

**Jordan: Fifth 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**



JORDAN

January 2023

FIFTH 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 Fifth 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** 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 21, 2022, following discussions that ended on November 22, 2022, 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 12, 2022.
- A **Staff Statement** updating information on recent developments.
- A **Statement by the Executive Director, Alternate Executive Director, and Senior Advisor** for Jordan.

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

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IMF Executive Board Concludes Fifth Review Under Jordan's Extended Fund Facility Arrangement

FOR IMMEDIATE RELEASE

- Jordan has continued a broad-based recovery amid a challenging external environment, thanks to the authorities' effective policy response.
- Policies should remain focused on maintaining macroeconomic and financial stability, protecting the vulnerable, and advancing reforms to boost employment, growth, and competitiveness.
- Stepped up donor support is crucial to help Jordan navigate the adverse exogenous shocks from elevated commodity prices and tightening global financial conditions, as it continues to shoulder the burden of hosting 1.3 million Syrian refugees.

Washington, DC – December 22, 2022: The Executive Board of the International Monetary Fund (IMF) yesterday completed the fifth review of Jordan's program supported by the Extended Fund Facility (EFF). The completion of the review will make the equivalent of SDR 257.325 million (about US\$343 million) immediately available. This brings total IMF disbursements to Jordan since the start of 2020 to SDR 1,276.247 million (about US\$1.699 billion) including a purchase 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, was augmented on June 30, 2021 to SDR 1070.47 million (about \$1.425 billion, equivalent to 312 percent of Jordan's quota in the IMF), and was augmented again on June 30, 2022 to the equivalent of SDR 1,145.954 million (about \$1.526 billion, equivalent to 334 percent of Jordan's quota in the IMF) ([see Press Release No. 22/245](#)).

Continued post-COVID recovery and positive spillovers from the region led to stronger growth in 2022–23, however, the medium-term outlook is weighed down by elevated commodity prices, tightening financial conditions, and a slowing global economy. GDP growth is projected to remain at around 2.7 percent in 2022–23, up from 2.4 percent in the fourth review. Inflation, projected at 4.4 percent for 2022, has increased but remains moderate and should ease in the period ahead. The banking system remains resilient to shocks. Financial challenges in the electricity sector are exacerbating fiscal pressures as subsidies have increased considerably on the back of high international commodity prices. Unemployment for Jordanians remained elevated at 22.6 percent in 2022, with youth unemployment showing some decline but remaining high at nearly 50 percent. The IMF'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:

“Jordan’s broad-based economic recovery continues despite a challenging external environment, thanks to the authorities’ effective policy response. Going forward, policies should remain focused on maintaining macroeconomic stability, protecting the vulnerable segments, and advancing reforms to boost employment, growth, and competitiveness.”

“Fiscal performance has been strong, on the back of sustained legislative and administrative reforms to reduce tax evasion and avoidance. The authorities have also replaced untargeted and fiscally unaffordable fuel subsidies with cash transfers to protect the most vulnerable segments. The planned gradual fiscal consolidation, along with efforts to improve public investment management and monitoring of fiscal risks, will continue to support debt sustainability.”

“Monetary policy is appropriately anchored in safeguarding the peg. The financial sector remains healthy, and the Central Bank of Jordan continues to closely monitor banks’ asset quality. Subsidized lending schemes should become more targeted and be gradually phased out as the recovery entrenches. To further enhance the AML/CFT regime, the authorities are committed to implementing the remaining items in the action plan to exit the FATF’s watch list.”

“Electricity and water sector reforms are critical for preserving the sustainability of public finances. Timely implementation of the action plan prepared in consultation with development partners is key to credibly reduce NEPCO’s deficits. Strong policy efforts are also needed to address water scarcity and the persistent losses and arrears of the water sector. To this end, the recent adoption of the financial sustainability roadmap for the water sector is welcome.”

“Achieving strong and inclusive growth rests on steady progress on structural reforms to support female labor force participation, enhance youth employment and labor market flexibility, promote competition, reduce the costs of doing business, and strengthen governance and transparency. In this regard, advancing legislation to support female labor force participation and tackling impediments to competition are critical. Stepped up and timely donor support is crucial to help Jordan navigate the adverse exogenous shocks from elevated commodity prices and tightening global financial conditions, while maintaining social stability and reform momentum. Such support will also help ease the country’s burden of hosting 1.3 million Syrian refugees.”



JORDAN

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

December 12, 2022

EXECUTIVE SUMMARY

Context and outlook. Growth, at 2.7 percent, in 2022–23 is somewhat stronger than expected, on account of a broad-based post-COVID recovery and positive spillovers from the region. However, the medium-term outlook is weighed down by elevated commodity prices, tightening financial conditions, and a slowing global economy. Inflation, projected at 4.4 percent for 2022, has increased but remains moderate and should ease in the period ahead. The 2022 current account deficit has widened somewhat, due to a larger import bill; but international reserves have been buoyed by the rebound in travel receipts and remittances. Financial challenges in the electricity sector are exacerbating fiscal pressures, particularly as food subsidies have increased considerably on the back of high international prices. With elevated unemployment and commodity prices, social conditions remain challenging.

Program implementation: The program remains on track. All end-June and end-September quantitative performance criteria (QPCs) and four end-June and end-September indicative targets (ITs) were met; however, three June and September ITs on water and electricity sector arrears were missed. As agreed in the fourth review, the authorities have eliminated the subsidies on gasoline and diesel. They also met structural benchmarks (SBs) on introducing GST place of taxation rules; strengthening the governance of fiscal incentives; improving the competition framework; removing legal impediments to female employment; implementing an FDI survey; and rolling out e-procurement. The 2022 and 2023 fiscal targets are being relaxed slightly to accommodate higher food-related spending. The authorities remain committed to reducing public debt/GDP to 80 percent by 2027.

Program risks: Further increases in commodity prices and a significant tightening of global financial conditions could pressure fiscal and external deficits. Staff expects the implications for the program to be manageable, given the authorities' ownership and commitment to program objectives and Jordan's continued ability to attract development partner support. If the global headwinds turn out to be much stronger than staff's baseline, the policy mix may need to be reconsidered both to support reserves and protect public finances.

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

The team consisted of S. Ali Abbas (head), S. Bouza, K. Ismail (Resident Representative), Y. Yang, R. Al-Farah, D. Al Masri (all MCD), L. Bounader (FAD) and Y. Said (SPR). Discussions were held in Amman during October 31–November 14, 2022. J. Saalfield provided research assistance and Cecilia Pineda provided document management, and Sana Almunizel provided logistics support. Staff met with Prime Minister Bisher Al-Khasawneh, Deputy Prime Minister for Economic Affairs Nasser Shraideh, Minister of Finance Mohamad Al-Ississ, Governor of the Central Bank of Jordan Adel Al-Sharkas, Minister of Planning and International Cooperation Zeina Toukan and other senior officials, as well as thinktanks, private sector representatives, and representatives of civil society. Maya Choueiri (OED) participated in the discussions.

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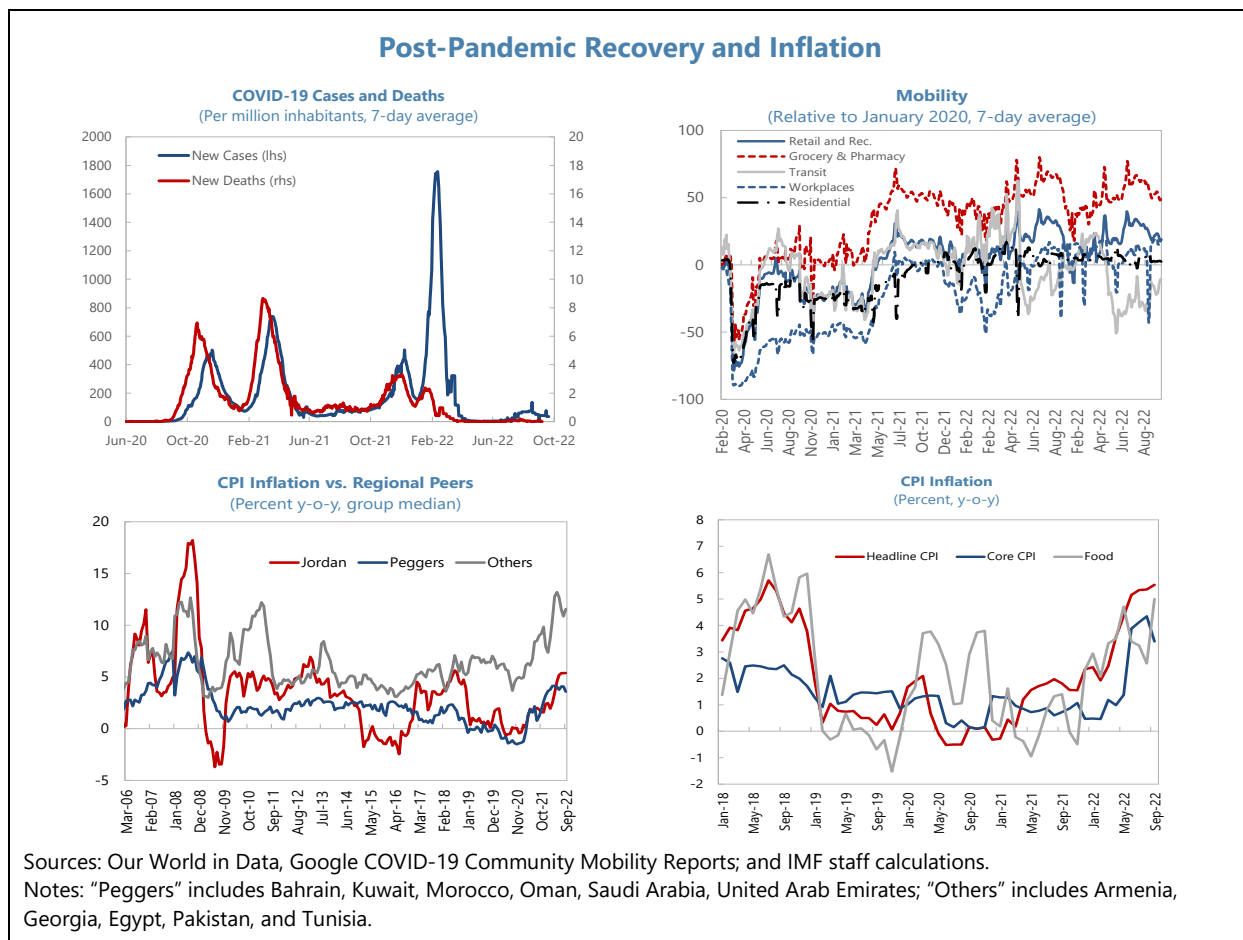
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RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

1. A post-COVID economic recovery is in train. GDP growth in 2022Q2 accelerated to 2.9 percent y-o-y, supported by a continued recovery in industrial and services sectors and bumper phosphate and potash exports (Figure 1). Tourism rebounded strongly, as pent-up demand extended the travel season well into the fall. However, unemployment for Jordanians remained elevated at 22.6 percent in 2022Q2 (only a slight improvement from 22.8 percent in Q1), with youth unemployment showing some decline but remaining high at nearly 50 percent. The labor force participation rate for Jordanians, at 33.5 percent, is yet to recover to pre-pandemic levels (35.8 percent) and is indicative of some economic scarring.

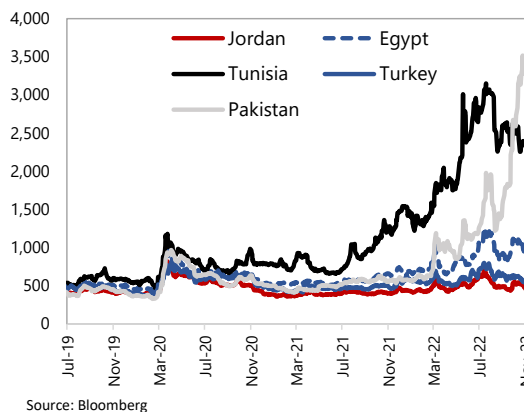
2. Inflation has increased with the pass-through of international food fuel prices but is relatively moderate and remains in line with regional peggers. Inflation picked up to 5.4 percent y-o-y in 2022Q3 and edged down slightly to 5.2 percent y-o-y in October. The increase was driven initially by high food and energy prices in the aftermath of Russia’s war in Ukraine, as the government phased out fuel subsidies starting May. In more recent months, core inflation has picked up with second-round effects on services including housing, restaurants, and hotels.



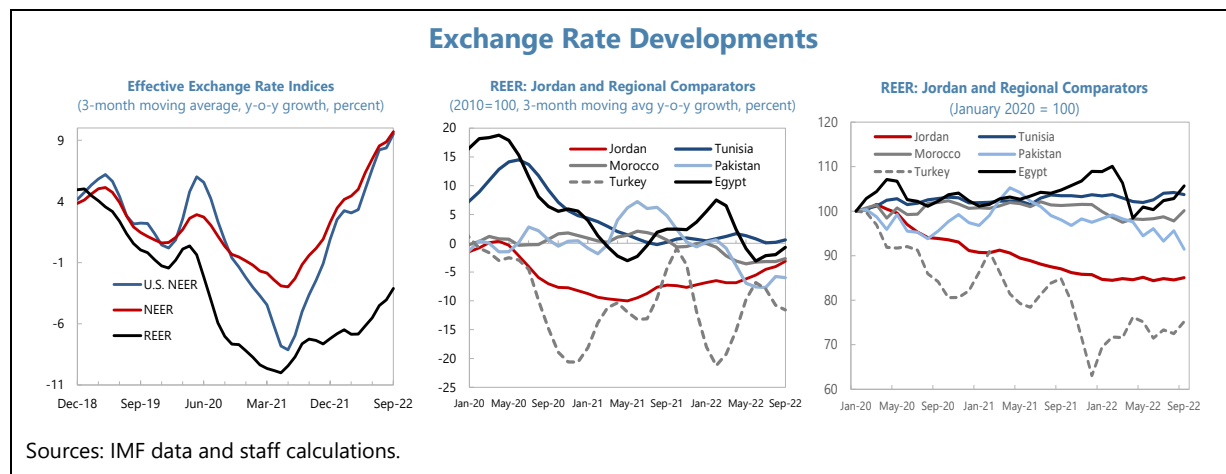
3. The 2022 current account deficit (CAD) is projected at 7.8 percent of GDP, around 1 percent of GDP wider than expected at the last review. Imports surged, fueled by higher

commodity prices, but also rising demand for non-commodity goods and services, as growth strengthened, and the dinar appreciated (along with the U.S. dollar). Travel receipts are on track to come in 1 percent of GDP above fourth review expectations, and set to exceed pre-pandemic levels, with pent up global demand extending the travel season, offsetting some of the impact of the commodity price shock. Jordan retains market access: following an oversubscribed Eurobond issue of US\$650 million in June, a US\$500 million syndicated loan was issued in September. Spreads remain relatively low, with Jordan outperforming peers, and Moody’s recently changing its outlook to positive. Donors remain engaged: a 7-year MOU with the U.S. has been signed, which will provide US\$1.45 billion in grants per year (a mark-up of around US\$200 million); and the UAE converted a US\$333 million deposit at the CBJ into a long-term concessional loan.

EMBIG Spread, Selected MENA Countries
(Basis points)



Source: Bloomberg



Sources: IMF data and staff calculations.

4. Growth is strong in the near term but will be weighed down in the medium term by a more challenging global outlook. GDP growth is projected to reach 2.7 percent in 2022, up from 2.4 percent in the fourth review, on account of a strong rebound in both manufacturing and service sectors (including tourism) and positive spillovers from the GCC, including the soccer world cup in Qatar.¹ Growth is projected to remain at around 2.7 percent in 2023, as the positive momentum is offset by the slowing global demand and tightening financial conditions. Growth is expected to reach

¹ Staff’s projection for nominal GDP in 2022 is 1.6 percentage points higher than in the fourth review due to a historical GDP data revision for 2017-18 (leveraging past Fund TA), which lifts 2021 nominal GDP by 1.1 percentage points; a 0.3 percentage point higher real GDP growth projection; and a 0.2 percentage point higher deflator projection.

3 percent in the medium term, slightly lower than projected in the fourth review. Relative to the fourth review, average headline inflation is being revised up by about $\frac{3}{4}$ percentage point to 4.4 percent in 2022 and 3.8 percent in 2023, before settling back at around $2\frac{1}{2}$ percent in 2024–25. The CAD is projected to narrow to around 5.7 percent of GDP in 2023 and then to around $3\frac{1}{2}$ percent of GDP by 2025, as commodity prices normalize and pent-up demand for imports post-COVID dissipates.

5. Risks to the outlook are tilted to the downside, stemming from a more challenging external environment. More aggressive interest rate increases by major central banks and further tightening of global financial conditions could weaken global growth, with knock-on effects on Jordan. Should significant financial account pressures emerge, CBJ policy tightening to safeguard the peg could weaken the recovery, worsening corporate and bank balance sheets. A new more sustained surge in commodity prices, including due to the war in Ukraine could pressure external, fiscal and NEPCO accounts. Climate change risks exacerbating already-dire water scarcity, and raise the attendant fiscal outlays needed to address it. Geopolitical tensions could undermine stability and vital economic ties. Upside risks include additional spillovers from oil rich GCC countries, a major pick-up in regional exports, notably of electricity; and increased mining revenues.²

POLICY DISCUSSIONS

6. Discussions focused on preserving macroeconomic stability and reform momentum in a notably more challenging global environment. The mission discussed: (i) the 2022 fiscal outturn and the 2023 budget, including the impact of high food and energy prices, and ways to preserve fiscal space for key social and capital spending priorities; (ii) the appropriate monetary and credit policy response to Fed tightening, and reforms to preserve financial sector stability; (iii) the scope and speed of needed reforms to improve NEPCO's financial sustainability and arrest arrears in the electricity and water sectors; and (iv) progress on structural reforms to boost inclusive growth and competitiveness.

A. Supporting the Recovery While Rebuilding Fiscal Space

7. Key fiscal quantitative targets have been met for this review. The two end-June fiscal QPCs on central government primary balance (excluding grants) and the combined public balance, and key ITs for end-June and end-September were met (MEFP ¶17). This performance was driven by strong domestic revenue mobilization (9 percent y-o-y increase by end September) on the back of systematic efforts to strengthen tax administration and curb tax evasion and avoidance (¶18). On the spending side, while capital spending was under executed, subsidy spending on food and fuel was higher than expected.

8. Progress on structural fiscal conditionality has been particularly strong (Table 8, MEFP). Jordan delivered all fiscal SBs due for this review, notably: the amended GST law, introducing place of

² Jordan has signed five MoUs this year for explorations of minerals including rare earth, copper, gold, lithium, phosphate, and potash. Initial results from the phosphate exploration are positive, raising prospects of establishing another phosphate mining company, comparable to the size of Jordan Phosphate Mines, which alone generated a profit of JD 600 million (2 percent of GDP) in the first three quarters of this year. Realization of some of the exploration efforts could boost Jordan's medium- to long-term growth.

taxation rules, has been signed into law; a new investment law, strengthening the governance of fiscal incentives, has been passed by both houses of parliament; the FCCL unit has prepared and shared with Fund staff fiscal risk reports on three major PPP projects; and the authorities have rolled out e-procurement to the health and education ministries. In addition, to improve cash management, the Ministry of Finance (MoF) has established a committee of technical experts to follow and forecast the development of cash flows on a daily basis (MEFP, ¶13).

9. Although Jordan is on track to deliver a sizeable, 0.7 percent of GDP, fiscal consolidation in 2022, it will, however, fall slightly short of target, reaching a central government primary deficit of 3.7 percent of GDP (MEFP, ¶8). While tax revenue collection has been robust, spending on

subsidies is projected to exceed fourth review expectations by 1 percent of GDP due to higher international prices (including shipping and insurance costs). Of this, 0.3 percent of GDP is due to additional fuel subsidies and 0.7 percent of GDP due to additional bread and barley subsidies. In addition, the authorities spent 0.2 percent of GDP in the summer to build up one more month of strategic wheat reserves. To preserve the fiscal consolidation efforts and in line with program commitments, the authorities have eliminated the subsidies on 90 and 95 octane gasoline; and—with the recent end-November announcement—also on diesel. In addition, the authorities are on track to secure offsetting savings of 0.9 percent of GDP via 0.6 percent of GDP higher tax and non-tax revenues (which have continued to overperform expectations), and 0.3 percent of GDP in capital spending rationalization. As a result, the primary deficit (excluding grants) will reach to 3.7 percent of GDP in 2022, exceeding the fourth review target by 0.3 percent of GDP. Despite this, public debt, at 89.7 percent of GDP at end-2022, is still lower than fourth review expectations, due mainly to the 1.6 percentage point markup in nominal GDP, and a markdown in the level of 2021 debt reflecting a 0.3 percent of GDP lower revised water sector deficit for 2021.

2022 Central Government Revenue and Expenditure Projection
(Millions of Jordanian dinars)

	4th Rev.	Proj.	Change	% of GDP 1/
Domestic revenue	8,034	8,234	200	0.6
Tax revenue	6,128	6,228	100	0.3
Non-tax revenue	1,906	2,006	100	0.3
Primary expenditure	9,192	9,531	339	1.0
Wages (incl. military etc.)	4,709	4,709	0	0.0
Goods and services	422	404	-18	-0.1
Transfers	2,503	2,555	52	0.2
Subsidies	350	686	336	1.0
Wheat	55	296	241	0.7
Fuel 2/	295	390	95	0.3
Capital spending	1,208	1,177	-31	-0.1
Wheat reserve	0	69	69	0.2
Other capital spending	1,208	1,108	-100	-0.3
Primary balance (ex-grants)	-1,158	-1,297	-139	
In percent of GDP	-3.4	-3.7	-0.3	

1/ This comparison provides an accurate benchmark since the ratios in fiscal tables are contaminated by the large GDP revision.

2/ Net of JD55m in transportation receivables from oil marketing companies' grossing up yields JD350m (4th review), and JD445m (5th review).

Central and General Government Balances, 2021–27
(Percent of GDP)

	2021	2022		2023		2024	2025	2026	2027
	Prel.	4th Rev.	Proj.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
Central government primary balance (ex grants)	-4.4	-3.4	-3.7	-2.7	-2.9	-1.7	-0.9	-0.3	0.0
Utilities overall balance	-1.7	-1.2	-1.3	-1.7	-1.6	-1.4	-1.2	-1.0	-0.9
NEPCO	-0.5	-0.3	-0.6	-0.7	-0.9	-0.8	-0.6	-0.5	-0.4
Water sector	-1.2	-0.9	-0.7	-1.0	-0.7	-0.6	-0.6	-0.5	-0.5
SSC surplus (ex interest income from CG)	2.3	2.3	2.9	2.3	3.0	2.6	2.5	2.4	2.3
Add back, interest bill of NEPCO and WAJ	0.4	0.6	0.6	0.5	0.5	0.6	0.6	0.6	0.6
General government primary balance (ex grants)	-3.4	-1.7	-1.6	-1.6	-1.0	0.1	1.0	1.7	2.0
Central government grants	2.5	2.6	2.4	2.0	2.1	1.8	1.3	1.2	1.1
General government interest bill	3.6	3.4	3.6	3.6	3.8	4.1	4.1	4.0	3.8
General government overall balance	-4.5	-2.5	-2.8	-3.2	-2.6	-2.2	-1.8	-1.1	-0.8
Memorandum items									
Public debt-to-GDP	90.7	91.0	89.7	89.8	88.2	86.2	84.2	81.7	79.3
Nominal GDP in JD million	32,478	34,077	34,624	36,042	36,911	39,004	41,174	43,464	45,882

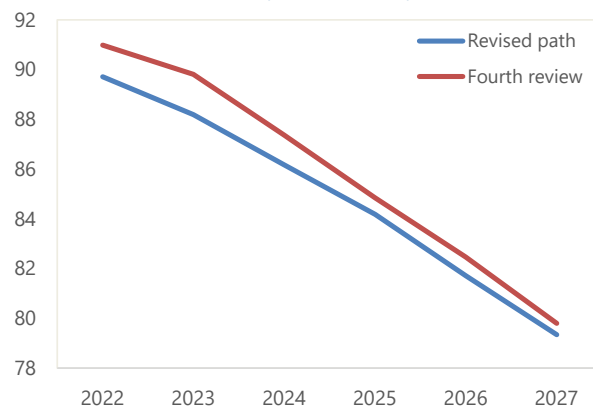
10. Fiscal policy in 2023 will aim to continue the gradual consolidation achieved in 2021–22, while supporting the economic recovery (MEFP, ¶19). The authorities have submitted to parliament a draft 2023 budget targeting a central government primary deficit (excluding grants and transfers to NEPCO and WAJ) of 2.9 percent of GDP (JD 1088 million) (*prior action* met), with key parameters broadly in line with staff’s projection. Domestic revenues will be underpinned by 0.2 percent of GDP in revenue-raising measures, as agreed during the fourth review.³ Also, as agreed at the fourth review, the cost (in excess of 1 percent of GDP) of untargeted fuel subsidies will be fully eliminated in 2023. Still, staff expects that primary expenditure will exceed fourth review expectations on account of: (i) 0.7 percent of GDP in food subsidies, which reflects the authorities’ decision to fix bread prices until end-2023, given their importance to mitigating the impact of high global food prices on the population and the inability of the current social safety schemes to reach all vulnerable groups, including refugees; and (ii) additional priority capital expenditure of 0.2 percent of GDP.⁴ Overall, both the draft budget and staff’s projection are consistent with an adjustment of 0.8 percentage points of GDP, supporting a further decline of the debt/GDP ratio to about 88 percent by end-2023.

2023 Draft Budget and IMF Staff Projections
(Millions of Jordanian dinars)

	4th review	Draft Budget	Staff Proj.
Domestic revenue	8,473	8,767	8,744
Primary expenditure	9,428	9,855	9,832
Current	8,048	8,263	8,340
Capital	1,380	1,592	1,492
Primary balance (ex-grants)	-955	-1,088	-1,088
<i>in percent of GDP</i>	-2.7	-2.9	-2.9

11. The authorities remain committed to continuing the fiscal consolidation over the medium term, focusing on high-quality reforms to enhance the efficiency of public finances, while ensuring debt sustainability. Despite the challenging external environment and tighter financing conditions, the authorities remain committed to bringing debt-to-GDP to 80 percent by end-2027. This will be based on revenue-raising and expenditure-containing measures, as set out in MEFP ¶11, and summarized in ¶12 below; steps envisaged to limit NEPCO’s losses and the drain on the budget (¶20 below, and MEFP ¶28); and the improved outlook for social security income and the water sector financial balance. This will help anchor and strengthen the sustainability of public debt, with risks assessed as moderate (see SRDSA Annex 1).

Public Debt, Net of SSIF Holdings
(Percent of GDP)



³ Measures include rationalizing new CIT and GST incentives (in light of the now-approved Investment Law, which requires all new incentives to be approved by a ministerial committee, including MoF); introduction of GST place of taxation rules (which is also on track, after approval of the amended GST Law); and improving compliance for large taxpayers and free professionals through the set-up of a large taxpayers’ office.

⁴ These include inter alia, projects for: improvement and rehabilitation of the water network; reduction of water leakages; waste recycling; and development of the public transport system in Amman (Tariq link).

12. The authorities are pursuing a broad range of structural fiscal reforms to support the adjustment in 2023 and the medium term:

- **Tax policy and administration:** The authorities are advancing their base broadening and tax compliance agenda, by (i) developing a holistic roadmap, linking overarching strategic objectives as outlined in the 2021 plan to timebound intermediate and operational targets (the roadmap will be shared with staff by March 2023); (ii) adopting AI-based auditing on all submitted tax returns to strengthen ISTD's audit function (**proposed SB for June 2023**); (iii) and launching of an e-invoicing system to reinforce the monitoring of economic transactions and contain under-invoicing (**proposed SB for June 2023**). Further reforms on the tax front include reviewing property and capital taxation regimes and undertaking a tax expenditure analysis.
- **Expenditure efficiency:** Given the heavy burden of universal food price subsidies, the authorities have requested FAD TA to help improve targeting, strengthen audits of the supply chain, and stiffen penalties for misuse. To improve the efficiency of targeted social supports, work is in progress to (a) unify all National Aid Fund (NAF) programs for Jordanian citizens into a single program, and (b) improve the targeting approach. The authorities are also advancing a public sector modernization program, with a view to improve the efficiency of the public sector, increase its attractiveness including by developing a system of merit-based hiring and promotions, and reinforce its accountability, transparency, and independence. Finally, the authorities are putting in place the necessary infrastructure to move the PIP/PIM appraisal process to a single electronic platform (National Registry of Investment Projects (NRIP)), and initiate training for different government departments on its use (MEFP, ¶13).⁵
- **Fiscal risks:** In line with the recommendations of the Fiscal Transparency Evaluation last year, MoF will prepare a fiscal risks statement to be published alongside the 2024 budget (proposed SB for December 2023).

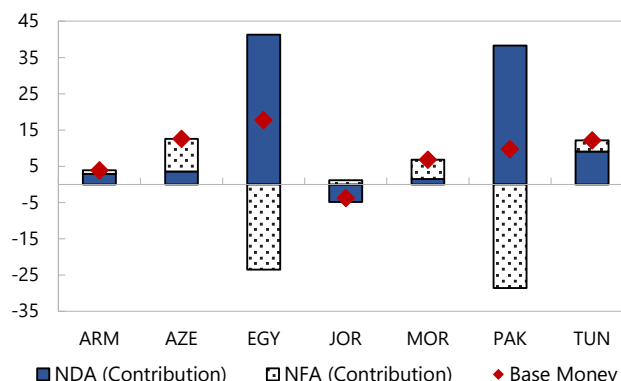
B. Ensuring Monetary Stability and Financial Sector Resilience

13. The CBJ has successfully preserved monetary and financial stability through the rapid Fed normalization and global financial tightening. Jordan's peg to the U.S. dollar, backed by adequate international reserves, has served as an effective anchor for macroeconomic stability against a challenging

⁵ The authorities have made significant progress over the last two years in addressing the deficiencies identified in the PIM/PPP framework. The 2021 PPP/PIM bylaw (met SB#4 for the 3rd review) institutes a requirement to produce PIM appraisal documents for all new public investments and PPP projects to ensure their proper selection and management. Further efforts to strengthen project appraisal and FCCL capacity; and improve coordination between all involved parties in the process (PIM, PPP, FCCL units) are underway. The monitoring of existing projects has been strengthened via SB#1 delivered in this review, which covered FCCL studies on the three largest existing PPPs.

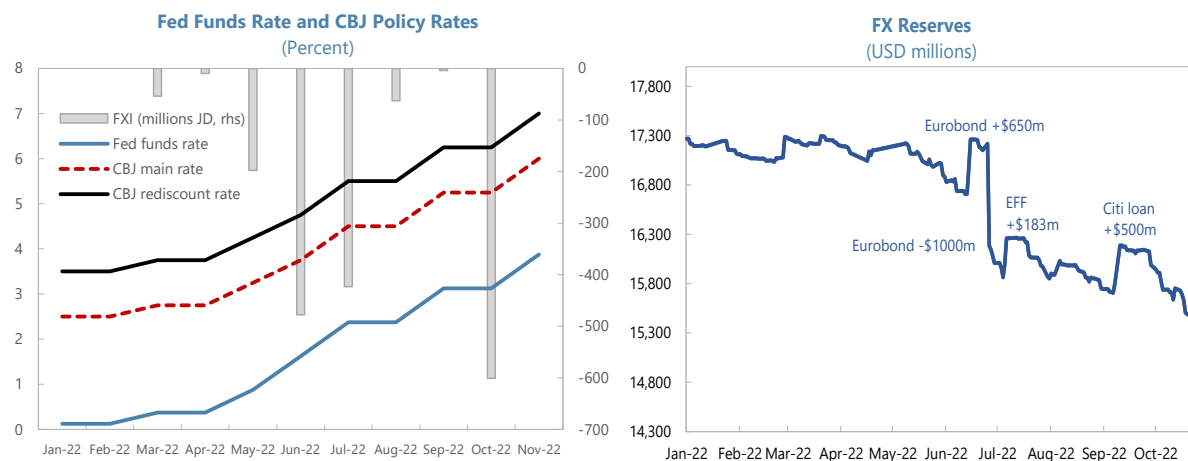
external environment. The CBJ has increased its monetary policy rates by 350–375 basis points since March,⁶ broadly in line with the U.S. Federal Reserve. It has also started issuing certificates of deposits (CDs) since August, which reached JD 600 million (1.7 percent of GDP) as of mid-November, further contributing to monetary tightening. Overall, the June and September NIR and NDA targets were met by comfortable margins. While claims on private sector grew at a robust 8.2 percent y-o-y in September (MEFP ¶15), the pace is expected to decelerate in the coming months on the back of tightening of financial conditions, supporting the gradual easing of inflationary pressures.⁷ The revised NIR targets for end-December 2022 and 2023 reflect both the higher-than-expected stock of NIR as of end-September 2022, but also larger current account deficits projected for 2022–23, and continue to ensure reserve buffers are adequate. The CBJ remains committed to undertaking the necessary monetary policy adjustments in response to Fed actions and is ready to adjust policy rates (or other tools) as needed in case of sudden BoP pressures to maintain confidence in the peg.

