3 | | | 2.3 | 2.6 | 1.9 | 1.4 | 0.8 | 0.8 | |
| 10 | Contribution from nominal interest rate | 1.9 | 2.0 | 2.1 | 2.0 | 3.0 | 4.4 | | | 4.4 | 4.7 | 4.3 | 3.8 | 3.1 | 3.1 | |
| 11 | Contribution from real GDP growth | -1.3 | -1.1 | 0.8 | -2.7 | -1.9 | -2.1 | | | -2.1 | -2.1 | -2.4 | -2.4 | -2.3 | -2.3 | |
| 12 | Contribution from price and exchange rate changes 3/ | -1.5 | -0.6 | 0.5 | -1.7 | -2.0 | -1.7 | | | ... | ... | ... | ... | ... | ... | |
| 13 | Residual, incl. change in gross foreign assets (2-3) 4/ | -2.7 | 2.3 | 6.3 | 0.3 | 2.3 | -2.6 | | | -2.6 | -0.9 | 0.7 | -0.2 | 2.0 | -0.1 | |
| | External debt-to-exports ratio (in percent) | 193.2 | 187.2 | 331.7 | 268.8 | 198.8 | 198.8 | | | 197.8 | 209.0 | 205.8 | 201.0 | 196.4 | 187.0 | |
| | **Gross external financing need (in billions of U.S. dollars) 5/** | 5.3 | 4.1 | 5.8 | 5.1 | 7.7 | 7.4 | | | 7.4 | 6.3 | 6.5 | 6.9 | 7.1 | 7.3 | |
| | in percent of GDP | 12.1 | 9.2 | 13.2 | 11.0 | 15.8 | 14.4655 | | | 14.4655 | 11.7 | 11.5 | 11.5 | 11.2 | 11.0 | |
| | **Scenario with key variables at their historical averages 6/** | | | | | | | 5-Year Historical Average | 10-Year Standard Deviation | **84.1** | **86.8** | **91.3** | **94.8** | **100.8** | **104.4** | **-2.0** |
| | **Key Macroeconomic Assumptions Underlying Baseline** | | | | | | | | | | | | | | | |
| hide | Nominal GDP (US dollars) | 43.4 | 44.6 | 43.8 | 46.4 | 48.7 | | | | 51.0 | 53.6 | 56.6 | 59.7 | 63.0 | 66.6 | |
| | Real GDP growth (in percent) | 1.9 | 1.8 | -1.1 | 3.7 | 2.4 | 2.6 | 1.7 | 1.3 | 2.6 | 2.6 | 3.0 | 3.0 | 3.0 | 3.0 | |
| | GDP deflator in U.S. dollars (change in percent) | 2.3 | 0.8 | -0.7 | 2.2 | 2.6 | 2.0 | 1.4 | 1.8 | 2.0 | 2.4 | 2.5 | 2.5 | 2.5 | 2.5 | |
| | Nominal external interest rate (in percent) | 2.8 | 3.1 | 3.0 | 2.7 | 3.9 | 5.5 | 3.1 | 0.9 | 5.5 | 5.9 | 5.3 | 4.8 | 4.0 | 4.1 | |
| | Growth of exports (U.S. dollar terms, in percent) | 5.5 | 7.1 | -35.4 | 32.8 | 48.8 | 4.9 | 11.8 | 22.7 | 4.9 | 0.2 | 6.3 | 5.1 | 5.4 | 5.9 | |
| | Growth of imports (U.S. dollar terms, in percent) | -0.5 | -4.2 | -16.7 | 23.9 | 32.1 | -2.8 | 6.9 | 14.6 | -2.8 | -1.4 | 2.1 | 4.6 | 5.7 | 5.5 | |
| | Current account balance, excluding interest payments | -5.0 | 0.3 | -3.4 | -4.6 | -5.0 | -2.6 | -3.5 | 3.1 | -2.6 | -1.6 | -0.2 | -0.3 | -0.9 | -1.4 | |
| | Net non-debt creating capital inflows | 2.2 | 1.5 | 1.7 | 1.3 | 2.6 | 2.5 | 1.9 | 1.7 | 2.5 | 2.8 | 3.4 | 3.8 | 5.7 | 5.6 | |

1/ Private and public and publicly guaranteed external debt on residency basis.

2/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

3/ The contribution from price and exchange rate changes is defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator).

4/ For projection, line includes the impact of price and exchange rate changes.

5/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

6/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

7/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

# Annex V. Ex Post Peer Reviewed Assessment for Long-Term Program Engagement

## Background

**1.** Jordan has had three arrangements with the IMF drawing on upper credit tranche General Resource Account (GRA) resources over the past ten years. In August 2012, a Stand-By Arrangement (SBA) was approved to support the authorities in stabilizing the economy and addressing Jordan's economic vulnerabilities, stemming mostly from a series of external shocks. Notably, repeated disruptions to the flow of natural gas necessitated an increase in imports of expensive fuel products for electricity generation at a time when crude oil prices were high. At the same time, regional turmoil adversely affected tourisms, remittances, and FDI, also as the region underwent the Arab Spring. As a result, growth slowed, investor confidence weakened, the current account deficit widened, with significant losses in central bank reserves, and the fiscal deficit increased to accommodate the social impact of these shocks.

**2.** The 2012 SBA-supported program was completed in 2015. The program helped Jordan undertake significant policy adjustments and maintain macroeconomic stability. Nonetheless, the economy still faced considerable challenges—economic growth was below potential, unemployment was high, and the refugee crisis further weighed on the economy and public finances. Jordan's gas supply faced interruptions and its borders with key trading partners—Iraq and Syria—were closed. To tackle balance of payments (BoP) vulnerabilities, strengthen reserve buffers, and support the implementation of the authorities' structural reforms, a three-year Extended Fund Facility (EFF) arrangement was approved in 2016. The program expired in March 2020 after two reviews were completed.

**3.** A successor four-year EFF arrangement was approved in early 2020, to consolidate the gains made under the previous EFF and continue the structural reforms to raise growth, create jobs while preserving stability. The program successfully helped Jordan weather the shocks of the last few years (COVID-19, high crude oil prices, impacts of Russia's war in Ukraine, tighter global financial market conditions) and Jordan's economy has recovered since the pandemic. The program has been on track and as of late 2023, with six reviews having been completed. Jordan was able to keep inflation well below the global average, and after the increase in spending needed to save lives and livelihoods, resumed with fiscal consolidation to place public debt on a downward path, notably by increased revenue collection, while hosting a large number of refugees while international support declined.

## Program Assessment

*Maintaining macroeconomic stability and advancing structural reforms for stronger and more inclusive growth have been the two main pillars of Jordan's long-term program engagement with the Fund. Program implementation was overall good and broadly successful in achieving the program objectives.*

### *The 2012 SBA*

**4. Program objectives.** Jordan was hit by a series of external shocks in 2011–12, including high crude oil prices and disruptions in the supply of national gas. As a result, the 2012 SBA-supported program was approved to address fiscal and external imbalances while safeguarding the peg; and foster higher and inclusive growth. To meet these objectives, the authorities undertook fiscal adjustment underpinned by tax and expenditure reforms; launched reforms in the electricity sector to bring the national electricity company (NEPCO) back to cost recovery, and implemented structural reforms to improve the business environment, enhance transparency, and foster trade.

**5. Program modality.** Given the temporary nature of the shocks, a Stand-By Arrangement was the choice to respond flexibly to the country's external financing needs and bolster foreign reserves. Given the large financing gap, exceptional access in the amount of SDR 1,364 million (about $2 billion, 800 percent of quota) was requested and approved. The access of 800 percent of quota was expected to cover about half of the cumulative financing gap and ensure that reserves stay at about four months of imports. The remaining financing was expected to be provided by other international donors, particularly the Gulf Cooperation Council (GCC), and the World Bank. Moreover, the access level as well as some frontloading of the program sent a strong signal to markets, which strengthened market confidence. Due to the strength of the program and reforms, support from donors significantly exceeded the projected levels.

**6.** The program was monitored by a combination of performance criteria (PC), Indicative Targets (ITs) and structural benchmarks (SBs). The PCs put ceilings on the primary fiscal deficit of the central government, the borrowing of NEPCO, and external payment arrears. A PC was also set on the floor of net international reserves.

**7. Program implementation.** The program was designed with quarterly reviews to support crisis management and address economic imbalances. For much of the first six months, the program focused on stabilizing markets and reserves to restore confidence. After that, energy reforms were implemented, which contributed to improving the general government balance. At the time of the fifth review (October 2014), the authorities requested to rephase the undrawn Fund purchases to better aligned with the pace of reforms, considering delays in implementing the income tax law and other revenue measures.

**8.** Implementation of the adjustment policies and reform measures was broadly satisfactory. The program envisaged a large adjustment in the combined public balance—primary balance excluding grants of the central government and NEPCO—to address fiscal weaknesses. The authorities implemented a sizable adjustment—the combined primary deficit narrowed from about 10 percent of GDP in 2011 to about 4.5 percent in 2014. Fiscal consolidation continued in 2015 but at a slower pace than anticipated, due to revenue shortfalls and some expenditure overruns (IMF, 2016; Request for an Extended Arrangement Under the Extended Fund Facility). Despite the significant adjustment, public debt ended up higher than expected, due to lower-than-expected nominal GDP, higher real interest rates (which stemmed at least partly from regional tensions), higher NEPCO losses (reflecting lower gas imports from Egypt), and higher than expected public investment by the public water company (WAJ). SBs were set to support fiscal consolidation and the implementation of the structural reforms and most of the SBs were met or met with delay (Annex V Table 1).

***The 2016 EFF***

**9. Program objectives.** While the economy stabilized under the 2012 SBA, structural weakness and socio-economic tensions, including those stemming from the large number of Syrian refugees, posed considerable challenges to Jordanian economy. Economic growth slowed to 2.4 percent in 2015, well below the estimated potential of about 3.5 to 4 percent of growth. Unemployment increased to 14.6 percent in the 2016Q1, with female unemployment reaching 23.7 percent and youth unemployment 35.3 percent. The refugee crisis weighed on public finances and gross public debt rose to about 93 percent of GDP in 2015. [1] To address these challenges, the 2016 EFF arrangement focused on broad structural reforms to enhance the conditions for more inclusive growth, to enhance competitiveness and job prospects, while continuing to protect the most vulnerable and advancing fiscal consolidation in a gradual manner to lower public debt.

**10. Program modality.** A three-year EFF, with access of 150 percent of quota (SDR 514.65 million, about US$0.7 billion) and a relative backloaded disbursement schedule, was approved in August 2016. The size and timing of disbursements reflected the need to reduce BoP vulnerabilities, strengthen reserve buffers, and support the implementation of the authorities' structural reform agenda. The program conditionality was similar to the 2012 SBA, but with additional ITs to limit domestic payment arrears of WAJ, public debt, and short-term public debt. At the same time, an IT (floor) on social spending by the central government was also included, to safeguard social protection of the most vulnerable groups.

**11. Program implementation.** Only two reviews were completed under the 2016 EFF. Progress was made in 2017, including in meeting fiscal targets for the first review. Nonetheless, fiscal consolidation was not sustained in 2018 as programmed. Revenue performance stalled in the second half of 2018, reflecting lower collection of sales taxes (following the reversal of some tax increases legislated earlier in 2018, and the softening of non-energy imports) and tax administration deficiencies. Expenditures were cut by 1½ percent of GDP to offset the revenue shortfalls, but these were in turn offset by a surge in off-budget expenditures (about 1 percent of GDP). Despite this deviation, public debt remained broadly stable in 2018 at 94.4 percent of GDP, owing mostly to a drawdown of treasury deposits (about 1¼ percent of GDP). Implementation of a few critical and politically challenging reforms, foremost among which were amendments to the income-tax law, which was a critical piece of the authorities' plan to secure a fairer and more sustainable fiscal framework, was delayed (originally plan for end-2016 and reset to end-2017 in the first review.

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[1] Public debt was measured on a gross basis including publicly guaranteed debt but without netting out Social Security Corporation's holdings of government debt for the 2012 SBA and 2016 EFF. The 2020 EFF expanded the coverage of public debt, i.e., aligned the coverage of public debt to a concept closer to the general government, by consolidating the holdings of government debt of the Social Security Corporation (IMF, 2020; Staff Report for the 2020 Article IV Consultation and Request for an Extended Arrangement Under the Extended Fund Facility).

