INTERNATIONAL MONETARY FUND

IMF Country Report No. 24/197

JORDAN

July 2024

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

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

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis, following discussions that ended on May 9, 2024, with the officials of Jordan on economic developments and policies underpinning the IMF arrangement under the Extended Fund Facility. Based on information available at the time of these discussions, the staff report was completed on June 13, 2024.

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.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org

International Monetary Fund
Washington, D.C.

© 2024 International Monetary Fund

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

FOR IMMEDIATE RELEASE

- The IMF Executive Board completed the first review of Jordan's program supported by the Extended Fund Facility (EFF), providing the country with access of about US$130 million.
- The EFF-supported program is off to a strong start, reflecting the authorities' strong ownership of the program. All performance criteria and structural benchmarks for the first review were met.
- Despite a challenging external environment, Jordan's economy continues to show resilience, reflecting sound macro-economic policies and structural reforms implemented over the past several years.

Washington, DC – July 1, 2024: The Executive Board of the International Monetary Fund (IMF) completed the first review of Jordan's program supported by the Extended Fund Facility (EFF). The completion of the review makes another SDR 97.784 million (about US$130 million) available to Jordan, out of the previously approved program size of SDR 926.370 million (about US$1.2 billion and equivalent to 270 percent of Jordan's quota) (see Press Release). The Executive Board's decision on the first review was taken without a meeting.[1]

Jordan's economy continues to show resilience, including in the face of the challenges posed by the Israel–Gaza conflict and the disruptions to trade in the Red Sea. This reflects the strong progress that Jordan has made in recent years thanks to the steadfast implementation of sound macro-economic policies and structural reforms that have strengthened the country's resilience and enabled it to weather the impact of successive external shocks. The economy continues to grow, with growth projected to moderate to 2.4 percent in 2024, after having reached 2.6 percent in 2023. Growth is expected to pick up pace in 2025, contingent upon the conflict ending and its impact fading. Inflation is low and reserve and reserve buffers are strong.

Despite this strong performance, challenges remain. Unemployment remains high. Importantly, the unsettled regional situation weighs on Jordan's near-term outlook. Strong international support remains needed to support the authorities' policy efforts and to help shoulder the cost of hosting a large number of Syrian refugees.

The authorities remain firmly committed to sound macro-economic policies and advancing structural reforms, to maintain macro stability, further strengthen economic resilience, and foster stronger, job-rich growth and improved living standards for all Jordanians. Fiscal policy remains focused on continuing to reduce public debt through a gradual fiscal consolidation, while expanding targeted support to vulnerable households and creating more room for public

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

investment. Monetary policy remains focused on maintaining monetary and financial stability and safeguarding the exchange rate peg. The adverse impact of the conflict on growth and investment underscores the need to continue with, and to accelerate, structural reforms, to improve the viability of public utilities and to create a more dynamic private sector that can create more jobs and achieve the goals of the authorities' Economic Modernization Vision.

Jordan: Selected Economic Indicators, 2022-25

	2022	2023	2024	2025
		Prel.	Proj.	Proj.
Output and Prices				
Real GDP growth	2.4	2.6	2.4	2.9
Nominal GDP (US$ billions)	48.7	50.9	53.3	56.1
Inflation 1/	4.2	2.1	2.1	2.4
Government Finances (in percent of GDP)				
Central government fiscal operations				
Revenue and grants 2/	25.8	25.3	26.0	26.3
Of which: grants	2.3	2.0	1.9	1.5
Expenditures 2/	31.6	30.5	31.5	31.8
Primary government balance (exc. grants, NEPCO and WAJ)	-3.6	-2.7	-2.1	-1.6
Overall central government balance	-5.8	-5.2	-5.6	-5.5
Combined public sector balance 3/	-4.8	-4.5	-4.0	-3.1
Government gross debt 4/	111.3	114.1	113.7	114.3
Government gross debt, net of SSC holdings of govt. debt 4/	88.8	89.5	89.2	88.3
Money and Credit				
Broad money (percent change)	5.5	2.3	4.8	5.3
Credit to the private sector (percent change)	8.0	1.7	4.1	6.0
Balance of payments				
Current account (in percent of GDP)	-7.8	-3.5	-5.0	-4.0
FDI (in percent of GDP)	2.6	1.5	1.4	1.8
Gross reserves (in months of imports)	6.8	7.3	7.3	7.1
In percent of Reserve Adequacy Metric	103	104	102	99

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 under the EFF arrangement.

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

June 13, 2024

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

EXECUTIVE SUMMARY

Context and outlook: Jordan's economy continues to show resilience despite a challenging external environment. The economy continues to grow, albeit at a somewhat slower pace, inflation is low, and reserve buffers are strong. Growth is projected to pick up pace in 2025, contingent upon the Israel-Gaza conflict ending and its impact fading. Uncertainty is high, however, and structural challenges remain, with continued high unemployment.

Program implementation: The program is off to a good start, reflecting the authorities' continued strong ownership. All end-December 2023 performance criteria (PCs) were met, as were most indicative targets (ITs) for end-December 2023, end-January 2024, and end-March 2024. Fiscal and monetary policies remain on track, and the financial performance of the utility companies appears to be on track as well. Strong progress was also made in implementing structural benchmarks (SBs), with all six SBs for the first review met, and with good progress being made toward meeting SBs for the next review.

Policies: The authorities remain firmly committed to sound macro-economic policies and advancing structural reforms, to maintain macro stability, further strengthen economic resilience in the face of successive external shocks, and foster stronger, job-rich growth. Fiscal policy remains focused on continuing a gradual consolidation and improving the viability of public utilities, to place public debt firmly on a downward path, while expanding targeted support to vulnerable households and creating room for public investment. Monetary policy remains focused on maintaining monetary and financial stability and safeguarding the exchange rate peg. Steadfast implementation of structural reforms is crucial to create a more dynamic private sector that can generate sufficient jobs and contribute to higher living standards.

First review: Given the satisfactory performance and the authorities' strong commitment to program objectives, staff supports their request for completion of the first review and modification of the PCs for the Central Bank of Jordan's (CBJ) net international reserves, to reflect the better performance so far. Upon completion of this review, a disbursement of SDR 97.784 million will be made available to Jordan.

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

The team consisted of Ron van Rooden (head), Fei Liu, Nora Neuteboom (all MCD), Yahia Said (Resident Representative), Rayah Al-Farah, Leen Aghabi (local economists), Lahcen Bounader, Nick Carroll (both FAD), Chuling Chen (SPR), and Lisbeth Rivas (STA). Maya Choueiri (OED) participated in the mission. Discussions were held in Amman during April 29–May 9, 2024. 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. Farid Ahmad provided research assistance, Cecilia Pineda provided document management, and Sana Almunizel provided logistical support.

CONTENTS

RECENT DEVELOPMENTS, OUTLOOK, AND RISKS 4

POLICY DISCUSSIONS FOR THE FIRST REVIEW 6

A. Upholding Fiscal Discipline Despite External Headwinds 6

B. Maintaining Monetary and Financial Stability 8

C. Improving Financial Sustainability in the Electricity and Water Sectors 9

D. Advancing Structural Reforms to Support Inclusive Growth 10

E. Program Modalities 10

STAFF APPRAISAL 11

FIGURES

1. Real Sector Developments 13
2. Fiscal Developments 14
3. External Sector Developments 15
4. Monetary and Financial Indicators 16

TABLES

1. Selected Economic Indicators and Macroeconomic Outlook, 2022–29 17

2a. Central Government: Summary of Fiscal Operations, 2022–29 (In millions of Jordanian dinars) 18

2b. Central Government: Summary of Fiscal Operations, 2022–29 (In percent of GDP) 19

2c. General Government: Summary of Fiscal Operations, 2022–29 (In millions of Jordanian dinars) 20

2d. NEPCO Operating Balance and Financing, 2022–29 ___ 21
2e. Consolidated Water Sector Balance and Financing, 2022–29 ___ 22
3a. Summary Balance of Payments, 2022–29 ___ 23
3b. External Financing Requirements and Sources, 2022–29 ___ 24
3c. Foreign Exchange Needs and Sources, 2022–29 ___ 25
3d. External Budget Financing, 2022–29 ___ 26
4a. Monetary Survey, 2022–29 ___ 27
4b. Summary Accounts of the Central Bank of Jordan, 2022–29 ___ 28
5. Access and Phasing Under the 2024 Extended Fund Facility (EFF) Arrangement ___ 29
6. Indicators of Fund Credit, 2024–38 ___ 30

ANNEXES

I. Risk Assessment Matrix ___ 31
II. Economic Resilience Amidst Headwinds—An Analysis of Spillovers of Conflicts ___ 34

APPENDIX

I. Letter of Intent ___ 47

RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

1. **Jordan's economy continues to show resilience, including in the face of the challenges posed by the Israel-Gaza conflict and the disruptions to trade in the Red Sea.** Sound macro-economic policies and structural reforms implemented over the past several years have strengthened Jordan's resilience and, together with support from the international community, have helped to mitigate the impact of successive external shocks. Growth reached 2.6 percent in 2023, with strong activity in the first three quarters of the year and despite a slowdown in the last quarter following the start of the conflict.

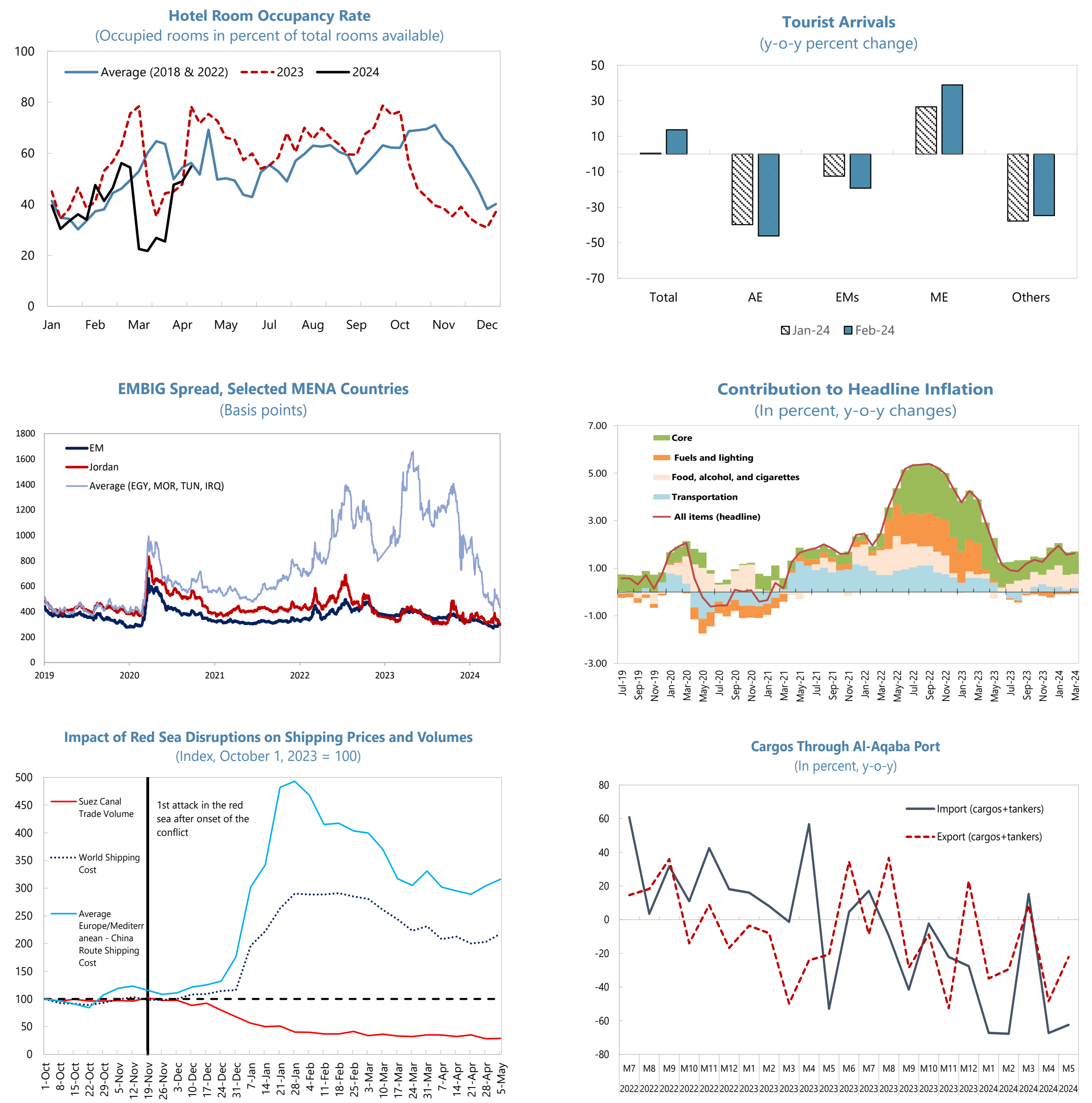
2. **Growth is projected to moderate to 2.4 percent in 2024, as the continuation of the Israel-Gaza conflict and trade route disruptions have a dampening effect on activity.** As the conflict continues, it is having a more pronounced effect on Jordan's economy than expected previously, affecting consumer and investor sentiment, trade, and tourism (see Annex II and also Box 1 in IMF Country Report No. 24/10). Still, the overall impact is expected to remain relatively contained. Tourism receipts have been holding up well, with an increase in visitors from the region largely offsetting a decline in visitors from the U.S. and Europe. Prompt government actions to develop alternative trade route solutions are mitigating the impact of the Red Sea disruptions, and trade volumes have started to recover in recent months. Similarly, domestic activity has been recovering as well in recent months, and combined with continued sizable international support, economic growth is projected to slow only marginally in 2024 as compared to earlier projections. Growth is expected to pick up pace to close to 3 percent in 2025, contingent upon the conflict ending later in 2024 and its impact fading.

3. **The current account deficit narrowed considerably in 2023 but is expected to widen in 2024.** The current account deficit narrowed to 3½ percent of GDP in 2023, from nearly 8 percent of GDP in the previous year, mainly as imports fell, in large part due to weak domestic demand and disruptions to trade in the last quarter, but also reflecting lower energy prices, while tourism receipts were up by 27 percent overall, despite a slowdown in the last quarter. While foreign direct investment remained low, official financing supported an increase in gross usable reserves to over US$17 billion by end-2023. The current account deficit is projected to widen somewhat to 5 percent of GDP in 2024, as trade normalizes and imports pick up.

4. **Inflation remains low.** Headline inflation stood at 1.3 percent (y-o-y) in April 2024. The Central Bank of Jordan (CBJ) continued to adjust its policy rates in tandem with the U.S. Federal Reserve, reflecting its firm commitment to monetary stability and the exchange rate peg to the U.S. dollar. Inflation is projected to pick up somewhat during the year, to about 2 percent, reflecting in part the increase in transport costs due to the trade route disruptions.

5. **Jordan's sovereign spreads have narrowed.** Spreads widened temporarily following the start of the conflict in October 2023 but have narrowed since. As a reflection of Jordan's resilience and commitment to sound policies, in May 2024 Moody's upgraded Jordan's long-term sovereign credit rating in local and foreign currencies from B1 to Ba3, marking the first credit rating upgrade in more than two decades. Other rating agencies maintained a stable outlook for Jordan.

Jordan: Recent Economic Developments



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

6. Risks are tilted to the downside and uncertainty remains high (see Annex I). The repercussions of the Israel-Gaza conflict 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. An intensification and widening of the conflict could have serious consequences for Jordan. Trade, tourism, and investment could be severely disrupted, further pushing down growth, and energy and borrowing costs could rise. Global risk factors, including a synchronized downturn in global growth, could lead to adverse spillovers on Jordan through trade and financial channels. Also, commodity supply disruptions and demand fluctuations could lead to commodity price volatility, including of food and fuel prices. Finally, climate-change risks exacerbating Jordan's already dire water scarcity could hurt growth and add further pressure on government finances. The upcoming parliamentary elections, planned for September 2024, could lead to policy slippages or delays in implementation. Nonetheless, the authorities' strong commitment to sound policies and maintaining stability mitigates these risks. Notably, implementing reforms to diversify the economy and further strengthen resilience against future shocks, while continuing prudent macroeconomic policies, are crucial to avoiding more severe adverse effects from shocks (see Annex II). Stronger-than-expected remittance receipts and international support, faster progress in regional stabilization and cooperation, and an acceleration of reform implementation pose upside risks.

POLICY DISCUSSIONS FOR THE FIRST REVIEW

Discussions focused on maintaining stability and further strengthening Jordan's resilience in a challenging and uncertain external environment. Policy discussions focused on: (i) the planned gradual fiscal consolidation to ensure medium-term sustainability; (ii) preserving monetary and financial stability; and (iii) advancing structural reforms to boost growth and job creation.

A. Upholding Fiscal Discipline Despite External Headwinds

7. The 2023 fiscal outturn was in line with program targets. End-December 2023 fiscal performance criteria were met. The central government primary deficit (excluding grants and transfers to NEPCO and WAJ) was reduced to 2.7 percent of GDP, from 3.6 percent of GDP in 2022, as a shortfall in general sales taxes (GST) was more than offset by higher non-tax revenues and a reduction in spending. NEPCO's and WAJ's finances were also on track, and the target for the combined public deficit of 4.5 percent of GDP was met as well. In addition, most ITs for end-December 2023 and end-March 2024 were also met, and although the end-December 2023 target for public debt was missed by a small margin mainly due to a higher-than-expected interest bill, the end-March 2024 debt target was met.

8. The authorities remain committed to meeting the planned gradual fiscal consolidation, despite the challenging external environment. Jordan's parliament approved the 2024 budget in mid-February 2024. The budget was in line with program targets, aiming to reduce the central government primary deficit (excluding grants and transfers to NEPCO and WAJ) to 2.1 percent of GDP, on the back of a revenue-based effort, including by further improving tax administration, while also expanding the social safety net by increasing the number of beneficiaries of the National Assistance Fund (NAF). Although the slowdown in activity and trade has had an adverse impact on government revenues, notably on GST, fiscal targets remain within reach—barring a regional escalation of the conflict—as activity and thus revenues have started to recover in recent months and efforts to further improve revenue collection continue, including by reducing tax distortions and tackling evasion, and with a streamlining of spending on capital and goods and services. Similarly, as reform measures to improve the financial position of the utility companies are starting to bear fruit, the combined public deficit target of 4.0 percent of GDP remains feasible as well. The combined public deficit is projected to decline to 3.1 percent of GDP in 2025, in line with program targets, and with some improvements in WAJ's financial position allowing for a small relaxation of the central government primary deficit target, to 1.6 percent of GDP, thus allowing for some catching up on delayed capital spending. Together with the surpluses of the social security system, this would result in a general government primary surplus of 1.3 percent of GDP in 2024 and 1.9 percent of GDP in 2025, up from a surplus of 0.5 percent of GDP in 2023. Should downside risks materialize, the authorities would further delay the execution of selected non-priority spending, while safeguarding social assistance.

9. With continued progress in fiscal consolidation, public debt is assessed as sustainable (see the Debt Sustainability Analysis in IMF Country Report No. 24/10). While fiscal policy was on track, public debt in percent of GDP rose slightly more than expected in 2023, because of lower nominal GDP and a higher-than-expected interest bill. While risks remain, including from future shocks, debt continues to be sustainable assuming the authorities' continued efforts to reduce the central government budget deficit and to improve the utility companies' finances, and with continued surpluses of the social security system. On this basis, and assuming that the impact of the conflict and trade disruptions fades in 2025, public debt is projected to be on a downward path, starting to decline this year, and to gradually fall to below the target of 80 percent of GDP by 2028.

Jordan: Central and General Government Balances, 2023–28
(Percent of GDP)

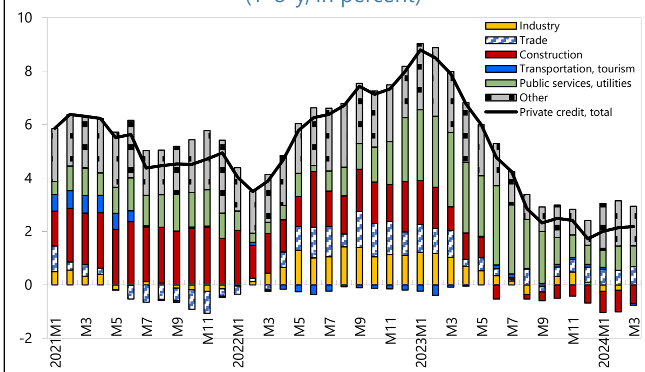
	2023		2024		2025	2026	2027	2028
	EFF	Prel.	EFF	Proj.	Proj.	Proj.	Proj.	Proj.
Central government primary balance (ex grants)	-2.8	-2.7	-2.1	-2.1	-1.6	-0.7	0.0	0.6
Utilities overall balance	-1.8	-1.8	-2.0	-1.9	-1.5	-1.3	-1.1	-1.0
NEPCO	-1.1	-1.1	-1.3	-1.3	-1.0	-0.9	-0.8	-0.8
Water sector	-0.7	-0.7	-0.7	-0.6	-0.5	-0.4	-0.3	-0.2
SSC surplus (ex interest income from CG)	2.5	2.5	2.8	2.8	2.8	2.7	2.6	2.5
Add back, interest bill of NEPCO and WAJ	0.5	0.5	0.6	0.6	0.7	0.7	0.7	0.8
General government primary balance (ex grants)	-1.6	-1.5	-0.7	-0.5	0.3	1.4	2.2	2.9
General government primary balance (inc grants)	0.5	0.5	1.2	1.3	1.9	3.0	3.8	4.4
Central government grants	2.1	2.0	1.9	1.9	1.5	1.6	1.6	1.6
General government interest bill	4.1	4.2	4.7	4.7	4.9	4.9	4.1	3.8
General government overall balance	-3.6	-3.7	-3.5	-3.4	-3.0	-1.9	-0.3	0.7
Memorandum Items								
Public debt-to-GDP	88.7	89.5	88.3	89.2	88.3	86.2	82.6	78.9
Nominal GDP in JD million	36,151	36,078	37,981	37,793	39,784	41,961	44,300	46,770

10. The authorities are making steady progress in implementing fiscal structural reforms. In the area of tax administration, a digital track-and-trace system for alcohol has been introduced (*met SB for March 2024).* The government issued the necessary circulars and bylaws to allow for qualification and merit-based hiring and promotions for the civil service, starting with senior positions, with the recruitment process now handled through the newly established Public Service and Administration Commission (*met SB for March 2024*). To strengthen public financial management and avoid arrears accumulation, the authorities are taking steps to ensure that health exemptions are well-targeted and do not exceed budget allocations, while budgetary spending units' electricity payments are made by the Ministry of Finance's treasury department, deducting the payments from spending units' budgetary allocations.