Base Money Growth & Contributions from NFA and NDA
(Percent, year-over-year, September 2022)



Sources: IMF Integrated Monetary Database and IMF staff calculations.

Interest Rate and Foreign Exchange Developments



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

⁶While the CBJ matched 1-to-1 the Fed rate hike in June by raising its overnight deposit window rate by 75 bps, it increased its main policy rate by only 50 bps.

⁷ The high private sector credit growth has been mainly attributed to rising inflation, higher demand for FX credit due to larger import bill, including food and energy related imports. It also reflects a larger outstanding stock of JD credit due to: (i) the Association of Banks in Jordan allowing household borrowers to postpone their debt service during Ramadan and Eid al-Adha (which fell in the month of April and June); and (ii) CBJ announcement in June encouraging banks and household borrowers with personal and housing loans to negotiate fixed debt service payments in the face of rising interest rates (see ¶14).

14. The banking system remains healthy, but asset quality bears close monitoring. While the banking system's capital adequacy ratio slightly dropped to 17 percent in June, mainly due to an increase in risk weighted assets as a result of robust loan growth, it is still well above the regulatory minimum of 12 percent. Non-

performing loans (NPLs) also declined—even despite the end-2021 expiration of deferment of loan payments by borrowers affected by the pandemic—while provisioning increased (MEFP ¶18–¶19). Profitability has started to recover but is still below pre-pandemic levels. In June, to help mitigate the impact of

Bank Soundness Indicators

	2019	2020	2021	2022 1/
Risk-weighted capital adequacy ratio	18.3	18.3	18.0	17.1
NPLs (In percent of total loans)	5.0	5.5	5.0	4.6
Provisions (In percent of classified loans)	69.5	71.5	79.9	83.4
Liquidity ratio	134.1	136.5	141.5	136.9
Return on assets	1.2	0.6	1.0	1.0
Loans to deposits ratio	81.6	84.5	82.8	84.7

Source: Central Bank of Jordan.

1/ June preliminary data.

sharply rising rates on household borrowers, the CBJ issued new instructions to banks, encouraging banks to offer household borrowers with variable interest rate loans a new repayment schedule with fixed monthly installments together with extended maturity or a variable bullet payment at maturity. The CBJ should continue its close monitoring of banks' asset quality, including by ensuring sustained application of prudent accounting, reporting, and provisioning standards.

15. The CBJ's subsidized lending schemes provided helpful support to businesses during the pandemic but should be unwound as the recovery gets entrenched (MEFP ¶17). In

light of the still-nascent recovery, high unemployment, and the central role SMEs play in job creation, the CBJ has extended its JD 700 million subsidized lending scheme—created in April 2020 to help SMEs—to December 2022. However, demand for this scheme has been steadily decreasing since 2021Q2, and the outstanding balance has been declining due to repayments by borrowers. The duration of the other subsidized lending scheme of JD 1.3 billion, introduced in 2012 to support vital economic sectors, has also been extended to March 2023⁸. However, to better target this scheme, in November, the CBJ instructed that financing provided via this scheme be limited to capital expenditures only. Going forward, these schemes should continue to become more targeted and be phased out as the recovery gains momentum. To this end, the authorities have indicated their intention to unwind the SME scheme as the recovery consolidates and no later than 2023, and to review the interest rate on the JD 1.3 billion scheme over the medium-term in light of CBJ's monetary policy stance and evolving economic conditions. The interest rates on these two subsidized lending schemes have remained unchanged since their inception, despite the increase in all other policy rates.

16. The CBJ has continued to work on strengthening its prudential supervision of the financial sector (MEFP ¶20). Since the insurance sector came under the purview of the CBJ in June 2021, the CBJ has been working on developing a risk-based solvency regime to ensure the safety and soundness of the insurance sector in line with international best practices (SB for June 2023).

⁸ The outstanding credit from the two lending schemes as of end-September 2022 stood at about 23 percent of total CBJ gross credit to the financial system. These schemes are recorded under CBJ net claims on commercial banks.

17. Enhancing the regime for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) continues to be a priority (MEFP ¶122). Jordan was placed on the Financial Action Task Force (FATF)'s watch list in October 2021 and since then the authorities have committed to the implementation of the items in their action plan (SB for October 2023) to facilitate exiting the watch list: 11 of 24 action items in the plan have been addressed or largely addressed. Continued timely implementation of the action plan will be needed to enable Jordan to exit from the watch list next fall, which, in turn, will help the authorities preserve their corresponding banking relationships and effectively guard against financial integrity risks.

18. The ongoing joint IMF/WB FSAP is expected to help identify financial sector vulnerabilities and measures to address them. It will take stock of progress made on the 2008–09 FSAP recommendations and assess key vulnerabilities and risks to the financial system as the economy recovers from the pandemic; resilience of the banking system to shocks; the financial sector oversight framework; the financial safety net; crisis management framework and how best the financial sector can align with the priorities of the real economy. Separately, the authorities continue to leverage Fund TA in the areas of economic policy modeling, central bank digital currency, risk-based banking supervision, and strengthening BoP statistics (MEFP ¶125–26). In this context, the CBJ has already implemented an FDI survey to improve the BoP statistics (SB for October 2022 met) which will help to better understand the composition of capital flows and reduce errors and omissions.

C. Reforming the Electricity and Water Sectors

19. NEPCO's operating deficit increased to 0.6 percent of GDP in 2022, 0.3 percent of GDP larger than projected in the fourth review. While prices of its long-term natural gas contracts are less volatile than global natural gas prices, NEPCO's natural gas import prices still increased considerably this year. Moreover, thinner profit margins in electricity distribution companies pushed down NEPCO's bulk supply tariffs necessary to meet contractual profit commitments to these companies (Annex II). As a result, NEPCO's losses increased this year and its stock of arrears stayed largely unchanged at JD 100 million by end-September 2022 (June and September ITs not met). Looking ahead, elevated energy import prices, relatively weak electricity demand, and the expensive oil shale PPA that came on stream will—absent reforms—worsen NEPCO's financial outlook.⁹

20. The authorities are committed to undertaking decisive reforms to address NEPCO's structural financial challenges, in collaboration with development partners. The cabinet will adopt an action plan, prepared in collaboration with Bank and Fund staff, to reduce NEPCO's losses by JD 90 million in 2023 and JD 135 million in 2024 (*prior action*). These measures will help contain NEPCO's losses to 0.9 percent of GDP in 2023 and 0.8 percent of GDP in 2024 and set them on a declining trajectory thereafter (MEFP ¶128). As part of executing this action plan, the authorities will implement, in consultation with IMF staff, time of use tariffs, and other adjustments needed to raise JD 50 million for NEPCO in 2023 (*proposed SB for May 2023*). In addition, the authorities are

⁹ The first unit of the two-oil shale PPA plants started operating at full capacity on October 25. The second unit is expected to come on stream early next year.

strengthening governance reforms and interconnections with neighboring countries to improve NEPCO's financial outlook (MEFP ¶28 and ¶29).

21. The water sector's financial deficit was smaller than expected in 2022, but the medium-term outlook remains challenging. Combined losses in the water sector are expected at 0.7 percent of GDP (somewhat lower than the 1 percent of GDP envisaged in the fourth review), reflecting a small pick-up in revenue and a delay in capital expenditure. The stock of arrears owed by the water sector was also brought down to JD 106 million as of September, from nearly JD 200 million at end-2021. However, climate change, evident by the drought this year, will entail higher costs: low water storage in dams and inadequate replenishment of aquifers risk further increasing the costs of water supply. Moreover, the Aqaba-Amman Conveyor (AAC) project, which is crucial for boosting Jordan's water supply, will impose a substantial financial burden once it comes on stream, likely in 2029.¹⁰

22. Against this backdrop, the cabinet's adoption of the Financial Sustainability Roadmap (FSR) is an important step for addressing the financial challenges of the water sector. The FSR, approved by the cabinet on November 2, and prepared with inputs from the World Bank and the USAID, focuses on reducing non-revenue water and increasing energy efficiency, managing existing debt, and optimizing CAPEX and OPEX of new water systems including the AAC (MEFP ¶30). In addition, the cabinet will adopt a decision for the joint committee between the Ministry of Finance and the Ministry of Water and Irrigation to meet on a quarterly basis with a view to clearing all arrears of the water sector by end-March 2024 (*proposed SB for March 2023*). In this context, the ITs on stock of arrears of WAJ and distribution companies have been revised to be in line with the authorities' current plan for arrears clearance.

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

23. Addressing structural impediments to inclusive and jobs-rich growth requires increasing female labor force participation, addressing labor market segmentation, and reducing youth unemployment (MEFP ¶34).

- To tackle Jordan's low female labor force participation rate (13.7 percent), the government is working on addressing obstacles facing women in the labor market including the lack of affordable childcare, and safe public transport and workplaces. Labor Law amendments—aimed at enhancing protections for women from harassment and violence in the workplace and removing restrictions to women entering certain professions and industries—were tabled for parliamentary discussion (completed SB for November 2022). The government is committed to prioritizing passage of the law and issuing secondary legislation to implement a code of conduct in the workplace.
- To tackle the high youth unemployment (48 percent), the government has launched a national employment program, aimed at creating 60,000 jobs for youth in the private sector. The

¹⁰ The final submission date for bids has been extended to March 30, 2023, due to several changes to the original Request for Proposals. Financial closure is now expected to be reached by September 2024.

government is considering lowering the social security contribution rates for workers under 30. The government is also conducting a comprehensive review of labor legislations, which will provide the basis for policy recommendations on how to reduce obstacles to job creation, including for the youth.

24. Reforms to improve the business environment should encourage competition, foster investment, and boost export competitiveness (MEFP ¶135). Amendments to the Competition Law were submitted to parliament, with a view to strengthening the regulatory framework (completed SB for August 2022). To further strengthen competition policies, the Competition Directorate at the Ministry of Industry and Trade will complete a study of the state of competition for the oil derivatives and transport sectors and share the results with Fund staff by February 2024. In addition, to reduce entry barriers for businesses, the authorities will submit legislation to enable the abolishment of five licenses in the tourism sector identified in the 2019 cabinet decision for elimination (*proposed SB for December 2023*).

25. The authorities continue to strengthen governance and increase transparency (MEFP ¶135). The authorities are implementing amendments to the Illicit Gains Law and enacted the Integrity and Anti-Corruption Commission (IACC) law in 2022. Building on progress on reporting the beneficial ownership of companies awarded government contracts to support the COVID-19 pandemic response, the Cabinet issued a decision to establish a beneficial ownership registry for companies, which will be launched in 2023. The rollout of the digital system to strengthen transparency and governance over procurement is ongoing, with the two largest ministries (education and health) now covered by the e-procurement system ahead of schedule (completed SB for December 2022).

26. Strengthening national statistics is critical for calibrating policy responses (MEFP ¶137). The Department of Statistics (DoS), with technical support from METAC, has compiled annual GDP estimates using primary annual statistics, and will publish the 2019 annual GDP statistics by March 2023 (*proposed SB for March 2023*). DoS will ensure a regular publication and revision schedule that includes revisions to quarterly GDP based on annual GDP estimates.

PROGRAM FINANCING AND SAFEGUARDS

27. Despite heightened risks from the external environment, the program remains fully financed. Reserves are expected to remain close to 100 percent of ARA in 2022–23. Staff’s baseline for 2023 and beyond does not include all potential official financing (including additional U.S. Congressional top-ups to the MOU, averaging US\$200 million per year, pending promulgation; and the potential rollover of GCC deposits of US\$833 million maturing in 2023). Without these or equivalent additional financing, reserves would fall to around 90 percent over the medium-term (slightly weaker than expected at the fourth review). Staff’s projection for 2023 includes an additional US\$500 million Eurobond issuance to bring the total targeted issuance to US\$1 billion given that the authorities have managed to maintain market access. Should some of the official financing noted above come through, commercial borrowing will be reduced. The authorities have expressed their interest in

the Resilience and Sustainability Facility (RSF), which could support their climate-related measures and policies in the future.¹¹

28. Capacity to repay the Fund

remains adequate. Despite the

deterioration in indicators of Fund

credit, they remain below historical

peak values under past Fund-

supported programs. Stock of Fund

credit is projected to peak at 435

percent of quota in September 2023,

while obligations to the Fund are

projected to peak at 80.4 percent of quota and 1.9 percent of reserves in 2024 (see Table 6). While debt

sustainability risks remain, development partners' ongoing commitment to Jordan and continued

market access constitute important safeguards.

29. Safeguards assessment. The CBJ has implemented all the 2020 safeguards recommendations,

except the one related to enhancement of financial statements disclosures that is expected to be

addressed as part of FY2022 audit.

STAFF APPRAISAL

30. A broad-based recovery continues amid a challenging global environment. The post-pandemic

reopening and the authorities' timely and proportionate policy responses have supported the ongoing

recovery, which is expected to continue in 2023 despite the headwinds. Inflation has picked up, mainly

driven by high commodity prices, but remains manageable. However, formal job creation is still weak, and

Jordanian unemployment has persisted at elevated levels, despite an incipient reduction in youth

unemployment, albeit from very high levels.

31. Program performance has been strong, with all key quantitative targets met, and firm

implementation of structural reforms. All QPCs and most ITs have been met, and delivery of

structural conditionality has been robust, reflecting the authorities' continued strong ownership of the

program. The authorities have also phased out costly untargeted fuel subsidies, as agreed in the fourth

review. The authorities are committed to advancing an ambitious revenue administration agenda

(including implementation of recent legislative reforms on transfer pricing, economic substance

requirements, GST place of taxation rules, and ASEZA tax and customs unification within national

systems); improving the monitoring and disclosure of fiscal risks; and enhancing the efficiency of public

Current Account Deficit and Sources of Financing, 2022-23
(Millions of USD)

	2022			2023			2022-23		2025
	4th Rev.	Proj.	Change	4th Rev.	Proj.	Change	Change	Proj.	Proj.
Current account deficit (CAD) ex-grants	4,778	5,294	515	3,992	4,566	574	1,090	4,021	3,271
Sources of financing the CAD ex-grants	4,778	5,294	515	3,992	4,566	574	1,090	4,021	3,271
Private sector inflows (net)	1,261	1,108	-153	2,076	2,054	-21	-174	1,987	2,445
Banks' non-resident deposit inflows	-300	-150	150	-200	-200	0	150	-200	0
Reserve drawdown	356	1,212	855	22	-501	-523	333	104	-589
Public grants	1,546	1,499	-47	1,576	1,599	23	-25	1,423	1,279
Public sector financing (net)	26	-213	-240	-681	177	858	619	-11	-98
Commercial borrowing (net)	0	150	150	500	1,000	500	650	0	0
Amortization	1,000	1,000	0	0	0	0	0	0	1,000
Issuance /1	1,000	1,150	150	500	1,000	500	650	0	1,000
Public sector loans (net)	66	9	-56	-25	0	25	-31	-22	-109
GCC deposits /2	0	-333	-333	-1,167	-833	333	0	0	0
Other (residual)	-39	-39	0	11	11	0	0	11	11
Program financing (excluding IMF) /3	1,364	1,330	-33	1,238	1,474	235	202	856	445
IMF financing (net)	525	507	-18	-40	-37	2	-15	-137	-210
Remaining financing gap	0	0	0	0	0	0	0	0	0
Usable gross reserves	16,916	16,061	-855	17,870	17,730	-140	-140	18,316	18,955
in percent of ARA metric	105	99	-6	98	95	-3	-3	91	90

1/Eurobond issued in Q2 2022 at USD 650 million, USD 500 million Citibank loan

2/ UAE deposit of USD 333 million converted into a concessional loan (see 3/). Remaining GCC deposits of USD 833 maturing in 2023

3/ Includes UAE USD 333 million concessional loan issued in 2022Q2 to finance deposit originally maturing in 2023

¹¹ For Jordan's climate challenges and policy initiatives, please see Annex VI in the Staff Report for 2022 Article IV Consultation and Fourth Review Under the Extended Arrangement Under the Extended Fund Facility.

expenditure, including through better targeting of social supports, public sector modernization initiatives, and better management of investment projects.

32. However, high fuel and food prices, ongoing tightening of global financial conditions, and slower global growth pose risks to the outlook. Jordan's relatively stable gas import prices under long-term contracts and substantial wheat reserves continue to provide near-term buffers, but pressure on fiscal spending and reserves will build up if food prices stay elevated. Indeed, the large (0.8 percent of GDP) cost of universal food price subsidies consumed significant fiscal space this year, crowding out infrastructure spending, which is important for Jordan's long-term growth potential. Further, Fed policy rate hikes will weigh on demand, both via the CBJ's interest rate response to defend the peg, and the knock-on effects of tighter global financial conditions on EM risk premia and capital flows.

33. Given the challenging circumstances, the proposed fiscal adjustment in 2023 is appropriate to support the recovery and protect the vulnerable. In light of the global headwinds, the tightening in monetary policy, and the very high unemployment, a slightly more gradual fiscal consolidation is warranted to protect the recovery and avoid scarring and social tensions. To this end, the authorities are committed to passing a 2023 budget that protects the population against higher international food prices, and envisages somewhat higher capital spending, in the context of continued strong projected revenue mobilization. Given the risks to public finances from untargeted subsidies, and the utility sectors, it will be important to adhere to the agreed fiscal consolidation path, to bring the debt-to-GDP ratio below 80 percent by end-2027. Achieving this will require steadfast implementation of the revenue and expenditure measures identified at the fourth review, decisive steps to arrest NEPCO deficits, pursuit of options to better target universal food price subsidies, with the help of IMF TA, and adoption of contingency deficit-reducing measures if the envisaged savings from these measures fall short.

34. Monetary policy should remain anchored to safeguarding the peg and financial stability. To ensure the peg is credible, the CBJ must maintain adequate reserve buffers, and be agile to preempt any major BoP outflows. In addition, the CBJ should better target and gradually unwind the subsidized lending schemes and continue to closely monitor banks' asset quality, and the sustained application of prudent accounting, reporting, and provisioning standards.

35. Reforms in electricity and water sectors are critical for preserving the financial sustainability of public finances. The financial outlook of the electricity sector has become more challenging, and will require decisive reforms, including steadfast implementation of the action plan to be prepared in collaboration with development partners to credibly reduce NEPCO's deficits starting 2023. In addition, and given persistent losses and arrears, Cabinet adoption of the financial sustainability roadmap for the water sector is a welcome step towards addressing water scarcity and reducing losses in the water sector. Better coordination and timely cash transfers between MOF and WAJ are also needed to reduce arrears.

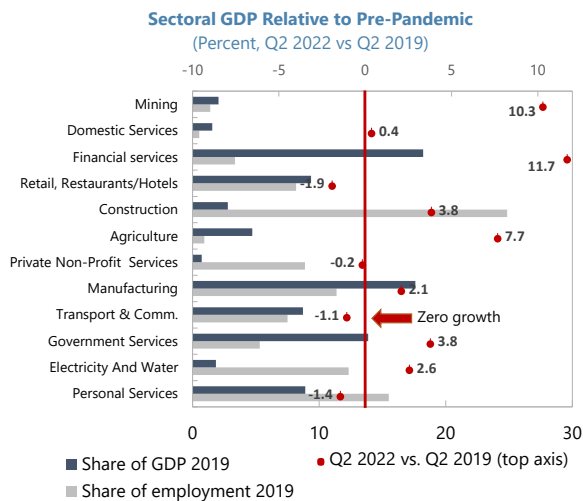
36. Realizing Jordan's growth potential requires more forceful actions to enhance employment, investment, and governance. Eliminating gender-biased legislations and ensuring a safe workplace environment for women; reducing labor market segmentation; and lowering the cost of

hiring youth are critical. At the same time, more efforts are needed to reduce entry barriers for businesses, strengthen competition regulations, enhance governance and transparency, and improve data provision.

37. Staff supports the authorities' request for the completion of the fifth review under the extended arrangement and modification of targets. In view of the challenging external economic environment, staff supports the authorities' request for modification of the two end-December 2022 and end-June 2023 fiscal QPCs to protect the recovery and the vulnerable, end-December 2022 and end-June 2023 NIR QPCs, and end-December 2022 and all 2023 ITs on water sector arrears. Stepped-up and timely development partner support is needed to continue to help Jordan cope with the global economic headwinds, maintain reform momentum, address water scarcity, and shoulder the burden of hosting 1.3 million Syrian refugees.

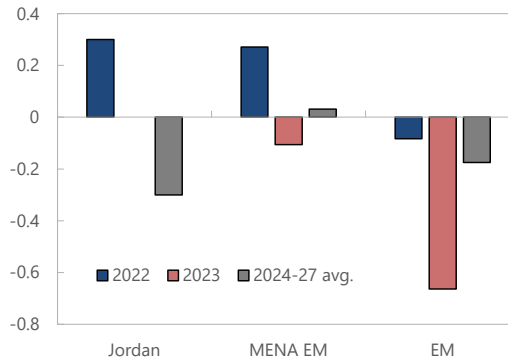
Figure 1. Jordan: Real Sector Developments

Most sectors have surpassed their pre-pandemic levels



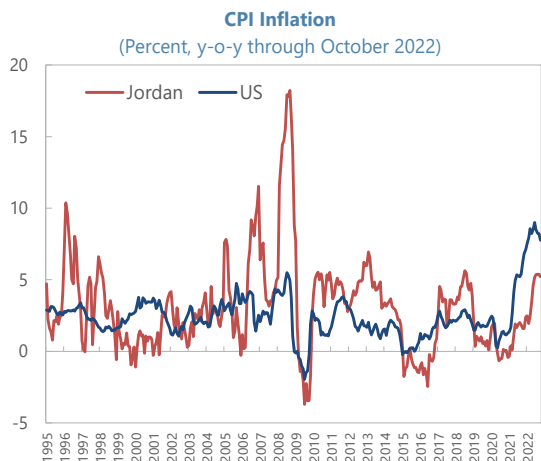
GDP growth is strong in 2022-23, but medium-term is being revised down slightly.

Growth Forecast Revisions, Jordan vs. Peers
(Percentage points)



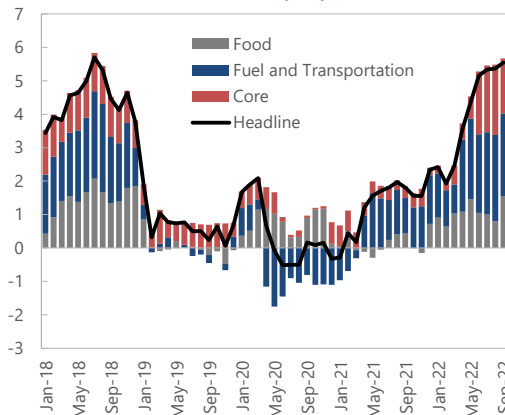
Note: Jordan's revisions are between 4th review and current projection; comparators are between April and October 2022 WEO submission.

Inflation has increased, but is still lower than the US.

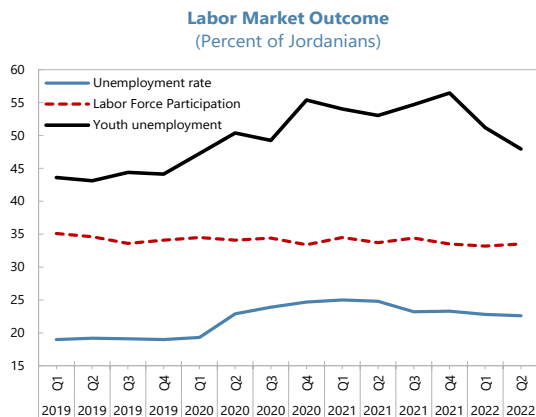


Inflation has been driven by high energy prices, and core inflation has picked up recently.

CPI Inflation by Component
(Percent y-o-y)

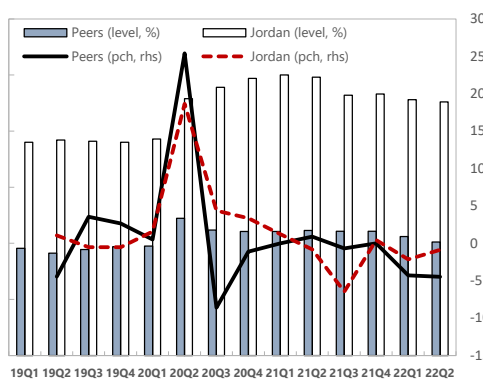


Youth unemployment rate declined but remains high.



Overall, unemployment remains elevated relative to peers.

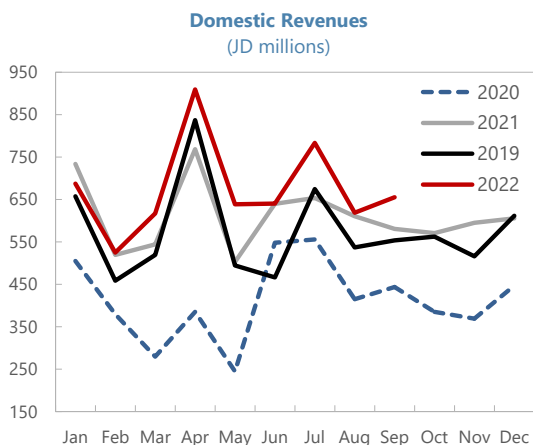
Unemployment (Jordan vs. Regional Peers)



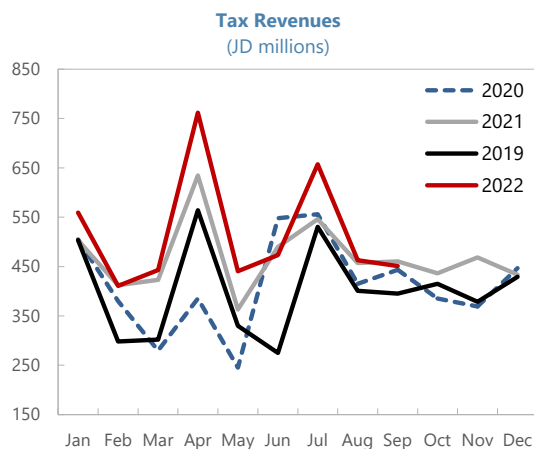
Sources: Jordanian authorities; Haver Analytics; and IMF staff calculations.

Figure 2. Jordan: Fiscal Developments

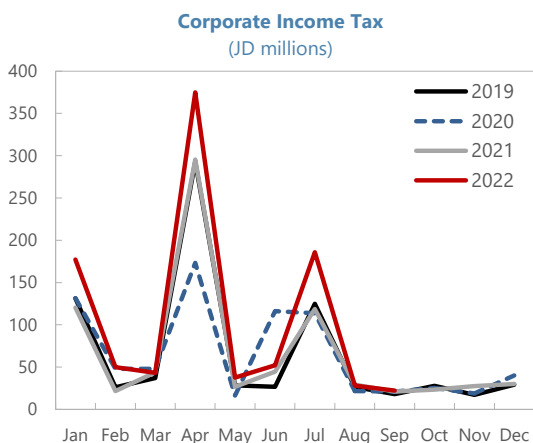
Domestic revenue has been robustly recovering from COVID.



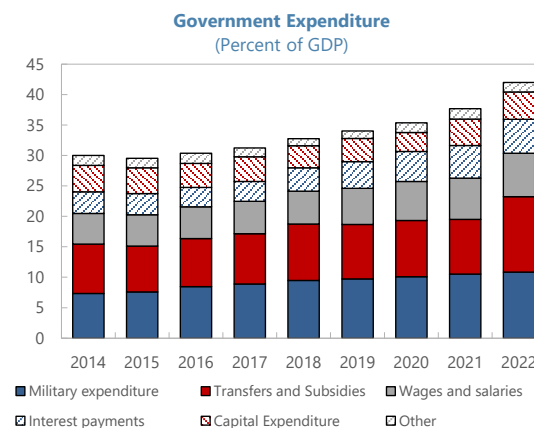
Tax revenues recorded a strong rebound in 2022.



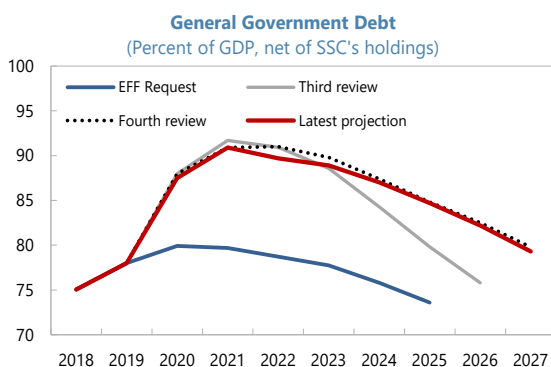
...mainly driven by income and profits taxes.



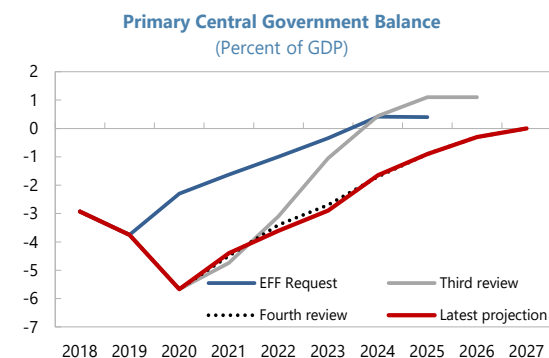
Government expenditure increased due to fuel and food subsidies.



Public debt continues to be on a downward trajectory, showing a slight improvement relative to the fourth review due to a mark-up in nominal GDP



Despite spending pressures, the central government primary balance is still expected to deliver a sustained improvement

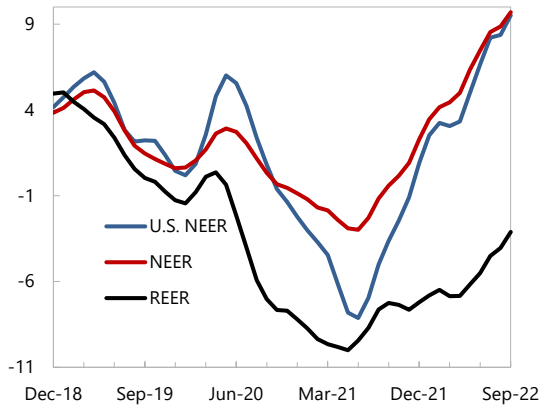


Sources: Jordanian authorities and IMF staff calculations.

Figure 3. Jordan: External Sector Developments

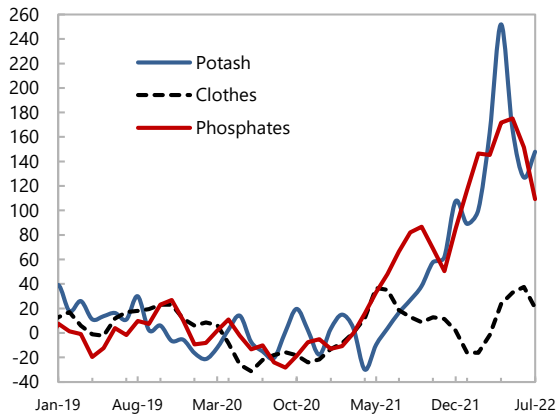
The dollar peg and synchronized monetary tightening with the U.S. drove up the exchange rate which...

