



# JORDAN

January 2022

## THIRD REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR JORDAN

In the context of the Third Review Under, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 20, 2021, following discussions that ended on November 18, 2021, with the officials of Jordan on economic developments and policies underpinning the IMF arrangement under the Extended Fund Facility. Based on information available at the time of these discussions, the staff report was completed on December 8, 2021.
- A **Statement by the Executive Director, Alternate Executive Director, and Senior Advisor** for Jordan.

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## IMF Executive Board Concludes Third Review Under Jordan's Extended Arrangement

FOR IMMEDIATE RELEASE

- Jordan's IMF-supported program remains on track, with continued progress on reforms, which are helping maintain macroeconomic stability while supporting a nascent recovery.
- Program targets for 2022 have been revised to allow adequate fiscal space to entrench the recovery, support investment, and protect jobs. The program will continue to accommodate higher-than-expected spending related to the pandemic.
- The IMF remains committed to supporting Jordan in its path to recovery, with total disbursements now reaching around US\$1.2 billion since the start of the COVID-19 pandemic. Continued strong donor support remains critical, including to support Jordan's hosting of 1.3 million Syrian refugees.

**Washington, DC – December 20, 2021:** The Executive Board of the International Monetary Fund (IMF) today completed the third review of Jordan's program supported by the Extended Fund Facility (EFF). The completion of the review will make the equivalent of SDR 240.17 million (about US\$335.2 million) immediately available. This brings total IMF disbursements to Jordan since the start of 2020 to the equivalent of SDR 881.68 million (about US\$1.230 billion) including a purchase of the equivalent of SDR 291.55 million (about US\$407 million) in May 2020 under the Rapid Financing Instrument.

Jordan's four-year extended arrangement amounting to the equivalent of SDR 926.37 million (about US\$1.293 billion, equivalent to 270 percent of Jordan's quota in the IMF), was approved by the IMF's Board on March 25, 2020 and was augmented on June 30, 2021 to the equivalent of SDR 1070.47 (about \$1.494 billion, equivalent to 312 percent of Jordan's quota in the IMF) ([see Press Release No. 21/203](#)).

The gradual reopening of the economy in 2021, underpinned by a robust vaccination campaign and supportive policies, has helped spur a nascent recovery. However, unemployment has remained at high levels, particularly for youth and women. Despite weak domestic demand, the current account deficit has widened due to higher international fuel prices and intermediate imports, raising gross financing requirements for 2021-22. The Fund's financial support will help Jordan navigate these challenges and catalyze support from other development partners, which will be critical to enable Jordan to promote an inclusive recovery and build forward better, while continuing to host 1.3 million refugees.

Following the Executive Board discussion, Mr. Kenji Okamura, Deputy Managing Director and Acting Chair, made the following statement:

"Despite challenging circumstances, sound policies have helped maintain macroeconomic stability, and the structural reform momentum has endured. In addition, a robust vaccination campaign helped underpin a gradual reopening of the economy and usher in a nascent recovery. However, new COVID variants pose downside risks and significant economic slack

remains, presenting risks of economic scarring. In the near term, a key priority is to entrench the still-nascent recovery, arrest high unemployment, and protect the most vulnerable. Continued donor support will be critical to help address Jordan's external financing needs and shoulder the disproportionate burden Jordan bears in hosting refugees.

The fiscal targets for 2022 have been amended to ensure adequate space for the extension of important social protection and job retention programs and for priority public investment, while still being consistent with bolstering public debt sustainability and rebuilding fiscal buffers. Advancing several legislative reforms to broaden the tax base and close tax loopholes remains critical, as are continued efforts to enhance the efficiency and transparency of public finances.

The monetary policy stance is appropriate, and should remain flexible and data driven, continuing to support the peg. While the financial sector remains sound, continued vigilance is warranted given that the full effects of the pandemic may not yet be reflected in banks' asset quality. To further enhance the AML/CFT regime, the authorities are committed to resolving the remaining strategic deficiencies identified by the FATF.

The prospects for durable and inclusive growth rest on continued progress on reforms to increase youth and female labor force participation, enhance labor market flexibility, promote competition, reduce the costs of doing business, and strengthen governance and transparency. In this space, the authorities are preparing for the rollout of the electricity tariff reform aimed at reducing high business tariffs in a revenue-neutral manner for the electricity provider NEPCO. The authorities are also working to mitigate the impact of climate change on water scarcity. It will be important to ensure that any projects undertaken in this regard are subject to due financial diligence, adhere to best practices in bidding and transparency, and are consistent with debt sustainability."



# JORDAN

December 8, 2021

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

### EXECUTIVE SUMMARY

**Context:** Preventive actions and a robust vaccination campaign mitigated the effects of COVID-19 variants on the economy. A nascent recovery, supported by targeted fiscal and monetary measures, is underway, with real GDP growth expected at 2 percent in 2021, strengthening to 2.7 percent in 2022. However, unemployment is persisting at very high levels, particularly for the youth. Core inflation, at 0.7 percent y-o-y in September, is subdued, despite higher fuel prices, reflecting a slow pass-through, but also weak domestic demand. Reserves are comfortable, and dollarization is declining.