Annex V Table 2). Fiscal slippages, along with a weak external environment, resulted in shortfalls in meeting the end-December 2017 international reserves targets.

**12.** In view of this mixed performance, external confidence was weakened. Citing Jordan's debt dynamics, higher external financing needs, and the slow implementation of fiscal reforms, S&P downgraded Jordan in October 2017 from BB- to B+.

**13.** Based on the continued implementation of structural reforms, notably the passage of the critical income-tax law in December 2018 despite the delay, corrective actions for the missed NIR target (including increases in CBJ's policy rate and the CBJ's commitment to tighten further its monetary stance if pressures on reserves persisted), the envisaged fiscal consolidation in 2019, as well as new donor commitments, the second review was completed in May 2019. A seven-month extension was also approved to allow time to implement the remaining reforms and initiate discussions that would lead to a new Fund-supported program.

***The 2020 EFF***

**14.** **Program objectives.** From 2016 to 2020, growth in Jordan averaged only about 2 percent—insufficient to absorb the expanding pool of new job seekers in Jordan's labor market, including refugees. For this, the authorities' reform efforts, which were supported under the 2020 EFF arrangement, put an emphasis on removing impediments to business growth, especially high electricity costs, while promoting employment, especially of women and young people, and enhancing social safety nets. The fiscal adjustment effort emphasized on broadening the tax net progressively, improving tax collection, fighting tax avoidance and tax evasion, and tackling the informal economy while reducing debt to more sustainable levels.

**15.** **Program modality.** Recognizing the longer-term nature of the economic challenges, the authorities requested a four-year arrangement under the Extended Fund Facility (SDR 926.37 million; 270 percent of quota; about US$1.3 billion), with semi-annual reviews. Disbursements were designed to be evenly spaced throughout the program period, across eight program reviews, allowing time needed to place debt on a downward path without undermining growth and to implement the structural reforms. The program was also designed with flexibility to accommodate unbudgeted spending pressures that might stem from efforts to prevent, detect, control, treat, and contain the spread of COVID-19. The program incorporated an adjustor that would accommodate these potential exceptional unbudgeted expenditures, funded through exceptional treasury advances. Also, if such treasury advances for COVID-19-related purposes exceeded ½ percent of GDP, consultation with Fund staff would take place to discuss how the program could be adapted to ensure its objectives remain achievable while ensuring the authorities' ability to meet needed COVID-19-related spending. Contingent fiscal measures were discussed if sufficient savings were not realized, while floors on social spending were put in place.

**16.** By the time of the second review, the unprecedent shock from the COVID-19 pandemic warranted an augmentation of access. The pandemic had significantly increased Jordan's external financing needs (by about US$1.1 billion in 2021–22), mainly due to weaker tourism and services receipts, underscoring the criticality of continued donor financing, including to support Syrian refugees. Along with additional multilateral, bilateral, and private market financing, the authorities requested an augmentation of the program by about US$200 million (42 percent of quota) to help meet the higher financing need; and catalyze scaled up donor support. Purchases in 2021–22 were used for budget support, as part of the BoP needs arose from external debt service obligations. Later in 2022, another augmentation of about US$105 million (22 percent of quota) was requested and approved in the context of higher financing needs due to the elevated commodity prices and the more gradual medium-term fiscal consolidation considering the global economic headwinds.

**17. Program implementation.** The program remained firmly on track, meeting most of the PCs and ITs and making steady progress in implementing the SBs, reflecting the authorities' strong ownership. As the complex, multiple waves of external shocks (COVID-19 pandemic, elevated food and fuel prices due to the war in Ukraine and global financial tightening) called for continual recalibration of policies to mitigate growth scarring and preserve macroeconomic stability, program targets had been modified to allow for a more gradual pace of medium-term fiscal consolidation, while safeguarding debt sustainability. Despite the challenging external environment, the authorities' consolidation and reforms continued throughout the program. Public debt-to-GDP ratio rose from 88 percent in 2020 to 90.7 percent in 2021, reflecting mainly higher primary deficits during the pandemic and higher interest payments, and remained around 90 percent in 2021-2023, but was placed on a declining path and was projected to reach about 80 percent by end-2028. [2]

**18.** The authorities have implemented most of the SBs (Annex V Table 3), including challenging ones such as the roll-out of new electricity tariffs and the legislation bringing the Aqaba Special Economic Zone (ASEZA)'s tax and customs functions within national systems (with delay). Solid progress has also been made in implementing FATF AML/CFT recommendations, which helped achieve Jordan's de-listing in late 2023. As of June 2023, six reviews had been completed, and macroeconomic performance and reform progress remained on track.

## Retrospective Lessons

- The choices of Fund arrangement were broadly appropriate for the three arrangements. Given the urgent BoP needs due to high oil prices and interrupted natural gas supply in 2012, an SBA was a suitable choice to address the short-term BoP financing needs. After that, the protracted BoP needs and structural impediments highlighted the need for a longer program engagement that would better support comprehensive reforms with a focus on correcting structural imbalances over an extended period. Access and phasing also evolved in response to the changes of the economic situation, financing needs, and reform progress.

- Program design and conditionality were appropriate to support the implementation of adjustment and reform measures. Identification of risks and key assumptions underpinning the macroeconomic projections were broadly accurate, which set the foundation for successful

[2] See footnote 1 of Annex V, the 2020 EFF expanded the coverage of public debt by consolidating the holdings of government debt of the Social Security Corporation.

program implementation. Nonetheless, the unpredictable shocks, notably the COVID-19 pandemic and the impacts of Russia's war in Ukraine, highlighted the need to recalibrate economic policies and the pace of reforms timely and frequently to best support adjustments while avoiding hurting growth and ensuring support to the most vulnerable groups.

- Program ownership is crucial to successful implementation. Solid ownership lies not only in the authorities' strong determination to achieving reform goals, but also in a well-designed adjustment and reform package that is realistic and supported by clear and high-quality adjustment measures, and that takes into consideration capacity constraints, as well as the social impacts on the people.

- Collaboration and alignment with development partners is essential. A close collaboration between the IMF and the World Bank has been instrumental in designing some reform measures, particularly those related to the electricity water sector. Going forward, continued close collaboration on emerging issues including on climate change, healthcare system reform, and the energy sector, with relevant international/regional institutions and development partners, will continue to provide useful inputs to program design.

**19.** The authorities broadly concurred with the staff's assessment. They viewed strong ownership of the homegrown 2020 EFF reforms as the main ingredient that ensured the success of the IMF program, and this provided grounds for advocating domestically for the program's objectives. They cautioned against setting unrealistically tight deadlines, especially in legislative matters. They also noted that a deep understanding by IMF staff of Jordan's political economy circumstances and the country's specific economic needs was essential. The relevance and appropriateness of program design to Jordanian circumstances, alignment with national development plans, and program flexibility were deemed crucial for successful program implementation. Regarding program design, the authorities considered that more parsimonious structural conditionality would have been warranted, given the large number of structural benchmarks, especially in the 2020 EFF that was implemented during a pandemic, at a time when the authorities efforts needed to be focused on addressing the health, social, and economic implications of the pandemic. The authorities stressed that future conditionality be streamlined and focused on the core objectives that are essential to achieving the IMF program's targets. They also noted the importance of acknowledging the burden shouldered by Jordan in hosting refugees and the importance for the IMF to call for continued international support for Jordan's efforts. The authorities expressed gratitude for the continued support received under the long-term program engagement with the IMF and reiterated their reform commitments going forward.

## Table AV.1. Jordan: The 2012 SBA: Structural Benchmarks

| | | |
|---|---|---|
| ***Fiscal*** | Revenue measures | Submit to parliament an income tax reform law, which include changes on mining sector taxation. |
| | | Review and costing of tax incentives. |
| | | Implement an income tax law yielding additional revenue of about one percent of GDP. |
| | | Lift filing compliance to 100 percent in the large taxpayer office and 90 percent in the medium taxpayer offices. |
| | | Implement measures of one percent of GDP to bring the budget in line with program understandings. |
| | Revenue administration | The legislative council to prepare a draft law to ensure that revenue from all agencies will go through the treasury single account with a review of consolidating sources of revenue in time for implementation with the 2016 budget. |
| | Expenditure measures | Establish a public investment decisions process to cover the prioritization (based on benefit-costs analyses), financing modalities (e.g. on-budget or through PPPs), and continuous monitoring of fiscal affordability of all projects. |
| | Combined expenditure and revenue measures | Approval of fiscal measures to cover the program adjustment in the central government primary deficit in 2015 as stated in ¶9 of the MEFP of April 8, 2014. |
| | Expenditure auditing, accounting, and financial controls | Introduce a commitment control system through the GFMIS to register, report and account for expenditure commitments against cash allocations issued by the Ministry of Finance. |
| | | Establish a reporting system to report stocks of arrears quarterly, which include all types of pending invoices and claims for current and capital expenditure; report the end-2012 stock of arrears. |
| | | Amend the commitment control module in GFMIS. |
| | | For the ministry of finance to jointly with NEPCO and the refinery to conduct a full inventory of all outstanding arrears and accounts payable between them; and prepare a time-bound plan for arrears clearance (including claims set-offs, where appropriate) and a reduction in accounts payable. |
| | Budget preparation | Submit a 2014 budget to parliament in line with program understandings. |
| | | Submission to parliament of a 2015 budget in line with the program. |
| | | Introduce preliminary budget ceilings consistent with the medium-term fiscal consolidation path and approved by cabinet for the preparation of GBIs' base budget requests. |
| ***Central bank operations and reforms*** | | Prepare draft amendments to the CBJ law to strengthen autonomy and oversight, in line with Fund advice. |
| ***Social sector reforms (e.g., social safety nets, health and education)*** | | Introduce targeted transfers, which would protect the poor from higher oil prices should they increase beyond $100 per barrel. |
| | | Implement a national unified registry for targeting of subsidies. |
| ***Public enterprise*** | Public enterprise reform and pricing | Signing of a floating storage and re-gasification unit leasing agreement. |
| | | Announce to the public an action plan on how to reduce the water company's losses over the medium term. |
| | Public enterprise pricing and subsidies | Announce a medium-term electricity/energy strategy incorporating the inputs provided by the World Bank, including a time table and measures for bringing NEPCO back to cost recovery. |
| | | Implement already announced tariff increases as outlined in the medium term energy strategy. |
| | | Implement already announced annual tariff increases as outlined in the medium term energy strategy. |
| | Price controls and marketing restrictions | Implement a step increase in the price of diesel. |
| ***Financial*** | Financial sector | Establish a supervisory college for Arab bank. |
| | Financial sector legal reforms, regulation, and supervision | Licensing of a credit bureau. |
| | | Complete an automated system for the collection and analysis of FSIs that will allow regular analysis on a quarterly basis with data submitted by banks no more than six weeks after the end of quarter. |
| ***Other structural measures*** | | Signing of the LNG supply contract. |

Sources: IMF MONA database, IMF staff calculations.

Met
Met with delay or partially met
Not met
New SB, not assessed.