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



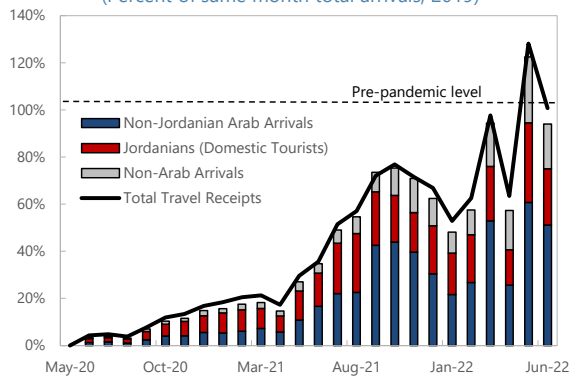
Exports surged driven by rising fertilizer prices but also higher volumes

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



Tourism receipts grew reaching pre-pandemic levels

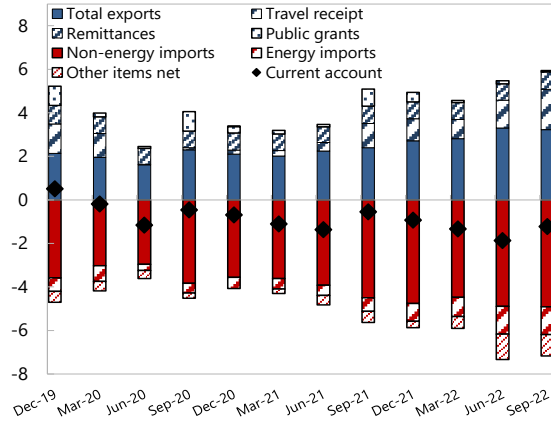
Tourist Arrivals and Receipts
(Percent of same month total arrivals, 2019)



Sources: Jordanian authorities and IMF staff calculations.

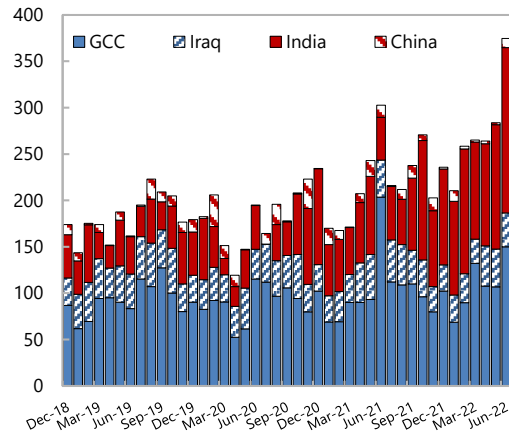
...along with rising import prices, especially fuel, kept the current account deficit higher than expected.

Current Account, 2019-22
(USD billions)



Exports to GCC countries grew, marking deeper regional integration

Exports to Select Markets
(Nominal millions LCU)



Import growth continued fueled by rising prices, with energy playing a key role.

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

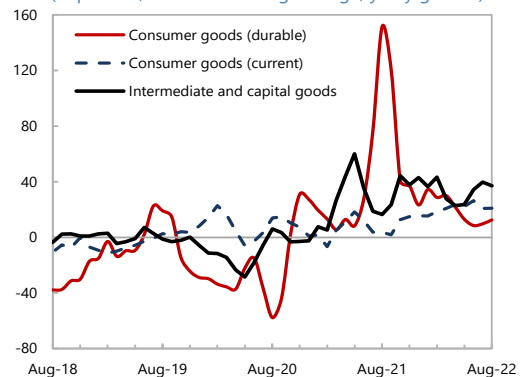
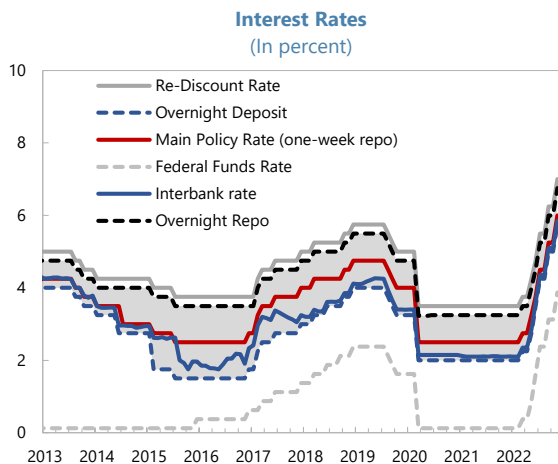
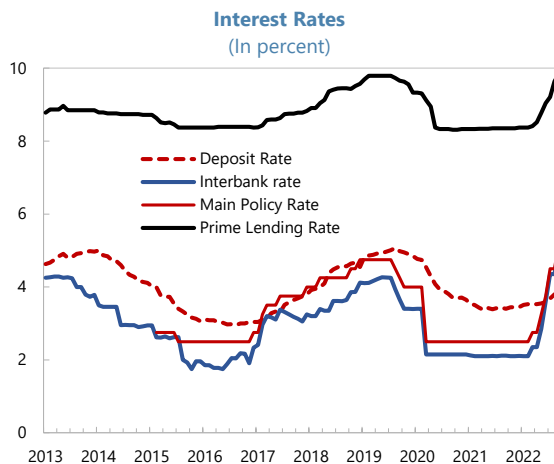


Figure 4. Jordan: Monetary and Financial Indicators

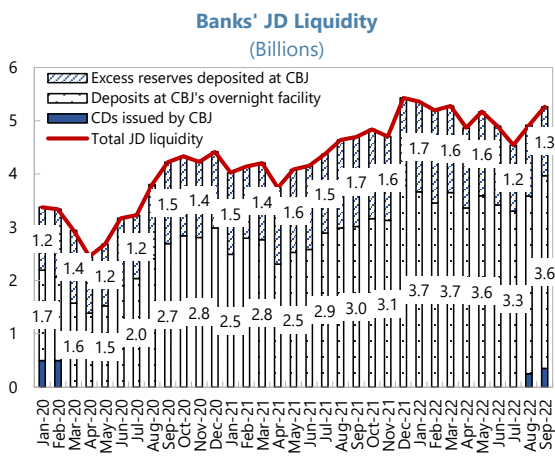
Policy rates have risen since March, in line with the Fed rate increases...



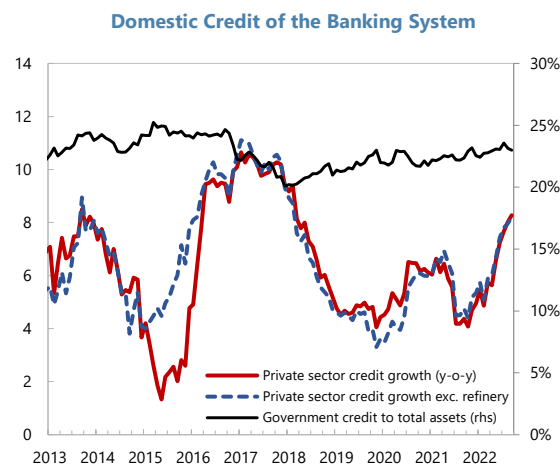
...and deposit/lending rates have followed.



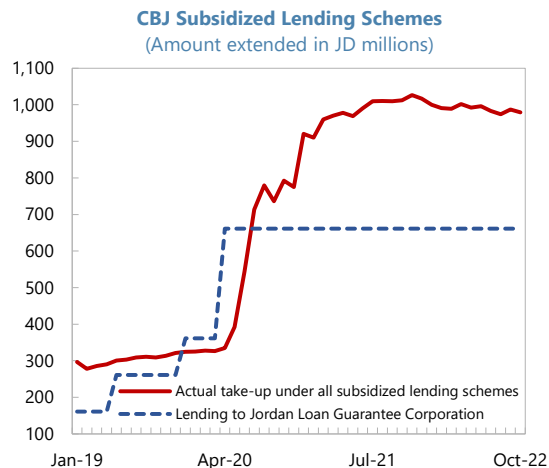
Banks' liquidity conditions continue to remain comfortable.



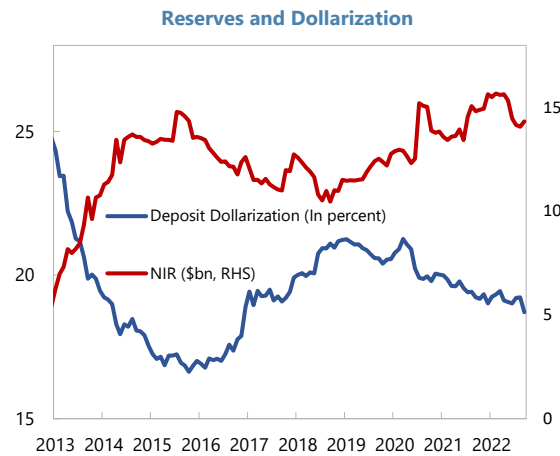
Private sector credit growth has been robust.



Demand for CBJ's subsidized SME lending scheme has slowed down significantly.



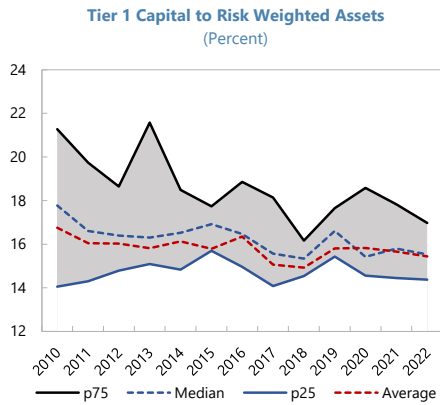
Ample reserves have kept dollarization down.



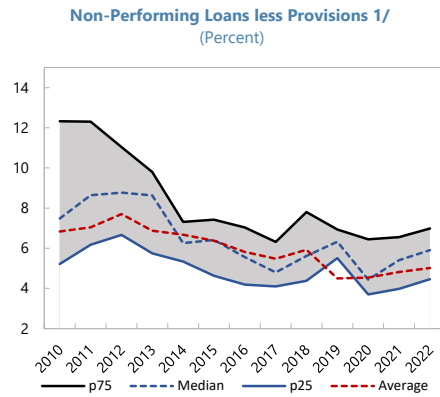
Sources: Central Bank of Jordan; Jordan Department of Statistics; and IMF staff calculations.

Figure 5. Selected Indicators for Jordanian Banks
(As of June 2022)

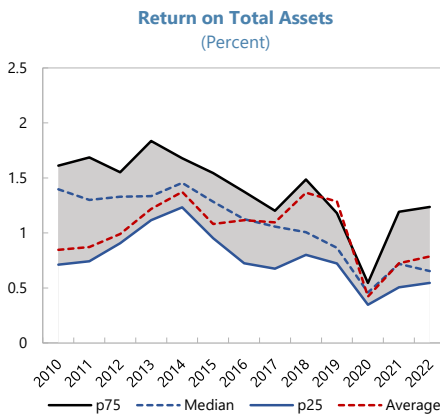
Banks continue to remain well-capitalized...



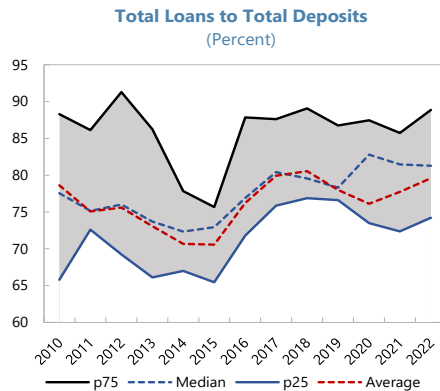
And NPLs net of provisions have been stable.



Profitability recovered as most provisioning took place in 2020.



Loans have continued to be stably funded by deposits...



Sources: Bloomberg; and IMF staff calculations. The sample includes the following 14 Jordanian banks: Arab Bank PLC, Housing Bank for Trade and Finance, Bank of Jordan, Bank Al Etihad, Jordan Kuwait Bank, Cairo Amman Bank, Capital Bank of Jordan, Arab Jordan Investment Bank, Societe Generale de Banque – Jordanie, Jordan Ahli Bank, Safwa Islamic Bank, Invest Bank, Jordan Commercial Bank, Arab Banking Corp. The average is a weighted average by total assets of the above banking sample.

1/Non-performing loans to gross loans, less ratio of provisions to gross loans.

Table 1. Jordan: Selected Economic Indicators and Macroeconomic Outlook, 2020–27

	Act. 2020	Act. 2021	4th Rev 2022	Proj. 2022	4th Rev 2023	Proj. 2023	Proj. 2024	Proj. 2025	Proj. 2026	Proj. 2027
(Annual percent change, unless otherwise noted)										
Output and prices										
Real GDP at market prices	-1.6	2.2	2.4	2.7	2.7	2.7	2.7	3.0	3.0	3.0
GDP deflator at market prices	-0.2	1.3	3.6	3.8	3.0	3.8	2.9	2.5	2.5	2.5
Nominal GDP at market prices	-1.8	3.5	6.1	6.6	5.8	6.6	5.7	5.6	5.6	5.6
Nominal GDP at market prices (JD millions)	31,369	32,478	34,077	34,624	36,042	36,911	39,004	41,174	43,464	45,882
Nominal GDP at market prices (\$ millions)	44,245	45,809	48,064	48,836	50,835	52,060	55,013	58,073	61,303	64,714
Consumer price inflation (annual average)	0.4	1.3	3.8	4.4	3.0	3.8	2.9	2.5	2.5	2.5
Consumer price inflation (end of period)	-0.3	2.3	4.4	5.5	3.0	3.8	2.9	2.5	2.5	2.5
Unemployment rate (period average, percent) 1/	22.7	24.1	...	...	...	...	...	...	...	...
(Percent of GDP, unless otherwise noted)										
Fiscal operations										
Revenue and grants	22.4	25.0	26.1	26.1	25.4	25.8	25.9	25.8	26.2	26.0
<i>Of which: grants</i>	2.5	2.5	2.6	2.4	2.0	2.1	1.8	1.3	1.2	1.1
Expenditure 2/	29.6	31.3	30.8	31.7	30.4	31.0	30.6	30.3	30.1	29.7
Unallocated discretionary fiscal measures 3/	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Overall central government balance 4/	-7.2	-6.3	-4.7	-5.6	-4.8	-5.2	-4.7	-4.4	-3.9	-3.6
Overall central government balance excluding grants	-9.7	-8.8	-7.3	-7.9	-6.9	-7.3	-6.5	-5.7	-5.1	-4.7
Primary government balance (excluding grants)	-5.6	-4.4	-3.4	-3.7	-2.7	-2.9	-1.7	-0.9	-0.3	0.0
NEPCO operating balance	-0.3	-0.5	-0.3	-0.6	-0.7	-0.9	-0.8	-0.6	-0.5	-0.4
WAJ overall balance	-0.8	-0.7	-0.9	-0.8	-0.9	-0.7	-0.7	-0.6	-0.6	-0.5
Water distribution companies overall balance	-0.3	-0.3	-0.2	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Combined public sector balance 5/	-7.0	-6.0	-4.6	-5.2	-4.4	-4.6	-3.2	-2.2	-1.4	-0.9
Consolidated general government overall balance, excl. grants	-8.2	6.7	-5.2	-5.3	-5.3	-4.8	-4.1	-3.2	-2.4	-1.9
Consolidated general government primary balance, excl. grants	-4.5	-3.4	-1.7	-1.6	-1.6	-1.0	0.1	1.0	1.7	2.0
Government and guaranteed gross debt 6/	88.8	112.3	114.4	113.1	114.5	112.6	112.0	111.2	109.8	108.3
Government and guaranteed gross debt, net of SSC's holdings 6/	87.5	90.7	91.0	89.7	89.8	88.2	86.2	84.2	81.7	79.3
<i>Of which: external debt</i>	40.6	41.2	42.3	42.8	43.3	44.8	43.6	41.6	37.2	35.1
External sector										
Current account balance (including grants), <i>of which:</i>	-5.7	-8.7	-6.7	-7.8	-4.8	-5.7	-4.7	-3.4	-2.2	-3.1
Exports of goods, f.o.b. (\$ billions)	8.0	9.4	11.3	12.0	11.6	12.2	11.5	12.0	12.8	13.2
Imports of goods, f.o.b. (\$ billions)	15.4	19.2	22.1	23.9	22.0	22.9	22.4	22.8	23.6	24.9
Oil and oil products (\$ billions)	2.1	3.0	4.6	4.4	4.2	3.9	3.8	3.7	3.6	3.7
Current account balance (excluding grants)	-9.0	-11.9	-9.9	-10.8	-7.9	-8.8	-7.3	-5.6	-4.3	-4.5
Private capital inflows (net)	1.5	1.1	1.8	1.7	2.5	2.4	2.7	3.0	3.9	4.2
Public grants and identified budget loans (excl. IMF)	5.8	6.1	6.1	5.8	5.5	5.9	4.1	3.0	2.5	1.6
(Annual percent change)										
Monetary sector										
Broad money	5.8	6.7	6.1	6.6	5.8	6.6	5.7	5.6	5.6	5.6
Net foreign assets	0.2	-0.8	-0.2	-6.7	14.6	16.8	2.7	6.8	4.6	10.6
Net domestic assets	7.4	8.7	7.6	9.7	3.9	4.6	6.3	5.3	5.8	4.5
Credit to private sector	6.3	4.9	4.1	6.3	4.3	4.3	5.5	6.0	6.5	6.9
Credit to central government	11.4	13.8	0.3	2.2	1.5	-2.6	5.5	7.7	13.1	6.6
Memorandum items:										
Gross usable international reserves (\$ millions)	15,127	17,272	16,916	16,061	16,894	16,561	16,458	17,046	17,431	18,586
In months of prospective imports	7.8	7.0	7.4	6.7	7.3	7.0	6.8	6.8	6.6	6.7
In percent of reserve adequacy metric	110	115	105	99	98	95	91	90	90	93
Net international reserves (\$ millions)	13,844	15,646	14,764	13,927	14,782	14,465	14,498	15,297	15,881	17,272
Population (millions) 7/	10.2	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.4	10.4
Nominal per capita GDP (\$)	4,336	4,461	4,666	4,741	4,930	5,048	5,330	5,616	5,909	6,207
U.S. dollar per Jordanian dinar (period average)	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41
Nominal exchange rate (peg to the US dollar)	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41
Real effective exchange rate (end of period, 2010=100) 8/	105.5	99.2	...	...	...	...	...	...	...	...
Percent change (+ = appreciation; end of period)	-9.5	-6.0	...	...	...	...	...	...	...	...

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

1/ The Department of Statistics changed the methodology of the Survey of Employment and Unemployment in 2017 following ILO recommendations.

The variable now reports unemployment rates for Jordanians only (excluding foreigners).

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

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

4/ Includes statistical discrepancy.

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

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

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

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

Table 2a. Jordan: Central Government: Summary of Fiscal Operations, 2020–27 1/
(In millions of Jordanian dinars)

	2020	Prel. 2021	4th Rev 2022	Proj. 2022	4th Rev 2023	Proj. 2023	Proj. 2024	Proj. 2025	Proj. 2026	Proj. 2027
Total revenue and grants	7,029	8,128	8,907	9,049	9,211	9,524	10,087	10,634	11,375	11,932
Domestic revenue*	6,238	7,325	8,034	8,234	8,473	8,744	9,391	10,094	10,846	11,429
Tax revenue, of which:	4,958	5,627	6,128	6,228	6,472	6,601	7,108	7,690	8,309	8,742
Taxes on income and profits	1,103	1,180	1,433	1,503	1,505	1,626	1,779	1,933	2,103	2,201
Sales taxes	3,534	4,039	4,294	4,357	4,496	4,574	4,856	5,178	5,534	5,846
Taxes on foreign trade	274	338	266	234	271	258	322	419	502	517
Other taxes	47	71	134	134	142	143	151	160	169	178
Nontax revenue	1,279	1,698	1,906	2,006	2,001	2,143	2,283	2,404	2,537	2,686
Grants	791	803	873	815	738	780	696	540	529	503
Total expenditures, inc. other use of cash*	9,294	10,172	10,506	10,986	10,947	11,449	11,922	12,457	13,090	13,604
Current expenditure	8,434	8,869	9,298	9,809	9,567	9,956	10,425	10,857	11,397	11,812
Wages and salaries	1,677	1,771	1,873	1,873	1,957	1,958	1,997	2,046	2,138	2,245
Interest payments	1,289	1,403	1,314	1,454	1,519	1,616	1,851	1,981	2,101	2,161
Domestic	893	977	860	960	990	1,077	1,253	1,384	1,475	1,549
External	396	426	453	494	529	539	598	598	626	613
Military and public security expenditure, of which:	2,636	2,750	2,836	2,837	3,000	3,016	3,195	3,356	3,483	3,619
Military expenditure	1,390	1,430	1,481	1,481	1,567	1,574	1,668	1,755	1,814	1,876
Subsidies	19	55	350	686	30	277	254	226	196	207
Wheat subsidies	19	55	55	296	30	277	254	226	196	207
Fuel subsidies	0	0	295	390	0	0	0	0	0	0
Transfers, of which:	2,399	2,300	2,503	2,555	2,686	2,698	2,733	2,828	3,037	3,110
Pensions	1,570	1,605	1,655	1,656	1,751	1,753	1,835	1,937	2,045	2,166
Cash transfers, NAF social assistance	240	184	271	271	261	261	261	273	280	287
Transfers to health fund, of which:	238	159	227	227	170	170	130	76	76	75
Health arrears clearance	136	91	99	99	80	80	40	0	0	0
Energy arrears clearance	6	73	10	10	0	0	0	0	0	0
Transfers to public sector institutions	212	201	212	212	213	213	214	226	239	253
Other transfers	132	78	128	180	292	301	292	316	398	330
Purchases of goods & services	415	590	422	404	375	392	396	419	443	469
Capital expenditure	823	1,154	1,208	1,177	1,380	1,492	1,497	1,600	1,693	1,792
Net lending	0	0	0	0	0	0	0	0	0	0
Transfer to NEPCO	9	0	0	0	0	0	0	0	0	0
Adjustment on receivables and payables (use of cash)	28	149	0	0	0	0	0	0	0	0
Total balance from above the line	-2,266	-2,044	-1,599	-1,937	-1,795	-1,925	-1,835	-1,824	-1,715	-1,672
Overall central government balance at current policies	-2,266	-2,044	-1,599	-1,937	-1,795	-1,925	-1,835	-1,824	-1,715	-1,672
Overall central government balance	-2,266	-2,044	-1,599	-1,937	-1,795	-1,925	-1,835	-1,812	-1,702	-1,658
Advances to water sector, of which:	368	357	391	327	324	219	278	265	259	258
Distribution companies	80	113	51	10	48	10	10	10	10	10
Financing	2,634	2,400	1,990	2,264	2,119	2,143	2,113	2,077	1,960	1,916
Foreign financing (net) 2/	1,156	1,298	801	503	1,031	1,547	401	67	-924	-26
Domestic financing (net)	1,478	1,102	1,189	1,761	1,088	596	1,712	2,010	2,885	1,943
CBJ on-lending of net IMF financing	343	382	405	391	2	2	-59	-114	-105	-145
Other domestic bank financing	401	259	-388	-53	246	-296	731	1,084	1,900	997
Domestic nonbank financing	743	569	800	1,100	850	900	1,050	1,050	1,100	1,100
Use of deposits 3/	-10	-108	323	323	-10	-10	-10	-10	-10	-10
Sale of non-financial assets	0	0	0	0	0	0	0	0	0	0
Memorandum items:										
NEPCO operating balance	-89	-153	-92	-220	-265	-338	-296	-262	-221	-176
WAJ overall balance, excluding project grants	-257	-225	-290	-267	-342	-275	-263	-250	-243	-241
Water distribution companies overall balance	-80	-113	-51	-10	-48	-10	-10	-10	-10	-10
Primary government balance, excluding grants and transfers to NEPCO and WAJ	-1,767	-1,444	-1,159	-1,298	-1,014	-1,088	-680	-371	-130	0
Combined public balance 4/	-2,193	-1,935	-1,592	-1,796	-1,610	-1,712	-1,249	-893	-604	-428
Overall public balance, including grants	-2,674	-2,524	-1,997	-2,399	-2,361	-2,518	-2,374	-2,304	-2,146	-2,056
Consolidated general government overall balance, excl. grants	-2,559	-2,178	-1,769	-1,836	-1,908	-1,787	-1,591	-1,300	-1,043	-879
Consolidated general government primary balance, excl. grants	-1,403	-1,106	-251	-563	-193	-361	22	400	734	910
Social Security Corporation balance	1,212	1,112	1,136	1,413	1,221	1,540	1,509	1,574	1,662	1,710
Government and guaranteed gross debt	27,707	36,477	38,811	39,167	41,023	41,563	43,668	45,765	47,706	49,680
Government and guaranteed gross debt, net of SSC's holdings	27,288	29,474	31,007	31,064	32,370	32,560	33,615	34,662	35,503	36,376
Of which: External	12,676	13,388	14,418	14,804	15,604	16,531	17,025	17,114	16,171	16,119
Programmed stock of health and energy arrears	420	224	116	116	0	0	0	0	0	0
Stock of health arrears	275	214	116	116	0	0	0	0	0	0
Stock of energy arrears (fuel and electricity) 5/	145	10	0	0	0	0	0	0	0	0
GDP at market prices	31,186	32,478	34,077	34,624	36,042	36,911	39,004	41,174	43,464	45,882

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

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

2/ Includes net issuance of domestic FX bonds.

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

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

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

(*) Revenue and expenditure projections during 2023-2027 include the following measures (in percent of GDP): 2023 (revenue 0.2), 2024 (revenue 0.4, expenditure 0.2), 2025 (revenue 0.5, expenditure 0.1), 2026 (revenue 0.5, expenditure 0.1), and 2027 (expenditure 0.1). This is consistent with the measures outlined and committed by the authorities in the Fourth Review MEFP (paragraph 13).

Table 2b. Jordan: Central Government: Summary of Fiscal Operations, 2020–27 1/
(In percent of GDP)

	2020	Prel. 2021	4th Rev 2022	Proj. 2022	4th Rev 2023	Proj. 2023	Proj. 2024	Proj. 2025	Proj. 2026	Proj. 2027
Total revenue and grants	22.5	25.0	26.1	26.1	25.6	25.8	25.9	25.8	26.2	26.0
Domestic revenue*	20.0	22.6	23.6	23.8	23.5	23.7	24.1	24.5	25.0	24.9
Tax revenue, of which:	15.9	17.3	18.0	18.0	18.0	17.9	18.2	18.7	19.1	19.1
Taxes on income and profits	3.5	3.6	4.2	4.3	4.2	4.4	4.6	4.7	4.8	4.8
Sales taxes	11.3	12.4	12.6	12.6	12.5	12.4	12.4	12.6	12.7	12.7
Taxes on foreign trade	0.9	1.0	0.8	0.7	0.8	0.7	0.8	1.0	1.2	1.1
Other taxes	0.1	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Nontax revenue	4.1	5.2	5.6	5.8	5.6	5.8	5.9	5.8	5.8	5.9
Grants	2.5	2.5	2.6	2.4	2.0	2.1	1.8	1.3	1.2	1.1
Total expenditures, inc. other use of cash*	29.8	31.3	30.8	31.7	30.4	31.0	30.6	30.3	30.1	29.7
Current expenditure	27.0	27.3	27.3	28.3	26.5	27.0	26.7	26.4	26.2	25.7
Wages and salaries	5.4	5.5	5.5	5.4	5.4	5.3	5.1	5.0	4.9	4.9
Interest payments	4.1	4.3	3.9	4.2	4.2	4.4	4.7	4.8	4.8	4.7
Domestic	2.9	3.0	2.5	2.8	2.7	2.9	3.2	3.4	3.4	3.4
External	1.3	1.3	1.3	1.4	1.5	1.5	1.5	1.4	1.4	1.3
Military and public security expenditure, of which:	8.5	8.5	8.3	8.2	8.3	8.2	8.2	8.2	8.0	7.9
Military expenditure	4.5	4.4	4.3	4.3	4.3	4.3	4.3	4.3	4.2	4.1
Subsidies	0.1	0.2	1.0	2.0	0.1	0.8	0.7	0.6	0.5	0.5
Food subsidies	0.1	0.2	0.1	0.9	0.1	0.8	0.7	0.6	0.5	0.5
Fuel subsidies	0.0	0.0	0.9	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Transfers, of which:	7.7	7.1	7.3	7.4	7.5	7.3	7.0	6.9	7.0	6.8
Pensions	5.0	4.9	4.9	4.8	4.9	4.7	4.7	4.7	4.7	4.7
Cash transfers, NAF social assistance	0.8	0.6	0.8	0.8	0.7	0.7	0.7	0.7	0.6	0.6
Transfers to health fund, of which:	0.8	0.5	0.7	0.7	0.5	0.5	0.3	0.2	0.2	0.2
Health arrears clearance	0.4	0.3	0.3	0.3	0.2	0.2	0.1	0.0	0.0	0.0
Energy arrears clearance	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers to public sector institutions	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.6
Purchases of goods & services	1.3	1.8	1.2	1.2	1.0	1.1	1.0	1.0	1.0	1.0
Capital expenditure	2.6	3.6	3.5	3.4	3.8	4.0	3.8	3.9	3.9	3.9
Adjustment on receivables and payables (use of cash)	0.1	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total balance from above the line	-7.3	-6.3	-4.7	-5.6	-5.0	-5.2	-4.7	-4.4	-3.9	-3.6
Overall central government balance at current policies	-7.3	-6.3	-4.7	-5.6	-5.0	-5.2	-4.7	-4.4	-3.9	-3.6
Overall central government balance after fiscal measures	-7.3	-6.3	-4.7	-5.6	-4.8	-5.2	-4.7	-4.4	-3.9	-3.6
Advances to water sector, of which:	1.2	1.1	1.1	0.9	0.9	0.6	0.7	0.6	0.6	0.6
Distribution companies	0.3	0.3	0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Financing	8.4	7.4	5.8	6.5	5.7	5.8	5.4	5.0	4.5	4.2
Foreign financing (net) 2/	3.7	4.0	2.4	1.5	2.9	4.2	1.0	0.2	-2.1	-0.1
Domestic financing (net)	4.7	3.4	3.5	5.1	2.9	1.6	4.4	4.9	6.6	4.2
CBJ on-lending of net IMF financing	1.1	1.2	1.2	1.1	0.0	0.0	-0.2	-0.3	-0.2	-0.3
Other domestic bank financing	1.3	0.8	-1.0	-0.2	0.5	-0.8	1.9	2.6	4.4	2.2
Domestic nonbank financing	2.4	1.8	2.3	3.2	2.4	2.4	2.7	2.6	2.5	2.4
Use of deposits 3/	0.0	-0.3	0.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0
Sale of non-financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
NEPCO operating balance	-0.3	-0.5	-0.3	-0.6	-0.7	-0.9	-0.8	-0.6	-0.5	-0.4
WAJ overall balance, excluding project grants	-0.8	-0.7	-0.9	-0.8	-0.9	-0.7	-0.7	-0.6	-0.6	-0.5
Water distribution companies overall balance	-0.3	-0.3	-0.2	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Primary government balance, excluding grants and transfers to NEPCO and WAJ (PC)	-5.7	-4.4	-3.4	-3.7	-2.7	-2.9	-1.7	-0.9	-0.3	0.0
Combined public balance (PC) 4/	-7.0	-6.0	-4.6	-5.2	-4.4	-4.6	-3.2	-2.2	-1.4	-0.9
Overall public balance, including grants	-8.6	-7.8	-5.9	-6.9	-6.6	-6.8	-6.1	-5.6	-4.9	-4.5
Consolidated general government overall balance, excl. grants	-8.2	-6.7	-5.2	-5.3	-5.3	-4.8	-4.1	-3.2	-2.4	-1.9
Consolidated general government primary balance, excl. grants	-4.5	-3.4	-1.7	-1.6	-1.6	-1.0	0.1	1.0	1.7	2.0
Social Security Corporation balance	3.9	3.4	3.3	4.1	3.4	4.2	3.9	3.8	3.8	3.7
Government and guaranteed gross debt	88.8	112.3	113.9	113.1	113.8	112.6	112.0	111.2	109.8	108.3
Government and guaranteed gross debt, net of SSC's holdings	87.5	90.7	91.0	89.7	89.8	88.2	86.2	84.2	81.7	79.3
Of which: External	40.6	41.2	42.3	42.8	43.3	44.8	43.6	41.6	37.2	35.1
Programmed stock of health and energy arrears	1.3	0.7	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Stock of health arrears	0.9	0.7	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Stock of energy arrears (fuel and electricity) 5/	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GDP at market prices (JD millions)	31,186	32,478	34,077	34,624	36,042	36,911	39,004	41,174	43,464	45,882

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

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

2/ Includes net issuance of domestic FX bonds.