B. Maintaining Monetary and Financial Stability

11. The CBJ has successfully maintained monetary and financial stability. Jordan's peg to the U.S. dollar, backed by sizable international reserves, has served as an effective nominal anchor, helping to contain inflation and maintain financial stability. Confidence in the dinar remains strong. The end-January and end-March 2024 net international reserves (NIR) and net domestic assets targets were met by considerable margins. However, against higher policy rates and borrowing costs, private sector credit growth slowed markedly in 2023, from about 8 percent (y-o-y) at the start of 2023 to below 2 percent by the end of the year.

Private Credit Growth
(Y-o-y, in percent)



Sources: Central Bank of Jordan; IMF staff calculations.

12. The CBJ remains committed to make the necessary policy adjustments to safeguard monetary and financial stability. The CBJ stressed it will continue to adjust its policy rates as needed to maintain the exchange rate peg. NIR targets for the rest of 2024 are revised upwards to reflect the stronger outcomes through end-March and the improved financing outlook, while leaving room to deal with the high level of uncertainty.

13. The banking system remains healthy. The banking system's capital adequacy ratio remains well above the regulatory minimum of 12 percent. Non-performing loan (NPL) ratios remain broadly stable and relatively low, albeit with a slight uptick in 2023, reflecting the slowdown in economic activity, while provisioning is high. The CBJ will continue its close monitoring of banks' asset quality, including by ensuring sustained application of prudent accounting, reporting, and provisioning standards.

Jordan: Bank Soundness Indicators

	2019	2020	2021	2022	2023 1/	2023 1/
Risk-weighted capital adequacy ratio	18.3	18.3	18.0	17.3	17.4	17.9
NPLs (In percent of total loans)	5.0	5.5	5.0	4.5	5.0	5.1
Provisions (In percent of classified loans)	69.5	71.5	79.9	81.5	78.4	75.7
Liquidity ratio	134.1	136.5	141.5	138.0	135.4	142.5
Return on assets	1.2	0.6	1.0	1.0	1.2	1.1

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

14. The CBJ continues to strengthen its operations and prudential supervision. The CBJ remains on track to implement the recommendations of the 2023 Financial System Stability Assessment (FSSA). It has already prepared amendments to align its prudential regulations regarding asset classification with the Basel Core Principles and plans to issue these by mid-June 2024 (*SB for June 2024*). Moreover, the CBJ is working toward implementing the recommendations of the recent safeguards assessment, in accordance with its legal framework. It is also developing the guidelines and instructions for the Emergency Liquidity Assistance, which it aims to introduce by end-2024. Efforts to sustain the effectiveness of the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) framework continue. Following Jordan's removal from the FATF grey list in the Fall of 2023, the CBJ is enhancing the effectiveness of the framework, including by strengthening risk-based AML/CFT supervision and increasing international cooperation.

15. The CBJ is gradually phasing out its subsidized lending facility. Two lending schemes expired in 2023, and the CBJ will gradually reduce the concessionality of its remaining scheme once the conflict subsides, with a view also to phasing it out, as it complicates monetary policy transmission.

C. Improving Financial Sustainability in the Electricity and Water Sectors

16. Progress in improving the utility companies' finances remains crucial to ensuring overall fiscal sustainability. The utility companies continue to put a substantial burden on public finances, with their losses almost equal to the central governments primary budget deficit (excluding grants) and adding to public debt. Improving their finances and their efficiency in delivering essential services requires sustained, multi-year efforts, efforts that are starting to show results.

17. NEPCO managed to contain its operational losses in 2023, in line with expectations. NEPCO's financial position as of end-2023 was on track, with a loss estimated at around 1.1 percent of GDP. Its losses are projected to worsen slightly to 1.3 percent in 2024, as NEPCO's finances remain under pressure from sluggish electricity demand due to weaker activity and households shifting to renewable energy, but mainly due to long-term contractual obligations to generation (with expensive off-take agreements) and distribution companies (with high guaranteed rates of return), and high financing costs. NEPCO also made progress in clearing a large part of its stock of arrears during 2023, although the ITs for NEPCO's domestic payment arrears for both end-December 2023 and end-March 2024 were missed and some arrears remain. These are targeted to be gradually cleared in the period ahead, with ITs adjusted to reflect this. This will also be supported by the Ministry of Finance's treasury department henceforth paying spending units' electricity bills directly.

18. NEPCO's outlook remains challenging and steadfast implementation of the reform measures is imperative to ensure its financial sustainability. The authorities are pressing ahead with a set of reform measures that are expected to improve NEPCO's efficiency and gradually reduce its losses to 0.8 percent of GDP by 2028. As part of this reform package, the cabinet has adopted a plan to reduce the cost of electricity generation, focusing on seeking renegotiation of power purchasing agreements (*met SB for April 2024*). The government has also introduced legally and regulatory permissible levies on electricity generating companies, based on a legislative and contractual analysis (*met SB for April 2024*). Moreover, the authorities are on track to meet the SBs for the next review, namely: (i) they completed the consultative processes and have taken the decision to introduce, effective July 1, 2024, time-of-use tariffs for sectors accounting for at least 15 percent of total electricity consumption (*SB for July 2024*), and (ii) parliament has already adopted the necessary legislative amendments to the Renewable Energy Law that will allow for net billing to be introduced for new self-generators (*SB for September 2024*).

19. The water sector's financial position is slowly improving, benefiting from progress in implementing the Financial Sustainability Roadmap (FSR). This includes reducing non-revenue water (NRW) by at least 2 percent per year, to bring NRW levels down to 37 percent and 25 percent by 2030 and 2040, respectively. The authorities have also approved a multi-year path for raising water tariffs, with a first tariff increase having come into effect at the start of 2024, and with a view to ensure recovery of operating and maintenance costs by 2030. The consolidated water sector losses in 2023 amounted to 0.7 percent of GDP, supported by higher revenues resulting from a reduction in NRW and billing improvements, as well as lower operating costs. The consolidated water sector losses are projected to improve slightly to 0.6 percent of GDP in 2024, following the tariff increase and further reduction in NRW, and to narrow further to 0.2 percent of GDP by 2028, as the set of reforms will yield results. A large part of the sector's arrears was cleared in 2023, but some new arrears emerged in early 2024 and ITs for end-December 2023 and end-March 2024 were missed. These arrears are expected to be cleared in the period ahead, with ITs adjusted to reflect this.

D. Advancing Structural Reforms to Support Inclusive Growth

20. The authorities continue to advance structural reforms to achieve the objectives of their Economic Modernization Vision. A range of obstacles, including unpredictable and extensive regulations, a lack of competition, and labor market rigidities, hinder private companies from flourishing and generating more jobs. The authorities' reform efforts are focused on enhancing the business environment, strengthening competition, and attracting higher levels of investment, as well as on labor market reforms to enhance labor market flexibility, encourage formal employment, including of women, while providing appropriate protections to workers and harmonizing rights of male and female workers. Recently, to improve the business environment and foster a more dynamic private sector, the government: (i) submitted to parliament the necessary legislation to abolish redundant licenses in the tourism sector (*met SB for March 2024*); and (ii) filed a request to the Special Bureau for Interpreting Laws to clarify provisions in the Companies Law regarding personal liability of partners in limited liability companies (*met SB for May 2024*). Progress also continues to be made in the digitalization of government services, including tax and customs administration. Looking further ahead, the authorities have started the preparatory work for amending the labor, social security, and competition laws, with a view to submitting amendments to parliament in the course of 2025 (*SBs for September 2025*), and with the objective to enhance labor market flexibility, female labor participation, and competition.

E. Program Modalities

21. Against strong performance, most program targets remain appropriate. Fiscal and monetary policies appear on track to meet 2024 targets. The performance criteria for the CBJ's net international reserves are proposed to be modified upward, to reflect the stronger performance so far and the improved financing outlook.

22. The program remains fully financed. External financing from international partners is firmly committed for the next 12 months, with good prospects for the remainder of the program, including financing from the World Bank, the EU, and bilateral donors (France, Germany, Japan, Qatar, the U.S., among others), offsetting somewhat lower foreign direct investment flows. In addition, Jordan continues to have access to international capital markets with relatively low sovereign spreads. Purchases under the EFF arrangement will cover the remaining balance of payments needs and will continue to be used for budget financing.

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

	2024Q3 to 2025Q2	2023	2024	2025	2026	2027
Financing Gap	2,173	1,359	2,888	2,171	1,694	1,414
Official Financing						
IMF EFF disbursement	260	32	450	260	260	261
Identified official public external financing	1,913	1,327	2,438	1,504	692	412
World Bank	1,179	579	1,310	640	515	299
European Union	214	222	214	322	0	0
EIB	129	0	129	107	107	43
Japan	100	100	100	0	0	0
Others 1/	291	426	684	435	70	70
Unidentified official public external financing	0	0	0	407	742	741
Memorandum Item						
Eurobond issuance or commercial borrowing	0	1,250	0	1,000	1,000	1,000

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

23. Jordan's capacity to repay the Fund remains adequate. Risks stem mainly from a possible deterioration in the external environment and political challenges to key reform measures, as well as administrative capacity constraints. Risks are mitigated by Jordan's strong track record in implementing sound policies, while substantial capacity development activities are helping to strengthen capacity in key institutions, including the Ministry of Finance, the CBJ, the Income and Sales Tax Department, and the Department of Statistics. The Fund's exposure to Jordan is projected to remain moderate, with outstanding Fund credit peaking at 3.9 percent of GDP and 9.4 percent of exports of goods and services in 2024, and 480 percent of quota in 2027, before gradually declining. As noted above, Jordan's public debt continues to be assessed as sustainable.

24. A 2024 update safeguards assessment of the CBJ has been completed. The assessment found broadly robust controls and sound assurance functions. There is scope for improving financial reporting, and the CBJ is committed to implement the safeguards assessment's recommendations in accordance with its legal framework. A framework agreement (MoU) between the CBJ and the government on respective responsibilities for servicing respective financial obligations to the Fund has been signed.

25. Staff continued technical discussions on a possible future arrangement under the Resilience and Sustainability Fund (RSF). Discussions were held with line ministries and key development partners, notably the World Bank and the World Health Organization, on possible measures to address Jordan's climate vulnerabilities and health risks. These discussions will continue in the coming period.

STAFF APPRAISAL

26. Jordan's economy continues to show resilience despite a challenging external environment. This reflects the strong progress that Jordan has made in recent years thanks to the steadfast implementation of sound macro policies and structural reforms that have strengthened the country's resilience and enabled it to weather the impact of successive external shocks. The economy continues to grow, albeit at a somewhat slower pace, inflation is low, reserve buffers are strong, and sovereign spreads have narrowed. Despite this strong performance, challenges remain. Job creation is still weak, and unemployment remains high. Importantly, the unsettled regional situation weighs heavily on Jordan's near-term outlook. Strong international support remains needed to assist the authorities' policy efforts and to help shoulder the cost of hosting a large number of Syrian refugees.

27. The EFF-supported program is off to a good start, reflecting the authorities' strong ownership of the program. All PCs and SBs, and most ITs for this review were met, and steady progress is being made toward meeting benchmarks for the next review. Fiscal and monetary policies remain on track, despite the external headwinds.

28. Staying the course with a gradual fiscal consolidation is key to placing public debt on a downward path. Barring an escalation of the conflict, this year's fiscal targets remain attainable, supported by ongoing efforts to further strengthen revenue collection and with some reduction in discretionary spending, while ensuring adequate support for vulnerable households.

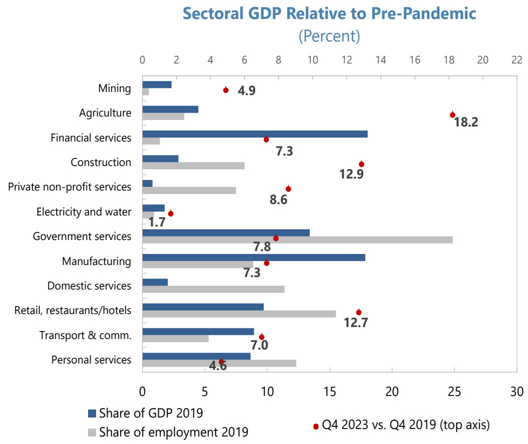
29. Monetary policy is appropriately focusing on safeguarding monetary and financial stability. The CBJ should continue to adjust its policy rates as needed to support the exchange rate peg and ensure that reserve buffers remain adequate. The CBJ should also continue to closely monitor banks' financial health and further strengthen financial sector oversight in line with the FSSA recommendations, while it should gradually reduce the concessionality of its remaining subsidized lending scheme.

30. The adverse impact of the Israel-Gaza conflict on growth and investment underscores the need to continue with structural reforms. A more dynamic private sector is needed to create more jobs and reduce unemployment, and to achieve the goals of the authorities' Economic Modernization Vision. Building on progress made, further efforts are needed to improve the business environment and enhance competition, while strengthening social safety nets. Continued efforts are also needed to improve the financial viability of the utility companies, as they continue to burden public finances, while enhancing their ability to deliver essential public services.

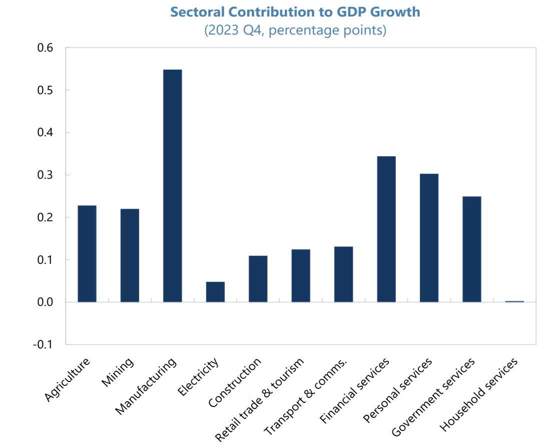
31. Staff supports the authorities' request for the completion of the first review under the extended arrangement. Staff also supports the proposed modification of the end-June and end-December 2024 performance criteria on the CBJ's net international reserves, to reflect the stronger outcomes and improved financing outlook, while leaving room to act in an uncertain environment.

Figure 1. Jordan: Real Sector Developments

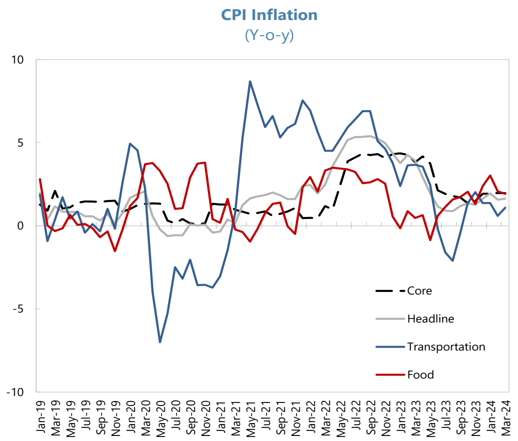
GDP is well above pre-pandemic levels, with notable growth in agriculture, construction and retail, restaurants, and hotels.



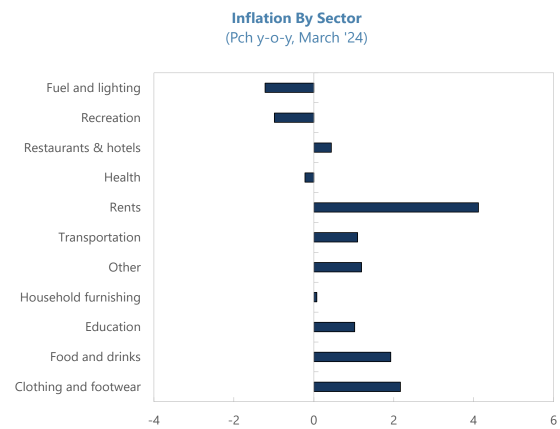
The sectors that contributed most to growth in 2023 Q4 were manufacturing, financial services, and personal services.



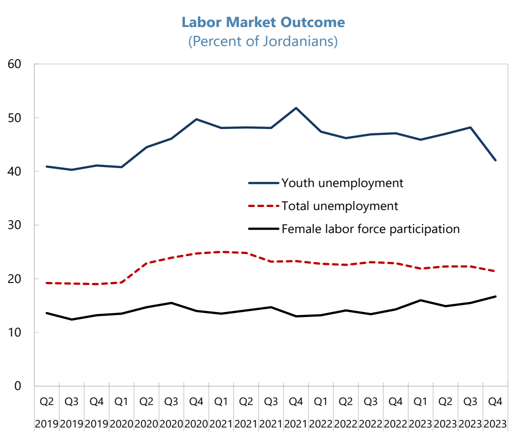
Inflation is relatively stable at around 2 percent.



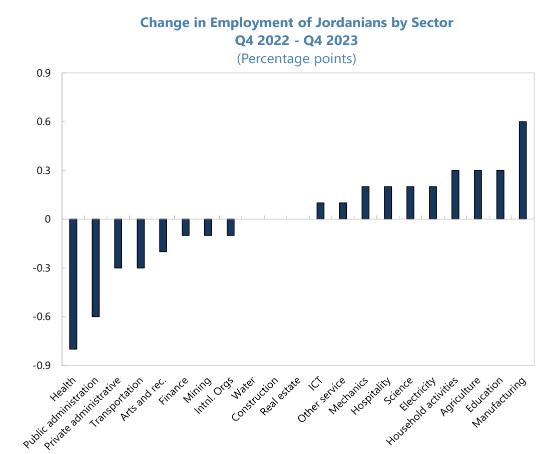
Inflation is driven mainly by rent and clothing.



Youth unemployment has dropped in the last quarter of 2023; female labor force participation is trending slightly upwards.



Overall, employment recovery has been heterogenous across sectors.

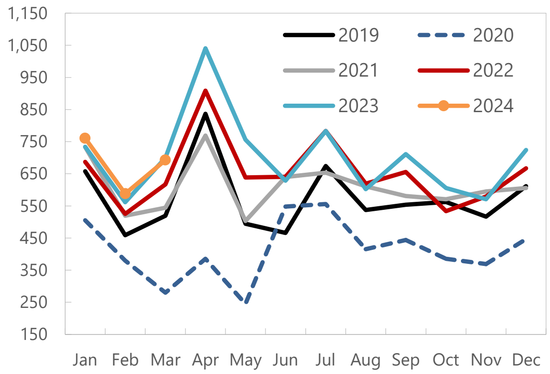


Sources: Jordanian authorities; Haver Analytics; and IMF staff calculations.

Figure 2. Jordan: Fiscal Developments

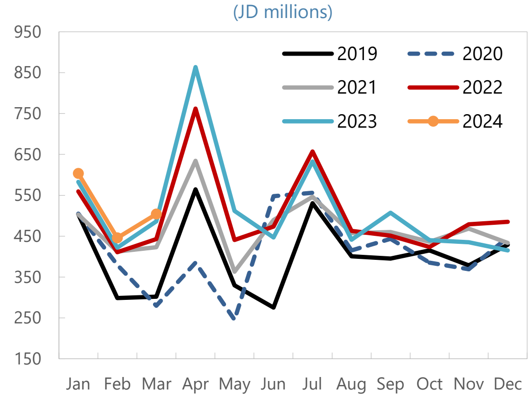
Revenues have been recovering from the pandemic.

Domestic Revenues
(JD millions)



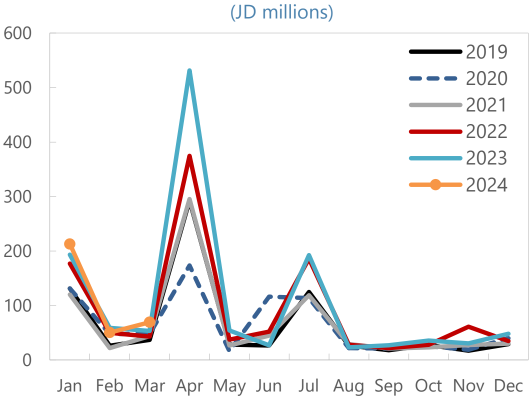
Tax revenues saw a strong rebound in 2022 and 2023…

Tax Revenues
(JD millions)



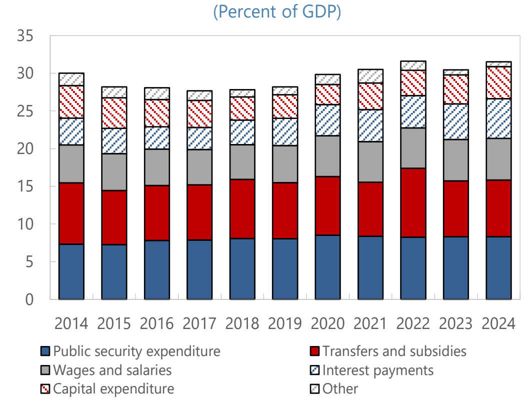
…mainly driven by income and profit taxes.