## Table AV.2. Jordan: The 2016 EFF: Structural Benchmarks

| | | |
|---|---|---|
| ***Fiscal*** | Revenue measures | Submit to Parliament a new tax exemptions framework to reduce general sales tax (GST) exemptions on domestic and imported goods and services, and exemptions on customs duties. |
| | | Submit to Parliament a new Income Tax Law (consistent with program understandings, including on the PIT thresholds, the rates structure, and transfer-pricing). |
| | | Implement new Income Tax Law (consistent with program understandings, including on the PIT thresholds, the rates structure, and transfer-pricing). |
| | | Cabinet approval of the removal of GST exemptions in 2018. |
| | | Issue of supporting regulations to implement the new tax initiatives under the new income tax law: presumptive tax regime, minimum corporate tax, tax changes to development and free zones, and tax on dividends. |
| | Revenue administration | Rationalize the general sales tax and customs duty systems, based on IMF technical assistance recommendations. |
| | Expenditure measures | Publish public expenditure review. |
| | | Establish the reporting requirements, processes, and access to social-security to ensure that ISTD can more adequately control and confirm PAYE compliance for large payers. |
| | Combined expenditure and revenue measures | Record the trust accounts entries as revenue and expenditure and classify them by purpose and use and consolidate them into fiscal tables and publish in the government finance bulletin. |
| | Debt Management | Publish public debt management strategy. |
| | | Approve an action plan to reorganize the Public Debt Directorate. |
| | | Publish updated public debt management strategy. |
| | | Finalize the reorganization of the Public Debt Directorate. |
| | Fiscal transparency | Comply with all requirements of Phase II of the Road Map for International Public Sector Accounting Standards (IPSAS) implementation for the 2015 financial statements. |
| | | Submit to Parliament a draft budget law for 2017 in line with program understandings and projections for 2017-19, including the estimates of tax expenditures. |
| | | Recruit a top tier international accounting firm for a detail study of PPPs and PPAs. |
| | | Cabinet approves and starts implementing a plan on non-tariff revenue actions to reduce significantly the losses in WAJ and the Water Distribution Companies. |
| | | Cabinet does not extend the exemption for the energy and water sectors from the PPP law after its expiration on end-June 2019. |
| | | Transfer the Water Authority of Jordan to the 2020 general budget law. |
| | | Complete a detail study identifying and quantifying major contingent liabilities and any payable amounts by the public sector related to PPPs and PPAs contracts. |
| | | Integration of the Civil Health Insurance Fund (CHIF) into the GFMIS system. |
| | Budget preparation | Submit to Parliament an Organic Budget Law. |
| | | Submit to Parliament the 2018 draft budget law in line with program understandings and projections for 2018-19, including the estimates of tax expenditures |
| | | Submit to Parliament the 2020 draft budget law in line with program understandings and projections for 2020, including the estimates of tax expenditures |
| ***Public enterprise reform and pricing*** | | Publish studies on cross-subsidization and options for price adjustments in response to oil price changes. |
| | | Adopt an automatic electricity tariff adjustment mechanism, with effective implementation on January 1, 2017. |
| | | Submission to Cabinet and publication of an updated action plan on how to reduce the water sector's losses over the medium term. |
| ***Financial sector legal reforms, regulation, and supervision*** | | Implement a risk-based framework for offsite AML/CFT supervision for banks and money exchange firms in line with IMF TA recommendations. |
| | | Submit to Parliament amendments to Deposit Insurance Corporate Law to ensure the establishment of a robust bank resolution framework. |
| | | Amend and enact the Insolvency Law. |
| | | Enact the Secured Lending Law. |
| | | Publish a study assessing the key issues and challenges to promote financial inclusion. |
| | | Amend the Insurance law to allow for the transfer the supervision of the insurance sector to the CBJ. |
| | | Transfer the supervision of the insurance sector to CBJ. |
| | | Finalize and publish the Financial Inclusion Strategy |
| ***Labor markets, excluding public sector employment*** | | Conduct a study on options for a temporarily lowering payroll taxes for women and the youth and identifying offsetting parametric changes in the pension system. |
| ***Private sector legal and regulatory environment reform*** | | Submit to Parliament a draft Inspection Law streamlining inspection mandates and processes. |
| | | Address shortcomings in the Investment-Window procedures by automating and integrating the services provided by Jordan Investment Commission. |

Sources: IMF MONA database, IMF staff calculations.

| | |
|---|---|
| | Met |
| | Met with delay or partially met |
| | Not met |
| | New SB, not assessed. |

## Table AV.3. Jordan: The 2020 EFF: Structural Benchmarks

| | | |
|---|---|---|
| ***Fiscal*** | Revenue measures | Implement the Digital Volume Verification System (track and trace system) to monitor tobacco production and reduce cigarette smuggling. |
| | | Pass legislation to impose a single tax administration and a single customs service for Jordan, bringing ASEZA participants under ISTD and Customs national control. |
| | | Sign digital track and trace commitments with three largest cigarette companies. |
| | | Approve legislation to introduce Economic Substance Regulations for all special economic zones. |
| | | Table for discussion in the upcoming extraordinary session of parliament a new draft law titled "Regulating the Investment Environment and Doing Business Law", which will include a chapter on investment that (i) sets out the incentives framework– for the granting of all fiscal incentives to investors – including clear principles to be administered by a fiscal incentives ministerial committee including MOF, that takes full account of the benefits and costs, especially foregone government revenues, associated with the incentives; (ii) consolidates the governance of new and existing fiscal incentives under MOF apparatus; and (iii) stipulates that all new fiscal incentives will be granted by the fiscal incentives ministerial committee. |
| | | 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. |
| | Revenue administration | Recruit 100 qualified staff (two phases: 50 by end-June and 50 by end-December), including new auditors, to be distributed across the large taxpayer directorate and newly-created ISTD directorates monitoring: (i) establishments in special economic zones; (ii) professionals; and (iii) employees and payroll deductions. |
| | | Recruit 100 qualified staff (two phases: 50 by end-June and 50 by end-December), including new auditors, to be distributed across the large taxpayer directorate and newly-created ISTD directorates monitoring: (i) establishments in special economic zones; (ii) professionals; and (iii) employees and payroll deductions. |
| | | Submit to parliament an amended Investment Law that removes all Articles related to tax incentives, in line with TA recommendations. |
| | | MOF to complete, and share with Fund staff, an FAD-supported plan, encompassing both tax policy and administration, to implement recent and ongoing legislative reforms aimed at streamlining tax incentives, introducing place-of-taxation rules for GST, establishing economic substance requirements for special zones, enhancing transfer pricing rules, and brining ASEZA into a single tax administration and a single customs service. |
| | | Recruitment of four new division heads and four staff for new macro-fiscal unit at MOF. |
| | | Table the amendments introducing "place-of-taxation" rules into the GST law for discussion in the upcoming extraordinary session in parliament. |
| | | Start implementation of a digital track-and-trace system for alcohol companies. |
| | | Apply e-audit system, utilizing AI, to all submitted tax returns to identify compliance risks. |
| | | Launch for one-third of sales transactions a new e-invoicing system to collect data. |
| | Expenditure measures | Conduct a comprehensive review of the underlying trust accounts, beneficiary ministries, and use of resources, and its consistency with budget needs and practices, while limiting and monitoring their use pending this review. |
| | | Minister of Finance to (i) issue a circular setting out timetable for elimination of the end-2020 stock of central government domestic arrears during 2021–22; and (ii) issue decision committing all central government entities to new procedures for purchases from the Jordan Petroleum Refinery Company to eliminate the incurrence of energy arrears in the future. |
| | | MOF to complete, and share with Fund staff, a study of the drivers of the public sector wage bill with recommendations on enhancing civil service efficiency and better aligning remuneration with that of market comparators. |
| | | Roll out of new electricity tariffs, in line with plan in Prior Action 2 for subsidized and unsubsidized households; and for business sectors. |
| | | 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. |
| | Combined expenditure and revenue measures | Issue a cabinet decision to contain (i) the 2022 fuel subsidy cost to JD350m; and (ii) the 2022 primary deficit (excluding grants) to 3.4 percent of GDP. |
| | | 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. |
| | Expenditure auditing, accounting, and financial controls | Issuance of secondary legislation requiring the adoption of PIM appraisal documents for all new public investments and private-public partnership projects to ensure their proper management and selection. |
| | Fiscal transparency | Undertake ex-post audits of all crisis-mitigating inflows and spending, which will also assess the transparency of the procurement process and take stock of the publication of beneficial ownership of entities awarded such contracts since end-June 2020, and publish the results. |
| | | Cabinet approval of the amended Procurement Bylaw and related Instructions based on one year of implementation. |
| | | Expand coverage of the e-Government Procurement system (JONEPS) to Education and Health Ministries. |
| | | The FCCL Unit to collect key financial and non-financial information on three major existing PPPs (IPP3 and IPP4 power plants and AIG), and all new PPPs, and subject to confidentiality limitations publish both explicit fiscal costs and fiscal risks (including those related to early contract termination) on MOF website. |
| | | Undertake ex-post audits of all COVID-related spending in 2021 and publish the results. |
| | | The new macro-fiscal unit in MOF to produce, and share with Fund staff, its first report on the macro-fiscal outlook and risks. |
| | | 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 |
| | | 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. |
| | Inter-governmental relations | Set up a multi-agency crisis management committee (based on an MoU) between CBJ, MoF, and JODIC to adequately operationalize the crisis management framework. |

## Table AV.3. Jordan: The 2020 EFF: Structural Benchmarks (concluded)

| | |
|---|---|
| ***Social sector reforms*** | Issue by-laws and/or instructions aimed at increasing access to affordable childcare. |
| ***Public enterprise pricing and subsidies*** | Implement measures in 2020, in addition to those already taken, equal to JD75 million (on an annualized basis) to permit a reduction in tariffs paid by businesses. |
| ***Financial sector legal reforms, regulation, and supervision*** | Publication of a regular Financial Inclusion Report and a follow-on Financial Inclusion Action plan for 2020-21. |
| | Approval by the CBJ Board of guidelines for implementation of the Emergency Liquidity Assistance (ELA) framework provided for in the CBJ Law. |
| | Develop a risk-based capital and solvency regime for the insurance sector bringing it in line with international best practices. |
| | Implementation of a foreign investment survey based on the Balance of Payments and International Investment Position Manual, sixth edition (BPM6). |
| ***Labor markets, excluding public sector employment*** | Expansion of targeted temporary reductions in social-security contributions to all new startups. |
| | Table for parliamentary discussion the amendments to the Labor law removing gender-biased articles and increasing protection of women workers from harassment. |
| | 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. |
| ***Economic statistics*** | Publish 2019 annual and revised quarterly GDP data. |
| | 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. |
| ***Private sector legal and regulatory environment reform*** | Submit to Parliament draft legislation to strengthen the competition framework, including empowering the relevant regulatory body and strengthening antitrust legislation, in line with the UNCTAD Model Law on Competition. |
| | Submit legislation to enable the abolishment of five licenses in the tourism sector identified in the 2019 cabinet decision for elimination. |
| ***Anti-corruption legislation/policy*** | Submit to parliament amendments to existing legislation to allow greater public access to basic financial disclosure information by public officials. |
| | Enact effective legislation to strengthen transfer pricing rules in line with international standards and IMF staff advice. |
| | Introduce into the GST Law "place-of-taxation" rules for GST in line with international best practices. |
| | Complete an assessment to identify non-profit organizations that are vulnerable to terrorist financing abuse; and address AML/CFT deficiencies such that Jordan would no longer qualify for referral to the FATF's ICRG process on the basis of its technical compliance ratings. |
| | Implementation of the items in Jordan's FATF action plan by end-October 2023 (to be assessed by IMF staff) to strengthen the effectiveness of the AML/CFT system, to support the country's efforts to exit the FATF's list of jurisdictions with strategic deficiencies. |

Sources: IMF MONA database, IMF staff calculations.

| | |
|---|---|
| (green) | Met |
| (light yellow) | Met with delay or partially met |
| (orange) | Not met |
| (white) | New SB, not assessed. |

# Appendix I. Letter of Intent

Amman, Jordan
December 17, 2023

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

Dear Ms. Georgieva:

Following the successful implementation of our existing arrangement under the IMF's Extended Fund Facility (EFF), approved in March 2020, despite the challenging external environment, we write to you to request a new EFF arrangement. The objective of the new arrangement would be to consolidate the achievements made to date, strengthen resilience in the face of worsening global and regional challenges, anchor fiscal policies, and tackle longstanding structural impediments to growth and job creation.

While the current EFF arrangement has helped Jordan build and maintain resilience, enabling us to withstand successive shocks and maintain macro stability, the external environment we face remains challenging. Global and regional tensions are high, interest rates are expected to remain higher for longer, and global growth is unevenly distributed. The war on Gaza poses yet another challenge and could adversely affect Jordan's economy through lower tourism receipts and investment, and potentially higher fuel prices and borrowing costs. Barring significant escalation, we believe that the Jordanian economy can navigate this crisis as well, with strong support from our international partners. A new EFF arrangement will further strengthen the Jordan's resilience and help us maintain stability in the face of further shocks.