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

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

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

(*) Revenue and expenditure projections during 2023–2027 include the following measures (in percent of GDP): 2023 (revenue 0.2), 2024 (revenue 0.4, expenditure 0.2), 2025 (revenue 0.5, expenditure 0.1), 2026 (revenue 0.5, expenditure 0.1), and 2027 (expenditure 0.1). This is consistent with the measures outlined and committed by the authorities in the Fourth Review MEFP (paragraph 13).

Table 2c. Jordan: General Government: Summary of Fiscal Operations, 2020–27 1/
(In millions of Jordanian dinars, unless otherwise indicated)

	2020	2021	2022		2023		2024	2025	2026	2027
			Prel.	4th Rev	Proj.	4th Rev	Proj.	Proj.	Proj.	Proj.
A. Total general government revenues:	10,664	11,998	13,237	13,442	13,790	14,315	15,079	15,910	16,962	17,850
<i>(in percent of GDP)</i>	34.4	37.3	38.8	38.8	38.3	38.8	38.7	38.6	39.0	38.9
Central government revenues, excl. grants	6,238	7,325	8,034	8,234	8,473	8,744	9,391	10,100	10,852	11,436
A*. Central government grants	791	803	873	815	738	780	696	540	529	503
NEPCO	1,326	1,286	1,479	1,328	1,519	1,420	1,515	1,573	1,623	1,674
WAJ	62	42	69	76	65	72	73	74	75	76
WAJ Revenues - excluding grants (million JD)	45	31	34	41	35	42	43	44	45	46
WAJ grants A**	17	11	35	35	30	30	30	30	30	30
Water distribution companies	234	234	256	256	269	269	283	297	302	307
SSC (excluding interest revenues on gov debt holding)	2,013	2,308	2,524	2,732	2,725	3,030	3,122	3,327	3,581	3,854
B. Total general government expenditure, inc. use of cash:	12,415	13,471	14,097	14,427	14,929	15,292	15,944	16,640	17,445	18,196
<i>(in percent of GDP)</i>	40.0	41.9	41.2	41.7	41.5	41.4	40.9	40.4	40.1	39.7
Central government (excl. interest paid to SSC)	8,985	9,794	10,156	10,566	10,541	11,027	11,436	11,909	12,484	12,938
NEPCO	1,415	1,464	1,571	1,549	1,784	1,758	1,810	1,835	1,844	1,850
WAJ	302	291	325	308	377	317	306	294	288	287
WAJ Total Expenditures (including interest payments)	143	130	142	136	142	134	136	136	138	139
Water distribution companies	314	348	307	266	317	279	293	307	312	317
SSC	1,399	1,575	1,738	1,739	1,909	1,911	2,099	2,296	2,518	2,803
Wages and salaries	17	18	19	20	20	21	22	24	25	27
Social security payments	1,358	1,528	1,681	1,681	1,849	1,849	2,034	2,227	2,445	2,725
Goods and services	24	28	37	38	39	41	43	45	48	52
E. Interest expenditure:	1,139	1,170	1,168	1,238	1,309	1,396	1,583	1,670	1,747	1,759
Central government (excluding interest paid to SSC)	980	1,025	963	1,033	1,113	1,195	1,365	1,438	1,501	1,502
NEPCO	114	110	164	164	159	164	181	196	209	220
WAJ Interest Payments	45	36	41	41	37	37	38	36	37	37
1. Central government primary balance (ex grants)	-1,767	-1,444	-1,159	-1,298	-955	-1,088	-680	-371	-130	0
<i>(in percent of GDP)</i>	-5.7	-4.4	-3.4	-3.7	-2.6	-2.9	-1.7	-0.9	-0.3	0.0
2. Balance of utilities (NEPCO, WAJ, water distribution companies)	-408	-541	-398	-462	-625	-593	-539	-492	-444	-398
<i>(in percent of GDP)</i>	-1.3	-1.7	-1.2	-1.3	-1.7	-1.6	-1.4	-1.2	-1.0	-0.9
3. Combined public balance (1+2)	-2,175	-1,985	-1,557	-1,761	-1,580	-1,682	-1,219	-863	-574	-398
<i>(in percent of GDP)</i>	-7.0	-6.1	-4.6	-5.1	-4.4	-4.6	-3.1	-2.1	-1.3	-0.9
4. SSC balance	614	734	786	993	816	1,119	1,022	1,031	1,063	1,051
<i>(in percent of GDP)</i>	2.0	2.3	2.3	2.9	2.3	3.0	2.6	2.5	2.4	2.3
5. General government primary balance (ex grants) (3+4) 1/	-1,403	-1,106	-566	-563	-568	-361	22	400	734	910
<i>(in percent of GDP)</i>	-4.5	-3.4	-1.7	-1.6	-1.6	-1.0	0.1	1.0	1.7	2.0
6. General government overall balance	-1,751	-1,364	-860	-986	-1,139	-978	-865	-730	-483	-346
<i>(in percent of GDP)</i>	-5.6	-4.5	-2.5	-2.8	-3.2	-2.6	-2.2	-1.8	-1.1	-0.8
7. General government balance excluding grants	-2,559	-2,178	-1,769	-1,836	-1,908	-1,787	-1,591	-1,300	-1,043	-879
<i>(in percent of GDP)</i>	-8.2	-6.7	-5.2	-5.3	-5.3	-4.8	-4.1	-3.2	-2.4	-1.9
Consolidated debt of general government = Debt_{t-1} + Net borrowing need	27,295	29,474	31,007	31,064	32,370	32,560	33,615	34,662	35,503	36,376
<i>(in percent of GDP)</i>	87.5	90.7	91.0	89.7	89.8	88.2	86.2	84.2	81.7	79.3
Net borrowing need:										
General government overall deficit incl. discretionary measures	1,751	1,473	860.3	986	1,139	978	865	730	483	346
Prefunding of amortizing debt and use/buildup of deposits			241	242	16	15	11	11	13	13
SSIF investment outside GG	212	543	437	313	371	640	459	524	562	610
Guaranteed off-budget project loans	4	19	67	62	12	36	67	60	43	50
CBJ repurchases in respect of 2012 EFF	117	4	-18	-13	-177	-172	-346	-278	-261	-145
Recapitalization and guarantee of Royal Jordanian	33	35	0	0	0	0	0	0	0	0
Securitization of domestic arrears	105	105								
Unconsolidated debt of general government	27,707	36,477	38,805	39,167	41,010	41,563	43,668	45,765	47,706	49,680
<i>(in percent of GDP)</i>	88.8	112.3	114.4	113.1	114.5	112.6	112.0	111.2	109.8	108.3
Memorandum items:										
SSIF interest income government debt	309	378	350	420	406	421	486	543	600	659
SSIF government debt holding (% of total Assets)	57	53	58	54	59	54	56	57	57	58
Nominal GDP at market prices	31,186	32,478	34,077	34,624	36,042	36,911	39,004	41,174	43,464	45,882

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

1/including NEPCO and the water sector interest expenditures

Table 2d. Jordan: Central Government: Summary of Quarterly Fiscal Operations, 2022–23
(In millions of Jordanian dinars)

	2022					2023				
	Q1 Proj.	Q2 Proj.	Q3 Proj.	Q4 Proj.	Annual Proj.	Q1 Proj.	Q2 Proj.	Q3 Proj.	Q4 Proj.	Annual Proj.
Total revenue and grants	1,859	2,240	2,512	2,438	9,049	2,069	2,202	2,648	2,605	9,524
Domestic revenue	1,829	2,188	2,012	2,206	8,234	2,041	2,152	2,169	2,383	8,744
Tax revenue, of which:	1,413	1,676	1,480	1,659	6,228	1,586	1,538	1,601	1,876	6,601
Taxes on income and profits	347	624	285	248	1,503	426	669	340	190	1,626
Sales taxes	991	971	1,106	1,289	4,357	1,059	768	1,163	1,584	4,574
Taxes on foreign trade	56	59	56	63	234	66	65	62	66	258
Other taxes	20	21	34	59	134	35	36	36	35	143
Nontax revenue	416	512	531	546	2,006	455	614	568	507	2,143
Grants	29	52	501	233	815	28	50	479	223	780
Total expenditures, inc. other use of cash	2,365	2,437	2,599	3,585	10,986	2,541	3,010	2,633	3,266	11,449
Current expenditure	2,124	2,258	2,317	3,109	9,809	2,240	2,548	2,238	2,930	9,956
Wages and salaries	443	468	448	515	1,873	476	497	495	489	1,958
Interest payments	364	358	332	399	1,454	398	414	370	434	1,616
Domestic	253	238	226	242	960	290	263	254	269	1,077
External	111	120	106	157	494	108	150	116	165	539
Military and public security expenditure	691	712	681	753	2,837	701	740	725	851	3,016
Subsidies	0	230	240	216	686	10	10	0	257	277
Transfers, of which:	565	579	537	874	2,555	576	787	572	762	2,698
Pensions	407	408	412	429	1,656	431	437	436	449	1,753
Cash transfers, NAF social assistance	59	50	0	161	271	0	100	0	161	261
Medical treatments, clearance of health and energy arrears	24	32	38	133	227	41	48	28	53	170
Transfers to public sector institutions	45	51	52	64	212	43	67	53	51	213
Other transfers	30	38	35	87	190	61	135	55	49	301
Purchases of goods & services	60	112	79	153	404	79	100	77	137	392
Capital expenditure	80	283	232	582	1,177	171	412	294	615	1,492
Net lending	0	0	0	0	0	0	0	0	0	0
Transfer to NEPCO	0	6	0	-6	0	0	0	0	0	0
Adjustment on receivables and payables (use of cash)	161	-110	50	-101	0	130	50	100	-280	0
Overall balance of the central government from above the line	-506	-197	-87	-1,147	-1,937	-472	-808	16	-660	-1,925
Statistical discrepancy, net	-11	211	0	-200	0	0	0	0	0	0
Overall balance of the central government at current policies	-495	-408	-87	-947	-1,937	-472	-808	16	-660	-1,925
Overall balance after fiscal measures	-495	-408	-87	-947	-1,937	-472	-808	16	-660	-1,925
Advances to water sector	20	52	91	164	327	52	32	91	44	219
Financing	515	460	178	1,111	2,264	524	840	75	704	2,143
Foreign financing (net) 1/	0	99	343	60	503	394	394	248	511	1,547
Domestic financing (net)	514	361	-165	1,051	1,761	130	446	-172	193	596
CBI on-lending of net IMF financing	-4	-4	-250	650	391	-24	0	-47	72	2
Other domestic bank financing	134	-590	162	241	-53	-12	-164	-10	-109	-296
Domestic nonbank financing	203	746	-141	292	1,100	166	610	-115	239	900
Use of deposits	182	209	64	-132	323	0	0	0	-10	-10
Sale of non-financial assets	0	0	0	0	0	0	0	0	0	0
Memorandum items:										
NEPCO operating balance	-49	-47	16	-43	-220	-91	-132	-68	-47	-338
WAJ overall balance, excluding project grants	-83	-76	-54	-54	-267	-86	-78	-56	-56	-275
Water distribution companies overall balance	-4	1	-4	-4	-10	-4	1	-4	-4	-10
Primary government balance, excluding grants and transfers to NEPCO and WAJ (PC)	-160	-96	-255	-787	-1,298	-102	-444	-94	-449	-1,088
Combined public balance (PC) 2/	-297	-217	-297	-887	-1,796	-282	-653	-222	-555	-1,712
Government and guaranteed gross debt 3/	36,236	36,666	36,712	39,065	39,167	39,709	40,721	40,784	41,439	41,563
Government and guaranteed gross debt, net of SSC's holdings (IT) 3/	29,030	29,662	29,709	32,061	32,164	32,706	33,718	33,781	34,435	34,560

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

1/ Includes net issuance of domestic FX bonds.

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

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

Table 2e. Jordan: NEPCO Operating Balance and Financing, 2020–27 1/
(In millions of Jordanian dinars, unless otherwise indicated)

	2020	2021	2022	2022	2023	2023	2024	2025	2026	2027
	Act.	Act.	4th Rev	Proj.	4th Rev	Proj.	Proj.	Proj.	Proj.	Proj.
NEPCO Balance										
Revenues <i>of which</i>										
Electricity sales	1,326	1,311	1,479	1,328	1,519	1,420	1,515	1,573	1,623	1,674
Expenses	1,415	1,464	1,571	1,549	1,784	1,758	1,810	1,835	1,844	1,850
Purchase of electricity	1,254	1,303	1,347	1,325	1,566	1,534	1,570	1,580	1,575	1,571
Depreciation	30	31	31	31	31	31	31	31	31	31
Interest payments 2/	114	110	164	164	159	164	181	196	209	220
Other expenses	16	20	29	29	29	29	29	29	29	29
Operating balance (QPC)	-89	-153	-92	-220	-265	-338	-296	-262	-221	-176
Total net domestic financing	89	153	92	220	265	338	296	262	221	176
Banks	97	264	207	336	265	338	296	262	221	176
Loans and bonds	96	233	207	336	265	338	296	262	221	176
Overdrafts	1	31	0	0	0	0	0	0	0	0
Other items 3/	-164	-61	-15	-15	0	0	0	0	0	0
Increase in payables	155	-50	-100	-100	0	0	0	0	0	0
Direct transfer from central government	-215	-3	0	0	0	0	0	0	0	0
To cover losses and repay arrears	-215	-3	0	0	0	0	0	0	0	0
To repay loans	0	0	0	0	0	0	0	0	0	0
Payables to the private sector	370	-47	-100	-100	0	0	0	0	0	0
<i>Of which: Increase in arrears</i>	70	30	-100	-100	0	0	0	0	0	0
Memorandum items:										
Operating balance (percent of GDP)	-0.3	-0.5	-0.3	-0.6	-0.7	-0.9	-0.8	-0.6	-0.5	-0.4
Brent oil prices (USD per barrel)	42	69	107	98	93	86	80	76	73	71
Outstanding loans and bonds (stocks, end-of-period)	2,495	2,728	3,035	3,164	3,300	3,502	3,798	4,060	4,281	4,457
Overdrafts	227	259	259	259	259	259	259	259	259	259
Total payables	3,225	3,175	3,075	3,075	3,075	3,075	3,075	3,075	3,075	3,075
to government 4/	2,262	2,259	2,259	2,259	2,259	2,259	2,259	2,259	2,259	2,259
to private sector	963	916	816	816	816	816	816	816	816	816
<i>Of which: arrears (IT)</i>	70	100	0	0	0	0	0	0	0	0

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

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

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

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

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

Table 2f. Jordan: WAJ and Distribution Companies Balance and Financing, 2020–27
(In millions of Jordanian dinars)

	2020	2021	2022	2022	2023	2023	2024	2025	2026	2027
	Act.	Est.	4th Rev	Proj.	4th Rev	Proj.	Proj.	Proj.	Proj.	Proj.
WAJ Balance:										
Total Revenues	45	31	34	41	35	42	43	44	45	46
<i>of which:</i>										
Sales of goods and services	45	31	34	40	35	41	42	43	45	46
Current Expenditure 1/	143	130	142	136	142	134	136	136	138	139
Salaries, wages and allowances 1/	20	18	19	19	20	19	19	19	19	20
Social Security contributions	3	2	2	2	2	2	2	2	2	2
Use of goods and services	25	27	33	27	34	27	27	28	28	28
Disi Project operational charge	39	39	40	40	41	41	42	42	43	44
Samra operational charge	7	7	7	7	7	7	7	7	7	8
Interest payments, <i>of which:</i>	45	36	41	41	37	37	38	36	37	37
Interest payments on domestic loans	35	27	28	28	24	24	24	21	21	22
Interest payments on foreign loans	9	9	13	13	13	13	14	15	15	15
Primary balance 2/	-53	-62	-68	-55	-69	-55	-55	-56	-56	-57
Capital Expenditure	159	126	182	172	236	183	170	158	150	148
WAJ Overall balance	-257	-225	-290	-267	-342	-275	-263	-250	-243	-241
Overall balance of Distribution Companies 3/	-80	-51	-51	-10	-48	-10	-10	-10	-10	-10
Overall balance Consolidated Water Sector 4/	-337	-276	-341	-277	-390	-285	-273	-260	-253	-251
Total net financing	337	276	341	277	390	285	273	260	253	251
Grants	17	11	35	35	30	30	30	30	30	30
Transfers from Central Government 5/	171	221	266	289	320	281	243	190	183	181
Loans (net borrowing)	19	29	40	40	40	40	40	40	40	40
<i>of which:</i>										
Domestic loans	0	0	0	0	0	0	0	0	0	0
Foreign loans	19	29	40	40	40	40	40	40	40	40
Others 6/	130	16	0	-87	0	-66	-40	0	0	0
Memorandum items:										
WAJ overall balance (percent of GDP)	-0.8	-0.7	-0.9	-0.8	-0.9	-0.7	-0.7	-0.6	-0.6	-0.5
Overall balance of Distribution Companies (percent of GDP)	-0.3	-0.2	-0.2	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Overall balance Consolidated Water Sector (percent of GDP) 4/	-1.1	-0.9	-1.0	-0.8	-1.1	-0.8	-0.7	-0.6	-0.6	-0.6
Domestic payment arrears of WAJ in JD million 7/	37	90	0	55	0	20	0	0	0	0
Domestic payment arrears of Aqaba, Miyahuna and Yarmouk Distribution Companies in JD million 8/	92	102	152	51	152	20	0	0	0	0
Outstanding loans, <i>of which:</i>	2,315	2,565	2,871	2,894	3,231	3,215	3,498	3,728	3,951	4,172
Domestic loans and bonds	655	655	655	655	655	655	655	655	655	655
Foreign loans	500	528	568	568	608	608	648	688	728	768
Advances from Central Government	1160	1382	1648	1671	1968	1952	2195	2385	2568	2749
Grants and foreign loans to capital expenditure ratio (in percent)	23	31	41	44	30	38	41	44	47	47
Grants to capital expenditure ratio (in percent)	11	8	19	20	13	16	18	19	20	20
Effective interest rate (in percent), <i>of which:</i>	2.1	1.6	1.6	1.6	1.3	1.3	1.2	1.0	1.0	0.9
Domestic loans (in percent)	5.4	4.1	4.3	4.3	3.7	3.7	3.6	3.2	3.3	3.3
Foreign loans (in percent)	1.9	1.9	2.4	2.4	2.4	2.4	2.3	2.3	2.2	2.1

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

1/ Including other expenses such as pensions.

2/ Excluding interest payments and grants.

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

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

5/ Information from the Ministry of Finance.

6/ Including settlement of liabilities, capital and other government support, installments of centralized debt. In 2020, it includes accumulation of arrears for WAJ and distribution companies.

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, 2020–27
(In millions of U.S. dollars, unless otherwise indicated)

	2020	2021		2022		2023		2024		2025		2026		2027	
		Proj.	4th Rev	Proj.	4th Rev	Proj.	4th Rev	Proj.	4th Rev	Proj.	4th Rev	Proj.	4th Rev	Proj.	4th Rev
Current account (CA)	-2,509	-3,965	-3,232	-3,795	-2,416	-2,967	-2,598	-1,992	-1,368	-1,982					
Trade balance	-7,396	-9,823	-10,748	-11,898	-10,403	-10,654	-10,823	-10,820	-10,851	-11,663					
Exports f.o.b.	7,954	9,371	11,319	11,997	11,586	12,244	11,538	12,002	12,772	13,238					
Imports f.o.b.	15,351	19,194	22,067	23,895	21,989	22,898	22,361	22,822	23,623	24,901					
Energy	2,095	3,017	4,615	4,387	4,226	3,868	3,790	3,723	3,627	3,665					
Non-energy	13,255	16,177	17,452	19,507	17,763	19,030	18,572	19,098	19,996	21,235					
Services and income (net), of which:	-719	107	1,462	1,771	1,707	1,060	1,537	2,177	2,703	3,079					
Travel receipts	1,411	2,762	5,431	5,897	6,236	6,169	6,605	7,056	7,504	7,984					
Current transfers (net), of which:	5,606	5,751	6,054	6,332	6,280	6,627	6,687	6,651	6,780	6,602					
Public grants	1,465	1,484	1,546	1,499	1,576	1,599	1,423	1,279	1,265	950					
Remittances	3,033	3,062	3,159	3,487	3,326	3,690	3,923	4,025	4,134	4,239					
Capital and financial account 1/	1,064	972	1,287	895	1,495	2,232	1,976	2,346	1,692	3,269					
Public sector, of which: 2/	319	-377	26	-213	-681	177	-11	-98	-1,390	58					
Public commercial external borrowing	500	6	0	150	500	1,000	0	0	0	0					
Issuance	1,750	0	1,000	1,150	500	1,000	0	1,000	1,000	1,000					
Amortization	-1,250	6	-1,000	-1,000	0	0	0	-1,000	-1,000	-1,000					
Public sector loans	-104	-43	66	9	-25	0	-22	-109	-1,390	58					
Disbursement (xcl. program financing)	387	511	511	493	470	503	480	453	384	412					
Amortization	-492	-554	-445	-483	-495	-503	-502	-562	-1,774	-353					
GCC deposits at CBJ	0	0	0	-333	-1,167	-833	0	0	0	0					
SDR allocation	0	472	0	0	0	0	0	0	0	0					
Foreign direct investment	735	607	798	848	1,223	1,105	1,269	1,540	2,022	2,135					
Portfolio flows (private)	-95	-86	72	-28	70	140	217	198	330	552					
Other capital flows	106	828	391	288	883	809	502	706	731	524					
Errors and omissions	-165	2,044	0	0	0	0	0	0	0	0					
Overall balance	-1,610	-949	-1,945	-2,900	-921	-736	-622	354	324	1,287					
Financing	1,610	949	1,945	2,900	921	736	622	-354	-324	-1,287					
Reserves (+ = decrease)	-1,110	-2,387	356	1,212	22	-501	104	-589	-384	-1,155					
Commercial banks' NFA (+ = decrease)	1,111	1,467	-300	-150	-300	-200	-200	0	0	0					
Program financing (+ = increase)	1,609	1,868	1,889	1,838	1,199	1,436	718	234	60	-132					
Official budget support	1,115	1,325	1,364	1,330	1,238	1,474	856	445	259	105					
World Bank	403	469	563	468	582	569	356	95	37	0					
Emergency pandemic support	27	210	0	0	0	0	0	0	0	0					
Bilateral and other multilateral loans	713	856	800	862	656	904	499	350	222	105					
EU emergency pandemic support	116	116	0	0	0	0	0	0	0	0					
IMF (net), of which:	493	542	525	507	-40	-37	-137	-210	-199	-237					
Fund purchases, of which:	690	542	549	525	102	96	119	0	0	0					
EFF augmentation/rephasing at 4th review	...	0	166	152	-92	-87	27	0	0	0					
Memorandum items:															
Gross reserves	16,960	19,045	18,689	17,834	18,667	18,334	18,231	18,819	19,204	20,359					
Gross usable reserves 3/	15,127	17,272	16,916	16,061	16,894	16,561	16,458	17,046	17,431	18,586					
In percent of the IMF Reserve Adequacy Metric	110	115	105	99	98	95	91	90	90	93					
In months of next year's imports of GNFS	7.8	7.0	7.4	6.7	7.3	7.0	6.8	6.8	6.6	6.6					
Current account (percent of GDP)	-5.7	-8.7	-6.7	-7.8	-4.8	-5.7	-4.7	-3.4	-2.2	-3.1					
Current account ex-grants (percent of GDP)	-9.0	-11.9	-9.9	-10.8	-7.9	-8.8	-7.3	-5.6	-4.3	-4.5					
CA ex-grants and energy imports (percent of GDP)	-4.3	-5.3	-0.3	-1.9	0.5	-1.3	-0.4	0.8	1.6	1.1					
Energy imports	4.8	6.6	9.6	9.0	8.3	7.4	6.9	6.4	5.9	5.7					
Public grants	3.3	3.2	3.2	3.1	3.1	3.1	2.6	2.2	2.1	1.5					
Merchandise export growth (percent)	-4.5	17.8	20.8	28.0	2.4	2.1	-5.8	4.0	6.4	3.6					
Re-exports	-34.5	1.6	2.1	30.0	6.4	3.8	8.1	8.8	8.6	8.5					
Domestic exports	1.0	19.7	22.7	27.8	2.0	1.9	-7.2	3.4	6.1	3.0					
Merchandise import growth (percent)	-10.1	25.0	14.6	24.5	-0.4	-4.2	-2.3	2.1	3.5	5.4					
Energy (percent)	-34.6	44.0	52.9	45.4	-8.4	-11.8	-2.0	-1.7	-2.6	1.0					
Non-energy (percent)	-4.4	22.0	7.5	20.6	1.8	-2.4	-2.4	2.8	4.7	6.2					
Travel growth (percent)	-75.7	95.8	96.6	113.5	14.8	4.6	7.1	6.8	6.4	6.4					
Remittances growth (percent)	-9.1	1.0	3.2	13.9	5.3	5.8	6.3	2.6	2.7	2.6					
Total external debt (percent of GDP)	78.9	81.5	80.8	80.6	81.2	81.5	79.6	76.9	71.8	69.4					
Of which, Public external debt (Percent of GDP)	40.6	41.2	42.3	42.8	43.3	44.8	43.6	41.6	37.2	35.1					
Nominal GDP	43,986	45,809	48,064	48,836	50,835	52,060	55,013	58,073	61,303	64,714					

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

1/ Central bank reserve accumulation, 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 and maturing in 2023.

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, 2020–27
(In millions of U.S. dollars, unless otherwise indicated)

	2020	2021		2022		2023		2024		2025		2026		2027	
			Proj.	4th Rev	Proj.	4th Rev	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	
(1) Gross financing requirements	5,912	5,996	6,247	7,127	5,796	6,036	4,779	5,043	5,606	4,523					
Current account deficit (excl. grants)	3,974	5,449	4,778	5,294	3,992	4,566	4,021	3,271	2,633	2,932					
<i>of which: Energy imports</i>	2,095	3,017	4,615	4,387	4,226	3,868	3,790	3,723	3,627	3,665					
Amortization of public sector loans 1/	492	554	445	483	495	503	502	562	1,774	353					
Amortization of sovereign bonds 2/	1,250	-6	1,000	1,000	0	0	0	1,000	1,000	1,000					
GCC deposits at the CBJ	0	0	0	333	1,167	833	0	0	0	0					
IMF repurchases	196	0	24	17	141	133	256	210	199	237					
(2) Change in reserves (+ = increase)	1,110	2,387	-356	-1,212	-22	501	-104	589	384	1,155					
(3) Gross financing sources	5,381	4,471	3,978	4,060	4,433	4,968	3,701	5,187	5,731	5,573					
FDI, net	735	607	798	848	1,223	1,105	1,269	1,540	2,022	2,135					
Public grants	1,465	1,484	1,546	1,499	1,576	1,599	1,423	1,279	1,265	950					
Public sector borrowing (incl. official budget support) 2/	387	710	511	493	470	503	480	453	384	412					
<i>of which: Unidentified prospective financing 2/</i>	1	200	0	0	0	0	0	0	0	0					
Issuance of sovereign bonds 3/	1,750	0	1,000	650	500	1,000	0	1,000	1,000	1,000					
GCC deposits at the CBJ	0	0	0	0	0	0	0	0	0	0					
Non-resident purchases of local debt	-8	-302	0	500	0	0	0	0	0	0					
CBJ other financing (net) 4/	-69	-237	-39	-39	11	11	11	11	0	0					
SDR allocation held at CBJ	0	472	0	0	0	0	0	0	0	1					
Private capital flows, net 5/	1,122	2,209	163	110	653	750	519	905	1,060	1,076					
(4) Errors and omissions	-165	2,044	0	0	0	0	0	0	0	0					
(1)+(2)-(3)-(4) Total financing needs	1,806	1,868	1,913	1,855	1,340	1,569	975	445	259	104					
Official public external financing	1,805	1,868	1,913	1,855	1,340	1,569	975	445	259	105					
Identified official budget support	1,115	1,325	1,364	1,330	1,238	1,474	856	445	259	105					
EU and WB emergency pandemic support	149	32	0	0	0	0	0	0	0	0					
IMF purchases, <i>of which</i>	690	542	549	525	102	96	119	0	0	0					
RFI	401	0	0	0	0	0	0	0	0	0					
EFF augmentation at 4th review	0	0	166	152	-92	-87	27	0	0	0					
Unidentified external financing	0	0	0	0	0	0	0	0	0	0					
Memorandum Items:															
Gross financing requirements (in percent of GDP)	26.7	26.0	25.9	29.0	22.7	23.1	17.3	17.3	18.2	13.9					
Gross Usable Reserves	15,127	17,272	16,916	16,061	16,894	16,561	16,458	17,046	17,431	18,586					
In percent of the IMF Reserve Adequacy Metric 6/	110	115	105	99	98	95	91	90	90	93					
In months of next year's imports of GNFS	7.8	7.0	7.4	6.7	7	7.0	6.8	6.8	6.6	6.6					

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

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

2/ Includes loans on CBJ books.

3/ Includes guaranteed and non-guaranteed bonds.

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

5/ Includes changes in commercial banks' NFA.

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

Table 3c. Jordan: Foreign Exchange Needs and Sources, 2020–27
(In millions of U.S. dollars, unless otherwise indicated)

	2020	2021	2022		2023		2024	2025	2026	2027
	Proj.	Proj.	4th Rev	Proj.	4th Rev	Proj.	Proj.	Proj.	Proj.	Proj.
(1) General Government Gross Needs	3,534	3,266	3,349	3,612	3,599	3,020	1,689	2,740	5,081	2,348
NEPCO energy imports	777	854	757	909	759	714	746	742	729	0
Net interest payments	419	514	223	-30	337	136	184	225	229	108
Amortization of external debt 1/	1,938	548	1,469	1,833	1,803	1,470	758	1,772	2,973	1,590
Amortization of domestic debt in FX	400	1,350	900	900	700	700	0	0	1,150	650
(2) General Government Sources	4,893	3,887	4,506	3,816	3,348	3,898	2,022	2,732	3,799	2,362
Public grants	1,465	1,484	1,546	1,499	1,576	1,599	1,423	1,279	1,265	950
Public sector borrowing 2/	1,078	1,253	1,060	1,017	572	599	599	453	384	412
Sovereign bonds 3/	1,750	0	1,000	650	500	1,000	0	1,000	1,000	1,000
Local bonds in FX	600	1,150	900	650	700	700	0	0	1,150	0
GCC deposits at the CBJ	0	0	0	0	0	0	0	0	0	0
(3)=(2)-(1) General Government Balance	1,359	621	1,158	204	-251	878	333	-8	-1,282	13
(4) Financing under the EFF	1,115	1,325	1,364	1,330	1,238	1,474	856	445	259	105
Identified official budget support	1,115	1,325	1,364	1,330	1,238	1,474	856	445	259	105
(5)=(3)+(4) General Government Balance under the EFF	2,475	1,946	2,521	1,534	987	2,352	1,189	437	-1,023	118
(6) CBJ Balance under the EFF, of which	-1,119	-2,689	356	1,712	22	-501	104	-589	-384	-1,155
Increase in gross reserves	1,110	2,387	-356	-1,212	-22	501	-104	589	384	1,155
(7)=(5)+(6) Public Sector Net Balance	1,356	-742	2,877	3,246	1,009	1,851	1,292	-152	-1,407	-1,037

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

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

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

3/ Includes guaranteed and non-guaranteed bonds.