Corporate Income Tax
(JD millions)



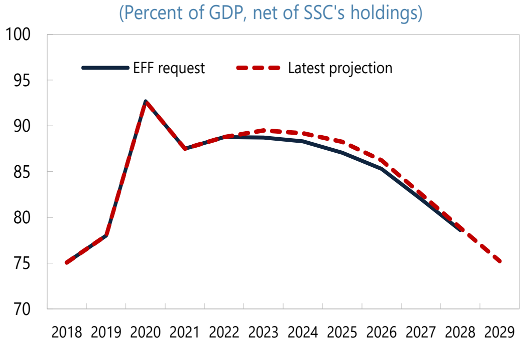
Government expenditures are almost flat.

Government Expenditure
(Percent of GDP)



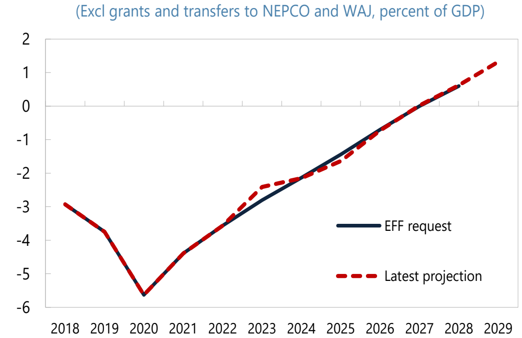
Public debt is projected to gradually decline, to just under 80 percent of GDP by 2028.

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



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

Primary Government Balance
(Excl grants and transfers to NEPCO and WAJ, percent of GDP)

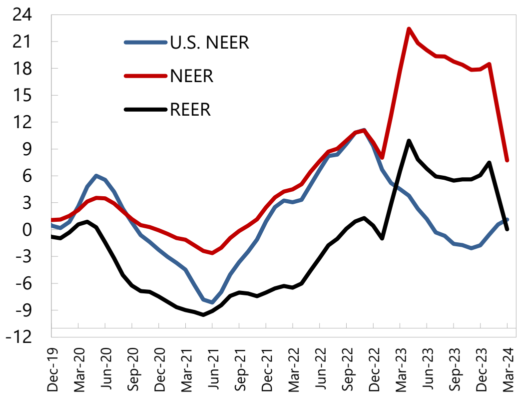


Sources: Jordanian authorities; and IMF staff calculations.

Figure 3. Jordan: External Sector Developments

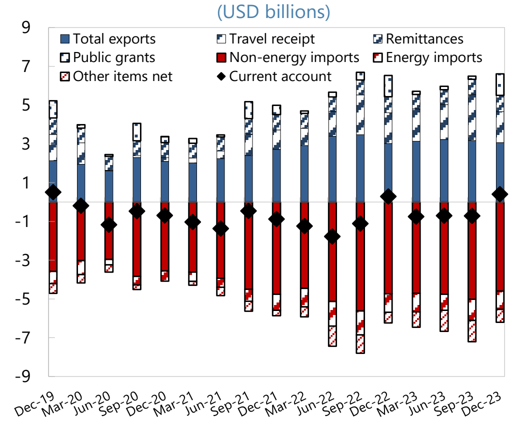
The peg and monetary tightening contributed to an appreciation of the real effective exchange rate.

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



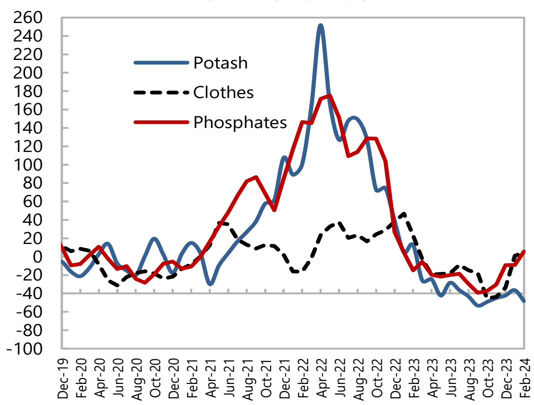
Growth slowdown and trade disruptions have narrowed the current account deficit in 2023.

Current Account, 2019-23
(USD billions)



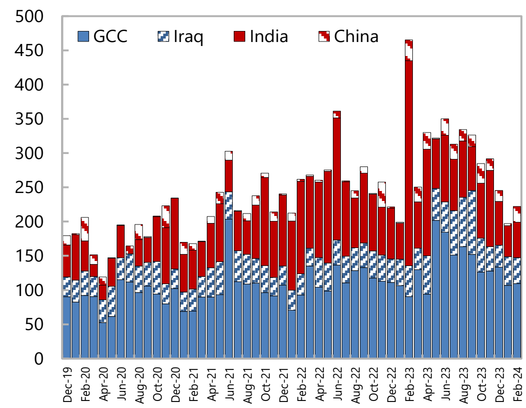
Fertilizer exports slowed after the surge in 2022-23, mainly due to lower prices.

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



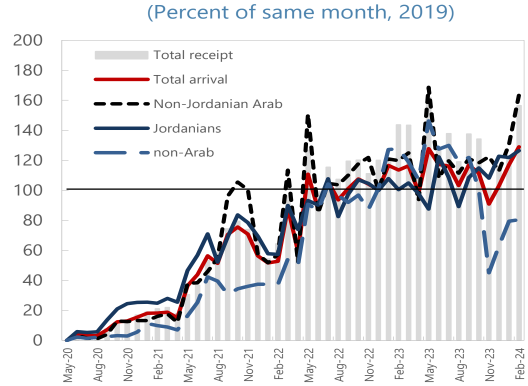
Exports to GCC countries grew, marking deeper regional integration.

Exports to Select Markets
(Nominal millions dinars)



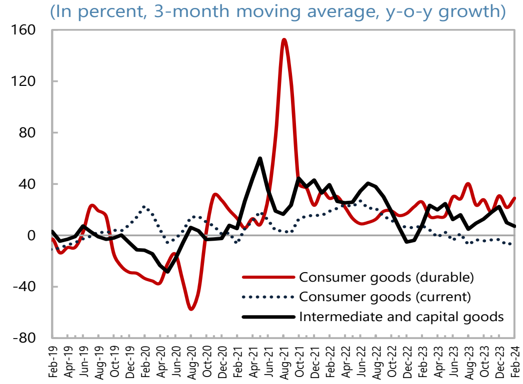
Tourism receipts in 2023 surpassed pre-pandemic levels, but non-Arab tourist arrivals declined since the start of the Israel-Gaza conflict.

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



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

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

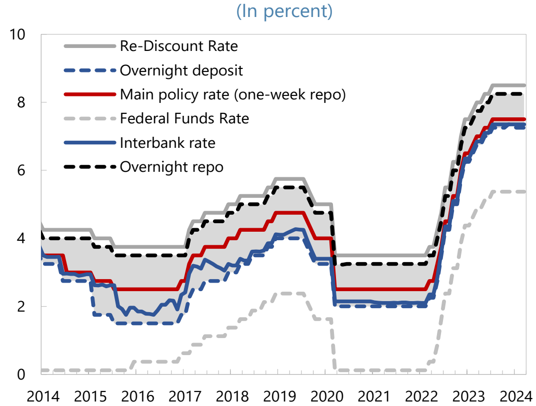


Sources: Jordanian authorities; and IMF staff calculations.

Figure 4. Jordan: Monetary and Financial Indicators

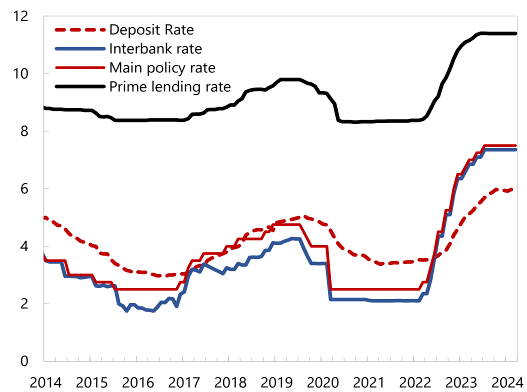
Policy rates were raised in line with those of the U.S. Federal Reserve.

Interest Rates
(In percent)



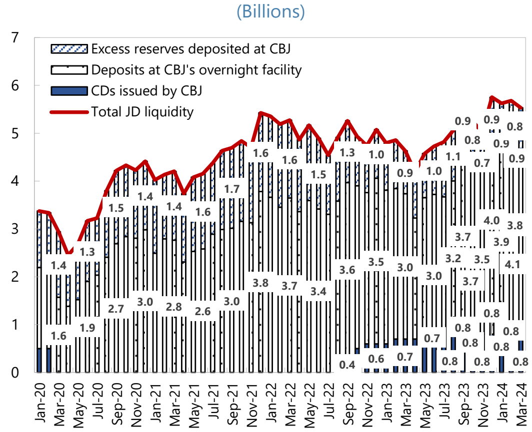
Deposit and lending rates have also increased, albeit more slowly.

Interest Rates
(In percent)



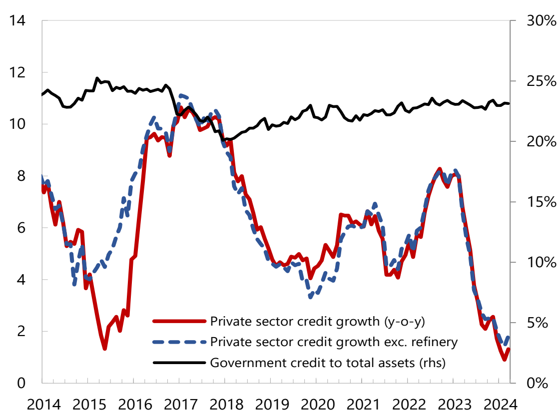
Banks' liquidity conditions remain comfortable…

Banks' JD Liquidity
(Billions)



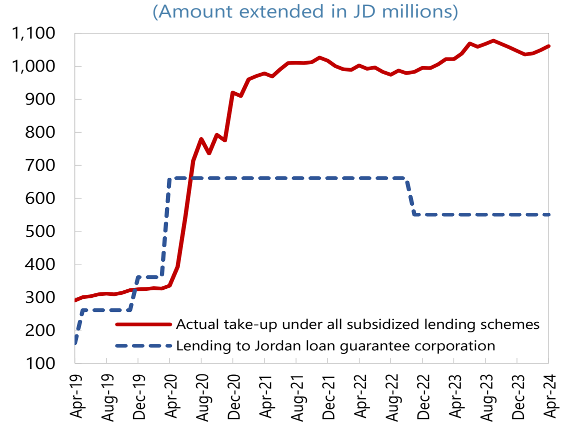
…but private sector credit growth has slowed sharply in recent months.

Domestic Credit of the Banking System



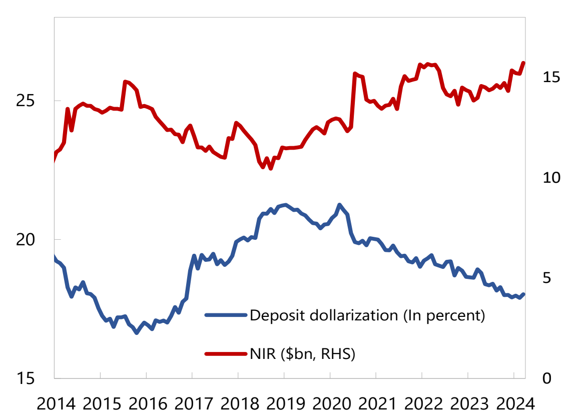
CBJ's subsidized lending schemes remain stable.

CBJ Subsidized Lending Schemes
(Amount extended in JD millions)



Ample reserves continue to keep dollarization low.

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, 2022–29

	2022	2023	2023	2024	2024	2025	2025	2026	2027	2028	2029
	Act.	EFF Request	Prel.	EFF Request	Proj.	EFF Request	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise noted)										
Output and prices											
Real GDP at market prices	2.4	2.6	2.6	2.6	2.4	3.0	2.9	3.0	3.0	3.0	3.0
GDP deflator at market prices	2.6	2.0	1.8	2.4	2.3	2.5	2.3	2.5	2.5	2.5	2.5
Nominal GDP at market prices (JD billions)	34.5	36.2	36.1	38.0	37.8	40.1	39.8	42.0	44.3	46.8	49.4
Nominal GDP at market prices ($ billions)	48.7	51.0	50.9	53.6	53.3	56.6	56.1	59.2	62.5	66.0	69.6
Consumer price inflation (annual average)	4.2	2.2	2.1	2.7	2.1	2.4	2.4	2.5	2.5	2.5	2.5
Consumer price inflation (end of period)	4.4	2.0	1.6	2.7	2.3	2.4	2.4	2.5	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	26.2	25.3	26.8	26.0	27.1	26.3	26.7	27.1	27.1	27.1
Of which: grants	2.3	2.1	2.0	1.9	1.9	1.6	1.5	1.6	1.6	1.6	1.6
Expenditure 2/	31.6	31.5	30.5	32.4	31.5	32.3	31.8	31.4	30.2	29.4	28.5
Overall central government balance 3/	-5.8	-5.3	-5.2	-5.5	-5.6	-5.2	-5.5	-4.7	-3.2	-2.3	-1.4
Overall central government balance excluding grants	-8.1	-7.4	-7.1	-7.4	-7.4	-6.8	-7.1	-6.3	-4.7	-3.9	-2.9
Primary government balance (excluding grants)	-3.6	-2.8	-2.7	-2.1	-2.1	-1.4	-1.6	-0.7	0.0	0.6	1.3
NEPCO operating balance	-0.7	-1.1	-1.1	-1.3	-1.3	-1.1	-1.0	-0.9	-0.8	-0.8	-0.7
Consolidated water sector balance	-0.6	-0.7	-0.7	-0.7	-0.6	-0.6	-0.5	-0.4	-0.3	-0.2	-0.5
Combined public sector balance 4/	-4.8	-4.6	-4.5	-4.1	-4.0	-3.1	-3.1	-2.0	-1.1	-0.4	0.1
Consolidated general government overall balance, excl. grants	-5.8	-5.8	-5.8	-5.5	-5.4	-4.6	-4.5	-3.4	-1.7	-0.7	-0.2
Consolidated general government primary balance, excl. grants	-1.9	-1.6	-1.5	-0.7	-0.5	0.3	0.3	1.4	2.2	2.9	3.4
Government and guaranteed gross debt 5/	111.3	111.5	114.1	112.7	113.7	112.9	114.3	113.7	111.3	108.8	105.8
Government and guaranteed gross debt, net of SSC's holdings 5/	88.8	88.7	89.5	88.3	89.2	87.1	88.3	86.2	82.6	78.9	75.2
Of which: external debt	47.7	42.2	42.3	44.3	45.4	44.8	46.4	45.5	44.1	41.8	38.9
External sector											
Current account balance (including grants), *of which:*	-7.8	-7.0	-3.5	-6.3	-5.0	-4.5	-4.0	-3.9	-3.9	-4.1	-4.0
Exports of goods, f.o.b. ($ billions)	12.8	12.5	12.6	12.7	12.1	13.1	12.6	13.1	13.7	14.4	15.3
Imports of goods, f.o.b. ($ billions)	24.4	23.3	22.9	22.8	22.3	23.2	23.3	24.7	26.3	27.6	29.0
Oil and oil products ($ billions)	4.4	3.8	3.8	3.9	3.8	3.8	3.7	3.6	3.6	3.7	3.8
Current account balance (excluding grants)	-11.7	-10.2	-6.7	-9.4	-8.0	-7.1	-6.4	-6.4	-6.1	-6.0	-5.8
Private capital inflows (net)	2.4	2.4	1.4	2.9	1.5	3.8	2.0	2.8	3.5	4.0	4.4
Public grants and identified budget loans (excl. IMF)	6.6	6.1	5.8	5.7	7.6	3.5	5.2	3.6	2.9	2.4	1.8
	(Annual percentage change)										
Monetary sector											
Broad money	5.5	5.6	2.3	5.6	4.8	5.6	5.3	5.5	5.6	5.6	5.6
Net foreign assets	-7.5	-1.2	11.8	5.3	11.0	16.6	10.7	6.9	7.8	6.8	5.4
Net domestic assets	8.5	7.0	0.4	5.7	3.4	3.6	4.0	5.1	5.0	5.3	5.6
Credit to private sector	8.0	4.0	1.7	5.0	4.1	6.0	6.0	6.3	6.5	6.5	6.5
Credit to central government	1.9	2.0	3.9	0.3	-4.0	0.6	0.2	2.9	-0.7	-0.7	-0.7
Memorandum items:											
Gross usable international reserves ($ millions)	16,432	15,784	17,319	16,066	17,965	16,965	18,460	19,448	20,588	21,371	22,006
In months of prospective imports	6.8	6.6	7.3	6.6	7.3	6.6	7.1	7.0	7.0	7.0	7.0
In percent of reserve adequacy metric	103	94	104	91	102	91	99	101	103	103	103
Net international reserves ($ millions)	14,378	13,834	15,352	13,918	15,791	14,763	16,234	17,157	18,268	19,309	20,198
Population (millions) 6/	11.3	11.3	11.3	11.4	11.4	11.4	11.4	11.6	11.7	11.8	11.9
Nominal per capita GDP ($)	4,317	4,498	4,488	4,705	4,682	4,943	4,904	5,100	5,339	5,584	5,836
U.S. dollar per Jordanian dinar (period average)	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41
Nominal exchange rate (peg to the US dollar)	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41
Real effective exchange rate (end of period, 2010=100) 7/	105.5		113.0		...		...	...	...	...	...
Percent change (+=appreciation; end of period)	-1.3		7.1		...		...	...	...	...	...

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/ Includes statistical discrepancy.

4/ 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.

5/ 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.

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

7/ 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, 2022–29 1/
(In millions of Jordanian dinars)

	2022	2023	2023	2024	2024	2025	2025	2026	2027	2028	2029
		EFF Request	Prel.	EFF Request	Proj.	EFF Request	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	8,914	9,468	9,144	10,192	9,813	10,879	10,457	11,205	11,988	12,677	13,400
Domestic revenue	8,122	8,719	8,432	9,485	9,106	10,218	9,841	10,533	11,299	11,950	12,633
Tax revenue, *of which:*	6,048	6,589	6,184	7,168	6,816	7,752	7,410	7,945	8,533	9,033	9,555
Taxes on income and profits	1,548	1,760	1,773	1,950	1,908	2,091	2,041	2,192	2,359	2,495	2,633
Sales taxes	4,168	4,450	4,068	4,758	4,503	5,106	4,862	5,147	5,468	5,790	6,132
Taxes on foreign trade	233	253	240	315	279	410	382	474	568	601	636
Other taxes	100	125	103	145	125	146	125	131	139	147	155
Nontax revenue	2,074	2,130	2,248	2,317	2,290	2,466	2,430	2,588	2,766	2,917	3,078
Grants	792	749	712	708	708	661	616	672	689	727	767
Total expenditures, inc. other use of cash	10,914	11,393	11,004	12,292	11,912	12,957	12,651	13,166	13,400	13,756	14,085
Current expenditure	9,752	9,791	9,627	10,594	10,304	11,111	10,778	11,202	11,306	11,563	11,782
Wages and salaries	1,849	1,981	1,953	2,090	2,090	2,144	2,145	2,241	2,309	2,424	2,545
Interest payments	1,477	1,659	1,703	1,995	1,995	2,160	2,160	2,330	2,111	2,097	2,104
Domestic	979	1,024	1,068	1,195	1,195	1,214	1,214	1,283	1,471	1,559	1,652
External	498	635	635	800	800	946	946	1,047	641	538	452
Public security expenditure	2,846	2,999	2,999	3,141	3,132	3,300	3,281	3,400	3,532	3,564	3,778
Subsidies	808	277	157	288	287	261	259	229	240	251	62
Transfers, *of which*:	2,355	2,402	2,386	2,600	2,559	2,747	2,677	2,733	2,873	2,973	2,974
Pensions	1,638	1,641	1,660	1,720	1,711	1,816	1,801	1,900	2,012	2,122	2,239
Cash transfers, NAF social assistance	241	244	242	280	280	293	293	320	328	336	378
Transfers to health fund, *of which:*	130	145	120	156	156	177	177	176	175	175	204
Health arrears clearance	52	53	50	66	66	100	100	100	100	100	100
Energy arrears clearance	0	0	0	0	0	0	0	0	0	0	0
Transfers to public sector institutions	197	213	364	235	235	248	247	261	276	291	307
Purchases of goods & services	417	474	428	479	240	499	257	269	241	254	318
Capital expenditure	1,162	1,601	1,378	1,698	1,608	1,846	1,873	1,964	2,094	2,193	2,303
Net lending	0	0	0	0	0	0	0	0	0	0	0
Transfer to NEPCO	0	0	0	0	0	0	0	0	0	0	0
Adjustment on receivables and payables (use of cash)	-83	0	111	0	0	0	0	0	0	0	0
Total balance from above the line	-2,000	-1,925	-1,860	-2,100	-2,099	-2,078	-2,194	-1,961	-1,412	-1,079	-686
Overall central government balance at current policies	-2,000	-1,925	-1,860	-2,100	-2,099	-2,078	-2,194	-1,961	-1,412	-1,079	-686
Overall central government balance	-2,000	-1,925	-1,860	-2,100	-2,099	-2,078	-2,194	-1,961	-1,412	-1,079	-686
Financing	2,204	1,925	1,877	2,100	2,099	2,078	2,194	1,961	1,412	1,079	686
Foreign financing (net) 2/	1,588	982	1,225	1,195	1,540	904	1,071	434	258	73	-325
Domestic financing (net)	616	943	651	905	559	1,174	1,124	1,527	1,154	1,006	1,011
Net IMF financing		-46	-20	176	174	73	72	81	43	-164	-164
Other domestic bank financing	158	99	-639	-311	-655	11	-38	306	-80	-70	-70
Domestic nonbank financing	903	900	900	1,050	1,050	1,100	1,100	1,150	1,200	1,250	1,250
Use of deposits	-445	-10	411	-10	-10	-10	-10	-10	-10	-10	-10
Sale of non-financial assets	0	0	0	0	0	0	0	0	0	0	0
Memorandum items:											
NEPCO operating balance	-233	-400	-409	-502	-497	-428	-412	-381	-359	-360	-356
Water sector consolidated balance	-203	-262	-235	-252	-211	-250	-187	-160	-141	-116	-251
Primary government balance, excluding grants and transfers to NEPCO and WAJ	-1,233	-1,014	-980	-812	-812	-579	-651	-304	10	291	652
Combined public balance 3/	-1,669	-1,676	-1,625	-1,566	-1,520	-1,256	-1,250	-844	-490	-185	46
Overall public balance, including grants	-2,453	-2,602	-2,481	-2,870	-2,818	-2,763	-2,793	-2,492	-1,894	-1,529	-1,033
Consolidated general government overall balance, excl. grants	-2,014	-2,100	-2,086	-2,072	-2,025	-1,845	-1,785	-1,423	-771	-331	-118
Consolidated general government primary balance, excl. grants	-642	-583	-532	-251	-203	120	127	605	988	1,354	1,657
Government and guaranteed gross debt	38,432	40,301	41,181	42,813	42,978	45,286	45,490	47,710	49,305	50,865	52,220
Government and guaranteed gross debt, net of SSC's holdings	30,668	32,078	32,289	33,541	33,706	34,914	35,117	36,188	36,583	36,893	37,148
Of which: External	16,489	15,270	15,278	16,825	17,174	17,965	18,476	19,101	19,521	19,553	19,191
GDP at market prices	34,544	36,151	36,078	37,981	37,793	40,098	39,784	41,961	44,300	46,770	49,377