Over the last few years, we have made significant progress in implementing our homegrown economic reforms, supported by the EFF arrangement. We have maintained macro-economic stability and reduced fiscal and external imbalances and vulnerabilities. Our prudent fiscal and monetary policies have helped us to support inclusive economic growth in the face of various external shocks, preserve monetary and financial stability and keep inflation at a low level, increase reserve buffers, reduce the budget deficit, including by broadening the revenue base in a sustainable and equitable manner, thus placing public debt on a downward path and preserving market access at favorable conditions, and maintain confidence in our economy against the challenging global backdrop. We also made significant progress in implementing our structural reform agenda, to improve the business environment and boost inclusive growth.

Our performance under the current EFF arrangement has remained strong and we have met all commitments for the seventh review. As a result of our sustained prudent and ambitious policies, and despite the challenges we face, we were able to meet all end-June 2023 performance criteria (PCs) under the existing EFF arrangement, as detailed in Table 1a of the attached Memorandum of Economic and Financial Policies (MEFP). Both the central government's primary balance (excluding grants) and the combined public balance over-performed, mainly due to strong revenue collection. Similarly, the CBJ met the net international reserve target. Moreover, fiscal and monetary policies are on track to meet the end-December 2023 PCs. We have also met all structural benchmarks (SBs) that had been set for the seventh review under the existing arrangement, as described in Table 2a of the attached MEFP. The Cabinet established an inter-ministerial committee in charge of auditing outstanding arrears, and we have signed Memorandums of Understandings (MoUs) to ensure data sharing by various government entities with the Department of Statistics. We have successfully and promptly implemented the FATF action plan to strengthen the effectiveness of the AML/CFT framework and as a result Jordan exited the grey list as of end-October 2023. We have also already set up a multi-agency crisis management committee between the Ministry of Finance (MOF), the CBJ, and the Jordan Deposit Insurance Corporation (JODIC), and have hired a reputable consultant to conduct a comprehensive review of the electricity sector.

Notwithstanding our achievements, unemployment remains very high, especially among women and youth, and growth—whilst resilient—has fallen short of our aspirations. Jordan still has balance-of-payments needs, including due to upcoming debt service obligations and the need to further build reserve buffers, and to address climate and healthcare challenges. In support of our efforts, strong and timely development partner support is needed to continue to help Jordan cope with the global and regional headwinds, address the challenges posed by climate change, and shoulder the burden of hosting a large number of refugees, especially as we have been witnessing a significant reduction in humanitarian support for refugees and host communities.

The new EFF arrangement will focus on continuing with progressive fiscal consolidation to place public debt on a steady downward path, safeguarding the exchange rate peg with appropriate monetary policies, and accelerating structural reforms to catalyze job-rich growth. Supported by the new arrangement and our Economic Modernization Vision, we will further improve the business environment, access to finance, labor market flexibility, competition policy, and public administration, as well as the financial viability and efficiency of the utilities sector. We will also further enhance our protection of the most vulnerable segments of the population by expanding social safety nets, while enhancing the provision of public services and supporting good governance practices.

To help us address Jordan's balance-of-payments needs, we are requesting IMF support through a new extended arrangement under the EFF for a period of 48 months in the amount of SDR 926.370 million (270 percent of quota), and we request approval to make a purchase in the amount of SDR 144.102 million (42 percent of quota). The EFF arrangement, in conjunction with other official financing, will be a testament that Jordan will continue to implement sound economic policies. We hereby also notify the IMF's Executive Board of our decision to cancel the existing EFF arrangement, effective as of the date of this letter.

The attached Memorandum of Economic and Financial Policies (MEFP) outlines the policies that we commit to implement under the new EFF arrangement. Implementation of the program will be monitored through semi-annual quantitative performance criteria and structural benchmarks and quarterly indicative targets, as described in the MEFP and Tables 1b and 2b and in the attached Technical Memorandum of Understanding (TMU). The arrangement is subject to semi-annual reviews to by the IMF to assess progress in implementation and to reach understandings on any additional measures that may be needed to achieve the program's objectives. The Government and the CBJ will provide the IMF with the data and information necessary to monitor performance under the program, including those specified in the TMU. We believe that the policies set forth in the attached memorandum are adequate to achieve the objectives of our economic program, but we stand ready to take further measures that may become appropriate for this purpose. We will consult with the Fund on the adoption of these measures, and in advance of revisions to the policies contained in the MEFP, in accordance with the Fund's policies on such consultations.

The IMF has been a reliable partner in providing policy advice, financial support, capacity development, and an anchor for the reform momentum, supporting Jordan in a challenging environment.

We authorize the IMF to publish this Letter of Intent and its attachments, as well as the accompanying staff report.

Sincerely,

| | |
|---|---|
| /s/ | /s/ |
| Mohamad Al-Ississ<br>Minister of Finance | Adel Al-Sharkas<br>Governor of the Central Bank |

Attachments

I. Memorandum of Economic and Financial Policies

II. Technical Memorandum of Understanding

# Attachment I. Memorandum of Economic and Financial Policies

## CONTEXT

1. **Jordan's economy continues to grow and is picking up pace, demonstrating resilience in the face of a series of external shocks.** The economy is expected to grow by 2.6 percent in 2023, with strong performance in all sectors, and notably in manufacturing, transport, agriculture, and mining, as well as tourism related sectors. The higher interest rate environment is having a dampening effect on inflation, reflecting the CBJ's monetary policy commitment to safeguard the exchange rate peg. Twelve-month inflation declined to just over 1 percent in September 2023. The current account deficit is expected to narrow in 2023, to just over 7 percent of GDP, and international reserves remain strong.

2. **While Jordan's economic outlook is positive, challenges and risks remain.** Global and regional tensions, as reflected notably in the recent war on Gaza, remain elevated and could hamper growth in the event of an escalation. In addition, global interest rates are expected to remain higher for longer. Against this challenging backdrop, we expect the Jordanian economy to grow by 2.6 percent in 2024, mainly due to the adverse effects that the regional conflicts have on tourism and investment. Nonetheless, we expect the current account deficit to narrow further in 2024, to about 6½ percent of GDP, and reserves to remain strong. Inflation is projected to remain low, at close to 2 percent, reflecting the CBJ's appropriate monetary policy stance.

3. **To achieve stronger and sustainable growth, needed to bring down still high unemployment, we will continue to pursue sound macro-economic policies and accelerate structural reforms, as envisaged in Jordan's Economic Modernization Vision.** The unemployment rate remains high at over 22 percent and notably youth and female unemployment are too high, at 47 percent and 31 percent respectively. Thus, we have formulated a set of economic policies aimed at accelerating the pace of growth to 3 percent over the medium term, while ensuring continued macro-economic stability, rebuilding fiscal buffers while improving public service delivery, further strengthening reserve buffers, while also addressing climate and health challenges.

4. **These policies build on the strong performance under the existing IMF-supported program, whereby all the commitments set for the seventh review have been met.** We met all end-June 2023 quantitative performance criteria (QPCs), for the primary fiscal deficit of the central government, the combined public deficit, the CBJ's net international reserves (NIR), and non-incurrence of external debt service arrears. Fiscal and monetary policies are on track to meet the end-December 2023 QPCs. Similarly, all indicative targets (ITs) for end-June 2023 were also observed (MEFP Table 1a). We have also met all four structural benchmarks (SBs) due by November 2023, and have also met three SBs for December 2023 ahead of time (MEFP Table 2a).

# POLICIES FOR SAFEGUARDING MACROECONOMIC STABILITY AND BOOSTING GROWTH

## Fiscal Policy and Structural Fiscal Reforms

5. **Our fiscal policy is anchored by our goal to place public debt on steady downward path, to bring public debt to below 80 percent of GDP by 2028**. To achieve this, and to cement the progress made in reducing the budget deficit in the last few years, we are continuing with a set of fiscal policies and reforms aimed at balancing the need for fiscal consolidation with enhancing social assistance and supporting growth. Our objective is to reduce general government gross debt (net of the SSC's holdings of government debt) from 89 percent of GDP in 2022 to just under 80 percent of GDP by 2028. To this end, we intend to gradually reduce the central government's primary fiscal deficit from 3.7 percent of GDP in 2022 to near-balance in 2027 and to maintain modest surpluses thereafter. At the same time, several structural measures are considered to support a gradual reduction in the operational losses of our utility sectors (see below). Combined, this results in an improvement in the combined public sector primary balance (excluding grants) from a deficit of 4.9 percent of GDP in 2022 to a deficit of 1.5 percent of GDP in 2027, and further to a deficit of 0.5 percent of GDP by 2028. Specifically:

- Fiscal policy is on track to reduce the 2023 central government primary deficit (excluding grants and transfers to NEPCO and WAJ) to no more than JD 1,014 million, or 2.8 percent of GDP, implying a fiscal adjustment of 0.8 percent of GDP. This larger fiscal adjustment of the central government budget was needed to offset the increase in operational losses of our utilities and to still reduce the combined public sector deficit to 4.6 percent of GDP in 2023.

- We have submitted a central government budget for 2024 to parliament consistent with a primary deficit (excluding grants and transfers to NEPCO and WAJ) of JD 812 million, or 2.1 percent of GDP. This central government consolidation is needed, as losses in the power sector are projected to rise further to 1.3 percent of GDP, to achieve a reduction in the combined public sector deficit to 4.1 percent of GDP in 2024.

- We will continue to refrain from reallocating capital spending to current spending. We will use any overperformance in revenue collection to pay off more expensive debt or increase capital 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, by reducing non-priority spending. We remain committed to continuing to adjust the prices for gasoline and diesel in line with international market prices, while protecting vulnerable households through cash assistance.

6. **Our fiscal consolidation continues to rely on an ambitious set of base-broadening revenue measures.** Building on the substantial progress made in recent years, we aim to continue to increase revenue collection by further broadening the revenue base, including by further reducing remaining exemptions where feasible, and improving compliance in line with our revenue

administration reform plan, notably by increased digitalization of taxpayer services and data capture and analysis. Specifically:

- We will upgrade the Income and Sales Tax Department's (ISTD) IT infrastructure, including a new Integrated Tax Administration System (ITAS). We have launched a tender for ITAS in December 2023.

- The ISTD will further expand the application of the new transfer pricing rules. The ISTD has already applied the new rules to multinationals and related parties, as part of Phase I of the overall roll-out. Phase II of the roll-out is planned to be completed in 2024 and will capture mid-sized companies, including family-owned companies, while Phase III will extend to related parties. To help with the implementation of the transfer pricing rules, the ISTD is conducting information campaigns and has posted guidelines, while also providing training.

- To curb smuggling, the ISTD has already successfully introduced a digital track-and-trace for tobacco products. Similarly, and notwithstanding technical challenges, the ISTD intends to introduce a digital track-and-trace system for alcohol by early 2024 (*SB for March 2024*). To curb smuggling of diesel, we aim to introduce biochemical markers (*SB for November 2024*).

- The ISTD is moving from traditional and sample-based auditing to risk based auditing, with the use of an AI-based e-audit system, with well-defined benchmarks covering all tax returns. More broadly, the ISTD will develop and implement a comprehensive Risk Management methodology, with tailored treatments across a range of taxpayers and risk categories and extending risk analysis and management to all areas of taxpayer compliance.

- The ISTD has launched an e-invoicing system that is expected to cover 70 percent of all sales transactions subject to GST by value by end 2023. This allows for enhanced monitoring of economic activities, addresses under-invoicing, and strengthens the audit function of the sales-tax framework. The ISTD aim to cover 100 percent of sales transactions by end-2024 by requiring e-invoices for all expenses reported in tax declarations (*SB for March 2025*). This will also enable increased synergy between e-invoicing and e-audits, and improved analytics.

- To further enhance data synergies and improve compliance, the ISTD and Customs Administration will enter into a data sharing agreement, consistent with legal provisions, by end-June 2024 (*SB for September 2024*).

- The restructuring and reduction in customs tariffs, combined with the inclusion of the ASEZA zone in the broader customs administration, has already resulted in a significant increase in revenues, notably in GST collection. The Custom Administration will continue to enhance the National Single Window, which already encompasses 55 entities. Additionally, the establishment of the single border authority will be instrumental in facilitating expedited and predictable goods clearance for both exports and imports, including through the mandatory use of the digital licensing hub platform for the 5 largest control entities (JSMO, Ministry of Environment, JFDA, Ministry of Agriculture, Customs) (*SB for September 2024*), allowing companies to obtain licenses ahead of arrival of goods. To further improve valuation control, the Customs

Administration has initiated data exchanges with seven countries and has created a database for invoices to ensure more precise custom duties and prevent under-invoicing. We will also introduce electronic certificates of origin. We will implement the last phase of Unification of Border Management Initiative by December 2025, which will establish Jordan Customs as the only authorized border clearance entity including for physical inspections.