Table 3d. Jordan: External Budget Financing, 2020–27
(In millions of U.S. dollars unless otherwise indicated)

	2020	2021	2022		2023		2024	2025	2026	2027
		Proj.	4th Rev	Proj.	4th Rev	Proj.	Proj.	Proj.	Proj.	Proj.
Budget grants	1,047	1,058	1,145	1,101	995	1,023	905	761	747	710
EU	70	84	111	102	91	84	80	36	37	0
GCC 1/	73	99	105	105	164	164	74	0	0	0
United States	845	845	845	845	0	0	0	0	0	0
Other 2/	58	30	83	48	740	775	751	725	710	710
GCC grants transferred from CBJ to MOF	68	75	87	58	47	77	77	0	0	0
Loans	1,438	1,513	1,540	1,542	1,450	1,685	1,067	656	471	316
Multilateral	665	743	840	745	859	966	705	324	262	212
Arab Monetary Fund	249	212	212	212	212	212	212	212	212	212
Asian Infrastructure Investment Bank	0	63	65	65	65	85	38	18	13	0
EBRD	0	0	0	0	0	0	0	0	0	0
Islamic Development Bank	13	0	0	0	0	100	100	0	0	0
World Bank	403	469	563	468	582	569	356	95	37	0
Bilateral	773	770	700	797	591	719	362	332	209	105
Canada	0	0	15	15	45	45	0	0	0	0
EU	298	295	226	0	0	200	0	0	0	0
France	113	59	92	188	85	51	103	104	104	52
Germany	88	173	84	0	85	50	103	104	104	52
Italy	0	35	22	20	84	82	31	0	0	0
Japan	200	100	100	100	100	100	0	0	0	0
Kuwait	0	10	125	105	125	125	125	125	0	0
Saudi Arabia	0	50	35	368	66	66	0	0	0	-1
UAE	73	49	0	0	0	0	0	0	0	1
IMF purchases	690	560	571	546	106	100	124	0	0	0
Sovereign issuance	1,750	0	1,000	650	500	1,000	0	1,000	1,000	1,000
Guaranteed	0	0	0	0	0	0	0	0	0	0
Non-guaranteed	1,750	0	1,000	650	500	1,000	0	1,000	1,000	1,000

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

1/ Grants pledged at the 2018 Mecca Summit and USD 300 million grant from UAE to be disbursed in 2020:Q2 through 2021:Q1.

2/ Includes the grant component from the Concessional Financing Facility and in 2023–25 expected disbursements under new MOUs.

Table 4a. Jordan: Monetary Survey, 2020–27

	2020	2021	2022		2023		2024	2025	2026	2027
			4th Rev	Proj.	4th Rev	Proj.	Proj.	Proj.	Proj.	Proj.
(Stocks, in millions of Jordanian dinars)										
Net foreign assets	7,528	7,467	7,449	6,964	8,534	8,133	8,353	8,920	9,333	10,320
Central bank	10,765	11,736	11,505	11,127	12,378	12,154	12,233	12,799	13,213	14,199
Commercial banks	-3,237	-4,269	-4,056	-4,163	-3,844	-4,021	-3,879	-3,879	-3,879	-3,879
Net domestic assets	29,479	32,029	34,450	35,141	35,780	36,752	39,078	41,150	43,521	45,475
Net claims on general government	12,990	14,534	14,481	15,026	14,716	14,849	15,587	16,595	18,350	19,377
Net claims on central budgetary government 1/	10,277	11,700	11,740	11,957	11,911	11,642	12,284	13,229	14,964	15,951
Net claims on NEPCO	2,217	2,481	2,388	2,717	2,454	2,855	2,951	3,013	3,034	3,074
Net claims on other own budget agencies 2/	-370	-706	-706	-706	-706	-706	-706	-706	-706	-706
Claims on other public entities	866	1,058	1,058	1,058	1,058	1,058	1,058	1,058	1,058	1,058
Claims on financial institutions	1,359	1,328	1,328	1,328	1,328	1,328	1,328	1,328	1,328	1,328
Claims on the private sector	26,262	27,544	28,683	29,279	29,928	30,542	32,231	34,169	36,385	38,887
Other items (net)	-11,132	-11,378	-10,043	-10,493	-10,193	-9,968	-10,068	-10,943	-12,543	-14,118
Broad money	37,007	39,495	41,898	42,105	44,314	44,885	47,431	50,069	52,855	55,795
Currency in circulation	5,939	6,225	6,620	6,653	6,935	7,025	7,352	7,686	8,034	8,397
Jordanian dinar deposits	24,848	26,944	28,293	28,575	30,277	30,667	32,545	34,543	36,529	38,155
Foreign currency deposits	6,219	6,326	6,985	6,878	7,102	7,194	7,535	7,841	8,292	9,243
(Flows, in millions of Jordanian dinars)										
Net foreign assets	16	-62	-18	-503	1,086	1,169	220	566	414	987
Net domestic assets	2,024	2,550	2,421	3,112	1,330	1,611	2,326	2,072	2,372	1,954
Net claims on general government	1,091	1,543	-53	492	236	-177	737	1,008	1,756	1,027
Net claims on central budgetary government	1,053	1,423	40	257	171	-315	642	946	1,735	987
Net claims on NEPCO	97	264	-93	236	65	138	96	62	21	40
Net claims on other own budget agencies	-124	-336	0	0	0	0	0	0	0	0
Claims on financial institutions	507	-31	0	0	0	0	0	0	0	0
Claims on the private sector	1,562	1,283	1,139	1,735	1,244	1,263	1,689	1,939	2,216	2,502
Other items (net)	-1,135	-245	1,335	885	-150	525	-100	-875	-1,600	-1,575
Broad money	2,039	2,488	2,403	2,610	2,416	2,780	2,546	2,638	2,785	2,941
Currency in circulation	1,308	286	395	427	315	372	327	334	348	363
Jordanian dinar deposits	748	2,096	1,349	1,631	1,984	2,092	1,877	1,998	1,986	1,626
Foreign currency deposits	-17	107	659	552	117	316	341	306	451	951
Memorandum items:										
Year-on-year broad money growth (percent)	5.8	6.7	6.1	6.6	5.8	6.6	5.7	5.6	5.6	5.6
Year-on-year private sector credit growth (percent)	6.3	4.9	4.1	6.3	4.3	4.3	5.5	6.0	6.5	6.9
Foreign currency/total deposits (percent)	20.0	19.0	19.8	19.4	19.0	19.0	18.8	18.5	18.5	19.5
Private sector credit/total deposits (percent)	84.5	82.8	81.3	82.6	80.1	80.7	80.4	80.6	81.2	82.0
Currency in circulation/JD deposits (percent)	23.9	23.1	23.4	23.3	22.9	22.9	22.6	22.2	22.0	22.0
Money multiplier (for JD liquidity)	3.4	3.4	3.5	3.5	3.7	3.7	3.7	3.7	3.7	3.7
Velocity (GDP/M)	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Sources: Jordanian authorities; and IMF staff estimates and projections.										
1/ Includes SBA support onlent to the government by the CBJ.										
2/ Includes WAJ.										

Table 4b. Jordan: Summary Accounts of the Central Bank of Jordan, 2020–27

	2020	2021	2022		2023		2024	2025	2026	2027
			4th Rev	Proj.	4th Rev	Proj.	Proj.	Proj.	Proj.	Proj.
(Stocks, in millions of Jordanian dinars)										
Net foreign assets 1/	10,765	11,736	11,505	11,127	12,378	12,154	12,233	12,799	13,213	14,199
Foreign assets	12,791	14,269	14,017	13,410	14,001	13,765	13,692	14,109	14,382	15,201
Of which: Bilateral accounts	767	767	767	767	767	767	767	767	767	767
Of which: encumbered due to forwards or swaps	627	613	613	613	613	613	613	613	613	613
Foreign liabilities	2,026	2,534	2,512	2,283	1,623	1,611	1,459	1,310	1,169	1,001
Of which: Net Fund Position	737	1,085	1,457	1,445	1,429	1,418	1,321	1,172	1,031	863
Of which: GCC grants-related	1,181	1,114	1,053	837	192	191	136	136	136	136
Net domestic assets	-1,617	-1,920	-1,385	-916	-2,321	-1,967	-1,450	-1,447	-1,298	-1,752
Net claims on central budgetary government 2/	1,163	1,353	1,731	1,714	1,716	1,695	1,605	1,467	1,302	1,292
Net claims on own budget agencies and other public entities	-103	-150	-150	-150	-150	-150	-150	-150	-150	-150
Net claims on financial institutions	766	760	760	760	760	760	760	760	760	760
Net claims on private sector	23	23	23	23	23	23	23	23	23	23
Net claims on commercial banks	-2,786	-3,462	-2,516	-2,054	-3,436	-3,186	-2,680	-2,739	-2,424	-2,869
Of which: FX deposits of commercial banks	737	710	710	710	710	710	710	710	710	710
CDs	0	0	-500	-600	-500	-500	-400	-200	-200	-200
Other items, net (asset: +)	-681	-442	-732	-607	-732	-607	-607	-607	-607	-607
Jordanian dinar reserve money	9,148	9,816	10,120	10,211	10,057	10,187	10,783	11,352	11,915	12,447
Currency	6,497	6,835	7,229	7,262	7,545	7,634	7,961	8,295	8,643	9,007
Commercial bank reserves	2,652	2,981	2,890	2,949	2,513	2,553	2,821	3,057	3,272	3,441
Of which: required reserves	1,222	1,336	1,402	1,416	1,501	1,520	1,613	1,712	1,811	1,891
(Flows, in millions of Jordanian dinars)										
Net foreign assets	784	971	-231	-609	873	1,027	79	566	414	987
Foreign assets	1,105	1,478	-253	-859	-16	355	-73	417	273	819
Foreign liabilities	320	507	-22	-250	-889	-672	-152	-149	-141	-168
Net domestic assets	280	-303	534	1,004	-935	-1,051	517	2	150	-455
Net claims on central budgetary government	475	189	378	361	-15	-19	-89	-138	-165	-10
Net claims on commercial banks	-655	-676	946	1,408	-920	-1,132	506	-60	315	-445
Other items, net (asset: +)	-422	238	-290	-165	0	0	0	0	0	0
Jordanian dinar reserve money	1,065	668	304	395	-63	-24	596	569	563	532
Currency	1,335	338	395	427	315	372	327	334	348	363
Commercial banks' reserves	-270	330	-91	-32	-378	-396	269	235	215	169
Memorandum items:										
Gross international reserves (\$ millions)	16,960	19,045	18,688	17,833	18,666	18,334	18,230	18,819	19,203	20,358
Gross usable international reserves (\$ millions)	15,127	17,272	16,916	16,060	16,893	16,561	16,457	17,046	17,430	18,585
As a ratio to JD broad money (in percent)	35	37	34	32	32	31	29	29	28	28
As a ratio of JD reserve money (in percent)	117	125	119	112	119	115	108	106	104	106
Net international reserves (millions of JD)	9,815	11,093	10,468	9,874	10,480	10,256	10,279	10,846	11,259	12,246
Net international reserves (millions of U.S. dollars)	13,844	15,646	14,764	13,927	14,782	14,465	14,498	15,297	15,881	17,272
Money multiplier (for JD liquidity)	3.4	3.4	3.5	3.5	3.7	3.7	3.7	3.7	3.7	3.7

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

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

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

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

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

Source: IMF staff estimates.

1/ Jordan's quota is SDR 343.1 million.

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

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
				Prel.						Projections						
Existing and prospective Fund arrangements																
	<i>(SDR million)</i>															
Disbursements	120.1	497.4	384.3	394.6	72.1	89.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of existing and prospective Fund credit 1/	365.1	720.4	1,091.8	1,469.3	1,441.3	1,338.9	1,182.6	1,035.6	861.5	668.7	480.3	310.5	178.4	109.8	81.2	75.4
Obligations to the Fund 2/	310.3	151.0	25.2	40.9	130.3	222.0	184.0	171.6	192.5	203.8	194.4	173.9	134.5	69.7	29.1	6.0
Principal (repayments/repurchases)	298.4	142.1	12.9	17.2	100.1	191.5	156.4	147.0	174.1	192.7	188.4	169.8	132.1	68.6	28.6	5.7
Charges and interest 3/	11.9	9.0	12.3	23.8	30.3	30.5	27.7	24.7	18.4	11.0	6.0	4.1	2.4	1.1	0.5	0.3
	<i>(Percent)</i>															
Stock of existing and prospective Fund credit 1/ 4/																
In percent of quota	106.4	210.0	318.2	428.2	420.1	390.2	344.7	301.8	251.1	194.9	140.0	90.5	52.0	32.0	23.7	22.0
In percent of GDP	1.1	2.4	3.3	4.1	3.8	3.3	2.8	2.3	1.8	1.3	0.9	0.6	0.3	0.2	0.1	0.1
In percent of exports of goods and services	3.1	9.9	10.8	10.0	9.6	8.9	7.5	6.2	4.9	3.6	2.4	1.4	0.8	0.4	0.3	0.3
In percent of gross usable reserves	3.7	6.8	8.7	12.6	11.9	11.2	9.5	8.2	6.4	4.9	3.5	2.3	1.3	0.8	0.6	0.6
In percent of government revenue	4.7	10.5	13.1	15.8	14.7	12.9	10.8	8.9	7.0	5.2	3.6	2.2	1.2	0.7	0.5	0.4
In percent of total external debt	1.7	3.0	4.1	4.5	4.4	3.9	3.3	3.0	2.4	1.8	1.2	0.7	0.3	0.1	0.0	0.0
Obligations to the Fund (repurchases and charges) 4/																
In percent of quota	90.4	44.0	7.3	11.9	38.0	64.7	53.6	50.0	56.1	59.4	56.7	50.7	39.2	20.3	8.5	1.7
In percent of GDP	1.0	0.5	0.1	0.1	0.3	0.6	0.4	0.4	0.4	0.4	0.4	0.3	0.2	0.1	0.0	0.0
In percent of exports of goods and services	2.6	2.0	0.2	0.3	0.9	1.5	1.2	1.0	1.1	1.1	1.0	0.8	0.6	0.3	0.1	0.0
In percent of gross usable reserves	3.2	1.4	0.2	0.3	1.1	1.9	1.5	1.4	1.4	1.5	1.4	1.3	1.0	0.5	0.2	0.0
In percent of government revenue	4.0	2.1	0.3	0.4	1.3	2.1	1.7	1.5	1.6	1.6	1.4	1.2	0.9	0.4	0.2	0.0
In percent of total external debt service	10.2	4.8	0.6	1.1	4.1	6.6	4.5	3.5	5.0	7.0	5.5	3.9	3.6	1.6	0.6	0.2
Memorandum items																
Quota (SDR million)	343.1	343.1	343.1	343.1	343.1	343.1	343.1	343.1	343.1	343.1	343.1	343.1	343.1	343.1	343.1	343.1
Gross domestic product, baseline (USD million)	44,566	43,986	45,809	48,836	52,060	55,013	58,073	61,303	64,714	68,322	72,131	76,152	80,397	84,879	84,879	84,879
Exports of goods and services (USD million)	16,193	10,459	13,884	20,100	20,671	20,545	21,607	22,977	24,083	25,739	27,511	29,443	31,593	33,935	36,402	39,097
Gross usable reserves (USD million)	13,512	15,127	17,272	16,060	16,561	16,457	17,046	17,430	18,585	18,585	18,585	18,585	18,585	18,585	18,585	18,585
Government revenue (USD million)	10,828	9,914	11,464	12,763	13,433	14,227	15,006	16,053	16,839	17,517	18,447	19,427	20,460	21,548	22,694	23,903
External debt service (USD million)	4,221	4,318	2,963	4,650	4,233	4,515	5,484	6,649	5,266	3,936	4,785	6,070	5,060	5,808	6,162	5,217
Total external debt (USD million)	30,306	34,695	37,329	39,371	42,447	43,797	44,661	44,027	44,893	45,606	45,952	45,077	45,255	44,716	43,804	43,873

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 3.723 (as of November 24, 2022).

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

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

	Jun-22			Sep-22			Dec-22		Mar-23		Jun-23		Sep-23	Dec-23		
	PC	Adjusted	Actual	IT	Adjusted	Actual	PC	Proposed Revised PC	IT	Proposed Revised IT	PC	Proposed Revised PC	IT	PC		
<i>(in JD millions, unless specified otherwise)</i>																
Performance Criteria																
Primary fiscal deficit of central government, excluding grants and net transfers to NEPCO and WAJ 2/	551	601	256	Met	773	773	452	Met	1,159	1,298	469	300	634	650	850	1,088
Combined public deficit (flow, cumulative ceiling)	764	814	514	Met	1,117	1,117	811	Met	1,628	1,848	630	650	995	1,300	1,550	1,682
Net International Reserves of the Central Bank of Jordan in USD million (stock, floor)	12,847	12,557	13,682	Met	12,290	12,683	13,834	Met	13,376	13,226	13,071	12,634	13,243	12,644	12,745	13,967
Ceiling on accumulation of external debt service arrears 3/	0		0		0		0	Met	0	0	0	0	0	0	0	0
Indicative Targets																
Social spending by the central government (flow, cumulative floor)	393		394	Met	630		631	Met	890	896	150	151	266	266	399	532
Public debt (stock, ceiling) 4/	30,235	29,300	29,732	Met	31,523	29,779		Met	31,877	31,764	31,808	31,963	32,787	32,162	32,361	32,560
Domestic payment arrears of NEPCO (stock, ceiling) 5/	0	0	100	Not Met	0		100	Not Met	0	0	0	0	0	0	0	0
Domestic payment arrears of WAJ (stock, ceiling) 6/	0	0	70	Not Met	0		55	Not Met	0	55	0	55	0	55	40	20
Domestic payment arrears of Aqaba, Miyahuna and Yarmouk Distribution Companies (stock, ceiling) 7/	0	0	90	Not Met	0		51	Not Met	0	51	0	51	0	51	40	20
Net Domestic Assets of the Central Bank of Jordan (stock, ceiling)	505	795	294	Met	905	512	-308	Met	636	695	668	807	344	682	695	265
SSC net financing to the central government (flow, ceiling)	759		459	Met	638		318	Met	800	610	215	166	806	776	896	1,015
Memorandum items for adjustors																
Foreign budgetary grants received by the central government (flow)	65		82		141		82		873	815	8	11	25	30	95	780
Foreign budgetary grants and loans received by the Central Bank of Jordan (USD millions, flow, cumulative from beginning of year)	355		415		629		1,022		2,720	2,643	50	50	111	111	482	2,708
Programmed stock of the combined health and energy arrears	217		204		190		187		140	170	110	110	80	80	65	50
Contingency Covid-19 spending			42				60									
Stock of checks issued by the central government but not yet cashed by the beneficiary																
Domestic payment arrears of WAJ and water distribution companies	0	0	160		0		106		0	106	0	106	0	106	80	40

1/ Proposed quantitative performance criteria and indicative targets under the new program.

2/ The end-Dec 2022 targets for primary deficit and combined public deficit already incorporate the contingency Covid spending of 110 (as the underlying criteria in TMU paragraph 40 have been triggered). The memorandum item on contingency Covid spending is only reported for information.

3/ Continuous.

4/ Public debt includes central government debt (including off-budget project loans) and government-guarantees to NEPCO, WAJ, and other public entities, net of SSC's holdings of government debt.

5/ Arrears owed by NEPCO only, to all entities. Excludes debt to the central government, which is not expected to be repaid, with central government having assumed the costs.

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

7/ Arrears owed by Aqaba, Miyahuna and Yarmouk distribution companies only, to all entities. Excludes advances from central government for which Aqaba, Miyahuna and Yarmouk distribution companies do not pay interest and that do not have established maturity.

Annex I. Public Debt Sustainability Analysis

Jordan: Risk of Sovereign Stress			
Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	This follows directly from the "moderate" medium-term risk assessment.
Near term 1/	n.a.	n.a.	Not applicable
Medium term	Moderate	Moderate	In line with the mechanical signals, medium term risks are assessed as moderate, reflecting a declining debt/GDP ratio and manageable financing risks, based on the agreed pace of fiscal consolidation over 2022-27.
Fanchart	Moderate	...	
GFN	Moderate	...	
Stress test	...	...
Long term	...	Moderate	Jordan has a strong social security system which will not reach its first break-even point (i.e. when outlays overtake contributions) until 2039; this partly reflects Jordan's demographic composition. There are several ongoing explorations in the mining sector (for rare earth, gold, lithium, phosphate, and potash), which represent a significant upside risk over the long term. However, there are pressing water scarcity challenges, which will entail costs to address (e.g. service payments on the Aqaba-Amman conveyor project starting 2028) and NEPCO's weak financial position poses a long-term structural risk to public finances. On balance, therefore, staff assesses long-term risks to be moderate.
Sustainability assessment 2/		Sustainable	The debt/GDP ratio is projected to decline to 80 percent by 2027, and financing risks, in line with a relatively long effective debt maturity of 6 years and robust development partner support, remain manageable. The baseline fiscal consolidation is gradual and backed by identified measures. Accordingly, debt is assessed as sustainable. However, further tightening of global financial conditions, higher-for-longer commodity prices, failure to arrest the deficits of the water and electricity sectors, weaker global growth, and higher EM risk premia present downside risks to this baseline.
Debt stabilization in the baseline			Yes
DSA Summary Assessment			
<p>Jordan's public debt is assessed as sustainable. The medium-term baseline delivers a downward path for the debt/GDP ratio, reinforced by a slight upward nominal GDP revision for 2021, driven mainly by fiscal consolidation and growth. Public debt peaked at 90.9 percent of GDP in 2021, but is expected to decline starting 2022 to reach 80 percent by 2027. Jordan's high public debt renders it vulnerable to a tightening in financial conditions, but the large share of concessional debt provides an important cushion. Moreover, Jordan has significant buffers: FX reserves at 7 months of imports; and the actuarial position of the Social Security Corporation remains strong, and has improved significantly of late. Continued fiscal consolidation and accelerated structural reforms, including decisive actions to address NEPCO's deficits and address the water scarcity challenge in a fiscally prudent manner, remain essential to maintain debt sustainability and enhance inclusive growth and competitiveness.</p>			
<p>Source: IMF staff calculations.</p> <p>Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.</p> <p>1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.</p> <p>2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.</p>			

Jordan: Debt Coverage and Disclosures

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

Reporting on Intra-Government Debt Holdings

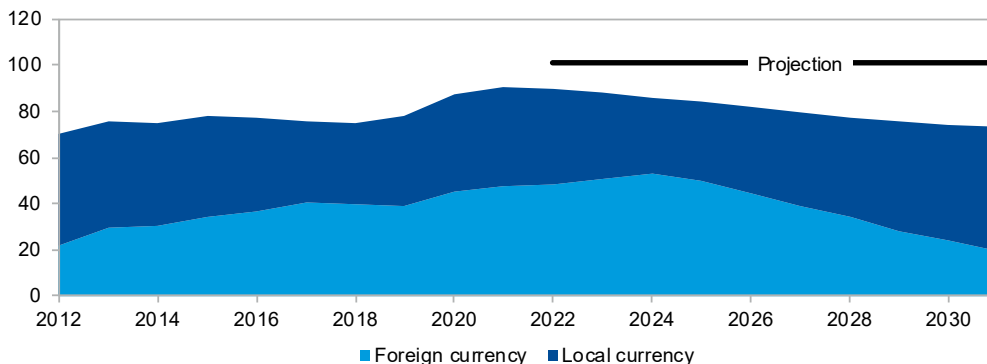
CPS	NFPS	GG: expected	CG	Issuer	Holder	Budget. central	Extra-budget.	Social security	State govt.	Local govt.	Nonfin. pub.	Central bank	Oth. pub. fin corp	Total
					1	Budget. central govt.								
2	Extra-budget. funds													0
3	Social security funds	7.003												7.003
4	State govt.													0
5	Local govt.													0
6	Nonfin pub. corp.													0
7	Central bank													0
8	Oth. pub. fin. corp													0
Total						7.003	0	0	0	0	0	0	0	7.003

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

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

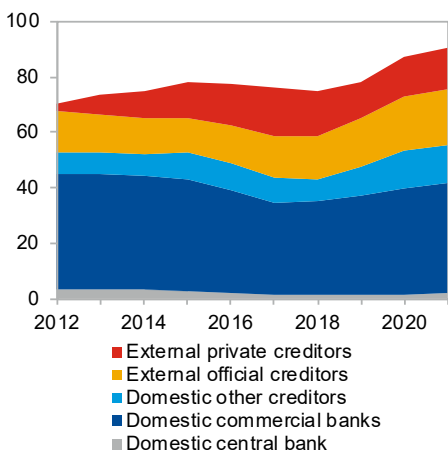
Jordan: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



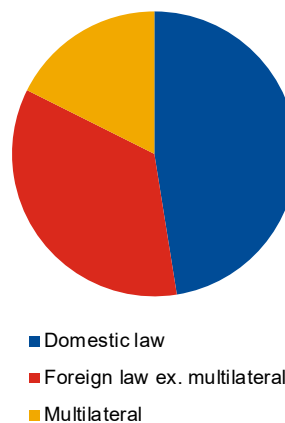
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



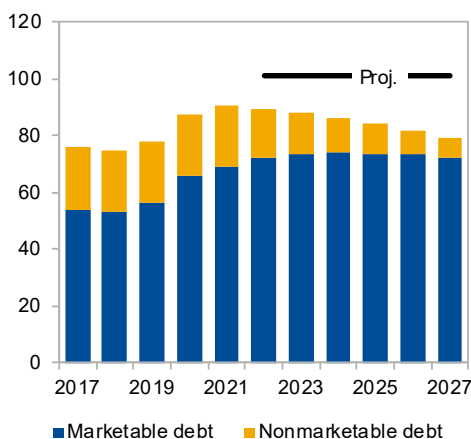
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2021 (Percent)



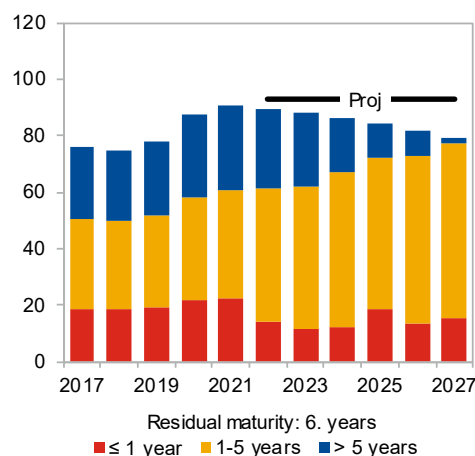
Note: The perimeter shown is general government.

Debt by Instrument (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

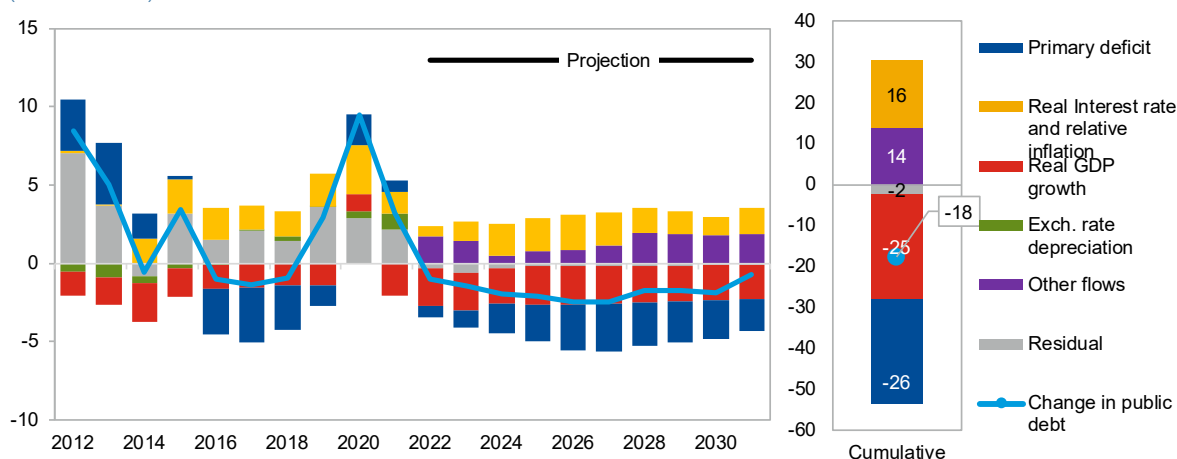
Jordan's public debt will remain about evenly split between foreign and local currency-denominated instruments. Jordan's current residual debt maturity is 6 years and maturities in the projected period are expected to fall mostly in the 1-5 years range. Debt is mainly held by domestic commercial banks and external official creditors.

Jordan: Baseline Scenario

	Actual	Medium-term projection						Extended projection			
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Public debt	90.7	89.7	88.2	86.2	84.2	81.7	79.3	77.5	75.8	73.9	73.2
Change in public debt	3.2	-1.0	-1.5	-2.0	-2.1	-2.4	-2.4	-1.7	-1.7	-1.9	-0.7
Contribution of identified flows	1.1	-0.7	-0.8	-1.7	-1.9	-2.2	-2.2	-1.6	-1.6	-1.8	-0.6
Primary deficit	0.7	-0.7	-1.1	-1.8	-2.3	-2.9	-3.1	-2.8	-2.6	-2.5	-2.0
Noninterest revenues	37.0	38.8	38.8	38.7	38.6	39.0	38.9	39.4	39.4	39.4	39.0
Noninterest expenditures	37.8	38.1	37.6	36.8	36.4	36.1	35.8	36.6	36.7	36.8	37.0
Automatic debt dynamics	0.4	-1.7	-1.1	-0.3	-0.4	-0.2	-0.3	-0.7	-0.8	-1.1	-0.4
Real interest rate and relative inflation	1.4	0.7	1.2	2.0	2.1	2.3	2.1	1.6	1.4	1.1	1.7
Real interest rate	2.2	0.2	0.6	1.7	1.9	2.1	1.9	1.4	1.3	1.0	1.6
Relative inflation	-0.8	0.5	0.6	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Real growth rate	-2.0	-2.4	-2.4	-2.3	-2.5	-2.5	-2.4	-2.3	-2.3	-2.2	-2.2
Real exchange rate	1.0	...	...	...	...	...	...	...	...	...	...
Other identified flows	0.0	1.7	1.4	0.5	0.8	0.8	1.2	1.9	1.9	1.8	1.8
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.0	1.7	1.4	0.5	0.8	0.8	1.2	1.9	1.9	1.8	1.8
Contribution of residual	2.1	-0.3	-0.6	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1
Gross financing needs	4.3	20.4	16.1	13.5	13.8	19.0	14.0	16.0	19.6	18.8	21.2
of which: debt service	3.6	21.1	17.2	15.4	16.1	21.9	17.0	18.7	22.3	21.3	23.2
Local currency	2.3	13.0	12.3	11.3	8.2	12.3	9.5	11.7	15.1	15.5	17.1
Foreign currency	1.3	8.1	4.9	4.1	7.9	9.6	7.6	7.0	7.1	5.8	6.1
Memo:											
Real GDP growth (percent)	2.4	2.7	2.7	2.7	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Inflation (GDP deflator; percent)	1.7	3.8	3.8	2.9	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Nominal GDP growth (percent)	4.1	6.6	6.6	5.7	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Effective interest rate (percent)	4.3	4.0	4.5	5.0	4.9	5.1	4.9	4.4	4.2	3.9	4.8

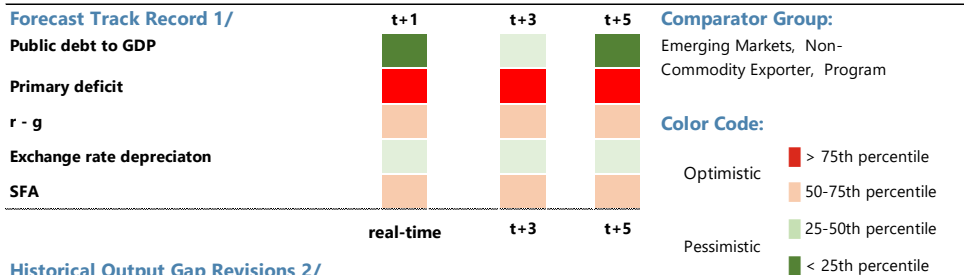
Contribution to Change in Public Debt

(Percent of GDP)



Public debt/GDP is on a declining path driven by economic growth and fiscal consolidation. The real effective interest rate and other flows (including SSC investment outside general government and off-budget project loans) put some upward pressure on debt/GDP. However, interest revenue, some use of deposits, and reduction of stock of guarantees (e.g. comfort letters offset these other flows). This table and the accompanying charts are based on general government debt and balances (the latter include Social Security surpluses).