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, 2022–29 1/

(In percent of GDP)

	2022	2023 EFF Request	2023 Prel.	2024 EFF Request	2024 Proj.	2025 EFF Request	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.
Total revenue and grants	25.8	26.2	25.3	26.8	26.0	27.1	26.3	26.7	27.1	27.1	27.1
Domestic revenue	23.5	24.1	23.4	25.0	24.1	25.5	24.7	25.1	25.5	25.6	25.6
Tax revenue, *of which*:	17.5	18.2	17.1	18.9	18.0	19.3	18.6	18.9	19.3	19.3	19.4
Taxes on income and profits	4.5	4.9	4.9	5.1	5.0	5.2	5.1	5.2	5.3	5.3	5.3
Sales taxes	12.1	12.3	11.3	12.5	11.9	12.7	12.2	12.3	12.3	12.4	12.4
Taxes on foreign trade	0.7	0.7	0.7	0.8	0.7	1.0	1.0	1.1	1.3	1.3	1.3
Other taxes	0.3	0.3	0.3	0.4	0.3	0.4	0.3	0.3	0.3	0.3	0.3
Nontax revenue	6.0	5.9	6.2	6.1	6.1	6.1	6.1	6.2	6.2	6.2	6.2
Grants	2.3	2.1	2.0	1.9	1.9	1.6	1.5	1.6	1.6	1.6	1.6
Total expenditures, inc. other use of cash	31.6	31.5	30.5	32.4	31.5	32.3	31.8	31.4	30.2	29.4	28.5
Current expenditure	28.2	27.1	26.7	27.9	27.3	27.7	27.1	26.7	25.5	24.7	23.9
Wages and salaries	5.4	5.5	5.4	5.5	5.5	5.3	5.4	5.3	5.2	5.2	5.2
Interest payments	4.3	4.6	4.7	5.3	5.3	5.4	5.4	5.6	4.8	4.5	4.3
Domestic	2.8	2.8	3.0	3.1	3.2	3.0	3.1	3.1	3.3	3.3	3.3
External	1.4	1.8	1.8	2.1	2.1	2.4	2.4	2.5	1.4	1.2	0.9
Public security expenditure	8.2	8.3	8.3	8.3	8.3	8.2	8.2	8.1	8.0	7.6	7.7
Subsidies	2.3	0.8	0.4	0.8	0.8	0.6	0.7	0.5	0.5	0.5	0.1
Transfers, *of which*:	6.8	6.6	6.6	6.8	6.8	6.9	6.7	6.5	6.5	6.4	6.0
Pensions	4.7	4.5	4.6	4.5	4.5	4.5	4.5	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	0.8	0.7	0.7	0.8
Transfers to health fund, *of which:*	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Health arrears clearance	0.1	0.1	0.1	0.2	0.2	0.2	0.3	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	0.0
Transfers to public sector institutions	0.6	0.6	1.0	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Purchases of goods & services	1.2	1.3	1.2	1.3	0.6	1.2	0.6	0.6	0.5	0.5	0.6
Capital expenditure	3.4	4.4	3.8	4.5	4.3	4.6	4.7	4.7	4.7	4.7	4.7
Adjustment on receivables and payables (use of cash)	-0.2	0.0	0.3	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	-5.3	-5.2	-5.5	-5.6	-5.2	-5.5	-4.7	-3.2	-2.3	-1.4
Advances to water sector, *of which:*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Distribution companies	0.0	0.1	0.0	0.1	0.1	0.1	-0.1	-0.1	-0.2	-0.2	-0.4
Financing	6.4	5.3	5.2	5.5	5.6	5.2	5.5	4.7	3.2	2.3	1.4
Foreign financing (net) 2/	4.6	2.7	3.4	3.1	4.1	2.3	2.7	1.0	0.6	0.2	-0.7
Domestic financing (net)	1.8	2.6	1.8	2.4	1.5	2.9	2.8	3.6	2.6	2.2	2.0
Net IMF financing	0.0	-0.1	-0.1	0.5	0.5	0.2	0.2	0.2	0.1	-0.4	-0.3
Other domestic bank financing	0.5	0.3	-1.8	-0.8	-1.7	0.0	-0.1	0.7	-0.2	-0.2	-0.1
Domestic nonbank financing	2.6	2.5	2.5	2.8	2.8	2.7	2.8	2.7	2.7	2.7	2.5
Use of deposits	-1.3	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of non-financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
NEPCO operating balance	-0.7	-1.1	-1.1	-1.3	-1.3	-1.1	-1.0	-0.9	-0.8	-0.8	-0.7
Water sector consolidated overall balance	-0.6	-0.7	-0.7	-0.7	-0.6	-0.6	-0.5	-0.4	-0.3	-0.2	-0.5
Primary government balance, excluding grants and transfers to NEPCO and WAJ (PC)	-3.6	-2.8	-2.7	-2.1	-2.1	-1.4	-1.6	-0.7	0.0	0.6	1.3
Combined public balance (PC) 3/	-4.8	-4.6	-4.5	-4.1	-4.0	-3.1	-3.1	-2.0	-1.1	-0.4	0.1
Overall public balance, including grants	-7.1	-7.2	-6.9	-7.6	-7.5	-6.9	-7.0	-5.9	-4.3	-3.3	-2.1
Consolidated general government overall balance, excl. grants	-5.8	-5.8	-5.8	-5.5	-5.4	-4.6	-4.5	-3.4	-1.7	-0.7	-0.2
Consolidated general government primary balance, excl. grants	-1.9	-1.6	-1.5	-0.7	-0.5	0.3	0.3	1.4	2.2	2.9	3.4
Government and guaranteed gross debt	111.3	111.5	114.1	112.7	113.7	112.9	114.3	113.7	111.3	108.8	105.8
Government and guaranteed gross debt, net of SSC's holdings	88.8	88.7	89.5	88.3	89.2	87.1	88.3	86.2	82.6	78.9	75.2
Of which: External	47.7	42.2	42.3	44.3	45.4	44.8	46.4	45.5	44.1	41.8	38.9
GDP at market prices (JD millions)	34,544	36,151	36,078	37,981	37,793	40,098	39,784	41,961	44,300	46,770	49,377

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, 2022–29 1/

(In millions of Jordanian dinars, unless otherwise noted)

	2022	2023		2024		2025		2026	2027	2028	2029
		EFF Request	Prel.	EFF Request	Proj.	EFF Request	Proj.	Proj.	Proj.	Proj.	Proj.
A. Total general government revenues:	13,096	13,928	13,561	15,089	14,684	16,045	15,676	16,785	17,925	18,960	20,126
(in percent of GDP)	37.9	38.5	37.6	39.7	38.9	40.0	39.4	40.0	40.5	40.5	40.8
Central government revenues, excl. grants	8,122	8,719	8,396	9,485	9,106	10,218	9,841	10,533	11,299	11,950	12,633
Central government grants	792	749	712	708	708	661	616	672	689	727	767
NEPCO	1,361	1,416	1,414	1,484	1,455	1,522	1,515	1,576	1,621	1,651	1,680
WAJ	50.6	44.8	54.2	46.1	46.4	47.8	48.3	50.0	51.9	53.8	55.0
Water distribution companies	249	263	248	277	279	292	351	394	428	465	583
SSC (excluding interest revenues on gov debt holding)	2,521	2,737	2,737	3,090	3,089	3,304	3,304	3,559	3,836	4,112	4,408
B. Total general government expenditure, inc. use of cash:	14,386	15,290	14,830	16,463	16,048	17,263	16,928	17,577	18,031	18,585	19,342
(in percent of GDP)	41.6	42.3	41.1	43.3	42.5	43.1	42.5	41.9	40.7	39.7	39.2
Central government (excl. interest paid to SSC)	10,607	11,027	10,638	11,848	11,468	12,457	12,151	12,606	12,778	13,069	13,331
NEPCO	1,594	1,815	1,823	1,986	1,952	1,979	1,957	1,987	2,011	2,042	2,065
Water distribution companies	304	312	254	323	320	330	328	340	351	361	374
SSC	1,639	1,834	1,834	2,014	2,014	2,203	2,202	2,414	2,688	2,926	3,172
Wages and salaries	20.1	20.6	20.5	21.6	21.5	22.8	22.6	23.6	24.7	25.8	26.9
Social security payments	1,612	1,773	1,773	1,951	1,951	2,136	2,136	2,344	2,615	2,851	3,093
Goods and services	6.7	39.7	39.6	41.7	41.5	44.0	43.6	45.6	47.6	49.7	51.9
C. Interest expenditure:	1,335	1,483	1,523	1,791	1,792	1,935	1,935	2,073	1,818	1,764	1,725
Central government (excluding interest paid to SSC)	1,190	1,293	1,337	1,551	1,551	1,659	1,659	1,770	1,489	1,410	1,350
NEPCO	116	164	164	209	212	240	240	267	292	316	337
WAJ Interest Payments	29.1	26.0	22.8	30.3	28.5	36.2	36.2	36.6	37.0	37.5	37.9
1. Central government primary balance (ex grants)	-1,233	-1,014	-978	-812	-812	-579	-651	-304	10	291	652
(in percent of GDP)	-3.6	-2.8	-2.7	-2.1	-2.1	-1.4	-1.6	-0.7	0.0	0.6	1.3
2. Central government primary balance (inc grants)	-440.3	-266.0	-266.4	-104.8	-104.3	82.2	-34.5	368.7	699.4	1,018.1	1,418.9
(in percent of GDP)	-1.3	-0.7	-0.7	-0.3	-0.3	0.2	-0.1	0.9	1.6	2.2	2.9
3. Balance of utilities (NEPCO, WAJ, water distribution companies)	-436	-662	-644	-754	-708	-677	-599	-541	-500	-476	-606
(in percent of GDP)	-1.3	-1.8	-1.8	-2.0	-1.9	-1.7	-1.5	-1.3	-1.1	-1.0	-1.2
4. Combined public balance (1+3)	-1,669	-1,676	-1,622	-1,566	-1,520	-1,256	-1,250	-844	-490	-185	46
(in percent of GDP)	-4.8	-4.6	-4.5	-4.1	-4.0	-3.1	-3.1	-2.0	-1.1	-0.4	0.1
5. SSC balance	882	903	904	1,076	1,076	1,101	1,101	1,146	1,148	1,186	1,236
(in percent of GDP)	2.6	2.5	2.5	2.8	2.8	2.7	2.8	2.7	2.6	2.5	2.5
6. General government primary balance (ex grants) (4+5) 1/	-642	-583	-532	-251	-203	120	127	605	988	1,354	1,657
(in percent of GDP)	-1.9	-1.6	-1.5	-0.7	-0.5	0.3	0.3	1.4	2.2	2.9	3.4
7. General government primary balance (inc grants)	150.5	165.6	179.3	456.5	504.5	781.3	743.3	1,277.3	1,676.8	2,081.1	2,423.8
(in percent of GDP)	0.4	0.5	0.5	1.2	1.3	1.9	1.9	3.0	3.8	4.4	4.9
8. General government overall balance	-1,184	-1,317.0	-1,344	-1,334	-1,287	-1,154	-1,192	-796	-141	317	699
(in percent of GDP)	-3.4	-3.6	-3.7	-3.5	-3.4	-2.9	-3.0	-1.9	-0.3	0.7	1.4
9. General government balance excluding grants	-2,014	-2,100	-2,086	-2,072	-2,025	-1,845	-1,785	-1,423	-771	-331	-118
(in percent of GDP)	-5.8	-5.8	-5.8	-5.5	-5.4	-4.6	-4.5	-3.4	-1.7	-0.7	-0.2
Consolidated debt of general government = $Debt_{t-1}$ + Net borrowing need	30,668	32,078	32,289	33,541	33,706	34,914	35,117	36,188	36,583	36,893	37,148
(in percent of GDP)	88.8	88.7	89.5	88.3	89.2	87.1	88.3	86.2	82.6	78.9	75.2
Unconsolidated debt of general government	38,490	40,301	41,181	42,813	42,978	45,286	45,490	47,710	49,305	50,865	52,220
(in percent of GDP)	111.4	111.5	114.1	112.7	113.7	112.9	114.3	113.7	111.3	108.8	105.8
Memorandum items:											
SSIF interest income government debt	287	366	366	444	444	501	501	560	622	687	754
SSIF government debt holding (% of total Assets)	54	56	56	57	57	58	58	59	60	60	60
NEPCO additional unallocated measures	0	0	0	30	30	30	30	30	30	30	30
Nominal GDP at market prices	34,544	36,151	36,078	37,981	37,793	40,098	39,784	41,961	44,300	46,770	49,377

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

1/Excluding NEPCO and the water sector interest expenditures.

Table 2d. Jordan: NEPCO Operating Balance and Financing, 2022–29
(In millions of Jordanian dinars)

	2022 Act.	2023 EFF Request	2023 Est.	2024 EFF Request	2024 Proj.	2025 EFF Request	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.
NEPCO Balance											
Revenues *of which*	1,361	1,416	1,414	1,484	1,455	1,522	1,515	1,576	1,621	1,651	1,680
Electricity sales	1,334	1,361	1,385	1,414	1,408	1,475	1,468	1,525	1,566	1,592	1,620
Expenses	1,594	1,815	1,823	1,986	1,952	1,979	1,957	1,987	2,011	2,042	2,065
Purchase of electricity	1,458	1,598	1,610	1,698	1,655	1,661	1,645	1,648	1,646	1,653	1,656
Depreciation	32	32	32	34	33	34	33	33	33	33	33
Interest payments 2/	116	164	164	209	212	240	240	267	292	316	337
Other expenses	-12	22	17	45	51	45	39	39	39	39	39
Additional measures				0	0	30	30	30	30	30	30
Operating balance (QPC)	-233	-400	-409	-502	-497	-428	-412	-381	-359	-360	-356
Total net domestic financing	233	400	409	502	497	428	412	381	359	360	356
Banks	487	544	425	502	530	428	507	381	359	360	356
Loans and bonds	395	551	655	502	530	428	507	381	359	360	356
Overdrafts	92	-53	-118	0	0	0	0	0	0	0	0
Other items 3/	-131	29	377	0	0	0	0	0	0	0	0
Increase in payables	-123	-173	-393	0	-33	0	-95	0	0	0	0
Direct transfer from central government	-250	0	-221	0	0	0	0	0	0	0	0
To cover losses and repay arrears	-250	0	0	0	0	0	0	0	0	0	0
To repay loans	0	0	0	0	0	0	0	0	0	0	0
Payables to the private sector	127	-173	-173	0	-33	0	-95	0	0	0	0
Of which: Increase in arrears	44	-144	-16	0	-33	0	-95	0	0	0	0
Memorandum items:											
Operating balance (percent of GDP)	-0.7	-1.1	-1.1	-1.3	-1.3	-1.1	-1.0	-0.9	-0.8	-0.8	-0.7
Brent oil prices (USD per barrel)	96	81	81	79	78.6	75	74	71	69	68	68
Outstanding loans and bonds (stocks, end-of-period)	3,124	3,674	3,779	4,176	4,341	4,604	4,943	5,324	5,683	6,044	6,399
Overdrafts	351	298	232	298	232	298	232	232	232	232	232
Total payables	2,834	2,661	2,441	2,661	2,408	2,661	2,313	2,313	2,313	2,313	2,313
to government 4/	2,009	2,009	1,789	2,009	1,789	2,009	1,789	1,789	1,789	1,789	1,789
to private sector	824	652	652	652	619	652	524	524	524	524	524
Of which: arrears (IT)	144	0	128	0	95	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 2e. Jordan: Consolidated Water Sector Balance and Financing, 2022–29
(In millions of Jordanian dinars)

	2022 Act.	2023 EFF Request	2023 Act.	2024 EFF Request	2024 Proj.	2025 EFF Request	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.
Consolidated Water Sector Balance											
Total Revenues (inc. Grants)	300	308	337	323	365	340	400	444	480	519	638
of which: Water Sales 1/	181	188	225	202	242	218	262	289	305	321	413
Expenditure 2/	333	364	377	377	383	385	392	405	417	429	594
of which:											
Salaries, wages and allowances	66	72	82	74	83	76	85	87	89	92	94
Electricity Expenses	128	136	134	144	135	146	137	142	147	150	157
Adminstrative Expenses	45	46	50	47	53	48	54	55	56	57	58
Disi Water Purchases	67	70	68	72	68	73	69	71	73	74	76
Samra Water Purchases	24	40	43	41	44	41	47	49	52	56	59
Interest payments	33	35	30	37	27	38	28	29	30	31	32
Operating balance (QPC)	-33	-56	-40	-55	-18	-45	7	39	62	91	44
Capital Expenditure	150	181	195	173	183	178	185	189	193	197	285
WAJ Overall balance	-192	-257	-227	-246	-247	-247	-241	-181	-153	-133	-344
Overall balance of Distribution Companies 3/	-55	-49	-6	-46	-41	-38	23	55	77	105	209
Overall balance Consolidated Water Sector 4/	-203	-262	-235	-252	-211	-250	-187	-160	-141	-116	-251
Total net financing	203	262	235	252	211	250	187	160	141	116	251
Grants	38	34	30	30	30	28	-23	-45	-59	-79	50
Transfers from Central Government 5/	169	299	205	213	213	182	182	176	170	164	169
Loans (net borrowing)	21	39	30	40	27	40	28	29	30	31	32
of which:											
Domestic loans	0	0	0	0	0	0	0	0	0	0	0
Foreign loans	21	39	30	40	27	40	28	29	30	31	32
Others 6/	-25	-40	-30	-31	-59	0	0	0	0	0	0
Memorandum items:											
WAJ overall balance (percent of GDP)	-0.6	-0.7	-0.6	-0.6	-0.7	-0.6	-0.6	-0.4	-0.3	-0.3	-0.7
Overall balance of Distribution Companies (percent of GDP)	-0.2	-0.1	0.0	-0.1	-0.1	-0.1	0.1	0.1	0.2	0.2	0.4
Overall balance Consolidated Water Sector (percent of GDP)	-0.6	-0.7	-0.7	-0.7	-0.6	-0.6	-0.5	-0.4	-0.3	-0.2	-0.5
Domestic payment arrears of WAJ in JD million 7/	48	20	7	0	6	0	0	0	0	0	0
Domestic payment arrears of Aqaba, Miyahuna and Yarmouk Distribution Companies in JD million 8/	69	20	24	0	20	0	0	0	0	0	0
Outstanding loans, *of which:*	2,027	2,295	2,262	2,548	2,502	2,770	2,712	2,917	3,117	3,311	3,512
Domestic loans and bonds	197	197	197	197	197	197	197	197	197	197	197
Foreign loans	385	424	415	464	442	504	470	499	528	559	591
Advances from Central Government	1445	1674	1650	1887	1863	2069	2045	2221	2391	2555	2724
Grants and foreign loans to capital expenditure ratio (in percent)	40	40	31	40	31	38	3	-9	-15	-24	29
Grants to capital expenditure ratio (in percent)	25	19	15	17	16	16	-12	-24	-31	-40	18
Effective interest rate (in percent)	1.6	1.7	1.5	1.6	1.2	1.5	1.1	1.1	1.0	1.0	1.0