**7. We will also continue to streamline current spending, to make room for additional social support and capital spending, while improving overall spending efficiency.** Specifically:

- We will contain the growth of the civil service wage bill to below nominal GDP growth.
- We are implementing our Public Sector Modernization Roadmap, including to improve the efficiency of our public administration. As part of this, we will operationalize the newly established Public Service and Administration Commission, which replaces the Civil Service Administration, by end-June 2024. In addition, we will launch an automated HR management information system (HRMIS) to supports the roles and functions of Service and Public Administration Commission. This HRMIS will include a database updated with real-time civil service data and performance management functions. We will also implement a performance-based salary-setting mechanism for all Category 1 civil service employees that will be based on position qualifications, competencies, and merit (*SB for December 2024*). Moreover, effective January 1, 2024, all hiring and promotion decisions for all senior positions will be based on professional qualifications and performance (*SB for March 2024*).
- We are further strengthening our social safety net. We will maintain a minimum threshold for social spending (IT), consisting of: (i) non-wage components of the education and health sectors' current expenditure envelope; (ii) the National Aid Fund's (NAF) and other entities' social protection programs; and (iii) the school feeding program. The number of families covered through the NAF has reached more than 220,000 households in 2023, but as there remain urgent unmet needs for social protection, we have increased the allocation to NAF in the 2024 budget to cover an additional 16,000 households. We will also establish a voluntary unified platform for social assistance, open to CSOs that provide financial or in-kind support to vulnerable households, to enhance coordination and help to improve the targeting of assistance.
- The Social Security Corporation (SSC) will conduct an actuarial study in 2024, with assistance from the ILO, to assess the financial viability of the SSC. Based on this study, we will develop a set of parametric reforms, with assistance from the IMF, ILO, and the World Bank, to ensure the SSC's long-term financial viability, while ensuring adequate retirement benefits, including by strengthening incentives for contributing to the system. In this context, we will also explore replacing the current unemployment insurance program based on individual accounts with a true insurance program based on risk pooling.
- We will continue to strengthen public procurement, by further rolling out the Jordan National E-Procurement System (JONEPS) for ministries and government entities, and we will implement it for all 100 government entities by end-December 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.

- We are working to improve our healthcare system, with the aim of achieving universal health care by 2030. In the near term, we will aim to reduce the cost of health care exemptions, including by setting rules to better target the exemptions and establishing prices for medical services provided consistent with the prices charged to people with medical insurance.

**Identified Measures for Medium-Term Fiscal Consolidation**
(Estimated yield, in percent of GDP)

| | Cumulative Yield | | |
|---|---|---|---|
| | 2024 | 2025 | 2028 |
| **Total expected yield from envisioned reforms -in the basline- (cumulative)** | **0.4** | **1.1** | **2.2** |
| **Revenue reforms** | **0.4** | **0.8** | **1.5** |
| Broaden income tax base by streamlining CIT incentives and improving compliance | 0.2 | 0.2 | 0.5 |
| Broaden GST; rationalizing new GST incentives; and recent customs reform to reduce avenues/incentives for smuggling | 0.1 | 0.3 | 0.5 |
| Improve valuation control of custom duties and simplification of clearance procedures | 0.1 | 0.3 | 0.5 |
| **Expenditure reforms** | **0.0** | **0.3** | **0.7** |
| Further contain public wage bill growth to below nominal GDP growth from 2023 | 0.0 | 0.2 | 0.4 |
| Improved efficiencies in pocurement of goods and services | 0.0 | 0.1 | 0.3 |

8. **In parallel, we will further improve our public financial management, particularly in the areas of fiscal risk analysis, public investment management, macro-fiscal analysis, and cash management.** Specifically:

- In the area of fiscal transparency and fiscal risks management, the Ministry of Finance's Macro-Fiscal Unit (MFU) has prepared and published a 2023 Fiscal Risk Statement, outlining key macroeconomic and contingent liability risks (*met SB for December 2023*). Acknowledging the fiscal risks that SOEs can present to public finances and reflecting the recommendations of the IMF's Fiscal Affairs Department, we will prepare and publish an SOE ownership policy and establish an SOE Monitoring Unit in the Ministry of Finance to monitor and oversee performance and risks in the SOE portfolio. We will require the submission of annual audited statements to the SOE Monitoring Unit and the publication of these statements. We will also recruit a PPP risk assessment expert to develop, implement and maintain a robust risk evaluation model for the Fiscal Commitments and Contingent Liabilities Unit (FCCL) unit. By the end of 2024, we will launch a centralized single database of all PPP contracts approved since the 2020 PPP law came into effect and data, with analytical tools, to enhance our fiscal risk analysis by identifying critical risk factors and generating actionable insights. Drawing on this data and quantitative analysis, and deeper analysis of the SOE sector, we will expand the 2024 Fiscal Risk Statement to provide comprehensive analytical coverage of these contingent liabilities.

- We will continue to strengthen our public investment management processes, drawing on recommendations from the 2017 Public Investment Management Assessment (PIMA), the 2020 PIMA follow-up, and, more recently, the 2023 Climate PIMA. We will request technical assistance from the IMF to undertake a detailed capital project portfolio review, aiming to identify bottlenecks in project completion. We will refine our project scoring system and strengthen our methodologies for project appraisal, providing more detail in appraisal guidelines in complex areas such as the assessment of climate impacts and resilience. We have also amended the PPP legislation to streamline the execution of the framework, while maintaining robust safeguards and due diligence and will ensure that all new PPP projects proceed through the NRIP process. To implement these reforms, we will issue a project management circular to ensure that all capital projects included in the 2025 budget are approved by PIM and registered in the NRIP (*SB for September 2024*).

- We will immediately strengthen the Ministry of Finance's MFU, which is tasked with producing the Fiscal Risk Statement, 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 IMF assistance, the unit will also aim to assess and present the dynamic and distributional impacts of revenue and expenditure measures.

- To improve cash management, we have established an inter-ministerial committee to audit outstanding arrears (*met SB for July 2023*) and will finalize and act on the recommendations of the committee's report by adopting mitigating measures in early 2024. We will also draw on recommendations from IMF's Fiscal Affairs Department and identify commercial accounts that will be managed under the TSA. We will also seek IMF assistance to improve the medium-term expenditure framework, with a focus on improving the accuracy of capital expenditure budget projections and utilization of our medium-term budget framework for costing of policy initiatives and tracking our multi-year commitments. We will draw on JONEPS data to prepare an annual procurement and commitment plan that takes into account multi-year commitments, ensures control of budget implementation, and minimizes arrears accumulation due to unanticipated commitments.

## Monetary and Financial Policies

**9. The CBJ's policies will continue to be aimed at preserving monetary and financial stability.** Monetary policy will continue to be underpinned by the CBJ's 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. The CBJ has raised its policy rates in line with the US Federal Reserve and has also issued certificates of deposit (CDs), further tightening monetary policy. As a result, inflation is low. Thus, the CBJ will steadfastly continue to align its policy rates with those of the US Federal Reserve. The CBJ will remain vigilant to changes in global financial conditions and stands ready to undertake the policy adjustments necessary to credibly safeguard monetary and financial stability, as well as to further bolster its international reserves buffers, including by managing banking system liquidity. The CBJ is committed to gradually reduce the concessionality of its remaining preferential lending scheme, initially with an increase of 50 basis points of the interest rate on new loans issued under the scheme, effective from February 2024.

**10. Jordan's banking system remains liquid and well-capitalized.** The joint IMF-World Bank Financial Sector Assessment Program (FSAP), completed in March 2023, found that the banking sector appeared broadly resilient, and that Jordan's financial sector had withstood a series of large external shocks well. Moreover, banks were assessed to be well-placed to withstand further shocks, given high levels of systemwide regulatory capital and robust earnings. The system-wide capital adequacy stood at 17.4 percent at end-June 2023, broadly unchanged from 2022 and well above the CBJ regulatory minimum of 12 percent. Non-performing loans increased slightly by ½ percentage point to 5 percent and provisions in percent of classified loans have decreased slightly by 3 percentage points to 78.4 percent as of end-June 2023, compared to 2022. The robust growth of credit to private sector observed in 2022 has slowed down in 2023 year in response to the tightening of monetary conditions and stood at 2½ percent y-o-y in September 2023.

**11. We will further strengthen the resilience of the financial sector in line with the recommendations of the FSAP.** Specifically:

- A multi-agency crisis management committee has already been established (based on an MoU) that comprises the CBJ, Ministry of Finance, and JODIC, to adequately operationalize the crisis management framework *(met SB for December 2023)*.

- (i) The CBJ will introduce Pillar 2 risk assessment methodologies to make capital assessments more sensitive to individual banks' risk profiles *(SB for November 2025);* (ii) align prudential requirements on asset classification with Basel Core Principles and guidance *(SB for June 2024)*; (iii) with technical assistance from the IMF's Monetary and Capital Markets Department, align prudential requirements for concentration risk and related party exposure with Basel Core Principles (*SB for November 2026*); and (iv) Design and operationalize procedures for the compensation of depositors together with JODIC (*SB for November 2026*).

- The CBJ will also address remaining data gaps by March 2027 to: (i) enable top-down bank stress testing on a globally consolidated basis; (ii) model probabilities of default, including on more granular loan portfolios; (iii) expand the analysis of nonfinancial corporate vulnerabilities to a broader set of firms; (iv) analyze household vulnerabilities at a more granular level, and (v) with technical assistance from the IMF's Monetary and Capital Markets Department, further incorporate cross border dimensions and interconnectedness in systemic risk monitoring.

- In addition, the CBJ will: (i) monitor the Liquidity Coverage Ratio (LCR) by significant currency and analyze FX liquidity separately from total liquidity by November 2024; (ii) strengthen the role of the Financial Stability Committee by June 2024; and (iii) establish a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks of the Real Time Gross Settlements system-Jordan (RTGS-JO) by March 2026.

**12. We have made significant progress in strengthening our regime for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), resulting in the removal of Jordan from the FATF gray list in October 2023.** We have implemented all action items in Jordan's FATF action plan *(met SB for October 2023)*.

**13. Given the important role MSMEs play in job creation, we recognize the need to improve access to finance for MSMEs.** We will collect disaggregated data on MSME lending from all supervised entities, to assist us in the design of measures aimed at increasing access to finance for MSMEs. More specifically:

- The Ministry of Finance and MOPIC, in consultation with the CBJ, will work with our development partners to assess designing a well-governed, arm's length wholesale funding facility to support Micro Finance Institutions (MFIs) and other regulated non-bank credit institutions in providing financing to MSMEs. We aim to establish this facility, in line with international best practices including for its governance, by mid-2025. We will also exclude MFIs from the General Sales Tax, with a view to reduce end-users' borrowing costs.

- We will enhance data collection by the Credit Bureau and will make corporate credit reports easily accessible to companies through digital channels in order to facilitate access to information and speed up transactions.

- In addition to the recently adopted law on secure transactions, we will also explore with our development partners introducing implementing rules for lending-based crowdfunding.

**14. To deepen our financial markets, we will aim to develop a secondary market for government securities, as a step toward further financial market development.** We will request technical assistance from the IMF's Monetary and Capital Markets Department, starting with an assessment of the building blocks for an active local currency bond market.

## Electricity and Water Sector Reforms

**15. NEPCO's financial outlook continues to present significant challenges.** NEPCO's outlook for 2023 is consistent with earlier expectations, with losses estimated to reach 1.1 percent of GDP. Losses are expected to increase further, however, in 2024, reflecting weaker growth in electricity demand and higher costs, in part due to higher interest rates. Good progress has been made in implementing a set of measures adopted in late 2022 to reduce NEPCO's costs and increase its revenues. These measures are expected to generate JD 62 million in 2023 and at least JD 94 million in 2024. These measures are included in Phase 1 of the Government Program for Electricity Sector Efficiency, Supply Reliability, and Financial Sustainability for 2023-2030 (the Government Program). These measures cover: (i) extending the connection fee for self-generation to businesses, to compensate for use of NEPCO's grid; (ii) enforcing annual KPIs for distribution companies to reduce technical losses and O&M expenses for 2023–2026; (iii) transferring mining royalties from oil shale PPA to NEPCO; (iv) the introduction of time-of-use tariffs; (v) a tariff review to identify incorrect subsidy inclusions; (v) optimizing the use of the Rehab and Risha power plants; and (vi) reducing the costs of gas transportation. Going forward, we will accelerate implementation of Phase 2 of the Government program to further reduce costs and enhance revenues, which will be critical for the long-term financial viability of NEPCO and the overall electricity sector.