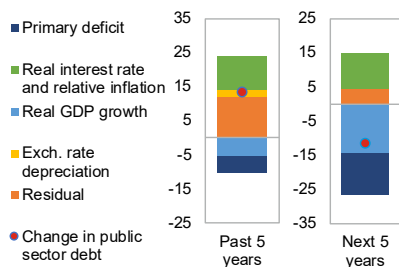
Jordan: Realism of Baseline Assumptions



Historical Output Gap Revisions 2/

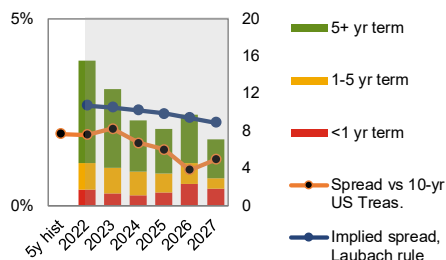
Public Debt Creating Flows

(Percent of GDP)



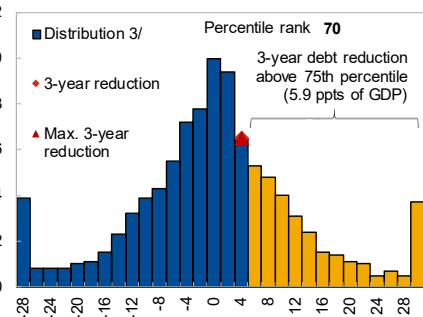
Bond Issuances

(Bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))



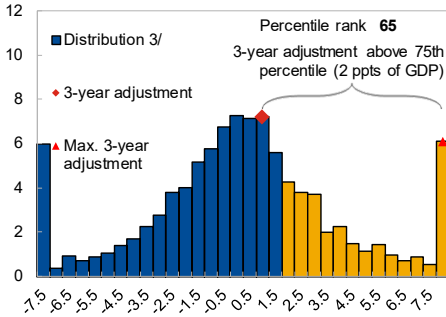
3-Year Debt Reduction

(Percent of GDP)



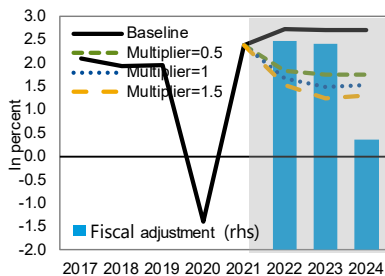
3-Year Adjustment in Cyclically-Adjusted

Primary Balance (Percent of GDP)



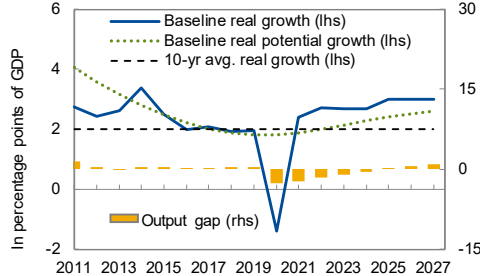
Fiscal Adjustment and Possible Growth Paths

(Lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS))



Real GDP Growth

(In percent)



The realism tools do not raise any significant red flags. While the forecast errors for the primary deficit projection flags red, this reflects the repeated revisions to the fiscal path in the context of the COVID-19 shock. On contribution of debt-creating flows: (i) growth was held back during 2017-21 due to the aftermath of the ISIS shock, weak structural reforms (in the context of an off-track Fund program) and then COVID; whereas the 2022-26 period will feature the post-COVID recovery as well as fruits from structural reforms implemented in the context of the current on-track EFF; (ii) large fiscal deficits (and SFAs from issuance of "comfort letters") during 2017-21, which included the two COVID years, are also set to tighten, in line with the programmed fiscal consolidation; and (iii) the US dollar's effective depreciation during 2017-21, which is now reversing, is also likely to reduce the debt burden going forward. Separately, on the interest bill/GDP ratio, marginal interest rates have been raised significantly since the 4th review, in light of the more aggressive Fed tightening, but this is offset by the fiscal drag from higher inflation, given a relatively long maturity of debt.

Source : IMF staff calculations.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates and final estimates in the latest October WEO) in the total distribution of revisions across the data sample.

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

Jordan: Medium-Term Risk Analysis

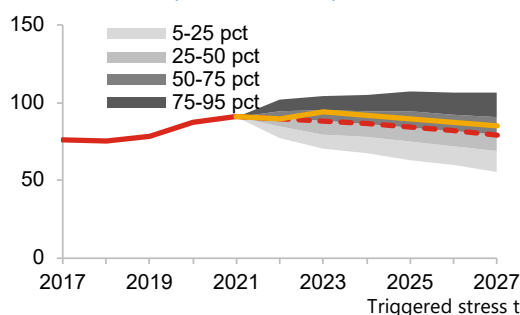
Debt Fanchart and GFN Financeability Indexes

(Percent of GDP unless otherwise indicated)

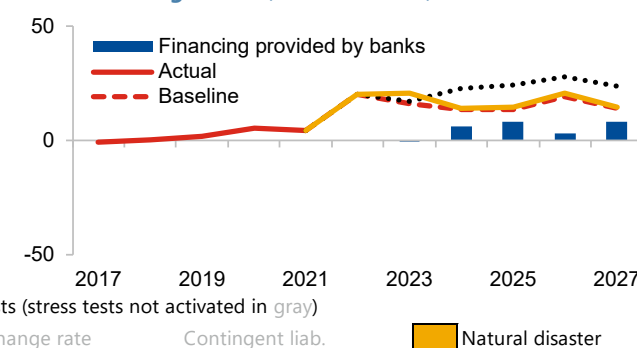
Module	Indicator	Value	Risk index	Risk signal	Ems., Non-Com. Exp, Program				
					0	25	50	75	100
Debt fanchart module	Fanchart width	51.2	0.7	...	[Chart showing interquartile range and Jordan's position]				
	Probability of debt not stabilizing (pct)	2.9	0.0	...	[Chart showing interquartile range and Jordan's position]				
	Terminal debt level x institutions index	43.2	0.9	...	[Chart showing interquartile range and Jordan's position]				
Debt fanchart index		...	1.7	Moderate					
GFN financeability module	Average GFN in baseline	16.1	5.5	...	[Chart showing interquartile range and Jordan's position]				
	Bank claims on government (pct bank assets)	22.4	7.3	...	[Chart showing interquartile range and Jordan's position]				
	Chg. in claims on govt. in stress (pct bank assets)	7.7	2.6	...	[Chart showing interquartile range and Jordan's position]				
GFN financeability index		...	15.3	Moderate					

Legend: [Grey bar] Interquartile range [Red bar] Jordan

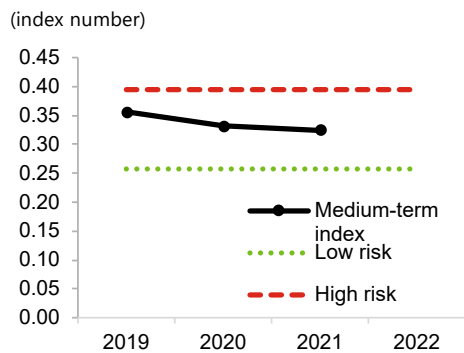
Final Fanchart (Percent of GDP)



Gross Financing Needs (Percent of GDP)



Medium-Term Index



Medium-Term Risk Analysis

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

Prob. of missed crisis, 2022-2027 (if stress not predicted): 18.2 pct.

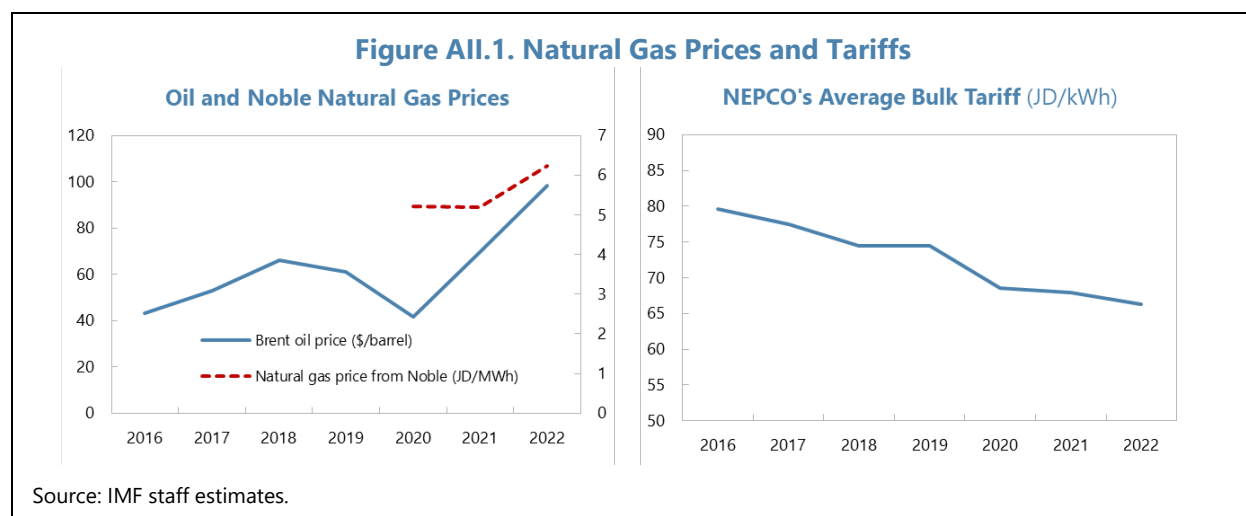
Prob. of false alarm, 2022-2027 (if stress predicted): 21.6 pct.

While the level of debt-to-GDP is high, the probability of debt-to-GDP non-stabilization is relatively close to the median given the level of fiscal effort assumed under the program and committed by the authorities. Risks to financing, in the face of stress, are similarly manageable. The SSC holds about 19 percent of GDP in assets outside of the general government sector, 70 percent of which are deposits or stocks, which should be liquid. These investments bring about reasonable interest income to the general government, which reduces GFNs. These latter are susceptible to changes in the banking sector claims to the general government. Nonetheless, the comfortable position of the banking sector makes this scenario highly unlikely. The medium-term risk is appropriately assessed as moderate.

Annex II. Restoring NEPCO's Financial Sustainability

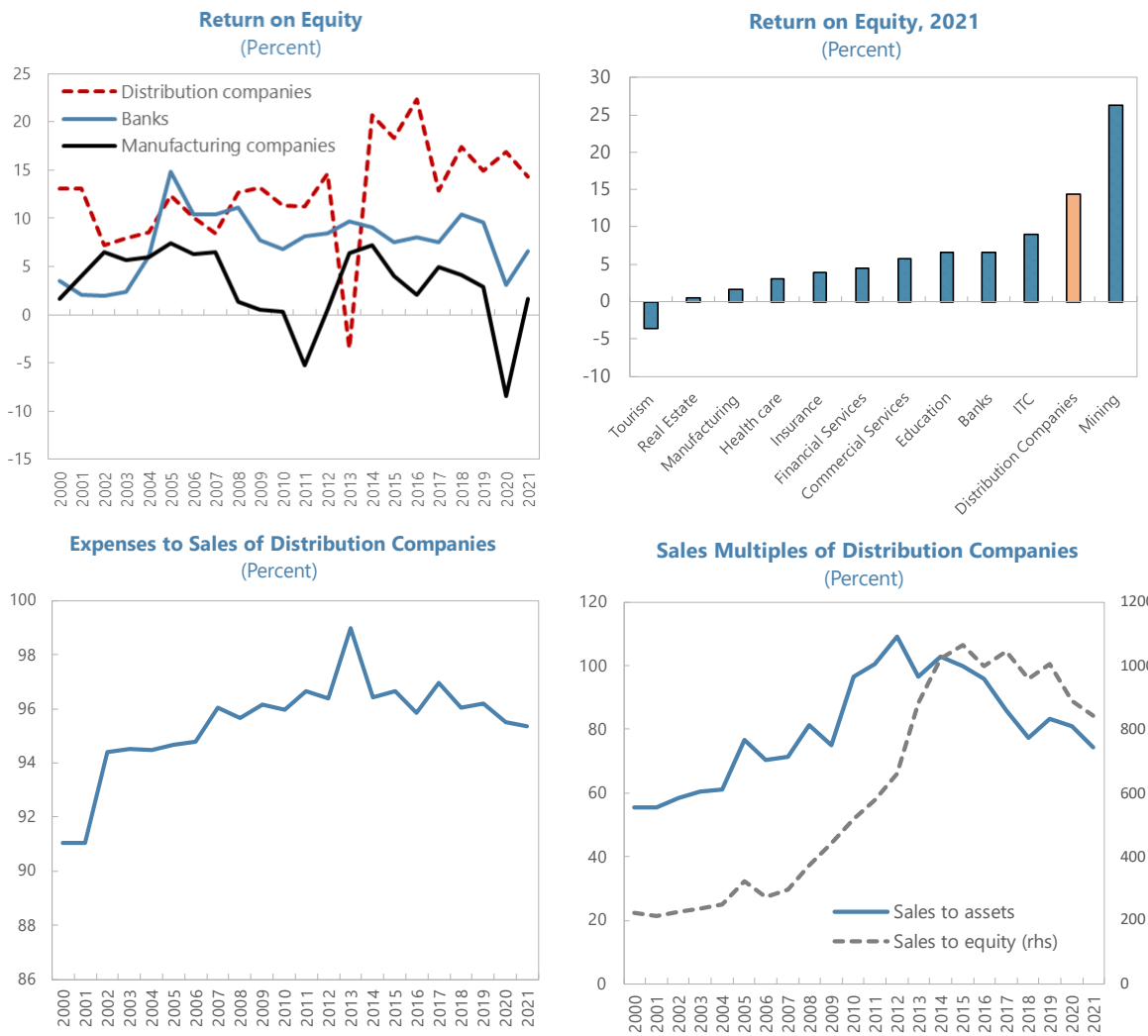
Absent corrective measures, the deterioration in NEPCO's operational balance will increase its burden on public finances and taxpayers. In 2022, NEPCO's revenue was hit by reductions in bulk tariffs as a result of distribution companies' lower profit margins. NEPCO's costs of natural gas imports also increased considerably, although its long-term contracts still offer some protection from the surge in global gas prices. Arresting NEPCO's enlarged deficits requires undertaking, without delay, credible revenue-enhancing and cost-reducing measures.

1. NEPCO's financial outlook has worsened since the fourth EFF review. NEPCO's average bulk tariff was lowered to 63 fils/kWh (an 11 percent drop from 71 fils/kWh in 2022Q1) to compensate the electricity distribution companies for their lower profits (Figure All 1). Natural gas import prices increased by 20 percent in 2022Q2 relative to 2021Q2. The first of the two Attarat oil shale plants has begun operating at full capacity since October 25. At its current pace, NEPCO's deficits would widen significantly without offsetting measures.



2. Electricity distribution companies are exerting significant financial pressures on NEPCO. The three distribution companies (EDCO, IREL and JEPSCO) are on average more profitable than most economic sectors (except for mining), despite bearing little risk (Figure All 2). However, under the current contractual agreements, the Energy and Mining Regulatory Commission (EMRC) is required to adjust NEPCO's bulk tariffs charged to distribution companies whenever there is a meaningful deviation from the profits guaranteed by their licenses. In recent months, profitability has declined as expenses, as a share of sales, have stayed elevated. At the same time, sales have grown more slowly than their assets, indicating declining operational efficiency.

Figure All.2. Performance of Electricity Distribution Companies (Weighted Averages)



Sources: Amman Stock Exchange; and IMF staff calculations.

3. NEPCO will adopt an action plan aimed at reducing NEPCO’s losses. The measures include: (i) extending the connection fee for self-generation to businesses, to compensate for use of NEPCO grid; (ii) implementing time of use tariffs and other adjustments to generate JD 50 million in revenue in 2023 to compensate NEPCO for higher input costs; (iii) enforcing more stringent KPIs for distribution companies, including targets for technical losses and O&M expenses; (iv) reducing non-technical losses due to tampering with electricity meters; (v) replacing the Floating Storage Regasification Unit (FSRU) with cheaper substitutes; (vi) establishing a specialized company for LNG purchases; (vii) mining royalties from oil shale PPA; and (viii) securing a telecom license to enable NEPCO to provide billable telecom services using its fiber optics infrastructure. In addition, NEPCO will also strengthen electricity grid interconnections with neighboring countries, including

Egypt, Syria, Iraq, and Saudi Arabia; and have hired advisors to initiate discussions to optimize costs related to PPA commitments.

4. Decisions on NEPCO’s bulk tariffs should guard NEPCO against exogenous shocks.

While savings from implementing plan could reduce NEPCO’s deficit substantially, risks outside NEPCO’s control such as continued increase in the costs of distribution companies against the backdrop of fixed consumer tariff prices or persistently high natural gas prices could hurt NEPCO’s balance if materialized. Therefore, determination of bulk tariffs should incorporate NEPCO’s revenue and cost structure (in particular, the portion that NEPCO has no control over) to ensure that NEPCO is not left to absorb the impact of exogenous shocks on its own and no untargeted electricity subsidy is generated at NEPCO’s expense.

5. Moreover, an independent EMRC with the power and capacity to execute its mandate in a transparent manner is critical. The published regulation includes a clear mandate and timeline for the EMRC to update tariffs, and the EMRC should be re-empowered to ensure the financial sustainability of the sector by factoring in NEPCO’s financial imbalance when adjusting electricity tariffs, including the fuel adjustment clause.¹ The EMRC should also enhance its public communications of its electricity tariff decisions to ensure more transparency and commitment when adjusting tariffs. Just as it does for oil derivatives pricing, the EMRC should describe the timeline of, and principles guiding, any future electricity tariff adjustments.

6. A medium-term strategy could consider implementing a more incentives-based regulatory framework for the distribution companies to improve their efficiency. The current regulatory framework is mostly focused on cost-of-service (rate-of-return) regulation: the EMRC evaluates the cost of capital of the distribution companies for the purposes of setting NEPCO’s bulk supply tariff. The choice of the regulatory regime will require careful consideration of the trade-offs (economic efficiency, financial sustainability of the sector, and equity considerations) as well as governance capacity, but NEPCO’s challenging financial outlook and high expenses of distribution companies warrant at least a revision from the current profit-margin protective licenses towards a more incentives-based framework over the medium term.²

¹ Before the pandemic, the automatic electricity tariff adjustment mechanism (the “fuel clause”), adopted in 2017, was used to insulate NEPCO from swings in oil prices and contain its losses. However, the fuel clause was set to zero as the country entered the pandemic and has remained at zero since then, despite large increases in natural gas prices this year.

² In incentives-based regulatory frameworks, the period between tariff adjustment is typically between 4 to 6 years, which offers enough time to reap benefits from improvements in efficiency.

Appendix I. Letter of Intent

Amman, Jordan
December 8, 2022

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

Dear Ms. Georgieva:

Jordan faces substantial global economic headwinds including sharply elevated international food and fuel prices, tightening global financial conditions, lingering effects from the COVID-19 pandemic, and risks from global economic fragmentation. At the same time, unemployment remains very high, notwithstanding its decline to 22.6 percent from a peak of 25 percent in Q1 2021. Despite these challenges, we expect the recovery to gain momentum, as job-rich contact-intensive sectors normalize, and tourism continues its strong rebound. Our strategic grain reserves, long-term natural gas import contracts, and robust foreign exchange reserves have helped us contain inflationary pressures, preserve market access, and maintain confidence in our economy. But the conjuncture will still present significant challenges for the economy.

We remain fully committed to the objectives of our EFF-supported reform program: preserving debt sustainability and external buffers, maintaining monetary and financial sector stability, and advancing structural reforms to achieve higher and more inclusive growth. We are strengthening social safety nets, and working to reduce unemployment, promoting labor force participation, particularly for youth and women, boosting competition through regulatory reforms, and improving governance and transparency. We have launched the Economic Modernization Vision in June 2022, which aims to generate over 1 million jobs in the next ten years and will guide our policy efforts to improve the business climate and enhance competitiveness, including to attract FDI. We require a more reliable stream of financing, in line with the support pledged by the international community under the Jordan Compact and the 2019 London Initiative to enable us to continue shouldering the global public good burden of hosting 1.3 million Syrian refugees.

Despite headwinds from slowing global growth and tightening financial conditions, we were able to meet all end-June 2022 quantitative performance criteria (QPCs) for the central government primary deficit (excluding grants), the combined public deficit, and net international reserves (NIR); and most indicative targets (IT). Revenue growth remained strong, outperforming expectations, helped by a robust legally- and institutionally-backed effort to fight tax evasion, close tax loopholes, and strengthen tax administration. We are back to aligning the prices of gasoline and diesel with international market levels. However, the impact on our fiscal balances is being challenged by the continued ramifications of the rise in global energy and food prices, and global financial tightening.

In this context, we are requesting a modification of the QPCs for end-December 2022 and end-June 2023 on the central government primary deficit (excluding grants) and the combined public deficit, to absorb the exogenous fiscal impact of commodity shocks while safeguarding priority spending. Our 2023 budget will adhere to a central government primary deficit excluding grants of 2.9 percent of GDP to allow us to accommodate priority social and capital spending. We remain committed to reducing public debt to 80 percent of GDP over the medium term (Memorandum of Economic and Financial Policies (MEFP) ¶10–11). This commitment is also supported by measures to strengthen the financial sustainability of the electricity sector (MEFP ¶28) and water sector (MEFP ¶31).

We have also delivered on all our structural benchmarks (SBs) due by end of 2022 notwithstanding the challenging economic circumstances. Parliament has enacted important tax legislations introducing “place-of-taxation” rules into the General Sales Tax Law and strengthening the governance of fiscal incentives in line with Fund advice. We have also submitted legislations to improve the competition framework and remove legal impediments to female employment. Moreover, Cabinet has taken necessary decisions to limit the cost of untargeted fuel subsidies. We have also extended our e-procurement system to the two largest ministries (health and education) ahead of schedule. The Central Bank of Jordan (CBJ) has made good progress in the development of a risk-based solvency regime in the insurance sector and in strengthening the regime for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT). The CBJ has also implemented a new FDI survey. It is against the backdrop of this record of strong program performance that we set out our commitments on actions and further reforms in the attached Memorandum of Understanding of Economic and Financial Policies (MEFP).

Moving forward, the elevated economic uncertainty, slowing global economic growth, elevated food and fuel prices due to the war in Ukraine and global financial tightening call for further recalibration of policies to mitigate scarring and preserve macroeconomic stability. The CBJ has continued its strong track record of prudent management of monetary policy, anchored in the peg to the U.S. dollar, while supporting the in-train economic recovery. The peg has served our economy well, helped to preserve market confidence, and balance monetary and financial stability and growth objectives. As the US Federal Reserve tightens policies, the CBJ has acted firmly and swiftly to maintain monetary stability and raised policy rates in line with the Fed. In addition, the CBJ has also started issuing Certificates of Deposits (CDs) since August to further tighten monetary policy. The CBJ will remain alert to changes in domestic, regional, and global financial conditions, and stands ready to undertake the policy adjustments necessary to credibly protect monetary stability. Our key operational target will continue to be to maintain international reserves at 100 percent of the Fund’s Reserve Adequacy Metric. In light of recent BOP developments, we are requesting modification of the end-December 2022 and end-June 2023 QPC on net international reserves (NIR).

At the same time, the CBJ—with the support of the government—has continued to help SMEs and productive sectors via subsidized lending schemes. These schemes have been seen as crucial for Jordanian businesses to weather the economic impact of the pandemic, and to protect private sector jobs. Looking ahead, as the recovery firms up through 2023, and demand for the SME scheme dwindles, the CBJ will unwind this scheme. With regard to the scheme to help productive economic sectors, it continues to be helpful in capitalizing on the growth momentum. The CBJ is considering reviewing the interest rate of this scheme over the medium term in light of CBJ’s monetary policy

stance and evolving economic conditions. In addition, the CBJ has a strong and effective prudential and supervisory framework, which has helped to maintain the soundness and resilience of the financial system.

In view of the aforementioned strong program performance, we request the completion of the fifth review under the extended arrangement and approval of the related purchase, and modification of performance criteria. We believe that the policies set forth in the attached memorandum are adequate to achieve the objectives of our program. We stand ready to take further measures that may become appropriate for this purpose. We will consult with the Fund on the adoption of these measures, and in advance of revisions to the policies contained in the MEFP, in accordance with the Fund's policies on such consultations. The implementation of our program will continue to be monitored through semi-annual quantitative performance criteria, structural benchmarks, and quarterly indicative targets as described in the MEFP and in the attached Technical Memorandum of Understanding (TMU). The Government and the CBJ will provide the Fund with the data and information necessary to monitor performance under the program as specified in the TMU. We expect the sixth review to be completed on or after March 30, 2023, and the seventh review on or after September 30, 2023.

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

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

Sincerely,

/s/

Mohamad Al-Ississ
Minister of Finance

/s/

Adel Al-Sharkas
Governor of the Central Bank

Attachment I. Memorandum of Economic and Financial Policies

BACKGROUND

1. A post-pandemic recovery is underway, supported by timely and commensurate policy responses. The economy has fully re-opened and most pandemic support measures have been unwound. GDP growth reached 2.9 percent y-o-y in the second quarter of 2022, at the back of a strong recovery in both industry and service sectors. The Jordanian unemployment rate remains elevated, despite its marginal decline to 22.6 percent in the second quarter of 2022 from its record high of 25 percent in the first quarter of 2021. Youth unemployment, albeit down from over 50 percent during the pandemic, remains high at 48 percent. Similarly, female unemployment rate (29.4 percent in 2022Q2) and poverty rates remain elevated. Inflation, thanks to the effective rise of interest rates and liquidity mop-up efforts, remains contained at 4.1 percent during the first ten months of 2022 and a projected rate of 4.4 percent for 2022.

2. The 2022 current account deficit is expected to narrow to 7.8 percent of GDP as the rebound in tourism and exports offset the impact of high fuel and food prices. The pickup in imports with higher economic activity, together with higher energy and food prices were more than offset by exports, remittances and tourism receipts—accordingly, the 2022 current account deficit is expected to reach 7.8 percent of GDP, 1 percentage point below 2021 level but wider than fourth review expectations. Consistent with that, our international reserves have remained adequate to support the peg about 99 percent of the ARA metric, thanks to prudent monetary policy and resilient donor support. Looking ahead to 2023, the current account deficit is expected to narrow further to 5.7 percent of GDP, reflecting further recovery in tourism and some moderation in commodity prices. Given continued strong financial assurances from our international development partners, we intend to keep market borrowing to the minimum necessary amid uncertain and tightening global liquidity conditions.

3. Our revenue mobilization efforts have helped partially offset the negative impact of high international food and fuel prices on our public finances. Tax revenues have overperformed fourth review targets, growing by about 9 percent until September year-on-year in 2022 on account of legislative and administrative tax base broadening efforts. We have continued the momentum on tax reforms with the enactment of legislations introducing “place-of-taxation” rules into the GST law and strengthening the governance of fiscal incentives, while continuing a board-based effort to strengthen our tax administration to implement recent reforms tackling tax avoidance and evasion, such as on transfer pricing. Nevertheless, we expect our fiscal deficit to increase by 0.3 percent of GDP relative to the fourth review on account of increased outlays on food subsidies (wheat and barley) and the temporary fuel subsidy, the latter of which we have fully phased out.

4. Growth is expected to further strengthen over the medium term, guided by the Economic Modernization Vision. We expect growth to reach 2.7 percent in 2022 and 2023, and then to rise gradually to 3 percent over the medium term supported by our structural reforms aimed to boosting potential growth. GDP growth is supported by a continued recovery in services and industry as the impact on Jordan from the war in Ukraine remains under control. However, significant downside risks to the outlook remain from persistently high commodity import prices,

volatile and tightening global financial conditions, geopolitical tensions, and challenging socio-economic conditions. On the upside, higher commodity prices could support mining exports, and increased remittances, tourism, and investments from the GCC countries.

5. In these challenging times, declining donor support for Syrian refugees is ever more concerning as Jordan copes with the associated fiscal and social costs. As of 2022, the financing requirements according to the Jordan Response Plan to address the needs of refugees remains 87 percent underfunded. These shortfalls hamper Jordan's ability to continue providing refugees with essential services while reducing macroeconomic vulnerabilities. Notwithstanding this, Jordan has temporarily retained electricity subsidies for the most vulnerable 25 percent of Syrian refugee households for 6 months to soften the impact of the electricity subsidy reform on this vulnerable group pending a more durable response funded by donors.

6. Our commitment to the EFF program remains strong. Since the approval of the EFF in March 2020, we have maintained continuous engagement with the Fund on developments on the ground and on policy issues. Our careful implementation of stimulus measures, and efforts to arrest tax evasion, which we have pushed through despite the ongoing crisis, indicates our strong commitment to the program's macroeconomic stability and debt sustainability objectives. Despite the pressures from high fuel and food prices and tightening global financial conditions, we were able to meet the end-June 2022 quantitative performance criteria (QPCs) and end-September 2022 indicative targets (ITs) for the primary fiscal deficit of the central government, the combined public deficit, net international reserves (NIR), net domestic assets (NDA) and non-incurrence of external debt service arrears. Similarly, most other indicative targets for end-June 2022 and end-September 2022 have also been observed (MEFP Table 1). We have also successfully implemented all eight structural benchmarks that fall due on June 30, 2022, or later (MEFP Table 2).

POLICIES FOR SAFEGUARDING MACROECONOMIC STABILITY AND BOOSTING GROWTH

Fiscal Policy and Structural Fiscal Reforms

7. The fiscal program remains on track. End-June 2022 QPCs and end-September 2022 ITs for the central government primary deficit and the combined public sector deficit were met. The government's fight against tax evasion and avoidance, including through legislative tax reforms, are beginning to bear fruit: domestic revenues through June were 8 percent higher y-o-y. Taxes on income and profits have overperformed, while capital expenditure has seen some delays in execution. These developments have allowed us to overperform the June targets on the primary balance (ex-grants) by about 0.9 percent of GDP and the combined public balance. The end-September 2022 ITs on the central government primary and combined public balances have also been met.

8. We are on track to deliver a significant 0.7 percent of GDP fiscal consolidation in 2022, despite the adverse impact of high international fuel and food prices. Tax revenues are expected to exceed fourth review expectations by 0.2 percent of GDP on the back of a continued strong revenue collection effort. However, spending on subsidies is likely to exceed our expectations at the fourth review by 0.9 percent of GDP: 0.3 percent of GDP from higher-than-expected outlays

on temporary fuel subsidies; and 0.6 percent of GDP from food (wheat/barley) subsidies due to elevated international prices. In addition, we spent 0.2 percent of GDP to bolster our strategic food reserve by 1 month to ensure sustained food security for our population in a highly uncertain global food supply context. We have aligned the prices on gasoline 90 and 95 with international market prices in August and October, respectively, and have announced diesel prices in December 2022 fully in-line with the level implied by international market prices. We are securing offsetting savings of 0.6 percent of GDP via non-tax revenues (including 0.3 percent of GDP from higher dividends) and non-priority spending rationalization, which will allow us to reach a 3.7 percent of GDP primary deficit (excluding grants) for 2022, 0.3 percent of GDP wider than the fourth review target. We are requesting modifications to the two end-December 2022 fiscal QPCs to accommodate this somewhat higher deficit.

9. Fiscal policy in 2023 will aim at keeping general government debt on a firmly declining path while supporting the economic recovery. To this end, the 2023 budget targets a primary deficit (excluding grants) of 2.9 percent of GDP, implying a 0.8 percent of GDP annual consolidation. This consolidation will be achieved by implementing the agreed revenue-enhancing measures at the fourth review (0.2 percent of GDP), and the elimination of temporary fuel subsidies (1.1 percent of GDP), which will be partly offset by higher capital expenditures and the winddown of one-off non-tax revenues in 2022. Accordingly, we have submitted to Parliament a budget consistent with a JD 1088 million central government primary deficit (excluding grants and transfers to NEPCO and WAJ) with a commitment not to shift any capital spending allocation to current spending (**prior action**).