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, 2022–29
(In millions of U.S. dollars, unless otherwise indicated)

	2022	2023		2024		2025		2026	2027	2028	2029
		EFF Request	Prel.	EFF Request	Proj.	EFF Request	Proj.	Proj.	Proj.	Proj.	Proj.
Current account (CA)	-3,820	-3,577	-1,761	-3,396	-2,657	-2,546	-2,217	-2,322	-2,451	-2,737	-2,793
Trade balance	-11,578	-10,810	-10,307	-10,130	-10,208	-10,097	-10,674	-11,599	-12,587	-13,185	-13,731
Exports f.o.b.	12,798	12,497	12,608	12,696	12,103	13,132	12,578	13,126	13,710	14,419	15,268
Imports f.o.b.	24,376	23,307	22,915	22,826	22,311	23,229	23,252	24,726	26,297	27,604	28,999
Energy	4,422	3,790	3,843	3,876	3,809	3,767	3,664	3,622	3,624	3,675	3,762
Non-energy	19,954	19,516	19,072	18,950	18,502	19,462	19,587	21,103	22,673	23,929	25,237
Services and income (net), *of which:*	1,783	1,484	3,266	930	1,989	1,833	3,024	3,664	4,503	4,838	5,215
Travel receipts	5,816	6,812	7,410	6,655	7,207	7,380	8,031	8,573	9,154	9,744	10,332
Current transfers (net), *of which:*	5,974	5,748	5,280	5,804	5,562	5,718	5,433	5,613	5,633	5,610	5,723
Public grants	1,861	1,640	1,624	1,619	1,595	1,453	1,389	1,468	1,378	1,242	1,242
Remittances	3,107	3,182	3,151	3,268	3,212	3,359	3,284	3,368	3,463	3,561	3,661
Capital and financial account 1/	-8	1,904	1,572	2,381	1,008	1,968	1,098	1,812	2,409	3,434	3,681
Public sector, *of which:* 2/	-1,277	151	715	487	-334	-761	-666	-658	-629	-82	-299
Public commercial external borrowing	-618	1,250	1,250	500	0	250	0	0	0	0	0
Eurobond or loans	382	1,250	1,250	500	0	1,250	1,000	1,000	1,000	1,250	0
Amortization	-1,000	0	0	0	0	-1,000	-1,000	-1,000	-1,000	-1,250	0
Public sector loans	-372	-1,039	-387	47	40	-118	-127	-618	-589	-42	-259
Disbursement (xcl. program financing)	439	514	646	521	517	492	487	415	412	412	412
Amortization	-811	-1,552	-1,033	-474	-477	-610	-613	-1,032	-1,000	-453	-670
GCC deposits at CBJ	-333	0	0	0	-333	-833	-500	0	0	0	0
Foreign direct investment	1,269	1,261	780	1,499	770	1,931	1,014	1,473	1,958	2,346	2,606
Portfolio flows (private)	-96	-44	-42	59	33	203	104	194	226	305	452
Other capital flows	95	536	119	337	539	595	647	803	853	864	922
Errors and omissions	878	0	-569	0	0	0	0	0	0	0	0
Overall balance	-2,950	-1,673	-758	-1,014	-1,649	-578	-1,119	-511	-42	696	887
Financing	2,950	1,673	758	1,014	1,649	578	1,119	511	42	-696	-887
Reserves (+ = decrease)	744	648	-434	-282	-636	-898	-495	-988	-1,140	-783	-635
Commercial banks' NFA (+ = decrease)	348	-350	-70	-350	-350	0	-350	0	0	0	0
Program financing (+ = increase)	1,859	1,375	1,262	1,646	2,635	1,476	1,964	1,498	1,182	87	-252
Official budget support	1,335	1,476	1,327	1,448	2,438	1,423	1,912	1,434	1,153	345	0
World Bank	468	708	579	716	1,310	329	640	515	299	232	0
Bilateral and other multilateral loans	866	768	748	732	1,128	195	865	177	113	113	0
IMF (net), *of which:*	525	-102	-65	198	197	53	52	65	29	-258	-252
IMF disbursement	525	32	32	455	451	264	260	260	261	0	0
EFF	525	32	32	455	450	264	260	260	261	0	0
Unidentified budget financing included	0	0	0	0	0	900	407	742	741	0	0
Memorandum items:											
Gross reserves	18,190	17,542	19,081	17,824	19,716	18,722	20,211	21,199	22,339	23,122	23,757
Gross usable reserves 3/	16,432	15,784	17,319	16,066	17,965	16,965	18,460	19,448	20,588	21,371	22,006
In percent of the IMF Reserve Adequacy Metric	103	94	104	91	102	91	99	101	103	103	103
In months of next year's imports	6.8	6.6	7.3	6.6	7.3	6.6	7.1	7.0	7.0	7.0	7.0
Current account (percent of GDP)	-7.8	-7.0	-3.5	-6.3	-5.0	-4.5	-4.0	-3.9	-3.9	-4.1	-4.0
Current account ex-grants (percent of GDP)	-11.7	-10.2	-6.7	-9.4	-8.0	-7.1	-6.4	-6.4	-6.1	-6.0	-5.8
CA ex-grants and energy imports (percent of GDP)	-2.6	-2.8	0.9	-2.1	-0.8	-0.4	0.1	-0.3	-0.3	-0.5	-0.4
Energy imports	9.1	7.4	7.6	7.2	7.1	6.7	6.5	6.1	5.8	5.6	5.4
Public grants	3.8	3.2	3.2	3.0	3.0	2.6	2.5	2.5	2.2	1.9	1.8
Merchandize export growth (percent)	36.6	-1.5	-1.5	1.6	-4.0	3.4	3.9	4.4	4.4	5.2	5.9
Re-exports	17.0	-7.2	-5.8	9.0	-7.0	6.9	4.0	4.7	4.5	4.5	4.5
Domestic exports	38.5	-1.0	-1.1	1.0	-3.8	3.1	3.9	4.3	4.4	5.2	6.0
Merchandize import growth (percent)	27.0	-4.2	-6.0	-2.1	-2.6	1.8	4.2	6.3	6.4	5.0	5.1
Energy (percent)	85.8	-14.3	-13.1	2.3	-0.9	-2.8	-3.8	-1.2	0.0	1.4	2.4
Non-energy (percent)	18.7	-1.9	-4.4	-2.9	-3.0	2.7	5.9	7.7	7.4	5.5	5.5
Travel growth (percent)	110.5	17.1	27.4	-2.3	-2.7	10.9	11.4	6.7	6.8	6.4	6.0
Remittances growth (percent)	1.5	2.4	1.4	2.7	1.9	2.8	2.2	2.6	2.8	2.8	2.8
FDI (percent of GDP)	2.6	2.5	1.5	2.8	1.4	3.4	1.8	2.5	3.1	3.6	3.7
Total external debt (percent of GDP)	83.3	84.1	84.3	84.7	86.2	84.1	86.0	83.6	80.9	77.4	73.5
Of which, Public external debt (Percent of GDP)	39.9	42.2	42.3	44.3	45.4	44.8	46.4	45.5	44.1	41.8	38.9
Nominal GDP	48,722	50,989	50,885	53,570	53,305	56,556	56,112	59,183	62,482	65,966	69,643

Sources: Jordanian authorities; and IMF staff estimates and projections.
1/ Central bank reserve accummulation, commercial banks' NFAs, and program financing are shown below-the-line.
2/ Includes changes in CBJ liabilities, including GCC deposits of $1.2 billion made in 2018 of which the last 833 mature in 2024.
3/ Including gold and excluding commercial banks' FX deposits at the CBJ, bilateral accounts, and forward contracts.

Table 3b. Jordan: External Financing Requirements and Sources, 2022–29
(In millions of U.S. dollars, unless otherwise indicated)

		2022	2023		2024		2025		2026	2027	2028	2029
			EFF Request	Est.	EFF Request	Proj.	EFF Request	Proj.	Proj.	Proj.	Proj.	Proj.
(1)	**Gross financing requirements**	**7,826**	**6,903**	**4,515**	**5,746**	**5,316**	**6,652**	**5,927**	**6,018**	**6,061**	**5,941**	**4,958**
	Current account deficit (excl. grants)	5,682	5,217	3,385	5,015	4,252	3,998	3,606	3,790	3,829	3,980	4,036
	of which: Energy imports	4,422	3,790	3,843	3,876	3,809	3,767	3,664	3,622	3,624	3,675	3,762
	Amortization of public sector loans 1/	811	1,552	1,033	474	477	610	613	1,032	1,000	453	670
	Amortization of sovereign bonds 2/	1,000	0	0	0	0	1,000	1,000	1,000	1,000	1,250	0
	GCC deposits at the CBJ	333	0	0	0	333	833	500	0	0	0	0
	IMF repurchases	0	134	97	257	254	211	208	196	232	258	252
(2)	**Change in reserves (+ = increase) 3/**	**-744**	**-648**	**434**	**282**	**635**	**898**	**495**	**988**	**1,140**	**783**	**635**
(3)	**Gross financing sources**	**4,345**	**4,746**	**4,158**	**4,125**	**3,063**	**5,864**	**4,250**	**5,312**	**5,787**	**6,379**	**5,593**
	FDI, net	1,269	1,261	780	1,499	770	1,931	1,014	1,473	1,958	2,346	2,606
	Public grants	1,861	1,640	1,624	1,619	1,595	1,453	1,389	1,468	1,378	1,242	1,242
	Public sector borrowing (xcl. official budget support) 2/	641	514	646	521	517	492	487	415	412	412	412
	Issuance of sovereign bonds 4/	650	1,250	1,250	500	0	1,250	1,000	1,000	1,000	1,250	0
	GCC deposits at the CBJ	0	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	0
	CBJ other financing (net) 5/	-156	-60	-121	-60	-40	-60	-40	-40	-40	-40	-40
	SDR allocation held at CBJ	0	0	0	0	0	0	0	0	0	0	0
	Private capital flows, net 6/	347	143	-21	46	222	798	401	997	1,079	1,169	1,374
(4)	**Errors and omissions**	878	0	-569	0	0	0	0	0	0	0	0
(1)+(2)-(3)-(4)	**Total financing needs**	**1,859**	**1,508**	**1,359**	**1,903**	**2,888**	**1,687**	**2,171**	**1,694**	**1,414**	**345**	**0**
	Official public external financing	**1,859**	**1,508**	**1,359**	**1,903**	**2,888**	**1,687**	**2,171**	**1,694**	**1,414**	**345**	**0**
	Identified official budget support	1,335	1,476	1,327	1,448	2,438	524	1,504	692	412	345	0
	IMF purchases, *of which*	525	32	32	455	450	264	260	260	261	0	0
	EFF		32	32	455	450	264	260	260	261	0	0
	Unidentified public external financing	0	0	0	0	0	900	407	742	741	0	0
	Memorandum Items:											
	Gross financing requirements (in percent of GDP)	32.0	26.9	17.6	21.3	19.8	23.4	21.0	20.2	19.3	17.9	14.2
	Gross Usable Reserves		15,784	17,319	16,066	17,965	16,965	18,460	19,448	20,588	21,371	22,006
	In percent of the IMF Reserve Adequacy Metric 7/	103	94	104	91	102	91	99	101	103	103	103
	In months of next year's imports of GNFS	6.8	6.6	7.3	6.6	7.3	6.6	7.1	7.0	7.0	7.0	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/ Excluding RSF 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, 2022–29
(In millions of U.S. dollars, unless otherwise indicated)

		2022	2023		2024		2025		2026	2027	2028	2029
			EFF Request	Est.	EFF Request	Proj.	EFF Request	Proj.	Proj.	Proj.	Proj.	Proj.
(1)	**General Government Gross Needs**	**4,755**	**4,547**	**3,694**	**2,474**	**2,512**	**4,760**	**4,099**	**4,443**	**3,647**	**3,800**	**2,051**
	NEPCO energy imports	987	793	841	809	791	757	745	741	732	733	729
	Net interest payments	390	742	397	934	656	1,066	749	730	328	405	399
	Amortization of external debt 1/	2,478	1,686	1,130	731	1,064	2,654	2,321	2,228	2,232	1,961	923
	Amortization of domestic debt in FX	900	1,326	1,326	0	0	284	284	745	355	700	0
(2)	**General Government Sources**	**4,327**	**4,761**	**4,850**	**3,095**	**2,562**	**3,742**	**3,418**	**3,887**	**3,405**	**3,604**	**1,654**
	Public grants	1,861	1,640	1,624	1,619	1,595	1,453	1,389	1,468	1,378	1,242	1,242
	Public sector borrowing 2/	1,166	546	651	976	967	755	746	675	672	412	412
	Sovereign bonds 3/	650	1,250	1,250	500	0	1,250	1,000	1,000	1,000	1,250	0
	Local bonds in FX	650	1,326	1,326	0	0	284	284	745	355	700	0
	GCC deposits at the CBJ	0	0	0	0	0	0	0	0	0	0	0
(3)=(2)-(1)	**General Government Balance**	**-427**	**214**	**1,157**	**621**	**50**	**-1,019**	**-680**	**-556**	**-241**	**-196**	**-398**
(4)	**Financing under the EFF**	**1,335**	**1,476**	**1,327**	**1,448**	**2,438**	**1,423**	**1,912**	**1,434**	**1,153**	**345**	**0**
	Identified official budget support	1,335	1,476	1,327	1,448	2,438	524	1,504	692	412	345	0
	Unidentified external financing 4/	0	0	0	0	0	900	407	742	741	0	0
(5)=(3)+(4)	**General Government Balance under the EFF**	**907**	**1,691**	**2,484**	**2,069**	**2,488**	**404**	**1,231**	**877**	**912**	**149**	**-398**
(6)	**CBJ Balance under the EFF**, of which	**476**	**648**	**-434**	**-282**	**-636**	**-898**	**-495**	**-988**	**-1,140**	**-783**	**-635**
	Increase in gross reserves	-744	-648	434	282	636	898	495	988	1,140	783	635
(7)=(5)+(6)	**Public Sector Net Balance**	**1,383**	**2,339**	**2,050**	**1,788**	**1,853**	**-494**	**736**	**-110**	**-228**	**-635**	**-1,033**

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

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

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

3/ Includes guaranteed and non-guaranteed bonds.

4/ After IMF EFF augmentation.

Table 3d. Jordan: External Budget Financing, 2022–29
(In millions of U.S. dollars unless otherwise indicated)

	2022	2023		2024		2025		2026	2027	2028	2029
		EFF Request	Est.	EFF Request	Proj.	EFF Request	Proj.	Proj.	Proj.	Proj.	Proj.
Budget grants	**1,104**	**1,776**	**1,718**	**1,741**	**1,685**	**1,553**	**1,487**	**1,566**	**1,476**	**1,340**	**1,340**
EU	105	61	54	142	57	154	75	123	91	0	0
GCC 1/	105	129	88	89	128	71	71	95	45	0	0
United States	845	845	845	853	845	693	686	693	686	686	686
Other 2/	48	740	732	657	655	636	655	655	654	654	654
GCC grants transferred from CBJ to MOF	**58**	**77**	**77**	**77**	**77**	**0**	**0**	**0**	**0**	**0**	**0**
Loans	**1,546**	**1,621**	**1,538**	**1,659**	**2,650**	**1,635**	**2,073**	**1,645**	**623**	**556**	**212**
Multilateral	**745**	**979**	**917**	**1,177**	**1,821**	**735**	**1,029**	**903**	**623**	**556**	**212**
Arab Monetary Fund	212	212	212	212	212	212	212	212	212	212	212
Asian Infrastructure Investment Bank	65	59	59	85	89	85	70	70	70	70	0
World Bank	468	708	579	716	1,310	329	640	515	299	232	0
EIB		0	0	131	129	110	107	107	43	43	0
Other	0	67	67	33	81	0	0	0	0	0	0
Bilateral	**801**	**642**	**622**	**482**	**828**	**0**	**637**	**0**	**0**	**0**	**0**
Unidentified budget financing	0	0	0	0	0	900	407	742	741	0	0
IMF purchases	**525**	**32**	**32**	**455**	**451**	**264**	**260**	**260**	**261**	**0**	**0**
Sovereign issuance	**650**	**1,250**	**1,250**	**500**	**0**	**1,250**	**1,000**	**1,000**	**1,000**	**1,250**	**0**
Guaranted	0	0	0	0	0	0	0	0	0	0	0
Non-guaranteed	650	1,250	1,250	500	0	1,250	1,000	1,000	1,000	1,250	0

Sources: Jordanian authorities; and IMF staff estimates and projections.
1/ Grants pledged at the 2018 Mecca Summit and USD 300 million grant from UAE 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, 2022–29

	2022	2023		2024		2025		2026	2027	2028	2029
		EFF Request		EFF Request	Proj.	EFF Request	Proj.	Proj.	Proj.	Proj.	Proj.
(Stocks, in millions of Jordanian dinars)											
Net foreign assets	6,910	6,827	7,723	7,189	8,574	8,379	9,491	10,145	10,933	11,671	12,300
Central bank	11,433	11,102	12,152	11,216	12,754	12,406	13,423	14,077	14,865	15,603	16,232
Commercial banks	-4,523	-4,275	-4,428	-4,027	-4,180	-4,027	-3,932	-3,932	-3,932	-3,932	-3,932
Net domestic assets	34,762	37,179	34,912	39,299	36,088	40,701	37,524	39,442	41,419	43,600	46,052
Net claims on general government	15,437	16,213	16,478	16,980	16,568	17,283	16,992	17,513	17,463	17,423	17,382
Net claims on central budgetary government 1/	11,917	12,158	12,378	12,199	11,886	12,274	11,909	12,248	12,158	12,078	11,998
Net claims on NEPCO	2,969	3,267	3,506	3,718	3,869	3,946	4,270	4,451	4,491	4,531	4,571
Net claims on other own budget agencies 2/	-926	-689	-1,230	-414	-1,012	-414	-1,012	-1,012	-1,012	-1,012	-1,012
Claims on other public entities	1,477	1,477	1,825	1,477	1,825	1,477	1,825	1,825	1,825	1,825	1,825
Claims on financial institutions	1,197	1,197	1,035	1,197	1,035	1,197	1,035	1,035	1,035	1,035	1,035
Claims on the private sector	29,760	30,952	30,270	32,505	31,508	34,454	33,399	35,497	37,803	40,254	42,866
Other items (net)	-11,633	-11,183	-12,872	-11,383	-13,022	-12,233	-13,902	-14,602	-14,882	-15,112	-15,232
Broad money	41,672	44,006	42,635	46,488	44,662	49,080	47,015	49,587	52,352	55,270	58,352
Currency in circulation	6,037	6,513	5,808	6,811	6,017	7,117	6,263	6,531	6,817	7,114	7,423
Jordanian dinar deposits	28,985	30,482	30,230	32,258	31,609	34,200	33,212	35,090	37,111	39,247	41,507
Foreign currency deposits	6,649	7,011	6,597	7,420	7,036	7,763	7,539	7,965	8,424	8,909	9,422
(Flows, in millions of Jordanian dinars)											
Net foreign assets	-557	-84	814	362	850	1,190	917	654	788	738	629
Net domestic assets	2,733	2,419	150	2,120	1,177	1,402	1,436	1,918	1,977	2,181	2,452
Net claims on general government	918	776	1,041	767	90	303	424	520	-50	-40	-40
Net claims on central budgetary government	217	241	461	41	-492	75	23	340	-90	-80	-80
Net claims on NEPCO	487	298	537	452	363	228	402	181	40	40	40
Net claims on other own budget agencies	-205	237	-305	274	218	0	0	0	0	0	0
Claims on financial institutions	-131	0	-162	0	0	0	0	0	0	0	0
Claims on the private sector	2,201	1,193	510	1,553	1,237	1,949	1,891	2,098	2,306	2,451	2,612
Other items (net)	-255	450	-1,239	-200	-150	-850	-880	-700	-280	-230	-120
Broad money	2,176	2,334	963	2,482	2,027	2,592	2,352	2,573	2,764	2,919	3,081
Currency in circulation	-188	475	-230	298	209	306	246	268	286	297	309
Jordanian dinar deposits	2,041	1,497	1,245	1,776	1,379	1,942	1,603	1,878	2,020	2,136	2,259
Foreign currency deposits	323	362	-52	409	439	343	503	426	459	485	513
Memorandum items:											
Year-on-year broad money growth (percent)	5.5	5.6	2.3	5.6	4.8	5.6	5.3	5.5	5.6	5.6	5.6
Year-on-year private sector credit growth (percent)	8.0	4.0	1.7	5.0	4.1	6.0	6.0	6.3	6.5	6.5	6.5
Foreign currency/total deposits (percent)	18.7	18.7	17.9	18.7	18.2	18.5	18.5	18.5	18.5	18.5	18.5
Private sector credit/total deposits (percent)	83.5	82.6	82.2	81.9	81.5	82.1	82.0	82.4	83.0	83.6	84.2
Currency in circulation/JD deposits (percent)	20.8	21.4	19.2	21.1	19.0	20.8	18.9	18.6	18.4	18.1	17.9
Money multiplier (for JD liquidity)	3.8	3.7	4.1	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Velocity (GDP/M)	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8

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

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

2/ Includes WAJ.