**Program implementation:** Despite the pandemic-induced challenges, program implementation has been strong with all end-June quantitative performance criteria (QPCs) met, as well as most indicative targets (ITs) for end-September. The end-December 2021 fiscal QPCs are within reach, thanks to robust revenue collection. The authorities have also made strong progress in implementing the structural reform agenda, with most structural benchmarks (SBs) met. To help support the recovery, staff proposes a more gradual fiscal consolidation path in 2022, which remains consistent with putting debt on a downward path. The authorities have submitted to parliament a 2022 budget consistent with this path. A number of new SBs are proposed to support the authorities' efforts in the fiscal, AML/CFT, and business environment areas. Moreover, staff proposes to reset two delayed structural measures: unification of Aqaba special economic zone (ASEZ) tax and customs with national systems; and reform of fiscal incentives for investment. Completion of the review will make SDR 240.2 million available, bringing total purchases under the EFF to SDR 590.1 million.

**Risks.** The authorities have responded to the COVID-induced health and economic challenges in a decisive and timely manner, exhibiting prudent macro-economic management and good progress on structural reforms. However, the ongoing pandemic and new COVID variants continue to pose downside risks to the nascent recovery and the authorities' reform efforts, particularly in the context of challenging social conditions.

Approved By  
**Thanos Arvanitis and**  
**Delia Velculescu**

Discussions with the authorities were held remotely during October 18–November 18, 2021. The staff team comprised S. Ali Abbas (head), Serpil Bouza, Anastacia Guscina, Kareem Ismail (Resident Representative), Monica Petrescu, Rayah Al Farah (all MCD), and Chris Redl (SPR). Jonathan Saalfeld provided research assistance, Cecilia Pineda and Danial McGhie provided document management, and Sana Almunizel provided logistics support. The mission met with Prime Minister Bisher Al-Khasawneh, Minister of Finance Mohamad Al-Ississ, Governor of the Central Bank of Jordan Ziad Fariz, and other senior officials, as well as thinktanks, private sector representatives, and representatives of civil society. Maya Choueiri and Fouad Al-Kohlany (all OED) participated in the discussions.

## CONTENTS

<b>RECENT DEVELOPMENTS, OUTLOOK, AND RISKS</b>	<b><u>4</u></b>
<b>POLICY DISCUSSIONS</b>	<b><u>7</u></b>
A. Supporting the Recovery While Preserving Debt Sustainability	<u>8</u>
B. Ensuring Monetary Stability and Financial Sector Resilience	<u>12</u>
C. Reforming the Electricity and Water Sectors	<u>14</u>
D. Structural Reforms to Strengthen Employment, Investment, and Governance	<u>16</u>
<b>PROGRAM FINANCING AND SAFEGUARDS</b>	<b><u>16</u></b>
<b>STAFF APPRAISAL</b>	<b><u>18</u></b>
<b>FIGURES</b>	
1. Real Sector Developments	<u>20</u>
2. Fiscal Developments	<u>21</u>
3. External Sector Developments	<u>22</u>
4. Monetary and Financial Indicators	<u>23</u>
5. Selected Indicators for Jordanian Banks	<u>24</u>
<b>TABLES</b>	
1. Selected Economic Indicators and Macroeconomic Outlook, 2020–26	<u>25</u>
2a. Central Government: Summary of Fiscal Operations, 2019–26 (In millions of Jordanian dinars)	<u>26</u>
2b. Central Government Summary of Fiscal Operations, 2019–26 (In percent of GDP)	<u>27</u>
2c. General Government: Summary of Fiscal Operations, 2019–26 (In millions of Jordanian dinars)	<u>28</u>
2d. Central Government: Summary of Quarterly Fiscal Operations, 2021–22	<u>29</u>
2e. NEPCO Operating Balance and Financing, 2020–26	<u>30</u>
2f. WAJ and Distribution Companies Balance and Financing, 2020–26	<u>31</u>

3a. Summary Balance of Payments, 2019–26	<u>32</u>
3b. External Financing Requirements and Sources, 2019–26	<u>33</u>
3c. Foreign Exchange Needs and Sources, 2019–26	<u>34</u>
3d. External Budget Financing, 2019–26	<u>35</u>
4a. Monetary Survey, 2019–26	<u>36</u>
4b. Summary Accounts of the Central Bank of Jordan, 2019–26	<u>37</u>
5. Access and Phasing Under the Extended Fund Facility (EFF) Arrangement	<u>38</u>
6. Indicators of Fund Credit, 2019–34	<u>39</u>
7. Proposed Quantitative Performance Criteria and Indicative Targets, June 2021–December 2022	<u>40</u>
8. Status of Existing and Proposed New Structural Conditionality	<u>41</u>

## ANNEXES

I. Jordan’s Vaccination Rollout	<u>44</u>
II. Employment and Labor Force Participation in Jordan	<u>45</u>
III. A Closer Look at Jordan’s Inflation	<u>47</u>
IV. Government of Jordan’s Economic Priorities for 2021–23	<u>50</u>
V. Public and External Debt Sustainability Analysis	<u>51</u>

## APPENDIX

I. Letter of Intent	<u>63</u>
Attachment I. Memorandum of Economic and Financial Policies	<u>66</u>
Attachment II. Technical Memorandum of Understanding (TMU)	<u>87</u>