10. We are committed to closing the fiscal gap over the medium term by continuing our fiscal strategy focused on revenue base broadening and will implement revenue-side reforms yielding 1.1 percent of GDP over 2024-27. With the support of FAD TA, we have made significant progress toward closing tax loopholes, while ISTD has made substantial inroads into improving compliance. Going forward, the implementation of new legislative and administrative reforms is expected to generate, cumulatively, an additional 0.4 percent of GDP in revenue measures in 2024, and an additional 0.7 percent of GDP over 2025–27. This is expected to comprise (i) measures to broaden the income tax base by rationalizing new tax exemptions (via the new investment law) and the implementation of compliance improvement plans in the Large Taxpayer and Free Professionals Directorates; (ii) efforts to broaden the GST base by introducing place of taxation rules and rationalize new GST exemptions via the new investment law, as well as an anticipated reduction in smuggling following the recent customs reform; (iii) closure of key tax loopholes as a result of bringing ASEZA within the national tax and customs systems; and (iv) fully implementing the track-and-trace system for alcohol while better tackling cigarette smuggling through stronger inter-agency border control, and better compliance enforcement efforts domestically. Moreover, we will explore the potential for additional reforms to widen our tax base, including through continued efforts to reduce tax evasion and avoidance, and will seek further IMF TA in this regard.

11. We will also implement reforms that we have identified to improve expenditure efficiency to deliver 0.2 percent of GDP in savings in 2024, and an additional 0.3 percent of GDP over 2025-27. These reforms include: (i) containment of the growth of the public wage bill below nominal GDP growth and implementation of public sector efficiency reforms; (ii) roll out of e-procurement to the broader public sector; and (iii) efficiencies in the health care sector, including

via improved targeting of exemptions and incentivizing more efficient use of resources in public hospitals.

Expected Sources of Medium-Term Fiscal Consolidation (Estimated yield, in percent of GDP)			
	Cumulative Yield		
	2024	2025	2027
Required discretionary effort to close the fiscal gap (cumulative)	0.6	1.2	1.6
Total expected yield from envisioned reforms (cumulative)	0.6	1.2	1.6
Revenue reforms	0.4	0.8	1.1
Broaden income tax base by rationalizing new CIT incentives (new investment law enacted in 2022); and improving compliance for large tax payers and free professionals (starting 2023)	0.1	0.2	0.3
Broaden GST base by introducing place of taxation rules (enacted in 2022); rationalizing new GST incentives (new investment law, see above); and recent customs reform to reduce avenues/incentives for smuggling	0.1	0.2	0.3
Close tax loopholes by bringing ASEZA tax and customs functions within national systems (law passed in May 2022)	0.1	0.2	0.3
Introduce digital track-and-trace system (for all cigarette companies in 2022; and for alcohol by end-2023)	0.1	0.2	0.2
Expenditure reforms	0.2	0.4	0.5
Further contain public wage bill growth to below nominal GDP growth from 2023	0.1	0.2	0.2
Roll out JONEPS (e-procurement) in health and education ministries; to broader central and general government entities (starting 2024)	0.1	0.2	0.2
Improved efficiencies/reduced exemptions in the provision of health insurance	0.0	0.0	0.1
Potential additional reforms (cumulative, subject to FAD technical assistance)			0.5

12. The above fiscal consolidation will reduce debt from 90.9 percent of GDP in 2021 to 80 percent of GDP in 2027, further strengthening our debt sustainability. Despite the challenging external environment and tighter financing conditions, we remain committed to bringing debt-to-GDP to 80 percent over the medium term as agreed during the fourth review; through the above revenue raising and expenditure containment reforms. In addition, we are taking concrete measures to limit the drain from NEPCO, expecting an improvement of its financial position over the medium term.

E. Structural Fiscal Reforms

13. To durably improve the efficiency of public finances, we are aggressively pursuing structural fiscal reforms in key areas:

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

- We introduced a **new regime for incentivizing investment** giving MOF a central role in the granting and management of all fiscal incentives for investment in Jordan. The new law titled “Regulating the Investment Environment and Doing Business Law”, includes a chapter on investment that (i) sets out the incentives framework—for the granting of all fiscal incentives to investors—including clear principles to be administered by a fiscal incentives ministerial committee including MOF that takes full account of the benefits and costs, especially foregone government revenues, associated with the incentives; (ii) consolidates the governance of new (and rollover of existing) fiscal incentives under MOF apparatus; and (iii) stipulates that all new

fiscal incentives will be granted by the fiscal incentives ministerial committee. We will issue bylaws to implement the new law by end-March 2023 including clarifying the mechanism underlying the cost-benefit assessment of fiscal incentives to ensure they are economically viable and safeguard debt sustainability.

- We have enacted the GST law amendments to introduce **place-of-taxation rules** and have issued instructions to implement it.
- We have implemented the recently adopted **ASEZA law** amendments, which imposes a single tax administration and a single customs service for Jordan, bringing ASEZA participants under ISTD and Customs national control. This important reform will also allow us to complete, with IMF support, a more thorough analysis of tax expenditures. At the same time, Customs is strengthening its capacity to tackle smuggling, monitor warehouses, and undertake ex-post audits.
- We are implementing the **revenue mobilization plan** developed with the support of the IMF's Fiscal Affairs Department (FAD) in 2021; the plan encompasses both tax policy and administration, including a focus on implementing recent and ongoing legislative reforms. To support smooth implementation of the recent transfer pricing and economic substance reforms, ISTD has conducted extensive awareness campaigns for taxpayers, including conducting trainings and posting online guidelines. ISTD is currently preparing an FAD-supported holistic roadmap, which links our overarching strategic objectives as outlined in the 2021 plan to timebound intermediate and operational targets. The plan will be shared with Fund staff by May 2023. This will allow us to map general objectives with small and clear steps toward delivering on revenue administration reforms.
- We will enhance **ISTD capacity** by upgrading its IT infrastructure including a new Integrated Tax Administration System (ITAS). At the same time, we are improving tax compliance by continuing to strengthen ISTD's audit function through incorporating risk-based practices; building the capacity of specialized audit teams for high-risk sectors in the large taxpayer directorate (LTD); and improving HR practices and incentives. As part of the latter, ISTD has introduced a new leadership program whereby staff can anonymously submit ideas for improving revenue mobilization efforts, with the best proposals rewarded with promotions or prizes. We are also working on implementing an e-audit system, using AI, to improve our audit functions (**proposed SB for June 2023**).
- In other **tax administration reforms**. We have also finalized implementation of a digital track-and-trace system for the entire cigarette sector, to address revenue leakages from tobacco smuggling. We expect to start implementation of a digital track-and-trace system for alcohol next year (**SB for June 2023**).
- We are continuing efforts towards launching an **e-invoicing system (proposed SB for June 2023)**. This will strengthen the monitoring of economic activities, address under-invoicing through a random enforcement mechanism, and strengthen the audit function of the sales-tax framework. We are currently in the process of selecting a company that will implement the new e-invoicing system with the aim to rollout the system by end-2023. In preparation, we are also

introducing incentives to expand the use of invoicing including through a lottery scheme rewarding customers with ISTD-recognized invoices.

(ii) **Social safety net.** To ensure the adequacy and efficiency of the social safety net, we continue to review our social spending envelope. The IMF-supported program already includes a floor on social spending (IT), consisting of: (i) non-wage components of the education and health sectors' current expenditure envelope; (ii) NAF's and other entities' social protection programs; and (iii) the school feeding program. While most temporary COVID-related social support programs have expired, we have continued our efforts to ensure that the vulnerable are adequately and efficiently protected; however, the challenging economic circumstances have increased the need for social support:

- We increased the number of families covered through the unified cash assistance program reaching 120,000 families in 2022, although there are unmet needs for social protection, consistent with the high rates of poverty and unemployment. Over the summer of 2022, in lieu of the blanket fuel subsidy, we allocated JD30 million to support around 220,000 NAF beneficiary households as well as financial aid to 74,000 vulnerable university students. Consequently, we will continue to safeguard and increase the NAF budget allocation in the coming years in order to continue to broaden the coverage and increase the amounts for cash transfer programs.
- We continue to make improvements to our targeting methodology used to determine eligibility for cash assistance (with World Bank technical support); recent improvements include adjusting weights to reflect dependent adult children, and ensuring adequate weights for female-headed households. We have also shifted to making all cash transfer payments virtually (through e-wallets, bank transfers, or mobile payments).
- To further improve efficiency in social protection programs, we are working on integrating all existing NAF programs for all Jordanian nationals into one single program (by end-2024). We are also considering institutionalizing the provision of food assistance (currently provided by a broad range of agencies) into a single unified platform.
- We have continued to protect the population from the impact of higher international food prices and have extended this support till end-2023. To ensure that this support reaches those who most need it, we will explore options, with the help of IMF FAD TA, to better target this support, strengthen audits of the supply chain, and stiffen penalties for misuse.

(iii) **Public sector administrative reform and efficiency.** We will leverage the recently launched Public Sector Modernization Reform to adopt an action plan to improve the efficiency of the public sector, including by strengthening the separation between regulatory bodies and operators, with a view to increase accountability, independence, and transparency; revising civil service staffing practices including by developing a system of merit-based hiring and promotions; and increasing digitalization of government services. We are committed to additional efforts to ensure the attractiveness of the civil service for experienced and high-skilled professionals, and to enhance efficiency, e.g., by merging various public agencies and enhancing the institutional roles within the Government of Jordan to strengthen budgetary oversight and human resource planning.

(iv) **Public financial management (PFM).** To inject liquidity into the market while maintaining sound fiscal policy, we have reduced the stock of central government arrears due to the health sector by JD 196 million between end-December 2020 and end-December 2021. However, the incurrence of both health and energy arrears has continued, with a total amounting to JD 187 million by end-September 2022 mainly coming from the health sector by JD 183 million. We have established a committee of technical experts to follow and forecast the development of cash flows on a daily basis to improve cash management. The recent IMF TA on cash management has identified areas of reform in cash forecasting and cash and debt management integration, which could help better manage cash flow volatility, reduce the incurrence of arrears, and improve the prospects for obtaining domestic market financing at competitive rates. To eliminate off-budget expenditures, we are strengthening top-down budgeting, and improving the quality of fiscal projections.

(v) **Public procurement.** We have been working to ensure adequate staffing of the committees and units directing and implementing the rollout of the eGovernment Procurement system, JONEPS. We have expanded the JONEPS coverage to include the Education and Health Ministries ahead of time (met *SB for December 2022*). During 2022, we will also start the process to implement the JONEPS procurement system for municipalities, starting with GAM, with full coverage of GAM expected by June 2023.

(vi) **Fiscal transparency and fiscal risks management.** Consistent with the 2021 FTE's findings and recommendations, (a) the new macro-fiscal unit at MOF will prepare and publish a Fiscal Risk Statement with the 2024 budget, outlining key macroeconomic and contingent liabilities risks (**proposed SB December 2023**);¹ (b) the Fiscal Commitments and Contingent Liabilities Unit (FCCL) has gathered key financial and non-financial information on three major PPPs—namely, powerplants IPP3 and IPP4, and AIG (in addition to all new PPPs); it has completed an assessment of both explicit fiscal costs and fiscal risks (including those related to early contract termination), and shared these assessments with Fund staff (met *SB for June 2022*). The assessments have not been published due to confidentiality limitations. We are hiring a dedicated expert in the FCCL unit to build our risk assessment capacity. This will enable us to expand coverage of existing PPPs to an additional 3 of the largest PPPs, which we now expect by end-September 2023. Separately, we will continue publishing information on COVID related spending, including beneficial ownership of entities awarded contracts, on the MOF website.

(vii) **Investment quality and predictability.** In line with a new Cabinet decision, we are subjecting the National Conveyor PPP project to the requirements of the new PPP law, notably, a robust FCCL analysis, and transparent bidding. The FCCL analysis for the National Conveyor Project was completed in April 2022. We have prepared the legislative basis for the National Registry of Investment Projects (NRIP), comprising of the Public Investment Project (PIP) Databank and the Public-Private Partnership (PPP) Project Databank; we have been collecting the necessary information on approved PPPs, and expect to migrate this to the electronic version of the platform once launched. We will also include in the NRIP all PIPs in the 2023 General Budget greater than JD 1 million.

¹ The MFU is building its capacity by drafting a fiscal risk statement for the 2023 budget. Significant progress has been made on the analysis of macroeconomic risks and work is ongoing to strengthen data collection from state-owned enterprises.

(viii) **Fiscal policy and debt management capacity.** Building on the success of the Project Management Unit (PMU) in MOF in driving the ambitious structural fiscal reform agenda, we are strengthening the newly formed MFU that is being tasked with producing medium-term macroeconomic forecasts, and generating fiscal projections on a quarterly basis for the running budget year and on an annual basis for the medium term. Going forward, as MFU capacity enhances, including with FAD assistance, the unit would also aim to assess and elucidate the dynamic and distributional impacts of alternative revenue and expenditure measures. To this end, we have recruited two division heads and two staff for the MFU at MOF, with four pending hires including two at a senior level.

14. We will continue monitoring the balance sheets of some public enterprises and local government units with a view to addressing emerging vulnerabilities:

- **Royal Jordanian (RJ).** In 2022, passenger numbers have increased significantly, but higher operational costs including due to elevated fuel prices will put some pressure on RJ's bottom line. Overall, while we expect RJ to return to profitability soon, we have injected JD 70 million worth of capital in 2022. We will continue enhancing oversight of fiscal risks from RJ including through regular data collection and analysis.
- **Greater Amman Municipality (GAM).** To address deficits, GAM is taking measures to strengthen revenues, decrease operating costs (including by reducing its wage bill and through green savings on electricity and fuel), incentivize the payment of bills (including through discounts for early payment), and improve service delivery. GAM expects to eliminate deficits gradually over the medium term. GAM has also inaugurated the Bus Rapid Transportation (BRT) project, which is providing reliable, affordable, and safe transportation to residents of Amman, especially women, with robust demand. The remaining routes in the first phase will be rolled out gradually through 2023. GAM expects to launch a tender for a second phase of the BRT (an additional 40 km of routes) in 2023.

Monetary and Financial Policies and Enhancing Access to Finance

15. The CBJ was successful in preserving monetary and financial stability amidst a particularly challenging period. Monetary policy will continue to be underpinned by our firm commitment to the exchange rate peg to the US dollar. The peg has served our economy well by providing a credible nominal anchor of monetary and financial stability. We have raised the policy rates in line with the Fed and have also issued certificates of deposit (CDs) of JD600 million since August 2022, further tightening monetary policy. Still, credit to private sector has reached a robust 8.2 percent y-o-y in September 2022, partially reflecting a gradual recovery of the economy. Looking ahead, the CBJ will continue to closely monitor the state of the economy and pro-actively manage banking system liquidity. The CBJ will remain vigilant to changes in global financial conditions and stand ready to undertake the policy adjustments necessary to credibly protect monetary and financial stability. Our key operational target will continue to be to maintain international reserves above 100 percent of the Fund's Reserve Adequacy Metric.

16. In June, the CBJ issued a new instruction to banks to help mitigate the impact of rising interest rates on retail borrowers. The CBJ encouraged banks to offer households with variable

interest rate loans a new repayment schedule with fixed monthly installments together with either an extended maturity or a variable bullet payment at maturity. Specifically, the CBJ encouraged the banks to fix the loan installment; if the fixing were in the interest of the bank and the customer. In this connection, banks were asked to adhere to special instructions regarding the age of the customer, with regard to life insurance, as well as not violating any of the applicable legislation and/or the bank's policies as a result of the installment fixing process. We continue to ensure that appropriate loan classification and provisioning are carried out.

17. The CBJ has provided support to businesses, with a focus on SMEs, through subsidized lending schemes to protect employment. The CBJ created a JD 500 million SME lending scheme (85 percent of which is guaranteed by the Jordan Loan Guarantee Corporation and partly supported by the Government of Jordan) at the onset of the pandemic in 2020; and adjusted the terms of an existing one (which was launched in 2012) to make available up to JD 1.3 billion at low interest rates to support ten productive sectors. These two lending schemes have been seen as crucial for Jordanian businesses to weather the economic impact of the pandemic, and to protect private sector jobs. In March 2021, the CBJ increased the envelope of the JD 500 million SME scheme to JD 700 million, and raised the borrowing limits under this scheme for especially hard-hit sectors by the pandemic (i.e., tourism and trade). In March this year, the CBJ also raised borrowing limits to JD 1 million for firms that import basic commodities such as wheat, sugar, and oil, whose prices have increased sharply due to the war in Ukraine. Looking ahead, as the recovery firms up through 2023, and demand for the SME scheme dwindles, the CBJ will unwind the scheme (we recently extended the scheme from end-September 2022 to end-December 2022). With regard to the JD 1.3 billion scheme, it continues to be helpful in capitalizing on the growth momentum, by supporting productive economic sectors. The CBJ is considering reviewing the interest rate of this scheme over the medium term in light of CBJ's monetary policy stance and evolving economic conditions.

18. Our banking system has remained liquid and well-capitalized. The system-wide capital adequacy ratio was 17.1 percent at end-June 2022, a drop by about 1 percentage point compared to 2021, but still well above the CBJ regulatory minimum of 12 percent. Non-performing loans decreased to 4.6 percent as of end-June 2022 down from 5 percent in 2021. Meanwhile, the provisions in percent of classified loans have increased by about 3 ½ percentage point to 83.4 percent at end-June 2022 compared to 2021.

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

20. We are committed to developing a risk-based capital and solvency regime for the insurance sector bringing it in line with international best practices (June 2023 SB). Our objective is to devise a risk-based solvency regime that will (i) provide incentives for insurance

companies to better manage risks; and (ii) help the CBJ get a better perspective of the risk profiles of individual insurers as well as the market as a whole. The new framework needs to be forward-looking and encourage insurance market development and be in line with international trends and best practices while recognizing and reflecting the realities of Jordanian market conditions. CBJ is currently working with the World Bank on developing the solvency margin instructions. It is expected that the draft instructions will be ready during November 2022 and will be circulated for stakeholder consultation. The instructions are expected to be issued in the first quarter of 2023.

21. We are continuously working on improving our regulatory supervision and enhancing our monitoring toolkit for the financial system. We have launched an inspection management system (IMS) that will improve effectiveness and efficiency of onsite inspection operations and procedures for financial sectors that are under the CBJ's supervision. IMS covers the entire inspection process starting from planning for the visit and ending with sending the inspection report to the entity and follow up. Work on phase one of this project is ongoing and will be completed by March 2023, covering the following four sectors: (i) banking supervision; (ii) consumer protection; (iii) payment systems; and (iv) currency exchange. The inclusion of insurance and microfinance sectors will be completed in phase two.

22. We are further strengthening the regime for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT). Jordan continues to work actively to ensure effective implementation of the items in Jordan's FATF action plan by end-October 2023. According to Jordan's second follow up report to the FATF, 11 action items out of 24 are addressed or largely addressed. Different measures have been taken to improve the effectiveness of the financial supervisory system, including but not limited to: (i) strengthening the capabilities of the AML/CFT Supervision Department in terms of increasing the number of supervisors and providing them with adequate training, (ii) enhancing the implementation of AML/CFT risk-based supervision by increasing the number of on-site inspections, (iii) taking measures to ensure compliance with the implementation of Security Council resolutions related to terrorism, its financing, and proliferation financing, (iv) applying financial sanctions on regulated Financial Institutions (FIs) for regulatory breaches, (v) raising awareness for regulated FIs on their obligations relating to Targeted Financial Sanctions by carrying out a number of training programs and workshop. From a technical compliance perspective Jordan has carried out extensive revisions to its laws and is rated compliant or largely compliant with 32 out of 40 recommendations.

23. Reforms to facilitate access to finance have been progressing well. In this respect:

- The National Financial Inclusion Strategy (2018–20) has achieved tremendous success in enhancing financial inclusion in Jordan. Building on this achievement, the CBJ is now developing a new National Financial Inclusion Strategy, which is expected to be launched next year. This new strategy will act as a roadmap for enhancing financial inclusion in Jordan, notably the low-income population, women, youth, refugees, and micro, small and medium-sized enterprises. It will be developed based on evidence and in a targeted and prudent manner to produce responsible, sustainable, and inclusive usage of the financial services, as well as economic and social development outcomes in line with the UN SDGs. The Strategy will focus on the financial services (Credit, Payment, Saving, and Insurance) as main pillars, and a group of

cross-cutting enablers that are interconnected and support each pillar in enhancing financial inclusion.

- To support micro and small enterprises and self-employed individuals, the CBJ launched in Q4 2021 a new financing program through allocating USD 30 million from the new Arab Fund for Economic and Social Development loan to be lent directly to microfinance institutions at zero interest rate, the cost of which will partly be subsidized by the government. To date, four MFIs have had access to financing under this program with a total amount of USD 24.7 million.

24. The joint IMF-World Bank Financial Sector Assessment Program (FSAP) is approaching completion. The FSAP provides an important opportunity for assessing the resilience of the financial sector at a challenging time for the global economy. The IMF-focused workstream covers the following key pillars: (i) risk assessment framework; (ii) financial stability oversight frameworks; and (iii) crisis management framework. We look forward to engaging on the findings and recommendations of the FSAP.

25. We continue to benefit from IMF TA to update our monetary policy, payment systems and banking supervision frameworks. We continue to receive IMF TA on setting up a comprehensive and state-of-the-art monetary and economic policy modeling framework, which will help us ground our policy decision-making in model-based quantitative analysis. We are also receiving TA on the conceptual framework and operational issues around central bank digital currency (CBDC), where we are still considering wholesale vs. retail options. We have received TA on analyzing the different components of excess liquidity in banks. In addition, as part of our effort to continuously keep abreast of international best practices, we are receiving TA (including training workshops) on risk-based banking supervision. The CBJ has also received TA focusing on the redevelopment of their property price indices and in particular their residential property price indices.

26. We are also continuously working to strengthen our economic statistics. With some nonbank financial corporations coming under the supervisory umbrella of CBJ in mid-2021, we have requested TA to update our monetary statistics to encompass this expanded coverage. In addition, we have implemented an FDI survey to improve our balance of payment statistics (SB for end-Oct 2022 met); this helps us better understand of the composition of capital flows, and attendant risks. The CBJ has received TA on external sector statistics to enhance data quality.

Electricity and Water Sector Reforms

27. NEPCO's financial outlook has become more difficult, including due to adverse international developments. NEPCO's natural energy import prices increased, although—thanks to our long-term stable-price contracts for gas imports—by a small fraction of the roughly 100 percent increase in global gas prices. Losses in distribution companies have also pushed NEPCO's sales down as they forced reductions in the bulk supply tariff to honor EMRC's legacy contractual profit commitments to these companies. Elevated-for-longer energy import prices, relatively weak electricity demand due to lower global and national GDP growth, and the coming on-stream of the oil shale PPA all represent major pressures on NEPCO's future financial balance.

28. We are determined to durably improve NEPCO’s financial position in the face of these challenges. We will adopt an action plan in collaboration with the World Bank and Fund staff, aiming to reduce NEPCO’s losses by JD 90 million in 2023 and JD 135 million in 2024 , including by: (i) extending the connection fee for self-generation to businesses, to compensate for use of NEPCO grid; (ii) implementing time of use tariffs and other adjustments needed to compensate NEPCO for higher input costs; (iii) enforcing more stringent KPIs for distribution companies, including targets for technical losses and O&M expenses; (iv) reducing non-technical losses due to tampering with electricity meters; (v) replacing the Floating Storage Regasification Unit (FSRU) with cheaper substitutes; (vi) establishing a specialized company for LNG purchases; (vii) mining royalties from oil shale PPA; and (viii) securing a telecom license to enable NEPCO to provide billable telecom services using its fiber optics infrastructure (**prior action**). As part of executing this action plan, we will implement, in consultation with IMF staff, time of use tariffs, and other adjustments needed to generate JD 50 million in revenue for NEPCO in 2023 (**proposed SB for May 2023**). In addition, we will strengthen electricity grid interconnections with neighboring countries, including Egypt, Syria, Iraq, and Saudi Arabia; and have hired advisors as we initiate discussions to optimize costs related to PPA commitments and to ensure a more equitable distribution of risks therein.

29. We are strengthening the electricity sector’s governance. We will strengthen oversight of the electricity sector by issuing a four-year loss target and a four-year O&M budget reduction target for each distribution company, with the aim to reduce electricity losses and improve distribution companies’ efficiency.

30. We are committed to arresting NEPCO’s arrears to the power plants and governmental entities’ electricity arrears. NEPCO cleared its arrears to SAMRA (100 million at end-2021) in June 2022. NEPCO had incurred JD 100 million in new arrears with SAMRA as of end-Sep 2022. We are committed to reaching an agreement with SAMRA regarding a repayment schedule for these arrears. A cabinet decision has been taken in January 2022 to replace the current meters for all governmental entities with prepaid ones to facilitate timely payments to the electricity sector. Meter replacements will start early next year.

31. We are committed to scaling up reforms in the water sector to ensure a sustainable path for the supply of water, critical for both growth and macroeconomic stability. Jordan’s low water resources are depleting at a fast pace, leading to rising pumping and treatment costs, and increasing risks of water shortage. Developing additional infrastructure to boost water supply has become urgent and will require significant financial commitments. In this context, Cabinet approved the Financial Sustainability Roadmap (FSR) for the Water Sector on November 2, 2022, which sets out five levers for restoring the water sector’s financial sustainability: (1) optimizing the efficiency of existing systems; (2) managing existing debt; (3) minimizing cost of capital for new water systems; (4) minimizing OPEX of new water system; and (5) improving predictability of revenue flows. Important reforms laid out in the FSR include, inter alia:

- *Reducing non-revenue water (NRW).* We launched a National Non-Revenue Water Strategy in June 2022 to reduce non-revenue water (which involves both physical leaks of water from damaged pipes and pilferage) from the current level of over 50 percent of total water supplied to 37 percent and 25 percent by 2030 and 2040, respectively. An investment plan of around

US\$1.3 billion, supported by grants and concessional loans, will be implemented over 2023–40 to achieve this target.

- *Increasing energy efficiency and the use of renewable energy.* Over half of water sector operating costs are energy costs. We will invest in projects to enhance energy efficiency, renewable energy capacity and the operation of the energy management system and load management. We expect energy efficiency savings of 257 GWh/year and adding renewable energy capacity of 193 MWh/yr.
- *Savings and Reallocation from Agriculture.* The government will enforce freshwater abstractions by irrigated agriculture to within authorized limits. We are developing an agricultural water reduction strategy that considers measures such as reduction of unauthorized freshwater use in agriculture, highland and desert groundwater conservation, and rotational fallowing in highland and desert areas, and develop a national program of treated wastewater reuse.

32. We are subjecting all projects to due process, including the Aqaba-Amman National Conveyor Project (AANCP). All new PPPs are adhering to best practices consistent with the new PPP law in procurement decisions and granting of government guarantees. With regard to AANCP, the tendering process for which started before the new PPP law came into effect, we are ensuring that due process required by the PPP law will take place throughout the remainder of the tendering process. A new benchmark for the AANCP was established on greenhouse gas emissions and renewable energy and power supply, along with several other addendums to the original Request for Proposals (RFP). The final submission date for bids has been extended to March 30, 2023, and we expect to reach financial closure by September 2024. In October 2022, the International Finance Corporation pledged an investment loan of \$400 million for the project, adding to the \$1.8 billion pledged by donors in March 2022.

33. We are committed to arresting the accumulation of water sector arrears. We remain committed to arrest the accumulation of arrears towards water sector PPPs and electricity distribution companies, including through timely cash transfers from MOF to WAJ. Toward this goal, MOF established a new mechanism for automatic monthly transfers of JD 7 million to WAJ, with the possibility of an additional JD 5–7 million if needed. However, these efforts have not been sufficient to arrest the accumulation of arrears. We will issue a cabinet decision for the joint committee between the Ministry of Finance and the Ministry of Water and Irrigation to meet on a quarterly basis with a view to clearing all arrears of the water sector by end-March 2024 (**proposed SB for March 2023**).

Structural Policies to Promote Jobs and Growth

34. We are committed to implementing broad-based labor market reforms, with a focus on measures to increase labor force participation and generate jobs. While the unemployment rate for Jordanians has witnessed a moderate recovery in comparison to its peak (25 percent in 2021Q1) during the pandemic, it remains elevated at 22.6 percent in 2022Q2. Unemployment for youth is very high at 48 percent, with young females facing even higher unemployment rates, as job creation has not kept pace with demographic pressures and skill mismatches persist. The labor force

participation rate level is around one-third, with female labor force participation (13.7 percent) being one of the lowest in the world. In this context, we are working to:

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

- The Ministry of Social Development completed a comprehensive legal and institutional review of the nursery licensing process and designing a revised regulatory and institutional model based on the findings of the review. Based on its outcome, a technical committee from relevant stakeholders was established, and is currently working on setting the amendments on the nurseries' licensing instructions. We are also working to set targets under all wage-support public programs offered to the private sector, to include floors on financial support for childcare services.
- Labor Law amendments, which enhance protections for women in relation to harassment and violence in the workplace and remove restrictions on female employment in certain professions and industries, have been tabled for discussion in Parliament (completed SB for November 2022). The government will work to prioritize the discussion of this law in the parliamentary agenda. Once the law is enacted, we will issue secondary legislation within four months, implementing the code of conduct for the workplace protecting women from harassment.
- The government will revise the social security survivor benefits legislation to ensure that there is no gender discrimination with respect to survivor benefits, which could act as an impediment for female participation in the social security system.
- We will develop measures to ensure minimum female participation in boards of state-owned enterprises (May 2023).
- We are piloting a program to grant SMEs employing women, youth, and people with disabilities preferential access to small-sized (under 10,000 JD) public procurement contracts. We are committed to implementing this initiative in a manner that will ensure best-value-for money in government procurement, and does not create avenues for abuse.

ii. Address labor market segmentation:

- We are conducting a comprehensive review of labor legislation and will expand the work to include an assessment of policies affecting labor-market costs and segmentation (including benchmarking to peers). The review will be shared with Fund staff by end-September 2023 and provide the basis for policy recommendations on how to tackle labor market segmentation, enhance the capacity of employers to tap into the most productive workers, and reduce the cost of job creation to employers.
- We will formulate an action plan with the Civil Service Bureau by October 2023 to enhance civil service efficiency and productivity by (i) leveraging the Public Sector Modernization plan (which will tie remuneration more closely to performance); and (ii) aligning remuneration with that of market comparators to address the wage premium for new low-skilled entrants while providing incentives for skilled and experienced staff to attract and retain talent.

- With the economy fully reopened, we will phase out Defense Order 6 in 2023—following the phasing out of Istadama program during 2023, to reduce the segmentation in the labor market between new entrants (youth) and established workers; and support a more dynamic labor market.

iii. Reduce youth unemployment:

- We are streamlining and enhancing our technical and vocational education and training (TVET) efforts and are working on legislation that will bring existing initiatives under a single umbrella, as well as on a strategy to transition the beneficiaries of the program into the labor market.
- To incentivize the hiring of workers under the age of 30, the Social Security Corporation (SSC) is proposing amendments to the social security law reducing the applicable social security contribution rate in a manner that does not adversely affect the financial sustainability of the SSC.
- The National Employment Scheme, which provides support for private sector employment and training of new hires, has received around 35,727 applicants since its launch, and has resulted in 9,831 new hires to date, of which 5,535 are female and 751 are NAF beneficiaries.
- The aforementioned comprehensive review of labor legislations will assess options to reduce the costs of hiring youth, leveraging international experience.

iv. Encourage formality:

- The Ministry of Labor has issued approximately 37,404 flexible working permits for Syrian refugees as of end of September 2022 allowing them to work in all sectors open to non-Jordanians without being tied to a specific employer and with freedom to move between employers and geographical areas.

35. A key element of our growth strategy is enhancing the business environment, and we are committed to improve competition, foster investment, and boost export competitiveness:

- Given the limited fiscal space, public investment policies will focus on **better alignment of new investment projects with the Economic Modernization Vision**, as well as mobilizing private sector know-how and financing through PPPs (see related discussion in the fiscal section). In the first quarter of 2022, we issued tenders to bring to market important projects from the PPP pipeline, including the King Hussein Bridge Land Border Crossing Terminal, and the construction of 15 new public schools across Jordan.
- **Streamlining transactions.** We are implementing the new **Property Values** Estimation Bylaw (No. 4 of 2019), establishing pre-estimated values for land in Jordan to enhance transparency and good governance, as well as reduce the time required for property valuation.
- We have operationalized the new **insolvency framework**, licensed 13 insolvency practitioners (of which 5 have been appointed by courts), and are continuing to train judges in best practices. Additionally, we are focused on building the capacity of all relevant stakeholders, establishing

the Insolvency Committee and the Licensing and Monitoring Insolvency Practitioners Unit, and launching an electronic insolvency registry by end of 2023.