Table 4b. Jordan: Summary Accounts of the Central Bank of Jordan, 2022–29

	2022	2023		2024		2025		2026	2027	2028	2029
		EFF Request		EFF Request	Proj.	EFF Request	Proj.	Proj.	Proj.	Proj.	Proj.
	(Stocks, in millions of Jordanian dinars)										
Net foreign assets 1/	11,433	11,102	12,152	11,216	12,754	12,406	13,423	14,077	14,865	15,603	16,232
Foreign assets	13,663	13,204	14,288	13,403	14,738	14,040	15,089	15,789	16,598	17,153	17,603
Of which: Bilateral accounts	767	767	767	767	767	767	767	767	767	767	767
Of which: encumbered due to forwards or swaps	658	658	638	658	638	658	638	638	638	638	638
Foreign liabilities	2,230	2,102	2,136	2,187	1,984	1,634	1,667	1,713	1,733	1,550	1,371
Of which: Net Fund Position	1,388	1,316	1,327	1,457	1,467	1,494	1,504	1,549	1,570	1,387	1,208
Of which: GCC grants-related	840	785	809	731	518	140	163	163	163	163	163
Net domestic assets	-2,281	-1,104	-3,292	-657	-2,585	-1,300	-2,811	-2,948	-3,119	-3,207	-3,149
Net claims on central budgetary government 2/	1,336	1,480	1,710	1,847	1,874	1,911	1,935	1,968	1,958	1,948	1,938
Net claims on own budget agencies and other public entities	-331	-331	-237	-331	-237	-331	-237	-237	-237	-237	-237
Net claims on financial institutions	676	676	666	676	666	676	666	666	666	666	666
Net claims on private sector	26	26	29	26	29	26	29	29	29	29	29
Net claims on commercial banks	-3,112	-1,354	-3,666	-1,874	-3,522	-2,781	-4,009	-4,180	-4,341	-4,419	-4,352
Of which: FX deposits of commercial banks	654	654	672	654	672	654	672	672	672	672	672
CDs	-600	-800	-800	-400	-400	-200	-200	-200	-200	-200	-199
Other items, net (asset: +)	-276	-801	-994	-601	-994	-601	-994	-994	-994	-994	-994
Jordanian dinar reserve money	9,152	9,999	8,860	10,559	10,169	11,107	10,612	11,129	11,745	12,396	13,083
Currency	6,678	7,154	6,441	7,451	6,650	7,757	6,897	7,165	7,451	7,748	8,057
Commercial bank reserves	2,474	2,845	2,419	3,108	3,519	3,349	3,715	3,964	4,295	4,648	5,026
Of which: required reserves	1,457	1,532	1,508	1,622	1,589	1,719	1,670	1,764	1,866	1,973	2,087
	(Flows, in millions of Jordanian dinars)										
Net foreign assets	-302	-333	718	114	602	1,190	668	654	788	738	629
Foreign assets	-606	-460	624	200	451	637	351	700	808	555	450
Foreign liabilities	-304	-127	-94	86	-152	-553	-317	46	20	-183	-179
Net domestic assets	-361	1,179	-1,011	447	707	-643	-226	-137	-171	-87	58
Net claims on central budgetary government	-17	144	374	367	164	64	61	34	-10	-10	-10
Net claims on commercial banks	349	1,758	-553	-520	143	-906	-487	-171	-161	-77	67
Other items, net (asset: +)	167	-525	-718	200	0	0	0	0	0	0	0
Jordanian dinar reserve money	-664	846	-292	561	1,309	548	442	517	617	651	687
Currency	-157	475	-237	298	209	306	246	268	286	297	309
Commercial banks' reserves	-507	371	-55	263	1,100	242	196	249	331	354	378
Memorandum items:											
Gross international reserves ($ millions)	18,190	17,542	19,081	17,824	19,716	18,722	20,211	21,199	22,339	23,122	23,757
Gross usable international reserves ($ millions)	16,432	15,784	17,319	16,066	17,965	16,965	18,460	19,448	20,588	21,371	22,006
As a ratio to JD broad money (in percent)	33	30	34	29	34	29	33	33	33	33	32
As a ratio of JD reserve money (in percent)	127	112	139	108	125	108	123	124	124	122	119
Net international reserves (millions of JD)	10,194	9,808	10,884	9,868	11,196	10,467	11,510	12,164	12,952	13,690	14,320
Net international reserves (millions of U.S. dollars)	14,378	13,834	15,352	13,918	15,791	14,763	16,234	17,157	18,268	19,309	20,198
Money multiplier (for JD liquidity)	3.8	3.7	4.1	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 IMF support onlent to the government by the CBJ.

Table 5. Jordan: Access and Phasing Under the 2024 Extended Fund Facility (EFF) Arrangement

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 6. Jordan: Indicators of Fund Credit, 2024–38
(In millions of SDR unless stated otherwise)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj
Existing and prospective Fund credit (SDR million)															
Disbursements	340	196	196	196	0	0	0	0	0	0	0	0	0	0	0
EFF	340	196	196	196	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
Stock of existing and prospective Fund credit 1/	1,541	1,581	1,641	1,648	1,439	1,197	940	688	464	305	171	81	24	0	0
EFF	1,468	1,581	1,641	1,648	1,439	1,197	940	688	464	305	171	81	24	0	0
RFI	73	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Obligations 2/	307	280	268	325	339	355	349	323	276	199	167	117	80	45	20
Principal (repayments/repurchases)	192	156	136	188	208	243	257	252	224	158	134	90	57	24	0
EFF	46	83	136	188	208	243	257	252	224	158	134	90	57	24	0
RFI	146	73	0	0	0	0	0	0	0	0	0	0	0	0	0
Charges and interest 3/	116	124	133	137	131	112	92	71	52	41	33	27	23	21	20
SDR charges	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
Interest	96	104	113	117	111	92	72	51	32	21	13	7	3	1	0
Fund obligations (repurchases and charges) in percent of: 4/															
Quota	89.6	81.7	78.2	94.7	98.8	103.5	101.8	94.1	80.5	58.1	48.7	34.0	23.3	13.2	5.8
GDP	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
Exports of goods and services	1.9	1.6	1.5	1.7	1.6	1.6	1.5	1.3	1.1	0.7	0.6	0.4	0.2	0.1	0.1
Gross international reserves	2.3	2.0	1.8	2.1	2.1	2.2	2.0	1.4	0.9	0.5	0.3	0.2	0.1	0.0	0.0
Government revenue	3.0	2.5	2.3	2.6	2.5	2.5	2.3	2.0	1.6	1.1	0.9	0.6	0.4	0.2	0.1
External debt service, public	22.6	12.5	10.5	14.1	15.8	25.9	15.2	20.5	12.6	7.4	9.8	6.5	4.2	2.3	0.9
Fund credit outstanding in percent of: 1/ 4/															
Quota	449	461	478	480	420	349	274	200	135	89	50	24	7	0	0
EFF	428	461	478	480	420	349	274	200	135	89	50	24	7	0	0
RFI	21	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GDP	3.9	3.8	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
Exports of goods and services	9.4	9.0	8.9	8.5	7.0	5.5	4.1	2.9	1.8	1.1	0.6	0.3	0.1	0.0	0.0
Gross international reserves	11.5	11.4	11.3	10.7	9.1	7.4	5.3	3.0	1.6	0.8	0.3	0.1	0.0	0.0	0.0
Government revenue	14.9	14.3	13.8	13.0	10.7	8.4	6.3	4.3	2.8	1.7	0.9	0.4	0.1	0.0	0.0
External debt, public	8.5	8.1	8.1	8.0	7.0	5.9	4.7	3.6	2.6	1.9	1.1	0.5	0.1	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
SDR/USD exchange rate [*hidden row*]	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Gross domestic product (USD million)	53,305	56,112	59,183	62,482	65,966	69,643	73,526	77,625	81,953	86,521	91,345	96,438	101,814	107,490	113,483
Exports of goods and services (USD million)	21,785	23,323	24,585	25,934	27,421	29,048	30,492	32,146	33,832	35,914	38,177	40,582	43,139	45,857	48,747
Gross international reserves (USD million)	17,955	18,477	19,436	20,494	21,138	21,459	23,661	30,681	39,784	51,589	66,895	86,743	112,481	145,854	189,130
Government revenue (USD million)	13,841	14,749	15,804	16,908	17,881	18,900	19,985	21,133	22,348	23,637	25,001	26,444	27,970	29,584	31,292
External debt service, public (USD million)	1,814	2,997	3,417	3,066	2,872	1,827	3,057	2,103	2,915	3,575	2,267	2,394	2,527	2,668	2,817
Total external debt, public (USD million)	24,222	26,060	26,940	27,533	27,578	27,067	26,561	25,748	24,088	21,685	20,529	21,674	22,882	24,158	25,504

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 5.102 as of May 30, 2024.
4/ Using the end-2023:Q4 rate of the SDR/USD rate in 2024-2047 forecasts.

Annex I. Risk Assessment Matrix[1]

Risks and Likelihood	Economic Impact	Policy Responses
Global Risks		
High	**High**	
Intensification of regional conflicts. Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	• Disruptions to energy, food, tourism and remittances, would worsen the fiscal and current account balances, increasing external financing needs. • 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. • Strengthen social safety nets.
High	**High**	
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts, export restrictions, and OPEC+ decisions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, cross-border spillovers, 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. • Strengthen social safety nets.
Medium	**High**	
Abrupt global slowdown. Global and idiosyncratic risk factors cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation triggering sudden stops in EMDEs. • **China:** Sharper-than-expected contraction in the property sector weighs on private demand, further amplifies local government fiscal strains, and results in disinflationary pressures and adverse macro-financial feedback loops. • **Europe:** Intensifying fallout from Russia's war in Ukraine, supply	• 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. • 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. • 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. • Monitor banks' buffers to withstand shocks, introduce measures recommended by the FSSA as appropriate. • Accelerate structural measures that foster private investment and private sector development that

[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
disruptions, tight financial conditions, and real estate market corrections exacerbate economic downturn. • **U.S.:** Amid tight labor markets, 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.		creates jobs and promotes more sustainable and inclusive growth.
Medium	**Medium**	
Monetary policy miscalibration. Amid high economic uncertainty, major central banks loosen policy stance prematurely, hindering disinflation, or keep it tight for longer than warranted, causing abrupt adjustments in financial markets and weakening the credibility of central banks.	• 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. • Provide targeted support to vulnerable groups. • Monitor banks' buffers to withstand shocks, introduce measures recommended by the FSSA as appropriate.
Medium	**Medium**	
Systemic financial instability. High interest rates and risk premia and asset repricing amid economic slowdowns and political uncertainty (e.g., from elections) trigger market dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting weak banks and NBFIs.	• 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. • Monitor banks' buffers to withstand shocks, introduce measures recommended by the FSSA as appropriate.
Medium	**High**	
Sovereign debt distress. Domino effects from high global interest rates, a growth slowdown in AEs, unfunded fiscal spending, and/or disorderly debt events in some EMDEs spillover to other highly indebted countries, amplified by sovereign-bank feedback, resulting in capital outflows, rising 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. • Capital outflows could materialize.	• If market conditions become disorderly leading the country to near crisis circumstances, capital flow measures could be considered as part of a broader macroeconomic package to address the root causes of the crisis in accordance with the IMF Institutional View. • Maintain prudent macroeconomic policies. • Continue fiscal consolidation to ensure debt sustainability.

Risks and Likelihood	Economic Impact	Policy Responses
High	Medium	
Deepening geoeconomic fragmentation. Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower 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. • 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. • Targeted fiscal measures to support vulnerable households. • 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, could amplify poverty and inequality and heighten social pressure. • Weaken recent reform momentum. • Damage investor perceptions of business environment. • 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. • Strengthen social safety nets.

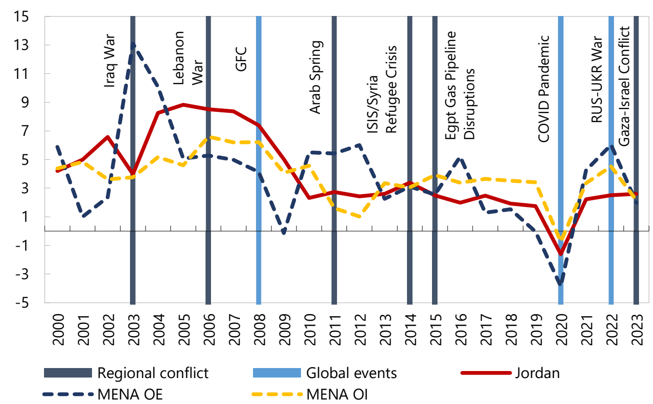
Annex II. Economic Resilience Amidst Headwinds—An Analysis of Spillovers of Conflicts

Jordan sits in a region where conflicts in neighboring countries are a recurring challenge, causing human suffering as well as adverse economic spillovers. While Jordan was affected by these conflicts via channels including trade, refugees, and tourism, it has withstood the impacts and avoided more severe adverse effects on economic output, thanks to prudent macroeconomic policies and support from the international community. Going forward, implementing reforms to diversify the economy and improve resilience against future shocks while continuing prudent macroeconomic policies are crucial.

A. Introduction

1. **Jordan has withstood spillovers from regional conflicts over the past decades, thanks to prudent macroeconomic policies and support from development partners.** In a region prone to conflicts and geopolitical uncertainties, Jordan has demonstrated resilience in maintaining macroeconomic stability. Despite the multiple regional and global shocks (vertical bars in the text Figure), Jordan maintained an average growth rate of about 4 percent during 2000–23,[1] thanks to the prudent policies, focusing on fiscal discipline and public expenditure rationalization, as well as sound monetary and financial management that has kept inflation under control, further contributing to overall economic stability. Moreover, Jordan's progress on growth-enhancing structural reforms and development partners' financial and technical support have contributed to improving its resilience to external shocks.

Real GDP Growth
(In percent)



Sources: IMF World Economic Outlook October 2023, and IMF staff calculations.
Note: MENA OE represents Middle East and North Africa (MENA) oil-exporting countries, and MENA OI represents MENA oil-importing countries. The vertical bars indicate the beginning of the conflict. While the Syrian Civil War started in 2011, Jordan began to receive large waves of refugees in 2014 with the rise of ISIS.

2. **Still, the multiple episodes of neighboring countries' conflicts affected Jordan in different ways.** Past regional conflicts varied in length and intensity, and created large refugee flows into Jordan, generating challenges to Jordan's macroeconomic stability. The 2003 Iraq war disrupted established trade ties, severed Jordan's access to subsidized oil which led to elevated fuel costs, directly affecting Jordan's production, and driving up inflation. Moreover, the arrival of approximately 800,000 Iraqi refugees further contributed to inflation, driven by increased food and real estate prices.

[1] This excludes the recession caused by the COVID-19 pandemic due to its unprecedented, worldwide nature.

However, the Iraq war also brought some growth dividends to Jordan in the form of foreign direct investments, which played a role in spurring economic growth in the years following the Iraq war. The 2011 Arab Spring generated a wide range of shock waves across the MENA region, affecting countries including Jordan. The volatile regional environment heightened security threats, causing disruptions to trade flows to and through Syria, and disruptions to the natural gas pipeline between Egypt and Jordan since 2011. Furthermore, the cross-border closure with Iraq in 2015 in the context of the presence of ISIS contributed to an increase in Jordan's fiscal deficit among other consequences.[2]

B. Spillover Effects of Regional Conflicts—An Empirical Analysis

3. Regional conflicts often result in damaging and long-term impact on the domestic economy. To examine the spillover effects of regional conflicts on domestic economies, dynamic responses are estimated using local projections (Jordà et al., 2005) to a panel dataset with 128 countries.[3] To identify spillover effects of conflicts on the domestic economy, a definition of conflict is needed. In this analysis, conflicts are defined as the total numbers of conflicts happening in bordering states for each country at any given point in time (see the attached technical note for details). Furthermore, total number of conflicts in trading partners for each country are also used to examine the spillover effects from trading partners.[4] The analysis controls for an extensive list of potentially confounding macroeconomic indicators including investment share, terms of trade, trade openness, and refugee presence (contemporaneous and lagged), and interacts with a dummy variable on MENA economies to identify average spillovers.[5]

Impacts of the Conflicts in Neighboring Countries

4. The results show that conflicts in neighboring countries have a long-lasting impact on output per capita for MENA countries.[6] Specifically, an increase in the number of conflicts is associated with a persistent decrease in GDP per capita, reaching a cumulative reduction of 1.9 percent seven years after the conflict (Annex II. Figure 1). As a comparison, the impact on output per capita for the rest of the world due to conflict in bordering states is statistically insignificant, and much smaller in magnitude than those observed for MENA.

[2] The natural gas supply disruption in 2015, though not an external conflict, represents a substantial external shock in the context of volatile regional environment.

[3] This analysis stems from the joint work published in Chapter 2 of the Regional Economic Outlook of Middle East and Central Asia Department (IMF, 2024).

[4] The source of the conflict data is the Uppsala Conflict data. The definition of a conflict entails the deliberate use of armed force by the government of a state or by a formally organized group against civilians which results in at least 25 deaths in a year".

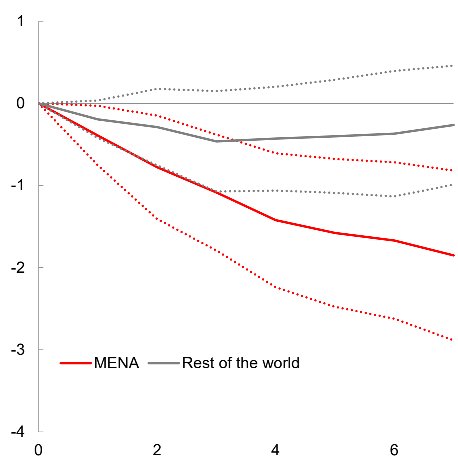
[5] As a sensitivity analysis, a dummy has also been applied to Jordan in the analysis. The results are broadly consistent with average impacts but are insignificant with large standard errors and wide confidence intervals due to data availability.

[6] In this analysis, neighboring countries are defined as those that share a border, of any length.

5. Conflict in neighboring economies is also associated with adverse impact on other key macroeconomic indicators. The results show that conflict is associated with an increase in debt to GDP ratios, a drop in fiscal revenues, a deterioration in the current account balance, a reduction in domestic consumption, and a reduction in reserve assets for MENA countries. In addition, there is a statistically significant increase in investment associated with conflicts in neighboring countries, indicating potentially a substitution effect away from the bordering countries in conflict (Annex II. Figure 1).

Annex II. Figure 1. Impact of Conflict on Bordering Countries GDP Per Capita and Macroeconomic Indicators

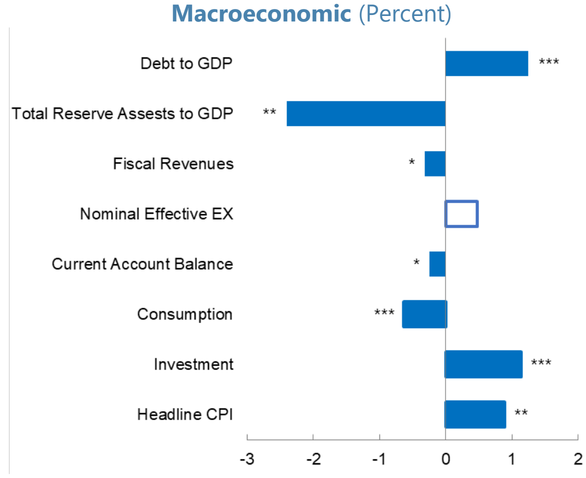
Impact of Conflict on Bordering Countries' GDP per Capita (Percent)



Sources: Uppsala Georeferenced Event Database (v23.1.); IMF *World Economic Outlook* database; and IMF staff calculations.

Note: The impact estimates correspond to an increase in the number of conflicts to the 15th percentile of the world distribution which corresponds to approximately two conflicts annually in bordering states.

Impact of Conflict on Bordering Countries Macroeconomic (Percent)



Sources: Uppsala Georeferenced Event Database (v23.1.); International Country Risk Guide; IMF World Economic Outlook database; and IMF staff calculations.

Note: The figure shows the impact on MENA economies seven years after the shock that corresponds to an increase in the number of conflicts to the 15th percentile of the world distribution which corresponds to approximately two conflicts annually in bordering states. ***, **, and * indicate the statistical significance at the 1, 5, and 10 percent level, respectively. Empty bars indicate a lack of significance at the 10 percent level. The impact on the current account balance and debt to GDP is in percentage point change.

Impacts of the Conflicts in Trading Partners

6. Similarly, conflicts in trading partners of MENA countries tend to have adverse spillovers on MENA economies.[7] On average, a conflict in the trading partners of a MENA country

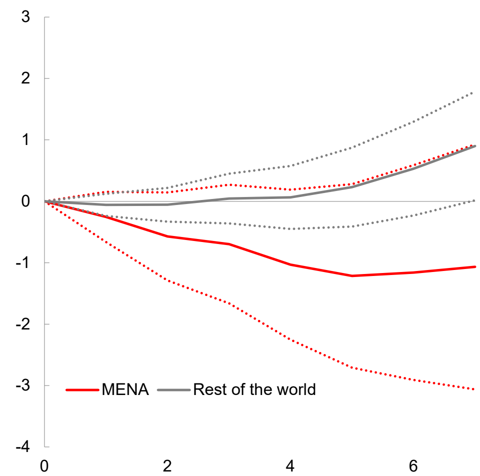
[7] See technical Annex for details on the construction of the conflict spillover measure. The spillover shock for trading partners or bordering countries is constructed for each country, i, and year, t, as the following $\sum_j^N T_{ij}\ x\ Number\ of\ Conflicts_j$, where j represents any country other than i and T_{ij} is a dummy variable equaling 1 if two countries are trading partners or contiguous. For trading partners, the most recent data is 2021.

will lead to a drop in the latter group of countries' output per capita of around 1.7 percent in the seven years after the initial shock (Annex II. Figure 2), though this result is not statistically significant.