**16. We are committed to implement key reforms to durably reduce NEPCO's losses.** The scope for significantly improving NEPCO's finances in the near term is limited, however, given long-term contractual obligations both on the generation side and distribution side, and in an environment of higher interest rates and stagnant demand as consumers switch to self-generation. We are conducting a comprehensive review of all energy PPAs, expected to be completed by January 2024, and based on the legislative and contractual analysis, we will adopt a plan to reduce the cost of electricity generation born by NEPCO by April 2024 (*SB for April 2024*). To further help us design structural measures, we are also conducting a review of the agreements with the distribution companies, expected to be completed by December 2023. Furthermore, we have also hired a reputable international consulting firm to conduct a comprehensive review of the electricity system (generation, transmission, distribution) and to propose actions to achieve NEPCO's financial sustainability *(a met SB for November 2023)*. Based on these reviews, we will adopt an implementation roadmap for electricity sector cost reduction and efficiency improvement to ensure NEPCO's long-term financial viability, while also facilitating a further shift to renewable energy sources and an increase in competition (*SB for October 2024*). As these steps will take time, we are taking the following steps to improve NEPCO's finances already in the near-term:

- We will launch a tender for building a broadband distribution network using NEPCO's fiber optics infrastructure, the National Broadband Network (NBN), Irbid District Electricity Company (IDECO), and Electricity Distribution Company (EDCO) by March 2024, to generate an additional revenue stream for NEPCO, and we expect to award the contract by July 2024.

- Following consultations with relevant stakeholders, we will take a decision on the roll-out of the application of time-of-use tariffs for the commercial and industrial sectors by April 2024 and will start rolling out the application of time-of-use tariffs to capture at least 15 percent of total electricity consumption, effective July 1, 2024 (*SB for July 2024*). We will gradually roll out the application of time-of-use tariffs further, to capture at least 30 percent of total electricity consumption, effective January 1, 2025 (*SB for January 2025*).

- We will introduce and apply an economically efficient tariff design for access to, usage of, and selling electricity to the power grid for new self-generators by switching from net metering to net billing by September 2024 (*SB for September 2024*).

- We will review the distribution companies' licenses by end 2023 with a view to achieve a higher bulk supply tariff charged by NEPCO.

- Based on a legislative and contractual analysis, we will introduce a legally and regulatorily permissible levy on electricity generation companies (*SB for April 2024*).

- We will strengthen enforcement to reduce non-technical losses due to tampering with electricity meters.
- We will spin off the gas infrastructure into a separate entity by March 2024, which should reduce NEPCOs gas costs.
- We will strengthen electricity grid interconnections with neighboring countries, including Egypt, Syria, Iraq, and Saudi Arabia.

We are committed to ensure that NEPCO's operational losses will not exceed 1.3 percent of GDP in 2024 and is firmly placed on a downward path thereafter to not exceed 0.8 percent of GDP by end of 2028. We are also committed to arresting NEPCO's arrears to power plants and governmental entities' electricity arrears. NEPCO continued its effort to repay arrears with a complete reconciliation of arrears until end of June 2023. NEPCO has incurred some new arrears since then and plans to repay all arrears to energy companies other than SAMRA by end-December 2023, and we are committed to settling the cross arrears between SAMRA, NEPCO, and the government by end-2023.

**17. We will further strengthen 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 will 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 will also further improve NEPCO's risk management by strengthening the role of the Risk and Audit Committee (NEPCO Board Resolution No. 87 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.

**18. We are advancing reforms in the water sector, to meet Jordan's demand for water in a financial and environmentally sustainable manner.** We have made solid progress in the implementation of our National Water Strategy (NWS), which is in line with the Cabinet-approved Financial Sustainability Roadmap (FSR) and supported by the Memorandum of Understanding (MoU) signed with the U.S. Specifically:

- We will continue to reduce non-revenue water (NRW) by 2 percent per year, to 37 percent and 25 percent by 2030 and 2040, respectively.
- In line with the Financial Sustainability Roadmap, as well as the commitments undertaken in the MoU signed with the U.S,, we are optimizing operating and maintenance costs and are increasing the energy efficiency of the water sector, and we have taken steps to 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 all costs, including capital costs of build-operate-and-transfer projects by 2040.

Additionally, we have already shifted from quarterly billing to monthly billing and are rolling this out nationwide by end-2023.

- We are improving the operational efficiency of water distribution companies, including by testing performance-based contracts.

- We are 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.

- We remain committed to arresting the accumulation of water sector arrears. Through a cabinet decision, we cleared all arrears between the Water Authority and Distribution Companies and the electricity sector as of end-June 2023. However, arrears to Disi and As-Samra plants continue to accrue, as well as some new electricity arrears. The joint committee of the Ministry of Finance and the Ministry of Water and Irrigation will continue to meet on a quarterly basis, with a view to clearing all arrears of the water sector by end-March 2024. We also 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

**19. We will accelerate reforms aimed at creating a more dynamic private sector that can create more jobs and achieve a lasting reduction in unemployment.** Job creation has not kept pace with population growth, while skills mismatches persist. The overall labor force participation rate stands at 33 percent, but female labor force participation is particularly low, at 14 percent. In this context, we are working to open markets and enhance competition, attract more investment, and improve incentives to formally hire employees, and especially female employees.

**20. A key element of our growth strategy is to improve the business environment, enhance competition, and attract higher levels of investment, both foreign and domestic.** Specifically:

- To strengthen our competition, regulatory and legal framework, parliament recently passed legislation to strengthen the competition framework, aiming to curb the prevalence of dominant firms, including by sharpening the definition for market concentration and stiffening the penalties for violations, as well as enhancing the authority of the Competition Directorate, including by enabling the Directorate to refer cases directly to the prosecutor, without needing the approval of the Minister. We will enhance the Competition Directorate's capacity, and it will complete two additional studies on competition in two key sectors (steel and meat). To further strengthen the authority of the Competition Directorate, we will bring its authority, including its mandate and enforcement powers, in line with international best practices and submit legislation to that effect to parliament by October 2025 *(SB for October 2025)*.

- To improve the investment environment, and particularly encourage foreign direct investment, based on a cost benefit analysis, we aim to further relax restrictions on foreign ownership as listed in Article 11 of Regulation No.7 of 2023: Regulating the Investment Environment Regulation Issued pursuant to paragraph (A) of Article (51) of the Investment Environment Law, except for those sectors and activities that are to be excluded for national security and/or public safety considerations. We will also launch an online platform that serves as a one-stop-shop for all investment-related regulations to facilitate investors' access to information.

- We will request a legal interpretation of Article 157 and any other related articles of the Companies Law related to the liability of owners of limited liability companies in the case of errors in management from the Special Bureau for Interpreting Laws to clarify provisions, such that their liability is in line with international best practices (*SB for May 2024*).

- We will further reduce and streamline licensing requirements, and we will submit to parliament the necessary legislation to abolish licenses in the tourism sector (*SB for March 2024*). Additionally, we will abolish licensing requirements for libraries, cultural and sport activities, and streamline licensing requirements for private schools, kindergartens, and the food sector (*SB for September 2024*), while ensuring that the application process, via the Investment Platform, for those activities for which licenses are required is completed within 15 days. We will adopt a plan for further abolishing and simplifying other sectoral licensing requirements by June 2024, based on the recommendations of the sectoral licenses study.

- We will continue to materially streamline the process for, and reduce the costs of, registering a business, as well as for closing a business.

- More broadly, we aim to complete the digitalization of all government services by end-2025 (*SB for December 2025*), and to establish a single service platform by December 2024. In parallel, we will operationalize a system that will enable payment of all government bills and fees under the same platform, as well as options to connect e-wallets to the system.

**21. We will also introduce labor market reforms to encourage formal employment, while providing appropriate protection to workers and harmonizing provisions for male and female workers, as well as facilitating female labor participation.** Specifically:

- We will submit amendments to the labor law to parliament to increase labor market flexibility and allow for flexible work arrangements (*SB for September 2025*). We will adjust childcare provisions to ensure that these do not create obstacles to formal employment, and instead will introduce targeted support to defray the cost of childcare for low-income workers.

- In parallel, we will submit amendments to the social security law to parliament, to facilitate flexible work arrangements, while also harmonizing benefit rights for males and females in an actuarily neutral way (*SB for September 2025*). Similarly, we will review pay structures within the civil service to ensure that pay scales are harmonized between male and female employees.

- 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 have issued 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 (*met SB for December 2023*). We will also produce guidelines for companies to adopt as part of their internal statutes 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.

- We will issue bylaws that will formalize and professionalize the care economy to bring all providers of care services under one umbrella. The new regulation will help improve the services and competitiveness of these businesses leading to more job opportunities, particularly for women, and better care. Similarly, we will issue a bylaw that will streamline licensing procedures for regular nurseries, extend their working hours, and facilitate the registration of home-based nurseries by reducing requirements and adopting a post audit procedure.

- We will amend work permit regulations for skilled non-Jordanians by limiting the approval time to a maximum of 15 working days and allowing the applicant to receive a 2-year work permit; and reducing the fees to JD 1,500 per year.

- We will explore options to enable private companies to provide public transport services, including minibuses and female-only buses, by streamlining licensing requirements in the transport sector.

**22. Strengthening governance and increasing transparency are 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 will aim to strengthen this further, including via legislative changes and bylaws to criminalize illicit gains from public procurement. The Companies Control Department has amended the Companies Law in 2022 for the purpose of requiring the submission of the beneficial owners and the establishment of the Beneficial Owner Registry system. Furthermore, the Companies Control Department has mandated all companies to disclose the beneficial owners in accordance with the obligations imposed by the Beneficial Owner Registry regulation (bylaw No. 62 of 2022, which came into effect in February 2023), in coordination with experts from the European Union and in compliance with FATF standards.

**23. Timely and accurate economic data has become increasingly critical in calibrating policy responses as Jordan navigates an uncertain global economic environment.** We have recently revised our national accounts statistics, benefitting from better information especially in the producers of the government services sector and implementing the expenditure approach to GDP aggregation. 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. 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 have established 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 (*met SB for September 2023*), as this will be essential to the accurate calculation of national accounts data, among other important indicators.