- To strengthen our **competition regulatory and legal framework**, we have submitted to Parliament draft legislation to strengthen the competition framework, including strengthening antitrust legislation, increasing penalties, and requiring the government to refer violations to the Public Prosecutor (completed SB for end-August 2022). The Competition Directorate at the Ministry of Industry and Trade will complete a study of the state of competition for the oil derivative and transport sectors, including identifying potential unfair practices, and share with Fund staff by February 2024.
- We will reduce entry barriers for new businesses by abolishing the sectoral licenses for bookstores, cultural centers, and sport centers. We will also submit legislation to enable the abolishment of the five other licenses in the tourism sector identified in the 2019 cabinet decision for elimination (***new proposed SB for December 2023***).
- **Trade and transport facilitation.** In this regard, Jordan Customs will also continue to upgrade the infrastructure needed to fully leverage the National Single Window (including for all points of boarder entry) and will launch a trade related permit issuance system at Jordan Customs connected to the four licensing GoJ agencies. We will establish a single border authority under Jordan Customs to improve the effectiveness and efficiency of managing international trade and reduce the burden placed on traders with regards to border control operations.

36. Strengthening governance and increasing transparency is critical for growth. We are continuing to ensure that the Integrity and Anti-Corruption Commission (IACC) is adequately resourced, including to implement the amendments to the Illicit Gains Law passed in August 2021, and the IACC law enacted in 2022. We are exploring scope for strengthening them further including via legislative changes and bylaws to criminalize illicit gains from public procurement. We have also established a beneficial ownership registry for companies to be launched in 2023.

37. Timely and accurate economic data has become increasingly critical in calibrating policy responses as Jordan navigates high global economic uncertainty. We are continuing our efforts to increase the quality of primary statistics derived from annual industry surveys and ensure their consistency with the data compiled from quarterly surveys. The Department of Statistics (DoS), with technical support from METAC, has compiled annual GDP estimates using primary annual statistics. DoS has worked on the development of an annual compilation system based on a top-down supply-use framework and will publish the 2017–18 annual GDP and revised quarterly GDP estimates. To continue this momentum and to ensure robust data for program monitoring, we will publish the 2019 annual GDP statistics by March 2023 (***new proposed SB for March 2023***). DoS will adhere to a regular publication and revision schedule that includes revisions to quarterly GDP based on annual GDP estimates moving forward as well.

PROGRAM MONITORING

38. Progress in the implementation of our policies, which are supported by the IMF, will be monitored through semi-annual reviews, quantitative performance criteria (PCs), indicative targets, and structural benchmarks. These are detailed in Tables 1 and 2, with definitions and data requirements provided in the attached Technical Memorandum of Understanding. Quantitative targets for December 2022, June 2023, and December 2023 are PCs. IMF disbursements will be on-lent to the government during the program period. We signed the Memorandum of Understanding between the CBJ and the Ministry of Finance on responsibilities for servicing financial obligations to the IMF. Timely data provision is key to the success of the program. In order to strengthen our monitoring of the cost of subsidies, MOF will provide Fund staff with monthly data on wheat and barley purchases together with tenders' details and proceeds from sales to the mills (Technical Memorandum of Understanding, ¶157). In addition, we will produce and share quarterly and annual financial results of the electricity sector (NEPCO and the three distribution companies), and water sector without delay to allow for timely program monitoring.

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

	Jun-22			Sep-22			Dec-22		Mar-23		Jun-23		Sep-23	Dec-23		
	PC	Adjusted	Actual	IT	Adjusted	Actual	PC	Proposed Revised PC	IT	Proposed Revised IT	PC	Proposed Revised PC	IT	PC		
<i>(in JD millions, unless specified otherwise)</i>																
Performance Criteria																
Primary fiscal deficit of central government, excluding grants and net transfers to NEPCO and WAJ 2/	551	601	256	Met	773	773	452	Met	1,159	1,298	469	300	634	650	850	1,088
Combined public deficit (flow, cumulative ceiling)	764	814	514	Met	1,117	1,117	811	Met	1,628	1,848	630	650	995	1,300	1,550	1,682
Net International Reserves of the Central Bank of Jordan in USD million (stock, floor)	12,847	12,557	13,682	Met	12,290	12,683	13,834	Met	13,376	13,226	13,071	12,634	13,243	12,644	12,745	13,967
Ceiling on accumulation of external debt service arrears 3/	0		0		0		0	Met	0	0	0	0	0	0	0	0
Indicative Targets																
Social spending by the central government (flow, cumulative floor)	393		394	Met	630		631	Met	890	896	150	151	266	266	399	532
Public debt (stock, ceiling) 4/	30,235	29,300	29,732	Met	31,523		29,779	Met	31,877	31,764	31,808	31,963	32,787	32,162	32,361	32,560
Domestic payment arrears of NEPCO (stock, ceiling) 5/	0	0	100	Not Met	0		100	Not Met	0	0	0	0	0	0	0	0
Domestic payment arrears of WAJ (stock, ceiling) 6/	0	0	70	Not Met	0		55	Not Met	0	55	0	55	0	55	40	20
Domestic payment arrears of Aqaba, Miyahuna and Yarmouk Distribution Companies (stock, ceiling) 7/	0	0	90	Not Met	0		51	Not Met	0	51	0	51	0	51	40	20
Net Domestic Assets of the Central Bank of Jordan (stock, ceiling)	505	795	294	Met	905	512	-308	Met	636	695	668	807	344	682	695	265
SSC net financing to the central government (flow, ceiling)	759		459	Met	638		318	Met	800	610	215	166	806	776	896	1,015
Memorandum items for adjustors																
Foreign budgetary grants received by the central government (flow)	65		82		141		82		873	815	8	11	25	30	95	780
Foreign budgetary grants and loans received by the Central Bank of Jordan (USD millions, flow, cumulative from beginning of year)	355		415		629		1,022		2,720	2,643	50	50	111	111	482	2,708
Programmed stock of the combined health and energy arrears	217		204		190		187		140	170	110	110	80	80	65	50
Contingency Covid-19 spending			42				60									
Stock of checks issued by the central government but not yet cashed by the beneficiary																
Domestic payment arrears of WAJ and water distribution companies	0	0	160		0		106		0	106	0	106	0	106	80	40

1/ Proposed quantitative performance criteria and indicative targets under the new program.

2/ The end-Dec 2022 targets for primary deficit and combined public deficit already incorporate the contingency Covid spending of 110 (as the underlying criteria in TMU paragraph 40 have been triggered). The memorandum item on contingency Covid spending is only reported for information.

3/ Continuous.

4/ Public debt includes central government debt (including off-budget project loans) and government-guarantees to NEPCO, WAJ, and other public entities, net of SSC's holdings of government debt.

5/ Arrears owed by NEPCO only, to all entities. Excludes debt to the central government, which is not expected to be repaid, with central government having assumed the costs.

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

7/ Arrears owed by Aqaba, Miyahuna and Yarmouk distribution companies only, to all entities. Excludes advances from central government for which Aqaba, Miyahuna and Yarmouk distribution companies do not pay interest and that do not have established maturity.

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

No.	Measure	Time Frame (by end-period)	Status	Macroeconomic Rationale	Proposed Action
I. Prior Actions					
<ol style="list-style-type: none"> Submission to Parliament a budget consistent with a JD 1088 million central government primary deficit (excluding grants and transfers to NEPCO and WAJ) with a commitment not to shift any capital spending allocation to current spending. Cabinet adoption of an action plan in collaboration with the World Bank and Fund staff, aiming to reduce NEPCO's losses by JD 90 million in 2023 and JD 135 million in 2024, including by: (i) extending the connection fee for self-generation to businesses, to compensate for use of NEPCO grid; (ii) implementing time of use tariffs and other adjustments needed to compensate NEPCO for higher input costs; (iii) enforcing more stringent KPIs for distribution companies, including targets for technical losses and O&M expenses; (iv) reducing non-technical losses due to tampering with electricity meters; (v) replacing the Floating Storage Regasification Unit (FSRU) with cheaper substitutes; (vi) establishing a specialized company for LNG purchases; (vii) mining royalties from oil shale PPA; and (viii) securing a telecom license to enable NEPCO to provide billable telecom services using its fiber optics infrastructure. 					
II. Proposed New Structural Benchmarks					
1	Publish 2019 annual and revised quarterly GDP data	March 2023		Supporting program monitoring and surveillance	
2	Issue a cabinet decision for the joint committee between the Ministry of Finance and the Ministry of Water and Irrigation to meet on a quarterly basis with a view to clearing all arrears of the water sector by end-March 2024	March 2023		Financial viability of the water sector	
3	Implement, in consultation with IMF staff, time of use tariffs, and other adjustments needed to generate JD 50 million in revenue for NEPCO in 2023	May 2023		Financial viability of the electricity sector	
4	Apply e-audit system, utilizing AI, to all submitted tax returns to identify compliance risks	June 2023		Improving tax compliance	
5	Launch for one-third of sales transactions a new e-invoicing system to collect data.	June 2023		Improving tax compliance	
6	Submit legislation to enable the abolishment of five licenses in the tourism sector identified in the 2019 cabinet decision for elimination	December 2023		Reducing the cost of doing business	
7	Consistent with the 2021 FTE's findings and recommendations, the new macro-fiscal unit at MOF will prepare and publish a Fiscal Risk Statement with the 2024 budget, outlining key macroeconomic and contingent liabilities risks	December 2023		Managing fiscal risks and fiscal transparency	

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

No.	Measure	Time Frame (by end-period)	Status	Macroeconomic Rationale	Proposed Action
III. Existing Structural Benchmarks (with due dates after the fourth review)					
1	The FCCL Unit to collect key financial and non-financial information on three major existing PPPs (IPP3 and IPP4 power plants and AIG), and all new PPPs, and subject to confidentiality limitations publish both explicit fiscal costs and fiscal risks (including those related to early contract termination) on MOF website	June 2022	Met	Managing fiscal risks and fiscal transparency	
2	Table the amendments introducing “place-of-taxation” rules into the GST law for discussion in the upcoming extraordinary session in parliament	July 2022	Met	Increasing efficiency of GST and improve tax compliance	
3	Issue a cabinet decision to contain (i) the 2022 fuel subsidy cost to JD 350m; and (ii) the 2022 primary deficit (excluding grants) to 3.4 percent of GDP.	August 2022	Met		
4	Submit to parliament draft legislation to strengthen the competition framework, including empowering the relevant regulatory body and strengthening antitrust legislation, in line with the UNCTAD Model Law of Competition.	August 2022	Met	Strengthening competition	
5	Table for discussion in the upcoming extraordinary session of parliament a new draft law titled “Regulating the Investment Environment and Doing Business Law”, which will include a chapter on investment that (i) sets out the incentives framework—for the granting of all fiscal incentives to investors—including clear principles to be administered by a fiscal incentives ministerial committee including MOF that takes full account of the benefits and costs, especially foregone government revenues, associated with the incentives; (ii) consolidates the governance of new, and rollover of existing, fiscal incentives under MOF apparatus; and (iii) stipulates that all new fiscal incentives will be granted by the fiscal incentives ministerial committee.	August 2022	Met	Protect against tax base erosion	

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

No.	Measure	Time Frame (by end-period)	Status	Macroeconomic Rationale	Proposed Action
6	Implementation of a foreign investment survey based on the Balance of Payments and International Investment Position Manual, sixth edition (BPM6)	October 2022	Met	Supporting Surveillance	
7	Table for parliamentary discussion the amendments to the Labor law removing gender-biased articles and increasing protection of women workers from harassment.	November 2022	Met	Promoting women labor force participation	
8	Expand coverage of the e-Government Procurement system (JONEPS) to Education and Health Ministries.	December 2022	Met	Governance and fiscal transparency	
9	Develop a risk-based capital and solvency regime for the insurance sector bringing it in line with international best practices	June 2023		Enhancing CBJ's supervision	
10	Start implementation of a digital track-and-trace system for alcohol companies	June 2023		Revenue mobilization	
11	Implementation of the items in Jordan's FATF action plan by end-October 2023 (to be assessed by IMF staff) to strengthen the effectiveness of the AML/CFT system, to support the country's efforts to exit the FATF's list of jurisdictions with strategic deficiencies.	October 2023		Strengthening the effectiveness of AML/CFT	

Attachment II. Technical Memorandum of Understanding

1. This memorandum sets our understandings between the Jordanian authorities and IMF staff regarding the definitions of quantitative performance criteria and indicative targets, as well as respective reporting requirements for the arrangement under the Extended Fund Facility.
2. The program performance criteria and indicative targets are reported in Table 1 attached to the Memorandum of Economic and Financial Policies (MEFP) dated June 13, 2022. The exchange rates and gold price for the purposes of the program are shown in the table below. The exchange rate of the Jordanian dinar to the U.S. dollar is set at JD 0.709 = \$1 and the gold price is set at JD 1046.52 per fine troy ounce for the measurement of the program performance criterion on net international reserves.

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

3. Any developments that could lead to a significant deviation from quantitative program targets will prompt discussions between the authorities and staff on an appropriate policy response.
4. For program monitoring purposes, debt is defined as set forth in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), adopted December 5, 2014.^{1,2}

¹ SM/14/304, Supplement 1.

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

(continued)

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

A. Quantitative Performance Criteria and Indicative Targets

5. The quantitative performance criteria and indicative targets specified in Table 1 attached to the MEFP are:
6. A performance criterion (ceiling) on the primary fiscal deficit of the central government excluding grants and net transfers to the National Electric Power Company (NEPCO), and the Water Authority of Jordan (WAJ) and Aqaba, Miyahuna, and Yarmouk water companies ("state-owned water sector");
7. A performance criterion (ceiling) on the combined primary deficit of the central government (as defined above), the operational loss of NEPCO, the overall deficit of WAJ, and the overall deficit of Aqaba, Miyahuna, and Yarmouk water companies ("combined public deficit");
8. A performance criterion (floor) on the net international reserves (NIR) of the Central Bank of Jordan (CBJ);
9. A continuous performance criterion (zero ceiling) on the accumulation of external debt service arrears;
10. An indicative target (floor) on social spending by the central government;
11. An indicative target (ceiling) on public debt, net of SSC's holdings of government debt;
12. An indicative target (ceiling) on the domestic payment arrears of NEPCO;
13. An indicative target (ceiling) on the domestic payment arrears of WAJ;
14. An indicative target (ceiling) on the domestic payment arrears of Aqaba, Miyahuna, and Yarmouk Water Companies;
15. An indicative target (ceiling) on the net domestic assets (NDA) of the CBJ.
16. An indicative target (ceiling) on the Social Security Investment Fund's net financing to the central government.
17. The performance criteria on the central government's primary fiscal deficit and the combined public deficit, as well as the indicative targets on social spending by the central government are monitored semi-annually (with indicative targets for the other quarters) on a

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

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

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

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

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

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

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

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

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

24. **Net transfers from the central government to NEPCO and the state-owned water sector** are calculated as (i) direct transfers from the central government to NEPCO and the

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

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

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

27. Upward by the extent to which foreign budgetary grants received by the central government (as **specified** in Table 1 of the MEFP) during the relevant period exceed the levels specified in Table 1 of the MEFP, up to a maximum of 50 percent of the overperformance. For the end-December 2021 QPC, the 50 percent limit specified above will not apply to the first US\$200 million in overperformance in grants (the applicable limit for which will be 100 percent) deployed for protecting the livelihoods of workers severely affected by the pandemic (which is spending not covered under paragraph 26 of the TMU).

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

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

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

31. For 2020 and 2021, upward by the equivalent amount of unbudgeted spending directly related to efforts to prevent, detect, control, treat and/or contain the spread of COVID-19, covering emergency outlays and medical supplies and equipment. These exceptional unbudgeted expenditures will be authorized by cabinet resolution and funded through exceptional treasury advances, with amounts and the nature of expenses reported to staff monthly. For 2021, if treasury advances for these purposes exceed ½ percent of GDP, the authorities will consult Fund staff in how the program could be adapted to ensure its objectives remain achievable while ensuring there is needed COVID-19-related spending. For 2022, upward by up to JD 110 (0.3 percent of GDP) should weekly cases, hospitalizations or the share on non-fully-vaccinated population exceed levels agreed in the Cabinet.

C. Ceiling on the Combined Public Deficit

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

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

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

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

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

37. Upward by the extent to which foreign budgetary grants received by the central government (as **specified** in Table 1 of the MEFP) during the relevant period exceed the levels specified in Table 1 of the MEFP, up to a maximum of 50 percent of the overperformance. For the end-December 2021 QPC, the 50 percent limit specified above will not apply to the first US\$200 million in overperformance in grants (the applicable limit for which will be 100 percent) deployed for protecting the livelihoods of workers severely affected by the containment measures (which is spending not covered under paragraph 35 of the TMU).

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

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

40. For 2020 and 2021, upward by the equivalent amount of unbudgeted spending directly related to efforts to prevent, detect, control, treat and/or contain the spread of COVID-19, covering emergency outlays and medical supplies and equipment. These exceptional unbudgeted expenditures will be authorized by cabinet resolution and funded through exceptional treasury advances, with amounts and the nature of expenses reported to staff monthly. For 2021, if treasury advances for these purposes exceed ½ percent of GDP, the authorities will consult Fund staff in how the program could be adapted to ensure its objectives remain achievable while ensuring there is needed COVID-19-related spending. For 2022, upward by up to JD 110 (0.3 percent of GDP) should weekly cases, hospitalizations or the share on non-fully-vaccinated population exceed levels agreed in the Cabinet.

D. Floor on the Net International Reserves of the CBJ

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

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

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

44. The stock of foreign assets and liabilities of the CBJ shall be valued at program exchange rates. As of September 30, 2022, the stock of NIR amounted to USD 13,833.7 million (at program exchange rates).

45. Adjustors: The floors on the NIR of the CBJ will be adjusted upward (downward) by the extent to which the sum of foreign budgetary grants and foreign budgetary loans—excluding programmed guaranteed and non-guaranteed Eurobonds—received by the CBJ (as specified in Table 1) during the relevant period exceeds (falls short of) the levels specified in Table 1 of the MEFP within any calendar year. For the end-year floor on the NIR of the CBJ, the downward adjustment will be capped at 75 percent of the aforementioned shortfall. Given the uncertainty on the timing of the Eurobond issuance, assumed under the program in the first and second quarter of 2023 for a minimum of US\$500 million in each quarter, the floor of the NIR for end-March and end-June 2023 will be adjusted downward by the total shortfall relative to the programmed amount (which is \$1 billion), if the issuance is delayed. The floors will also be adjusted upward by the amount that the outstanding balance of bilateral accounts with the Central Bank of Iraq is repaid, including both principal and interest payments.

E. Ceiling on the Accumulation of External Debt Service Arrears

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

F. Floor on Social Spending by the Central Government

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

G. Ceiling on Public Debt

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

49. Adjustors: The ceiling on public debt will be adjusted:

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

H. Ceiling on the Domestic Payment Arrears of NEPCO

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

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

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

J. Ceiling on the Net Domestic Assets of the CBJ

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

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

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

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

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

DATA PROVISION

- 58.** To permit the monitoring of developments under the program, the government will provide to the IMF (Division B of the Middle East and Central Asia Department) the information specified below.
- 59.** Related to the ceiling on the primary deficit of the central government excluding grants and net transfers to NEPCO and the state-owned water sector:
- 60.** The standard fiscal data tables as prepared by the ministry of finance covering detailed information on: revenue, including expanded information on revenues from oil derivatives, vehicles, and cigarettes, as agreed with IMF staff; expenditure; balances of government accounts with the banking system; foreign grants; domestic and external amortization and interest; net lending; debt swaps with official creditors; and monthly change in the stocks and the monthly value of stocks of uncashed checks and trust accounts.
- 61.** The government financing information from the Treasury account, as agreed by both the Ministry of Finance and the Central Bank of Jordan, and any potential discrepancy between the government financial data and the monetary survey data (monthly).
- 62.** Gross transfers to and from NEPCO and WAJ detailing the amounts paid or received in connection with debt transactions, transfers to cover losses, and any amount directed to repay any outstanding arrears of NEPCO or WAJ (monthly), including those to and from the relevant distribution companies.
- 63.** Gross transfers to and from the trade account used by the Ministry of Industry and Trade for wheat and barley transactions including the sale price to mills (monthly).
- 64.** Related to central government arrears:
- 65.** The stock of all pending bills of the central government that have not been paid for more than 60 days at the end of each quarter (quarterly), including those of the health insurance fund, to distribution electricity companies, and to the Jordan Petroleum Refinery Company.
- 66.** The value and quantity of fuel products consumed by public sector entities from the Jordan Petroleum Refinery Company (monthly).
- 67.** Related to the combined public sector deficit:
- 68.** All the information specified in paragraph 28.
- 69.** Full unaudited income statement and the stock of accounts payable and payments overdue less and more than 60 days (quarterly) in order to compute the PC on NEPCO net loss, prepared by NEPCO's accounting department on a quarterly basis.

- 70.** Latest audited income statement signed by the auditor (usually available twice yearly with a six-month delay) with full explanation of any changes made to the unaudited version transmitted to the IMF, as soon as it becomes available to NEPCO's management.
- 71.** Full unaudited income statement and the stock of accounts payable and payments overdue less and more than 60 days (quarterly), prepared by WAJ's Directorate of Finance and Accounting on a quarterly basis.
- 72.** Full unaudited income statements and the stocks of accounts payable and payments overdue less and more than 60 days (quarterly), prepared by each of the water distribution companies (Aqaba, Miyahuna, and Yarmouk) and WAJ's Directorates of Finance on a quarterly basis.
- 73.** Full consolidated financial balance of WAJ and the water distribution companies (Aqaba, Miyahuna, and Yarmouk) prepared by WAJ's Directorates of Finance.
- 74.** Breakdown of overdue payments by major creditor, and all overdue payments vis-à-vis the central government (quarterly).
- 75.** Monthly gas flows from Egypt in million cubic meters (quarterly).
- 76.** Monthly Liquefied Natural Gas (LNG) flows in the LNG terminal in Aqaba in million British Thermal Units and their average price, and breakdown of these flows between local use and re-exports to Egypt (quarterly).
- 77.** Related to the floor on NIR of the CBJ and ceiling on its NDA:
- 78.** CBJ's foreign exchange reserves and preliminary data on dollarization (weekly).
- 79.** CBJ's monthly FX interventions in the interbank market
- 80.** Data on CD auctions (following each auction).
- 81.** Monetary statistics (monthly).
- 82.** The outstanding balance of bilateral accounts with the Central Bank of Iraq (monthly).
- 83.** Banking FSI (quarterly; starting 2021 Q1)
- 84.** Related to the continuous performance criteria:
- 85.** Details of official arrears accumulated on interest and principal payments to non-resident creditors. External arrears data will be provided using actual exchange rates and on a daily basis.
- 86.** Related to the floors on public debt:
- 87.** The fiscal tables on the central government's domestic and external debt (monthly).

- 88.** Tables on the stock of debt guarantees extended to NEPCO, WAJ, and other public entities (monthly).
- 89.** Data on short-term public debt (monthly).
- 90.** Related to the floor on social spending by the central government:
- 91.** A table on the amount of central government spending on each of the components of the social spending definition under the program (monthly).
- 92.** Other economic data. Interest rates and consumer prices; and exports and imports; travel receipts and tourist arrivals; remittances; outstanding balance of non-resident purchases of domestic treasury bills and bonds; and GCC grants received by the CBJ and grants transferred by the CBJ to the Ministry of Finance (monthly).
- 93.** Balance of payments (current and capital accounts) and external debt developments (quarterly).
- 94.** List of short-, medium- and long-term public and publicly-guaranteed external loans contracted during each quarter, identifying, for each loan: the creditor, the borrower, the amount and currency, the maturity and grace period, interest rate arrangements, and the amortization profile (quarterly).
- 95.** National accounts statistics (quarterly).
- 96.** Weekly data and data on CD auctions should be sent to the Fund with a lag of no more than one week. Monthly and quarterly data should be sent within a period of no more than six weeks (for the monetary and fiscal variables), and within a period of no more than eight weeks for other data (three months for national accounts statistics and balance of payments and external debt statistics). Data related to the continuous performance criterion should be sent within one week after the date when the arrear was incurred. Any revisions to previously reported data should be communicated to the staff in the context of the regular updates.

DEFINITIONS OF THE PRINCIPAL CONCEPTS AND VARIABLES

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

Statement by the Staff Representative on Jordan
December 21, 2022

This statement provides an update on the remaining prior action on cabinet adoption of an action plan to reduce NEPCO's losses, which staff assesses as now met. This information does not alter the thrust of the staff appraisal.

1. On December 11, the cabinet adopted an action plan to reduce NEPCO's deficit over 2023–26, including the following measures agreed with staff during the mission:

(i) extension of connection fee for self-generation to businesses; (ii) implementation of time of use tariffs and other adjustments; (iii) reduction of losses of distribution companies; (iv) reduction of losses on electricity distribution networks; (v) replacement of the Floating Storage Regasification Unit (FSRU) with cheaper alternatives such as onshore regasification; (vi) establishment of a specialized company for LNG purchases; (vii) allocation of oil shale mining royalties to NEPCO; and (viii) revenue generation from telecom license to sell billable services using Fiber Optic infrastructure. The plan also includes two new measures involving optimized use of two retiring power plants, and of the existing gas transport infrastructure.

2. Staff's assessment is that the action plan is consistent with reducing NEPCO's deficit by JD 90 million in 2023 and JD 135 million in 2024, in line with the requirements of the prior action. Firm implementation and close monitoring of the action plan will be essential in the coming months, and staff welcomes the authorities' commitment to undertake any necessary measures in case the yields from the planned measures fall short of expectations.

**Statement by Mahmoud Mohieldin, Executive Director Jordan, Ali Alhosani, Alternate Executive Director for Jordan, and Maya Choueiri, Senior Advisor for Jordan
December 21, 2022**

1. On behalf of the Jordanian authorities, we thank the Fund’s Executive Board, management, and staff for the unwavering support to Jordan’s economic policies and reforms.

2. **Despite increasingly challenging circumstances, program performance remains strong.** Since we met last June, the global environment has become more challenging, and Jordan has been facing increasing headwinds. These include sharply elevated international food and fuel prices, tightening global financial conditions, lingering effects from the COVID-19 pandemic, as well as risks from global economic fragmentation, amid persistently high unemployment, particularly among the youth. Despite these challenges, strong program ownership and commitment to the program’s objectives have enabled the authorities to maintain their track-record of strong performance under the program.

3. **The authorities are grateful for the support of their international and regional partners.** Stepped-up and timely support by the international community is critical for Jordan to continue to face the challenging environment, maintain reform momentum, and address climate adaptation challenges. As of 2022, however, the financing requirements according to the Jordan Response Plan to address the needs of refugees remains 87 percent underfunded. Jordan, therefore, requires a more reliable stream of financing, in line with the support pledged by the international community under the Jordan Compact and the 2019 London Initiative, to enable the country to continue shouldering the global public good burden of hosting 1.3 million Syrian refugees, which constitute a very large share of the population.

Performance under the EFF

4. **Program performance remains strong, with all end-June 2022 quantitative performance criteria (QPCs) and most indicative targets (IT) met.** Revenue growth remains strong, outperforming expectations, and the authorities are back to aligning the prices of gasoline and diesel with international market levels, as agreed in the Fourth Review. However, the rise in global energy and food prices and global financial tightening are counterweighing the impact of these positive developments. In this context, the authorities are requesting a modification of the QPCs for end-December 2022 and end-June 2023 on the central government primary deficit and the combined public deficit. This would allow them to absorb the exogenous fiscal impact of commodity shocks while safeguarding priority spending, thus protecting the vulnerable and the recovery.

5. **The authorities have met all the structural benchmarks (SBs) due by end-2022.** Parliament has enacted key tax legislations introducing “place-of-taxation” rules into the General Sales Tax Law and strengthening the governance of fiscal incentives in line with Fund advice. The Government also submitted legislations to improve the competition framework and remove legal impediments to female employment. The Cabinet has taken necessary decisions to limit the cost of untargeted fuel subsidies and has extended the e-procurement system to the two largest ministries (health and education) ahead of schedule. At the same time, the Central Bank of Jordan (CBJ) has made good progress in the development of a risk-based solvency regime in the insurance sector and in further strengthening the regime for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT), and it has implemented a new FDI survey.

Economic and Financial Policies under the Program

6. **Fiscal policy aims to support the recovery while rebuilding fiscal space.** The positive fiscal performance in 2022 was driven by strong revenue mobilization and continued systematic efforts to strengthen tax administration and curb tax evasion and avoidance. As a result, a significant 0.7 percent of GDP fiscal consolidation is projected for 2022, despite the adverse impact of high international fuel and food prices, although fiscal consolidation would fall slightly short of target.

7. To preserve the fiscal consolidation effort, the authorities have aligned the prices on gasoline 90 and 95 with international market prices in August and October, respectively, and have announced diesel prices in December 2022 fully in-line with the level implied by international market prices. Fiscal policy in 2023 will aim at keeping general government debt on a firmly declining path while supporting the economic recovery. The authorities have submitted to parliament a draft 2023 budget aligned with staff projection. Despite the challenging external environment and tighter financing conditions, the authorities are committed to bringing debt to GDP to 80% by end-2027. To that effect, they are pursuing a broad range of structural fiscal reforms. These reforms are anchored in solid tax policy and administration and expenditure efficiency measures, as well as resolute steps to address NEPCO’s financial challenges—which were compounded by adverse international developments—in collaboration with development partners.

8. **The CBJ continues to strive to ensure monetary stability and financial sector resilience.** Since our last discussion, the CBJ continued its strong track record of prudent management of monetary policy, anchored by the peg to the U.S. dollar. It was also successful in preserving financial stability through the rapid Fed normalization and global financial tightening, owing to a strong and effective prudential and supervisory framework.

9. At the same time, the CBJ—with the support of the government—has continued to help SMEs and productive sectors via subsidized lending schemes. These schemes have been seen as crucial for Jordanian businesses to weather the economic impact of the pandemic, and to protect private sector jobs. Looking ahead, as the recovery firms up through 2023, and demand for the SME scheme dwindles, the CBJ will unwind this scheme. The scheme aimed to support productive economic sectors continues to be helpful in capitalizing on the growth momentum. The CBJ is considering reviewing the interest rate of this scheme over the medium term in light of CBJ’s monetary policy stance and evolving economic conditions.

10. **The authorities remain fully committed to their structural reform agenda under the program.** They are strengthening social safety nets, and working to reduce unemployment, promoting labor force participation, particularly for youth and women, boosting competition through regulatory reforms, and improving governance and transparency. The authorities have launched the Economic Modernization Vision in June 2022, which aims to generate over 1 million jobs in the next ten years and will guide their policy efforts to improve the business climate and enhance competitiveness, including to attract FDI.

11. **Cabinet adopted the water sector Financial Sustainability Roadmap (FSR) in November, in addition to decisive reforms to address NEPCO’s financial challenges.** The authorities welcome staff’s assessment that the FSR is an important step for addressing the financial challenges of the water sector. The FSR was prepared with inputs from the World Bank and USAID and sets out five levers for restoring the water sector’s financial sustainability: (i) optimizing the efficiency of existing systems; (ii) managing existing debt; (iii) minimizing cost of capital for new water systems; (iv) minimizing operational expenditure of new water system, including the Aqaba-Amman Conveyor project; and (v) improving predictability of revenue flows.

Conclusion

12. The Jordanian authorities value the strong partnership with the Fund, which has delivered appreciated policy advice, financial support, capacity development, and has proven to be an anchor for reform through a difficult period. They continue to fully own their EFF-supported program, as reflected in consistently strong program implementation, notwithstanding challenging circumstances. Given this strong performance, and their continued commitment to the program’s objectives, the authorities request the completion of the Fifth review under the EFF and modification of performance criteria. The authorities are interested in financing under the Fund’s Resilience and Sustainability Facility and look forward to engaging with the Fund staff in this regard.