7. Conflicts in trading partners are also associated with adverse spillovers on other key macroeconomic indicators for MENA countries. An increase in the number of conflicts in a trading partner leads to a significant deterioration in current account balances, an increase in core inflation, a depreciation in exchange rates, an increase in public debt, (and an associated decrease in fiscal revenues) for the countries in MENA facing the spillovers (Annex II. Figure 2). The results also show statistically significant adverse impacts on domestic consumption.

Annex II. Figure 2. Impact of Conflicts on Trading Partners' GDP Per Capita and Macroeconomic Indicators

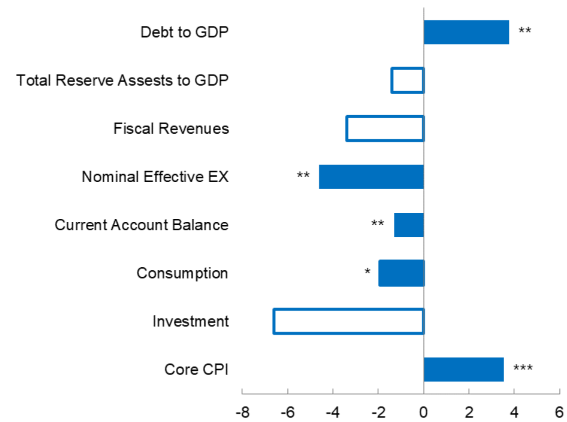
Impact of Conflicts on Trading Partners' GDP per Capita (Percent)



Sources: Uppsala Georeferenced Event Database (v23.1.); IMF, World Economic Outlook database; and IMF staff calculations.

Note: The impact estimates correspond to an increase in the number of conflicts to the 15th percentile of the world distribution which corresponds to approximately three conflicts annually in trading partners.

Impact of Conflict on Trading Partner Macroeconomic (Percent)



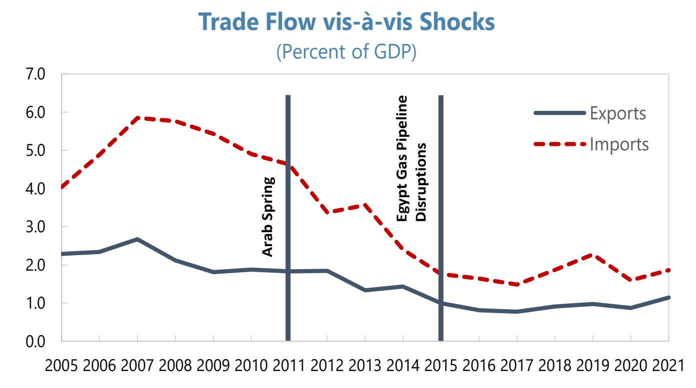
Sources: Uppsala Georeferenced Event Database (v23.1.); International Country Risk Guide; IMF World Economic Outlook database; and IMF staff calculations.

Note The figure shows the impact on MENA economies seven years after the shock that corresponds to an increase in the number of conflicts to the 15th percentile of the world distribution which corresponds to approximately three conflicts in trading partners. ***, **, and * indicate the statistical significance at the 1, 5, and 10 percent level, respectively. Empty bars indicate a lack of significance at the 10 percent level. The impact on the current account balance is in percentage point change.

C. Main Channels of Spillovers—The Case of Jordan

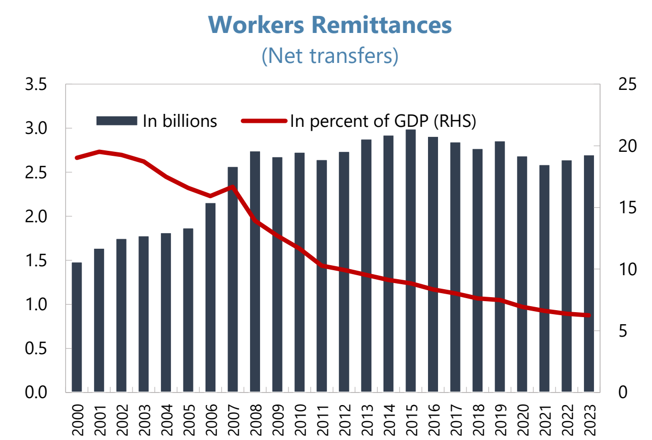
8. The impact of regional conflicts can be transmitted to Jordan through multiple channels. As a small open economy, Jordan can be affected via the trade, remittances, and tourism channels. Moreover, regional conflicts could affect investor sentiment toward Jordan's economy, impacting private investment, access to financing, and eventually economic growth. The influx of refugees strained Jordan's resources, leading to increased public spending on healthcare, education, infrastructure such as electricity, water and sanitation provision, as well as social services.

9. Trade is an important channel of cross-border spillovers given Jordan's open economy status. The portfolios of traded goods and trading partners have become more concentrated overtime, exposing Jordan to adverse external impacts. Jordan's trade openness, measured by total import and export as a share of GDP, stood at over 100 percent in 2022 (goods and services),[8] much higher than the emerging market average of about 55 percent. The high openness reflects Jordan's integration to the world economy, but at the same time, exposures Jordan to potential adverse spillovers from external shocks including those originated in trading partners. The past regional conflicts have reduced Jordan's trade flows, especially imports of goods, vis-à-vis the countries under conflict substantially, disrupting domestic production and consumption which took time to adjust. Over the past two decades, Jordan's export of high value-added goods (machinery, vehicles, and electronics) has decreased, while import of raw materials, especially crude oil and natural gas, have increased substantially (Annex II. Figure 3). Jordan's trading partners have also become more concentrated—the share of goods export to the top 3 destinations increased from 33.7 percent in 2000 to over 50 percent in 2023 (Annex II. Figure 4). While higher trade concentration is not unique to Jordan,[9] these developments contributed to a higher concentration risk which could generate bigger spillovers than a more diversified case in the face of external shocks.



Note: Jordan's exports to and imports from Bahrain, Egypt, Libya, Syria, Tunisia and Yemen.

10. Remittances proved to be resilient despite regional turmoil and remain a steady source of income flow for Jordan. In nominal terms, the net inflow of workers' remittances increased from around $US1.5 billion in 2000 to US$2.7 billion in 2023 and has remained stable in recent years. Given that a large portion of Jordanian remittances originates from the oil exporting nations in the Gulf Cooperation Council, disruptions in inflows due to conflict in other neighboring countries has been minimal. Instead, remittances have formed a steady source of income flows that is instrumental to domestic economic stability despite external uncertainties.



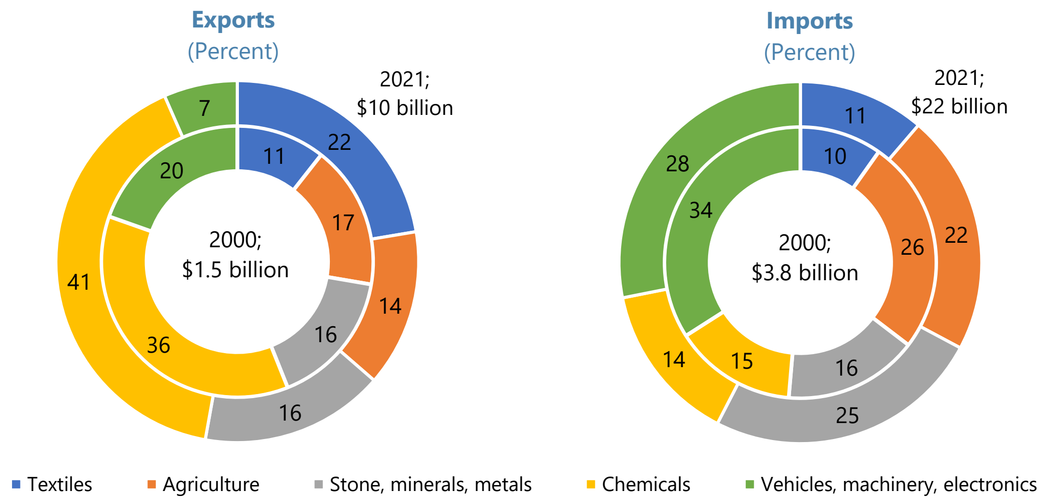
Sources: IMF World Economic Outlook October 2023, and IMF staff calculations.

[8] Jordan's trade openness (in goods only) stood at 80.5 percent in 2022.

[9] The Complication of Concentration in Global Trade (McKinsey Global Institute, January 2023).

Annex II. Figure 3. Exports and Imports by Goods Types

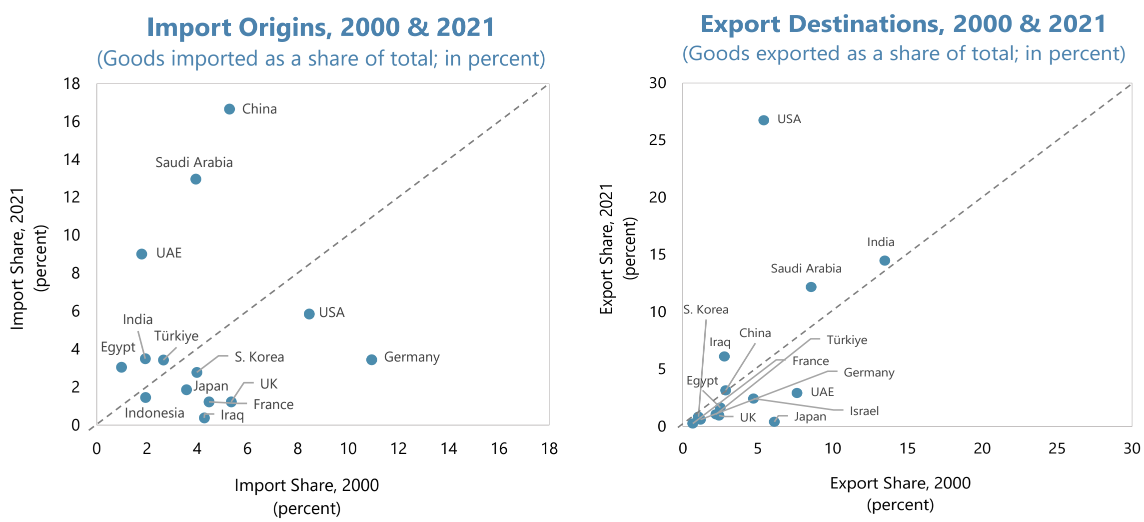
(Goods only; in percent of total goods export/import)



Sources: Harvard University, The Atlas Economic Complexity; IMF staff calculations.

Annex II. Figure 4. Trading Partners

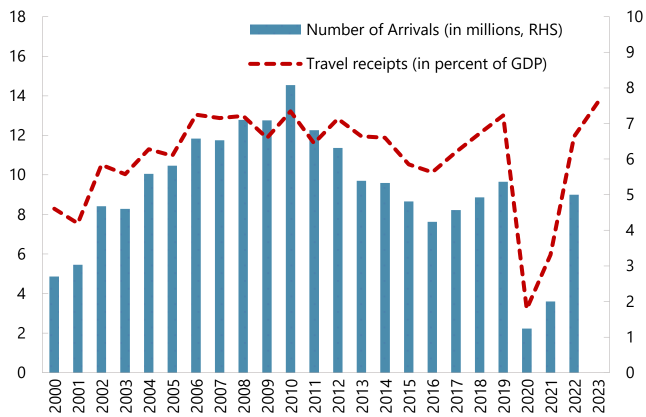
(Goods only; in percent of total goods export/import)



Sources: Harvard University, The Atlas Economic Complexity; IMF staff calculations.

11. Tourist arrivals in Jordan were impacted by episodes of conflict in neighboring countries, but rebounded afterwards. Tourism accounted for an average of 11 percent of GDP during the period of 2000–23, and around 6 percent of total employment in 2022. Over the last two decades, tourism receipts have grown to be the most important source of foreign flows for Jordan, increasing from US$723 million in 2000 (slightly above 8 percent of GDP) to $US 7.4 billion in 2023 (about 14 percent of GDP), reaching all-time high over the past two decades. However, tourism and tourist arrivals were affected by geopolitical tensions and conflicts in the region, which mainly reflects the tourists' perception of insecurity. Conflicts in neighboring countries often generate headlines in international news, which could generate misperceptions despite the stable situation in Jordan. For example, in the aftermath of the Arab Spring, the Syrian civil war, and the rise of ISIS, tourist arrivals decreased from 8.1 million in 2010 to 4.8 million in 2015, causing a decline of tourism receipts. However, Jordanian expats accounted for an average of 34 percent of total arrivals have mitigated the impact of regional conflicts. Tourist arrivals have been recovering since 2015. However, the recovery was interrupted by the pandemic, but it rebounded in the aftermath and exceeded pre-pandemic levels at the beginning of 2023.

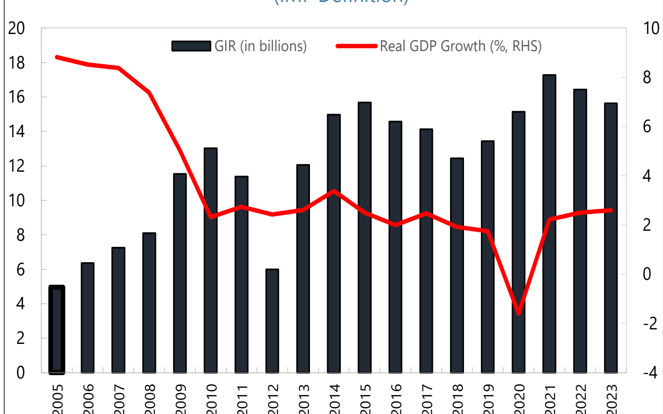
Tourism in Jordan



Sources: World Bank World Development Indicators, and IMF staff calculations.

12. The external position worsened following the several past episodes of regional conflicts. After the Iraq war, Jordan's current account balance deteriorated sharply from a surplus of 11.8 percent in 2003 to a deficit of 18 percent in 2005, as the country lost access to the sizable oil shipments that it received at below-market rates. Nonetheless, Jordan experienced a surge in foreign direct investment as Iraqis expanded their investment, and international reserves increased drastically from roughly $US5 billion in 2003 to US$13 billion in 2010. The sharp increase in FDI—from about 5 percent of GDP in 2003 to 23 percent in 2006—was temporary and FDI inflows have declined to below 5 percent of GDP in recent years. The reasons behind the decline, though complex and multifold, to some degree reflect investors' concerns about the region's volatile environment. Jordan's external position worsened further right after the Arab Spring from 6.9 percent in 2010 to 14.9 percent in 2012, as widespread unrest across the region

Gross International Reserves
(IMF Definition)



Sources: IMF World Economic Outlook October 2023, and IMF staff calculations.

resulted in high energy prices and lower tourism receipts and FDI. International reserves were used in lieu of capital inflows to offset the shortfall in the current account. Over time, Jordan has strengthened international reserves position which provide buffers against a challenging regional external environment and safeguard the exchange rate peg which serves as an effective nominal anchor for the economy.

13. The influx of refugees creates a complex and relatively long-lasting spillover effect. As of December 2023, Jordan hosts approximately 3 million refugees, of which 730,000 are registered with UNHCR. Among the UNHCR registered refugees, the majority came from Syria, along with sizable groups from Iraq, Yemen, Sudan, and Somalia. There are also 2.3 million Palestinian refugees in Jordan registered with UNRWA. Hosting a large number of refugees has strained Jordan's resources and infrastructure, including healthcare, education, water, and energy services, and weighed on public finances.[10] Despite the sizable support provided by the international community, funding has declined in recent years, reaching a low 33 percent as a share of the total 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. In May 2024, UNHCR announced a US$28 million reduction in its programs in Jordan for 2024 due to lack of funding. Although refugees can potentially be a useful addition to the Jordanian labor force, there are multiple challenges. First, growth in Jordan in recent years has been relatively low, averaging only about 2 percent from 2015 to 2023 and is insufficient to absorb the expanding pool of new job seekers in Jordan's labor market. Second, skills mismatch of what refugees supply and what the Jordanian economy demands limited the scope for hiring refugees. Despite these challenges, more than 396,000 work permits have been issued to Syrian refugees as of December 2023, 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).[11]

14. It is worth highlighting that market confidence in Jordan has remained stable despite regional conflicts and external shocks. Sovereign spreads for Jordan remained relatively contained throughout the conflicts, reflecting strong macroeconomic fundamentals and prudent policies (Annex II. Figure 5). Credit ratings were downgraded in 2013 as Jordan's economy was adversely affected by the spillovers from the Arab Spring, including lower trade flows and international reserves, as well as an influx of refugees and heightened burden on public finances. However, following that period, credit ratings stabilized and allowed Jordan to maintain favorable access to international capital markets. Recently, Moody's decision to upgrade Jordan's long-term sovereign credit rating,

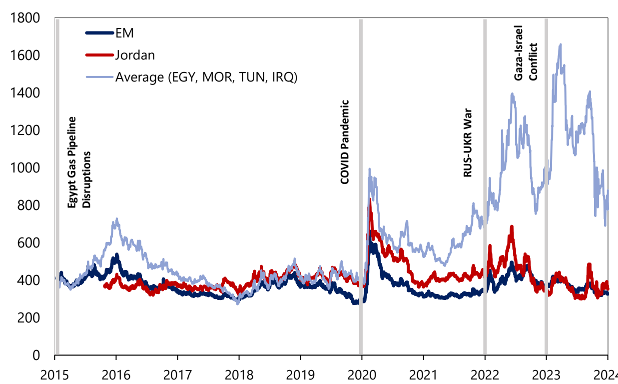
[10] In terms of healthcare, UNHCR provides primary, secondary and some tertiary healthcare services at public health centers and governmental hospitals for registered refugees. UNHCR supported health services are available for free for all vulnerable refugees. The vulnerability level is defined based on UNHCR's vulnerability assessment framework. As for education, since the onset of the conflict, the Jordanian government and the international community have been working to provide Syrian refugees with free primary and secondary education by exempting them from tuition fees and the costs of books. In 2023, the Ministry of Education expanded the policy, to cover refugees of all nationalities. Jordan has also taken measures such as facilitating double shifts for more than 200 public schools across the country to accommodate for the large number of refugee students.

[11] The work permits are for the Syrian refugees registered with UNHCR.

with a stable outlook, stands as a testament to its success in fortifying Jordan's economic resistance and the credibility of macro-economic policies against external shocks.

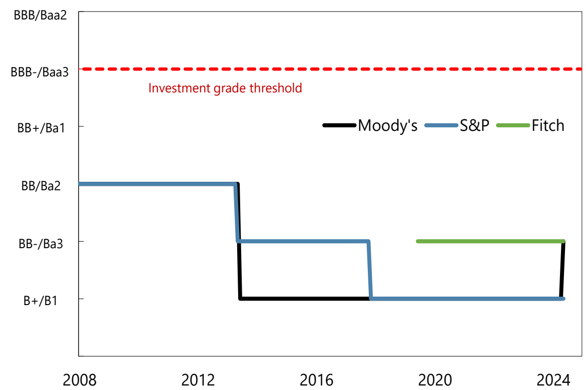
Annex II. Figure 5. Sovereign Spread and Credit Ratings

EMBIG Spread, Selected MENA Countries
(Basis points)



Sources: Bloomberg; and IMF staff calculations.

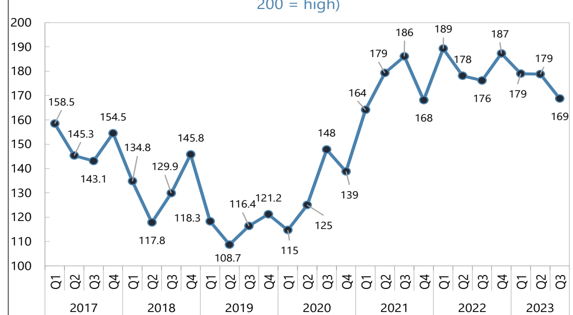
Evolution of Sovereign Credit Ratings
(Ratings on foreign currency debt)



Sources: Moody's; S&P; Fitch; and IMF staff calculations.

15. Domestic investor confidence has strengthened substantially since 2020. As proxied by the Jordan Investor Confidence Index—a weighted average of Z-scores of ten key macroeconomic indicators covering the real, monetary, and financial sectors—domestic investor confidence has seen a rapid increase since 2020, reflecting the authorities' prudent implementation and calibration of macroeconomic policies and steady progress of structural reforms.

Jordan Investor Confidence Index
(On a scale from 100 to 200, where 100 = low confidence and 200 = high)



Source: Jordan Strategy Forum.
Note: The z-score of 10 indicators is averaged under 3 sub-categories (real, monetary, and financial), which are then weighted and scaled to create the composite index. Variables include: GDP growth rate, government budget, FDI inflows, Manufacturing Quantity Production index, foreign reserves, deviation of CBJ deposit interest rate from Fed, value of returned cheques, Amman Stock Exchange (ASE) Weighted Stock Market Index, foreign investment in ASE, and growth in private sector credit.
For more details on methodology see JSF.