## PROGRAM MONITORING

**24. Progress in the implementation of our policies that are supported by the EFF arrangement will be monitored through semi-annual reviews, quantitative performance criteria (QPCs), indicative targets (ITs), and structural benchmarks (SBs).** These are detailed in Tables 1b and 2b, with definitions and data requirements provided in the attached Technical Memorandum of Understanding. We will not introduce or intensify restrictions on payments and transfers for current international transactions, introduce or modify multiple currency practices, enter into bilateral payment agreements that are inconsistent with Article VIII of the IMF Articles of Agreement, and/or introduce or intensify import restrictions for balance of payments purposes. IMF disbursements will be used for budget support during the program periods. 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 programs. 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 1a. Jordan: Quantitative Performance Criteria and Indicative Targets (2020 EFF Arrangement)

| | Jun-23 | | | | Sep-23 | | | | Dec-23 |
|---|---|---|---|---|---|---|---|---|---|
| | 6th Review | Adjusted | Actual | | 6th Review | Adjusted | Actual | | 6th Review |
| | *(in JD millions, unless specified otherwise)* | | | | | | | | |
| **Performance Criteria** | | | | | | | | | |
| Primary fiscal deficit of central government, excluding grants and net transfers to NEPCO and WAJ | 650 | 635 | 179 | Met | 850 | 804 | 443 | Met | 1,014 |
| Combined public deficit (flow, cumulative ceiling) | 1300 | 1,285 | 761 | Met | 1,550 | 1,504 | 968 | Met | 1,682 |
| Net International Reserves of the Central Bank of Jordan in USD million (stock, floor) | 12,644 | 12,943 | 13,232 | Met | 12,745 | 12,873 | 13,447 | Met | 13,493 |
| Ceiling on accumulation of external debt service arrears 1/ | 0 | | 0 | Met | 0 | | 0 | Met | 0 |
| **Indicative Targets** | | | | | | | | | |
| Social spending by the central government (flow, cumulative floor) | 266 | | 375 | Met | 603 | | 615 | Met | 941 |
| Public debt (stock, ceiling) 2/ | 32,162 | | 31,872 | Met | 32,361 | | 31,854 | Met | 32,546 |
| Domestic payment arrears of NEPCO (stock, ceiling) 3/ | 0 | | 0 | Met | 0 | | 50 | Not met | 0 |
| Domestic payment arrears of WAJ (stock, ceiling) 4/ | 55 | | 26 | Met | 40 | | 29 | Met | 20 |
| Domestic payment arrears of Aqaba, Miyahuna and Yarmouk Distribution Companies (stock, ceiling) 5/ | 51 | | 5 | Met | 40 | | 22 | Met | 20 |
| Net Domestic Assets of the Central Bank of Jordan (stock, ceiling) | 682 | 383 | 73 | Met | 695 | 567 | -674 | Met | 265 |
| SSC net financing to the central government (flow, ceiling) | 776 | | 623 | Met | 755 | | 1,038 | Not met | 900 |
| **Memorandum items for adjustors** | | | | | | | | | |
| Foreign budgetary grants received by the central government (flow) | 30 | | 0 | | 131 | | 39 | | 777 |
| Foreign budgetary grants and loans received by the Central Bank of Jordan (USD millions, flow, cumulative from beginning of year) | 111 | | 410 | Met | 1,149 | | 1,278 | | 3,034 |
| Programmed stock of the combined health and energy arrears | 120 | | 119 | Met | 105 | | 105 | Met | 90 |
| Contingency Covid-19 spending | | | | | | | | | |
| Domestic payment arrears of WAJ and water distribution companies | 106 | | 31 | Met | 80 | | 51 | Met | 40 |

1/ Continuous.

2/ 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.

3/ 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.

4/ 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.

5/ 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 1b. Jordan: Proposed Quantitative Performance Criteria and Indicative Targets Under the New EFF

| | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 |
|---|---|---|---|---|---|
| | Proposed PC | Proposed IT | Proposed PC | Proposed IT | Proposed PC |
| **Performance Criteria** | | | | | |
| Primary fiscal deficit of central government, excluding grants and net transfers to NEPCO and WAJ (flow, cumulative ceiling) | 1,014 | 250 | 470 | 625 | 812 |
| Combined public deficit (flow, cumulative ceiling) | 1,682 | 450 | 900 | 1,120 | 1,566 |
| Net International Reserves of the Central Bank of Jordan in USD million (stock, floor) 1/ | 13,363 | 12,763 | 13,029 | 12,687 | 13,622 |
| Ceiling on accumulation of external debt service arrears 2/ | 0 | 0 | 0 | 0 | 0 |
| **Indicative Targets** | | | | | |
| Social spending by the central government (flow, cumulative floor) | 941 | 190 | 320 | 570 | 1,018 |
| Public debt (stock, ceiling) 3/ | 32,100 | 32,779 | 33,013 | 33,188 | 33,544 |
| Domestic payment arrears of NEPCO (stock, ceiling) 4/ | 0 | 0 | 0 | 0 | 0 |
| Domestic payment arrears of WAJ (stock, ceiling) 5/ | 20 | 0 | 0 | 0 | 0 |
| Domestic payment arrears of Aqaba, Miyahuna and Yarmouk Distribution Companies (stock, ceiling) 6/ | 20 | 0 | 0 | 0 | 0 |
| Net Domestic Assets of the Central Bank of Jordan (stock, ceiling) 1/ | 1,048 | 2,770 | 2,264 | 2,574 | 688 |
| **Memorandum items for adjustors** | | | | | |
| Foreign budgetary grants received by the central government (flow) | 777 | 20 | 120 | 250 | 732 |
| Foreign budgetary grants and loans received by the Central Bank of Jordan (USD millions, flow, cumulative from beginning of year) 1/ | 0 | 50 | 108 | 247 | 2759 |
| Programmed stock of the combined health and energy arrears | 90 | 85 | 80 | 75 | 70 |
| Domestic payment arrears of WAJ and water distribution companies | 40 | 0 | 0 | 0 | 0 |

1/ End-January 2024 targets for the CBJ's net international reserves and net domestic assets, instead of end-December 2023 targets. End-January 2024 NIR target is an indicative target.
2/ Continuous performance criterion.
3/ 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.
4/ 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.
5/ 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.
6/ 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 2a. Jordan: Status of Structural Conditionality Under the 2020 EFF Arrangement**

| No. | Measure | Time Frame (by end-period) | Status | Macroeconomic Rationale |
|---|---|---|---|---|
| 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 | Met | 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 | Met | Ensuring accurate and timely data dissemination including national accounts |
| 3 | Implement the items in Jordan's FATF action plan to strengthen the effectiveness of the AML/CFT system. | October 2023 | Met | Strengthening the effectiveness of AML/CFT |
| 4 | 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 | Met | Financial viability of the electricity sector |
| 5 | 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 | Met | Strengthening crisis management |
| 6 | 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 | Met | Supporting female labor force participation |
| 7 | Start implementation of a digital track-and-trace system for alcohol companies. | December 2023 | Re-proposed for the new program | Revenue mobilization |
| 8 | Submit legislation to enable the abolishment of five licenses in the tourism sector identified in the 2019 cabinet decision for elimination. | December 2023 | Re-proposed for the new program | Reducing the cost of doing business |
| 9 | 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 | Met | Managing fiscal risks and fiscal transparency |

| Table 2b. Jordan: Proposed New Structural Conditionality | | | | | |
|---|---|---|---|---|---|
| **No.** | **Measure** | **Time Frame (by end-period)** | **Status** | **Macroeconomic Rationale** | **Proposed Action** |
| **I. Proposed Structural Benchmarks** | | | | | |
| 1 | ISTD to introduce a digital track-and-trace system for alcohol. | March 2024 | | Improving tax compliance | |
| 2 | Effective January 1, 2024, all hiring and promotion decisions for all senior civil service positions will be based on professional qualifications and performance, in line with the Public Sector Modernization Roadmap. | March 2024 | | Improving public service efficiency and delivery | |
| 3 | Submit to parliament legislation to abolish licenses in the tourism sector as identified in the 2019 cabinet decision. | March 2024 | | Improving the business environment | |
| 4 | Based on the legislative and contractual analysis, cabinet to adopt a plan to reduce the cost of electricity generation born by NEPCO. | April 2024 | | Improving financial viability of the electricity sector | |
| 5 | Based on a legislative and contractual analysis, introduce a legally and regulatory permissible levy on electricity generation companies. | April 2024 | | Improving financial viability of the electricity sector | |
| 6 | Request a legal interpretation of Article 157 and any other related articles of the Companies Law related to the liability of owners of limited liability companies in the case of errors in management from the Special Bureau for Interpreting Laws to clarify the provisions related to the liability of owners of limited liability companies. | May 2024 | | Improving the business environment | |
| 7 | The CBJ to align prudential requirements on asset classification with Basel Core Principles and guidance. | June 2024 | | Safeguarding financial stability | |
| 8 | Apply time-of-use tariffs to capture at least 15 percent of total electricity consumption. | July 2024 | | Improving financial viability of the electricity sector | |
| 9 | ISTD and Customs Administration to enter into a data sharing agreement. | September 2024 | | Improving tax compliance | |

| Table 2b. Jordan: Proposed New Structural Conditionality (continued) | | | | | |
|---|---|---|---|---|---|
| **No.** | **Measure** | **Time Frame (by end-period)** | **Status** | **Macroeconomic Rationale** | **Proposed Action** |
| 10 | Facilitate expedited and predictable goods clearance for both exports and imports, including through the mandatory use of the digital licensing hub platform for the 5 largest control entities (JSMO, Ministry of Environment, JFDA, Ministry of Agriculture, Customs). | September 2024 | | Improving tax compliance and improving the business environment | |
| 11 | Issue a project management circular to ensure that all capital projects included in the 2025 budget are approved by PIM and registered in the NRIP. | September 2024 | | Strengthening public investment management | |
| 12 | Introduce and apply an economically efficient tariff design for access to, usage of, and selling electricity to the power grid for new self-generators, by switching from net metering to net billing. | September 2024 | | Improving financial viability of the electricity sector | |
| 13 | Abolish licensing requirements for libraries, cultural and sport activities, and streamline licensing requirements for private schools, kindergartens, and the food sector. | September 2024 | | Improving the business environment | |
| 14 | Cabinet to adopt an implementation roadmap for electricity sector cost reduction and efficiency improvement to ensure NEPCO's long-term financial viability, while also facilitating a further shift to renewable energy sources and an increase in competition. | October 2024 | | Improving financial viability of the electricity sector | |
| 15 | Introduce biochemical markers to diesel. | November 2024 | | Improving tax compliance | |
| 16 | Implement a performance-based salary-setting mechanism for all Category 1 civil service employees that will be based on position qualifications, competencies, and merit. | December 2024 | | Improving public service efficiency and delivery | |
| 17 | Apply time-of-use tariffs to capture at least 30 percent of total electricity consumption. | January 2025 | | Improving financial viability of the electricity sector | |

| Table 2b. Jordan: Proposed New Structural Conditionality (concluded) | | | | | |
|---|---|---|---|---|---|
| **No.** | **Measure** | **Time Frame (by end-period)** | **Status** | **Macroeconomic Rationale** | **Proposed Action** |
| 18 | ISTD to mandate e-invoices for 100 percent of sales transactions by requiring e-invoices for all expenses reported in tax declarations. | March 2025 | | Improving tax compliance | |
| 19 | Submit amendments to the labor law to parliament to increase labor market flexibility and allow for flexible work arrangements. | September 2025 | | Enhancing job creation | |
| 20 | Submit amendments to the social security law to parliament, to facilitate flexible work arrangements and harmonize benefit rights for males and females in an actuarily neutral way. | September 2025 | | Enhancing labor market participation and job creation | |
| 21 | Submit legislation to parliament to strengthen the authority of the Competition Directorate and bring its authority, including its mandate and enforcement powers, in line with international best practices. | October 2025 | | Improving the business environment and enhancing competition | |
| 22 | The CBJ to introduce Pillar 2 risk assessment methodologies to make capital assessments more sensitive to individual banks' risk profiles. | November 2025 | | Safeguarding financial stability | |
| 23 | Complete the digitalization of all government services. | December 2025 | | Improving the business environment and public service delivery | |
| 24 | The CBJ to align prudential requirements for concentration risk and related party exposure with Basel Core Principles. | November 2026 | | Safeguarding financial stability | |
| 25 | The CBJ to design and operationalize procedures for compensation of depositors, together with JODIC. | November 2026 | | Safeguarding financial stability | |

# 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 1b attached to the Memorandum of Economic and Financial Policies (MEFP) dated December 17, 2023. The exchange rates and gold price as of September 30, 2023 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 1329.335 per fine troy ounce for the measurement of the program performance criterion on net international reserves.

**Program Exchange Rates (As of September 30, 2023)**

| Currency | Jordanian Dinar Per Unit of Foreign Currency |
|---|---|
| British Pound | 0.860760 |
| Japanese Yen | 0.004747 |
| Euro | 0.74477 |
| Canadian dollar | 0.525555 |
| SDR | 0.929665 |
| CNY | 0.0970395 |

**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.[4,5]

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

[5] (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

(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 1b 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.

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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 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.

**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 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 the level of 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 the level of 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 100 percent of the first JD 100 million overperformance and by 50 percent of any additional 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.

## C. Ceiling on the Combined Public Deficit

**31.** 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.

**32.** 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.

**33.** 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.

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

**35.** Downward by the extent to which the level of 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.

**36.** Upward by the extent to which the level of 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 100 percent of the first JD 100 million overperformance and by 50 percent of any additional overperformance.