D. Spillovers of the Current Regional Conflict

16. The recent conflict in Gaza has exerted pressures on the Jordanian economy, particularly via the tourism industry and trade. High frequency indicators show that the tourism sector has been adversely affected, where there was a 10 percent year-on-year decline in tourist arrivals from Europe and North America in November 2023, and a decline in hotel bookings. Jordanian expatriates and tourists from other Arab countries within the region have continued to increase on the other hand, cushioning some of the negative impact. Disruptions in Red Sea shipping routes due to developments in Bab Al-Mandab reduced cargo traffic through the Al-Aqaba port. An estimated 30 percent of Jordan's imports and 20 percent of exports may require direct passage through Bab Al-Mandab. Fertilizer exports (of which 54 percent has been exported through Bab Al-Mandab during the period of 2020–22), sulfur, and salt (85 percent for both) face the high risk of disruptions from the shipping disruptions in Bab Al-Mandab. However, the government responded promptly to the shipping disruptions by developing alternative routes through land shipping and feeder routes where smaller vessels collect shipping containers from different ports and transport them to terminals where they are loaded to bigger vessels. Overall, the current account deficit could expand in 2024, but to narrow again to more sustainable levels afterwards.

17. Inflation has remained low so far and the financial market is stable. Inflation rates remained low at 1.3 percent in April 2024 (y-o-y), benefiting from stable commodity prices, but is subject to upside pressures. The foreign exchange markets remain stable, and dollarization rates have decreased to 17.9 percent by end-2023, lower than the pre-pandemic level of 21 percent. Sovereign spreads widened temporarily following the conflict in Gaza, by about 100 basis points in late October 2023, but has narrowed shortly afterwards. Iran's missile attack on Israel in early April 2024 widened the sovereign spreads again, but the impact dissipated quickly. Spreads have declined and remained stable since then.

18. Growth outlook hinges, to a large extend, on the duration and intensity of the conflict in Gaza. In addition to the adverse impact on tourism receipts, domestic boycotts of products from companies that are perceived to have shown bias in the war have affected consumer spending and could exert pressure on tax revenues, employment, and growth. The multifaceted impact of the conflict underscores the delicate balance Jordan faces in navigating economic stability amid challenges stemming from regional conflicts.

E. Conclusion

19. A resilient economy is core to navigating through the challenging external environment—regardless of whether the shocks stemmed from regional conflicts or originated in trading partners. Thanks to sound macroeconomic policies and structural reforms that have been implemented over the past few years, Jordan's economy has demonstrated resilience and mitigated the impact of successive exogenous shocks. Continuing with prudent macroeconomic policies remains a priority, which would help ensure fiscal and debt sustainability, as well as financial stability, and anchor market confidence amidst potential future external turbulences.

20. Moreover, a more diversified economy can further shield the adverse impacts of external shocks. Fostering a more diversified trade profile in terms of products, partners, and routes is key to mitigating sudden shocks to supply chains caused by external conflicts and building resilience. Specifically, it is typically easier to move up the quality ladder and produce higher quality of existing products than diversifying into completely new areas. Improving supply chain management, including preparing for alternative sources of supply and developing additional shipping routes, can help mitigate the shipping disruptions. All in all, formulating a diversification strategy that aligns with Jordan's unique comparative advantages, including the well-educated labor force, will be crucial to shaping a coherent reform agenda.

Technical Note: Model and Estimation

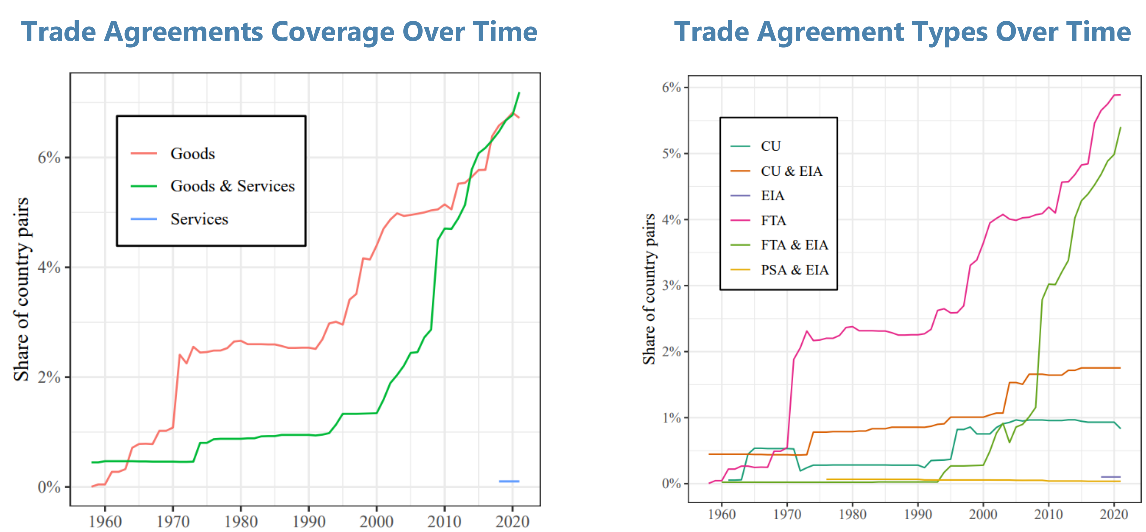
A1.1. Data

UCDP Dataset Download Center (uu.se)
UCDP Georeferenced Event Dataset (GED) Global version 23.1

Sample	125 counties where 23 from MENA, Afghanistan, and Pakistan, 6 from CCA, and 96 rest of the world.
Number of conflicts	1,421 conflicts with more than 25 conflict-related deaths based on best estimate. 8020 conflicts by year and country (in panel dataset) of which 3587 have less than 25 conflict-related deaths, and 4433 of these conflicts have 25 or more conflict-related deaths.
Conflict-related deaths	3,357,346 conflict-related deaths based on best estimate (MENA, Afghanistan, and Pakistan – 1,169,465; CCA – 28,010; and rest of the world – 2,159,871 conflict-related deaths).
Source: The Economic Impacts of Armed Conflict (IMF, 2024), *IMF Regional Economic Outlook*.	

CEPII Gravity Data

Coverage from 1948 to 2021, including 252 countries or territories. This includes entities not officially recognized as independent, and past territorial configurations of countries. Therefore, countries that no longer exist or those that are based on outdated territorial configurations are removed from the sample to ensure proper matching and coverage with the Uppsala dataset. The dataset is "squared", such that each pair of countries appears every year.



Note: PSA = "Partial Scope Agreement", FTA = "Free Trade Agreement", CU = "Customs Union", EIA = "Economic Integration Agreement". Before 1958 there are virtually no country pairs involved in RTAs. Shares of country pairs have the number of existing countries in a given year as denominator. We exclude cases in which origin = destination.

Source: Conte and others (2023). The CEPII Gravity Dataset (pp. 30–31)

A2.1. Model and Estimation

Countries impacted by spillovers are defined in the following manner:

1. Trading partner is a country that has a trade agreement with another country in conflict.

   $Trade_{i,j,t} = 1$ if i and j share a foreign trade agreement.

Data on the trade agreement is taken from the CEPII database which uses the raw bilateral measures from WTO.[12]

2. A neighboring country shares a border with the country in conflict at any point in time.

   $Border_{i,j} = 1$ if i and j share a border.

Then, the dummy is later interacted with the conflict measure in the adjacent country.

$$Spillover\_shock_{it} = \Sigma j \; dist_{ijt} * conflict_{jt}$$

where $dist_{ijt}$ *is either* $Trade_{i,j,t}$ *or* $Border_{i,j}$. $conflict_j$ represents the number of conflicts and is the measure we use in this analysis. Due to the presence of outliers, we use the percentile equivalence of the $Spillover\_shock_i$. The source for the data is CEPII gravity data.

The dynamic responses are estimated using local projection approach a la Jordà (2005), with the following impulse response function regressions:

$$y_{i,t+h} - y_{i,t-1} = \beta_0^h S_{i,t} + \beta_1^h S_{i,t} * MENAdummy + \sum_{j=1}^{l} \beta_2{}^h S_{i,t-j} + \sum_{j=0}^{l} \beta_3{}^h C_{i,t-j} + \sum_{j=1}^{l} \gamma_{1,j}^h (y_{i,t-j} - y_{i,t-j-1}) + \sum_{j=1}^{l} \theta_j^h X_{i,t-j}^j + \alpha_i^h + \alpha_t^h$$

Where $y_{i,t}$ is log of per-capita GDP, $S_{i,t}$ is the spillover shock, $C_{i,t}$ is the own conflict variable, $X_{i,t}^j$ is other control variables which include trade openness, terms of trade (pct change), export partners growth, investment/GDP, lagged number of refugees, and h is the horizon for which the impulse response is to be computed. α_i^h and α_t^h are country and time fixed effects, respectively. Two lags of GDP growth and the spillover and own conflict variable are included. Standard errors are clustered at the country level. The coefficient β_0^h directly estimates the impulse response of per-capita GDP for horizon h in response to the spillover shock among all economies excluding MENA countries. The coefficient β_1^h estimates the differential impulse response of per-capita GDP for horizon *h* in response to the spillover shock variable among ME&CA countries. Our average impulse response for MENA countries is the sum of β_0^h and β_1^h.

[12] Data on FTA is not available for 2022, and the most recent data is 2021.

References

International Monetary Fund, 2024, The Economic Impacts of Armed Conflict, *IMF Regional Economic Outlook*, Middle East and Central Asia Department (Washington).

Jordà, Òscar, 2005, "Estimation and Inference of Impulse Responses by Local Projections," American Economic Review, Volume 95 (March): pp. 161–82.

Conte, Maddalena, Pierre Cotterlaz, and Thierry Mayer, 2022, The CEPII Gravity Database, CEPII Working Paper No. 2022–05 (July).

Appendix I. Letter of Intent

Amman, Jordan
June 12, 2024

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

Dear Ms. Georgieva:

In January 2024, the International Monetary Fund approved an arrangement under its Extended Fund Facility (EFF) for Jordan, to support our economic policies, strengthen Jordan's resilience in the face of worsening global and regional challenges, and to alleviate structural impediments to growth and job creation. Since the EFF arrangement's approval, it has become clear that the external environment is proving to be significantly more difficult, as the war on Gaza that is creating immense suffering for the Palestinian people continues and regional tensions disrupt trade. Despite this, we remain fully committed to the policies set out in the Memorandum of Economic and Financial Policies attached to our Letter of Intent of December 17, 2023, as augmented in this supplementary Letter of Intent as detailed below.

Our economic performance has continued to be strong, building on the sound macro-economic policies and success of the previous program. Jordan's economy is proving to be resilient, with economic growth having reached 2.6 percent in 2023, despite the slowdown in activity in the last quarter of the year following the start of the war on Gaza. The current account deficit narrowed considerably, from almost 8 percent in 2022 to less than 4 percent of GDP in 2023, and gross usable international reserves increased to over US$17 billion. As the Central Bank of Jordan (CBJ) raised its policy rates in tandem with the US Federal Reserve, reflecting its firm commitment to monetary stability, inflation declined to 1.6 percent (y-o-y) in December 2023. Jordan's banking system, meanwhile, remains liquid, profitable, and well-capitalized. Importantly, by continuing with sound fiscal policies that are aimed at a gradual fiscal consolidation, notably by broadening the revenue base in a sustainable and equitable manner, and placing public debt on a downward path, and despite the adverse impact on government revenues from the spillovers from the war on Gaza and the disruptions to trade, we were able to reduce the central government's primary deficit (excluding grants and transfers to NEPCO and WAJ) to 2.7 percent of GDP in 2023, down from 3.6 percent of GDP in 2022. Similarly, by taking measures to contain the operational losses of our utility companies, the combined public sector primary deficit was reduced to 4.5 percent of GDP in 2023, from 4.8 percent of GDP in 2022. Together with continued surpluses in our social security system, we were able to achieve an overall general government primary surplus (including grants) of 0.5 percent of GDP and to contain public debt at 89.5 percent of GDP by end-2023.

The global and regional outlook remains fraught with uncertainty, as the war on Gaza and the regional tensions continue. The continuation of the war and the trade route disruptions in the Red Sea are having a more pronounced effect on our economy, notably on sentiment, trade, and tourism. Thus, we have moderated our projection for growth for this year to 2.4 percent, and we expect the current account deficit to widen to about 5 percent of GDP. Growth is expected to bounce back in 2025, to almost 3 percent, and the current account deficit to narrow, provided the war ends and its impact fades, and as reform implementation continues to progress.

Barring a significant further escalation of the conflict, we believe that the Jordanian economy can continue to navigate these headwinds well, augmented by strong support from our international partners. We remain strongly committed to continue with sound macro-economic policies to maintain macro stability and to advance structural reforms, to further strengthen the resilience of our economy and improve people's living standards. The CBJ's policies will continue to be aimed at preserving monetary and financial stability. The CBJ's monetary policy will continue to be underpinned by its firm commitment to the exchange rate peg to the US dollar, and the CBJ will remain vigilant to changes in global financial conditions and stands ready to undertake policy adjustments necessary to credibly safeguard monetary and financial stability. We will continue with the gradual fiscal consolidation in a progressive and equitable manner and improving the financial sustainability of our public utilities, aiming to reduce public debt to below 80 percent of GDP by 2028, while expanding targeted support to vulnerable households and creating room for higher public investment. We are continuing to progressively broaden the tax base, including by expanding the coverage of transactions through e-invoicing, and with the Income and Sales Tax Department and the Customs Department continuing to combat smuggling and under-invoicing and collecting tax arrears. We remain committed to meet this year's budget targets, reducing the central government primary deficit by 0.6 percent of GDP to 2.1 percent of GDP. Moreover, as reform measures to improve the financial position of our utility companies are starting to yield results, we expect to achieve a reduction in the combined public sector primary deficit to 4.0 percent of GDP, and to realize an overall general government primary surplus (including grants) of 1.3 percent of GDP, thus reducing public debt to just over 89 percent of GDP by end-2024.

Strong and timely international support remains needed to continue to help Jordan cope with the global and regional headwinds, as well as shoulder the financial burden of hosting a large number of refugees, especially as we have been witnessing a further reduction in humanitarian support for Syrian refugees and host communities.

We have also continued to make progress in advancing our home-grown structural reform agenda, including by implementing all structural benchmarks (SBs) for the first review under our IMF-supported program. We have started with a digital track-and-trace system for alcohol products; all hiring and promotions of all senior civil service positions since the start of 2024 have been based on professional qualifications and performance in line with the Public Sector Modernization Roadmap; and we submitted legislation to parliament to abolish licenses in the tourism sector (as identified in the 2019 cabinet resolution) (all SBs for March 2024), and with parliament already having approved the latter. The cabinet has also adopted a plan to reduce the cost of electricity generation, focusing on seeking renegotiation of power purchasing agreements, while also introducing legally and regulatory permissible levies on electricity generating companies (both SBs for April 2024). We have requested the Special Bureau for Interpreting Laws to clarify the provisions in the Companies Law related to the liability of owners of limited liability companies (SB for May 2024), and we expect an opinion to be issued in the coming months. Moreover, we are on track to meet SBs for the next review. The CBJ has already prepared the amendments to align its prudential regulations regarding asset classification with the Basel Core Principles and it plans to issue these by [mid-June 2024] (SB for June 2024). We have also already completed the consultative processes and taken the decision to introduce, effective July 1, 2024, time-of-use tariffs for sectors accounting for at least 15 percent of total electricity consumption (SB for July 2024), while parliament already adopted the necessary legislative amendments to the Renewable Energy Law upon which the necessary bylaws will be introduced that will allow for net billing to be introduced for new self-generators (SB for September 2024).

Furthermore, to strengthen our public financial management and avoid arrears accumulation budgetary spending units' electricity payments are made by the Ministry of Finance's treasury department, deducting the payments from spending units' spending allocations. Additionally, to help prevent overspending and arrears accumulation, the Ministry of Finance has adopted a new definition of spending arrears, in line with good international practice, setting a time limit on overdue payments (60 days) and with an appropriate coverage (Central Government Spending Units). Moreover, the Ministry of Finance will adjust allocations based on quarterly updated cash forecasts and already approved commitments, while taking the updated cash forecasts also into account for procurement approvals. The Ministry of Finance will also require spending units to seek approval from its General Budget Department prior to issuing a commitment voucher, only upon which Spending Units will be allowed to enter into new commitments. We have put in place time-bound action plans to review and amend the labor, social security, and competition laws in consultation with the IMF and relevant development partners, notably the ILO and the World Bank, to ensure timely submission of draft legislation to parliament. The CBJ will work toward implementing the recommendations of the recent safeguards assessment, in accordance with its legal framework, while it will gradually reduce the concessionality of its subsidized lending scheme.

Our performance under the current EFF arrangement has been strong and we have met all commitments for the first review. As a result of our sustained sound policies, and despite the regional challenges, we met all end-December 2023 performance criteria and the end-January 2024 indicative target, as well as most indicative targets for end-December 2023, as detailed in the attached Table 1. We have also met most indicative targets for end-March 2024 and, as noted above, we have met all structural benchmarks that had been set for the first review, as also described in the attached Table 2.

In view of this strong program performance and policy commitments, we request the completion of the first review under the extended arrangement and approval to make a purchase in the amount of

SDR 97.784 million. We also request modification of the end-June 2024 and end-December 2024 performance criteria on the CBJ's net international reserves, to reflect the stronger performance, as presented in Table 1. We believe that the policies as set forth in the MEFP attached to our Letter of December 17, 2023, and as augmented by this Letter remain adequate to achieve the objectives of our program, but we stand ready to take further measures that may become necessary for this purpose. We will consult with the IMF on the adoption of these measures, and in advance of revisions to the policies contained in the MEFP and this Letter, in accordance with the IMF's policies on such consultations. The implementation of our program will continue to be monitored through semi-annual quantitative performance criteria, structural benchmarks, and quarterly indicative targets as attached to this Letter. We expect the second review to be completed on or after October 1, 2024, and the third review on or after April 1, 2025.

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
Minister of Finance

Adel Al-Sharkas
Governor of the Central Bank

Attachments:
Table 1. Quantitative Performance Criteria and Indicative Targets
Table 2. Status of Structural Conditionality

Table 1. Jordan: Quantitative Performance Criteria and Indicative Targets 1/

	'Dec-23				Mar-24				Jun-24		Sep-24		Dec-24		Mar-25	Jun-25
	PC	Adjusted	Actual		IT	Adjusted	Actual		PC	Proposed revised PC	IT	Proposed revised IT	PC	Proposed revised PC	Proposd 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	984	981	Met	250	246	170	Met	470	470	625	625	812	812	200	375
Combined public deficit (flow, cumulative ceiling)	1,682	1652	1,625	Met	470	466	311	Met	900	900	1,120	1,120	1,566	1,566	360	680
Net International Reserves of the Central Bank of Jordan in USD million (stock, floor) 1/	13,363	13,494	14,761	Met	12,763	12,939	14,905	Met	13,029	14,029	12,687	13,687	13,622	14,200	14,000	14,200
Ceiling on accumulation of external debt service arrears 2/	0	0	0	Met	0	0	0	Met	0	0	0	0	0	0	0	0
Indicative Targets																
Social spending by the central government (flow, cumulative floor)	941		966	Met	190		199	Met	320	500	570	770	1,018	1,038	240	530
Public debt (stock, ceiling) 3/	32,100		32,289	Not Met	32,779		32,538	Met	33,013	33,150	33,188	33,350	33,900	33,900	34,300	34,900
Domestic payment arrears of NEPCO (stock, ceiling) 4/	0		128	Not Met	0		129	Not Met	0	110	0	100	0	95	0	0
Domestic payment arrears of WAJ (stock, ceiling) 5/	20		7	Met	0		15	Not Met	0	12	0	8	0	6	0	0
Domestic payment arrears of Aqaba, Miyahuna and Yarmouk Distribution Companies (stock, ceiling) 6/	20		23	Not Met	0		44	Not Met	0	35	0	25	0	20	0	0
Net Domestic Assets of the Central Bank of Jordan (stock, ceiling) 1/	1,048	1,094	-1,647	Met	2,770	2,779	-1,731	Met	2,264	2,051	2,574	2,042	688	157	1,808	1,066
Memorandum items for adjustors																
Foreign budgetary grants received by the central government (flow)	777		712		20		8		120	80	250	100	732	732	40	180
Foreign budgetary grants and loans received by the Central Bank of Jordan (USD millions, flow, cumulative from beginning of year) 1/	0		131		50		226		108	612	247	1068	2759	3335	50	543
Programmed stock of the combined health and energy arrears	90		87		85		83		80	80	75	75	70	70	65	60
Domestic payment arrears of WAJ and water distribution companies	40		30		0		59		0	47	0	33	0	26	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 2. Jordan: Status of Structural Conditionality				
No.	**Measure**	**Time Frame (by end-period)**	**Status**	**Macroeconomic Rationale**
I. Structural Benchmarks for the First Review				
1	ISTD to introduce a digital track-and-trace system for alcohol.	March 2024	Met	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	Met	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	Met	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	Met	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	Met	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	Met	Improving the business environment
II. Structural Benchmarks with due dates after the First Review				
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
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

Table 2. Jordan: Status of Structural Conditionality (continued)				
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
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

Table 2. Jordan: Status of Structural Conditionality (concluded)				
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