**37.** 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.

## D. Floor on the Net International Reserves of the CBJ

**39.** 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.

**40.** **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.

**41.** **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.

**42.** The stock of foreign assets and liabilities of the CBJ shall be valued at program exchange rates. As of September 30, 2023, the stock of NIR amounted to USD 14,485.2 million (at program exchange rates).

**43.** **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. 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. Given the uncertainty of the global financing conditions, the floors will also be adjusted for any delays or changes of external commercial borrowing included in the program.

## E. Ceiling on the Accumulation of External Debt Service Arrears

**44.** **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

**45.** **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

**46.** **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.

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

**48.** 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

**49.** **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.

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

**50.** **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.

## J. Ceiling on the Net Domestic Assets of the CBJ

**51.** **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.

**52.** 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.

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

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

**55.** 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

**56.** 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.

**57.** 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:

**58.** 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.

**59.** 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).

**60.** 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.

**61.** 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).

**62.** Related to central government arrears:

**63.** 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.

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

**65.** Related to the combined public sector deficit:

**66.** All the information specified in paragraph 24.

**67.** 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.

**68.** 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.

**69.** 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.

**70.** 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.

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

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

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

**74.** 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).

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

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

**77.** CBJ's monthly FX interventions in the interbank market

**78.** Data on CD auctions (following each auction).

**79.** Monetary statistics (monthly).

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

**81.** Banking FSI (quarterly; starting 2021 Q1)

**82.** Related to the continuous performance criteria:

**83.** 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.

**84.** Related to the floors on public debt:

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

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

**87.** Data on short-term public debt (monthly).

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

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

**90.** 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).

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

**92.** 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).

**93.** National accounts statistics (quarterly).

**94.** 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

**95.** 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 Finance 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.

**Statement by Mahmoud Mohieldin, Executive Director for Jordan, Ali Alhosani, Alternate Executive Director for Jordan, and Maya Choueiri, Senior Advisor for Jordan**
**January 10, 2024**

1. Our Jordanian authorities would like to express their gratitude to the Fund's Executive Board and management for their continued support, and to staff for the productive discussions held in the context of the Request for Extended Arrangement Under the Extended Fund Facility (EFF).

2. **Jordan has emerged as a pillar of economic stability in the region, notwithstanding successive shocks and a challenging external environment**. This strong performance reflects the authorities' skillful economic management, strong ownership of their economic reform program, as well as timely support by the Fund and regional and international partners. Successful implementation of the 2020 EFF has helped Jordan to maintain macro stability and build resilience. Nonetheless, the external environment remains challenging. Global and regional tensions are high, high interest rates have adverse implications, and the war in Gaza, especially if prolonged or intensifying, could adversely affect Jordan's economy through lower tourism receipts and investment, and potentially higher fuel prices and borrowing costs. Moreover, unemployment, particularly among the youth and female population, remains high, putting further emphasis on the need for faster economic growth.

3. **Against this background, Jordan is requesting a new four-year Fund-supported EFF arrangement, that is guided by Jordan's reform agenda under the Economic Modernization Vision**. The objective would be to consolidate the achievements made to date, strengthen resilience in the face of worsening global and regional challenges, anchor fiscal policy, safeguard monetary and financial stability, and address longstanding structural impediments to growth and job creation. The new EFF will also help catalyze support from other donors. In support of the authorities' efforts, predictable, timely, and adequate development partner support remains essential to help Jordan cope with the global and regional headwinds, address the challenges posed by climate change, and shoulder the burden of hosting 1.3 million Syrian refugees. With regards to the hosting of refugee, sustained support from the international community, in line with the support pledged by the international community under the Jordan Compact and the 2019 London Initiative, remains crucial, especially given the significant reduction in humanitarian support for refugees and host communities.

**Performance under the 2020 EFF**

4. **Jordan's performance under the 2020 Fund-supported EFF was consistently strong.** This is reflected in the helpful *Ex Post Peer Reviewed Assessment for Long Term Program Engagement*. Six reviews were successfully completed, and Jordan met all the commitments for the seventh review. The 2020 EFF largely met the performance criteria,

indicative targets, and the sizable number of structural benchmark (SB) measures which amounted to fifty under the program. This strong performance reflects the authorities' strong ownership as well as timely recalibration of the program as warranted by external shocks.

5. **As a result, Jordan was successful in maintaining macro-economic stability and reducing fiscal and external imbalances and vulnerabilities**. The Central Bank of Jordan (CBJ) was successful in preserving monetary and financial stability, keeping inflation well below the global average, and increasing reserve buffers. The Government was successful in reducing the budget deficit, including by broadening the revenue base in a sustainable and equitable manner, thus placing public debt on a downward path. Prudent policymaking helped to preserve market access at favorable conditions. Jordan also made significant progress in implementing its structural reform agenda by improving the business environment and boosting inclusive growth. The authorities have implemented challenging SBs, including the roll-out of new electricity tariffs, the legislation bringing the Aqaba Special Economic Zone (ASEZA)'s tax and customs functions within national systems, and the introduction of a new Investment Law that rationalizes tax exemptions. Jordan has also rapidly and successfully implemented the FATF action plan to strengthen the effectiveness of the AML/CFT framework and, as a result, was removed from the grey list in October 2023. These achievements were made while the country was still hosting 1.3 million Syrian refugees and against the backdrop of a significant reduction in humanitarian support for refugees and host communities.

**Economic and Financial Policies under the new EFF**

**Fiscal Policy and Structural Fiscal Reforms**

6. **Fiscal policy aims to place public debt on steady downward path and bring it to below 80 percent of GDP by 2028**. To this end, the authorities intend to gradually reduce the central government's primary fiscal deficit from 3.7 percent of GDP in 2022 to near-balance in 2027 and to maintain modest surpluses thereafter, with a goal to reduce public debt to below 80% by 2028. They have submitted to parliament a central government budget for 2024 that is consistent with a primary deficit of 2.1 percent of GDP, reflecting consolidation at the central government level to offset losses in the power sector. Building on the substantial progress made in recent years, the authorities aim to continue to increase revenue collection by further broadening the revenue base, including by improving compliance in line with their revenue administration reform plan, notably by increased digitalization of taxpayer services and data capture and analysis.

7. **Fiscal reforms rank high on the authorities' agenda**. The authorities are implementing their Public Sector Modernization Roadmap, including to improve the efficiency of public administration. They are further strengthening the social safety net, including by maintaining a minimum threshold for social spending and covering

additional households under the *National Aid Fund's* social protection program. The authorities will conduct, with support from development partners, an actuarial study to assess the Social Security Corporation's outlook and ensure its long-term financial viability, while ensuring adequate retirement benefits. They are further rolling out the *Jordan National E-Procurement System* for ministries and government entities. They are also working to improve the healthcare system, with the aim of achieving universal health care by 2030. Continued efforts are ongoing to further improve public financial management, particularly in the areas of fiscal risk analysis, public investment management, macro-fiscal analysis, and cash management. The authorities are grateful for the high-quality IMF technical assistance in these areas.

**Monetary and Financial Policies**

8. **The CBJ will continue to strive to preserve monetary and financial stability**. Monetary policy will continue to be underpinned by the CBJ's firm commitment to the exchange rate peg to the US dollar. The peg has served Jordan's economy well by providing a credible nominal anchor of monetary and financial stability. The CBJ has raised its policy rates in line with the U.S. Federal Reserve and has also issued certificates of deposit, further tightening monetary policy. As a result, inflation is low, and well below the global average. The CBJ will steadfastly continue to align its policy rates with those of the U.S. Federal Reserve and will remain vigilant to changes in global financial conditions. The CBJ is also committed to gradually reducing the concessionality of its remaining preferential lending scheme.

9. **The authorities will further strengthen the resilience of the financial sector in line with the recommendations of the March 2023 FSAP**. The March 2023 FSAP found that the banking sector appeared broadly resilient, and that Jordan's financial sector had withstood a series of large external shocks well. Moreover, banks were assessed to be well-placed to withstand further shocks, given high levels of systemwide regulatory capital and robust earnings. In line with the FSAP recommendations, the authorities have established a multi-agency crisis management committee to operationalize the crisis management framework. Furthermore, among other measures, the CBJ will introduce Pillar 2 risk assessment methodologies to make capital assessments more sensitive to individual banks' risk profiles, align prudential requirements on asset classification with Basel Core Principles and guidance, and, with technical assistance from MCM, align prudential requirements for concentration risk and related party exposure with Basel Core Principles.

10. **The authorities recognize the need to improve access to finance for Micro-, Small and Medium-sized Enterprises (MSMEs), given the latter's key role in creating jobs**. To this end, the authorities aim to set up a wholesale funding facility, with the help of development partners, to support micro-finance institutions and other

regulated non-bank credit institutions in providing financing to MSMEs. They will also collect disaggregated data on MSME lending from all supervised entities, to assist in the design of measures aimed at increasing access to finance for MSMEs.

**Electricity and Water Sector Reforms**

11. **The authorities are committed to reforming the energy sector and are carrying out efforts to durably reduce NEPCO's losses and improve efficiency**. They have adopted near-term measures and made good progress on reforms included in the *Government Program for Electricity Sector Efficiency, Supply Reliability, and Financial Sustainability for 2023-2030* to reduce NEPCO's costs and increase its revenues. In addition, they are carrying out comprehensive reviews of all energy Power Purchase Agreements, distribution companies' agreements, and the entire electricity system. Based on these reviews, they will adopt an implementation roadmap for electricity sector cost reduction and efficiency improvement to ensure NEPCO's long-term financial viability, while also facilitating a further shift to renewable energy sources and an increase in competition. The government is also committed to stopping NEPCO's arrears to power plants and governmental entities' electricity arrears with the settling of cross arrears between SAMRA, NEPCO, and the government to take place by end-2023. Efforts are also deployed to further strengthen the electricity sector's governance, namely with regards to the sector's financial accounts, Board's role, and strategy and risk management function.

12. **Reforms in the water sector are progressing, with the aim to meet Jordan's demand for water in a financial and environmentally sustainable manner.** Further to the adoption by Cabinet of the water sector *Financial Sustainability Roadmap* in November 2022, solid progress is being made in implementing the *National Water Strategy*, which is supported by the Memorandum of Understanding signed with the United States. Notably, the authorities will continue to reduce non-revenue water and are taking steps to achieve full cost recovery for operations and maintenance of water and wastewater services by 2030. They aim to also recover capital costs of build-operate-and-transfer projects by 2040. The authorities also remain committed to stopping the accumulation of water sector arrears.

**Structural Policies to Promote Jobs and Growth**

13. **The authorities are committed to an ambitious structural reform agenda aimed at improving the business environment, promoting job creation, and strengthening governance and increasing transparency.** Notwithstanding achievements under the 2020 EFF, unemployment remains very high, especially among women and youth, and growth—whilst resilient—has fallen short of the authorities' aspirations.

14. **The authorities are committed to adopting reforms aimed at reducing unemployment and promoting labor force participation, particularly among the youth and female population**. These reforms include the introduction of flexible work arrangements and the harmonization of labor provisions for male and female workers. Key initiatives comprise the amendment of labor and social security laws to support flexible working conditions and harmonized benefits. The authorities are streamlining childcare licensing and enhancing public transport. They have also enacted legal legislation to protect women from workplace harassment and violence and introduced initiatives to promote female representation in corporate leadership, particularly in state-owned enterprises, demonstrating strong commitment to bolstering female and youth labor force participation.

15. **A key element of the growth strategy is to improve the business environment, enhance competition, and attract higher levels of foreign and domestic investment**. Following the adoption by parliament of legislation aimed at strengthening the competition framework, the authorities will enhance the Competition Directorate's capacity in line with international best practices. They will also complete two additional competition studies in two key sectors, steel and meat. They will further relax restrictions on foreign ownership, further reduce and streamline licensing requirements, and will continue to streamline the process for, and reduce the costs of, registering and closing a business. They also aim to complete the digitalization of all government services by end-2025.

**Conclusion**

16. The Jordanian authorities value the strong partnership with the Fund, which has been a reliable partner in providing policy advice, financial support, capacity development, and an anchor for the reform momentum, supporting Jordan in a challenging environment. Considering the remarkable success of the 2020 EFF and the authorities' strong ownership of their reform agenda, we would appreciate Executive Directors' support for Jordan's request for a new EFF arrangement.