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JORDAN

January 2022

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

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

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

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

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International Monetary Fund
Washington, D.C.

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

FOR IMMEDIATE RELEASE

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

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

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

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

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

"Despite challenging circumstances, sound policies have helped maintain macroeconomic stability, and the structural reform momentum has endured. In addition, a robust vaccination campaign helped underpin a gradual reopening of the economy and usher in a nascent recovery. However, new COVID variants pose downside risks and significant economic slack remains, presenting risks of economic scarring. In the near term, a key priority is to entrench the still-nascent recovery, arrest high unemployment, and protect the most vulnerable. Continued donor support will be critical to help address Jordan's external financing needs and shoulder the disproportionate burden Jordan bears in hosting refugees.

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

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

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

INTERNATIONAL MONETARY FUND

JORDAN

December 8, 2021

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

EXECUTIVE SUMMARY

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

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

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

Approved By
Thanos Arvanitis and Delia Velculescu

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

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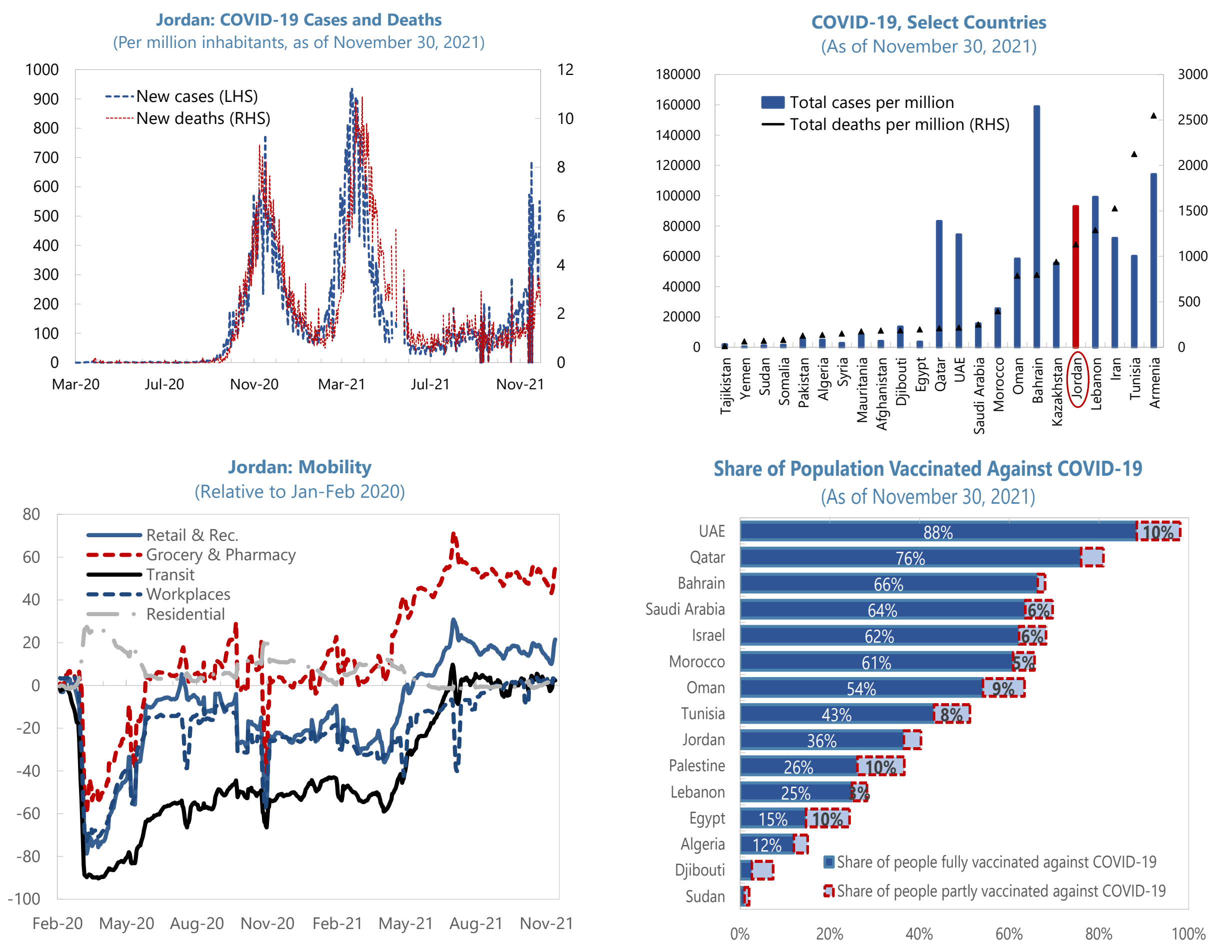
RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

1. **The pandemic was contained over the summer, allowing a full re-opening of the economy.** After recurrent COVID-19 waves through March 2021, which necessitated stringent containment measures, the number of daily new COVID cases declined from a peak of over 800 per million in March to 80 at end-August. Moreover, Jordan maintained a low positivity rate of less than 5 percent between June and October, partly due to the authorities' responsive containment measures; widespread testing; and a strong (and inclusive of refugees) vaccination campaign that has delivered a near-40 percent "fully vaccinated" population share (Annex I). Accordingly, a full economic re-opening became possible over the summer. However, new daily cases have been rising since late October, and hospitalization rates are also increasing. The evolution of the Omicron variant will bear close monitoring.

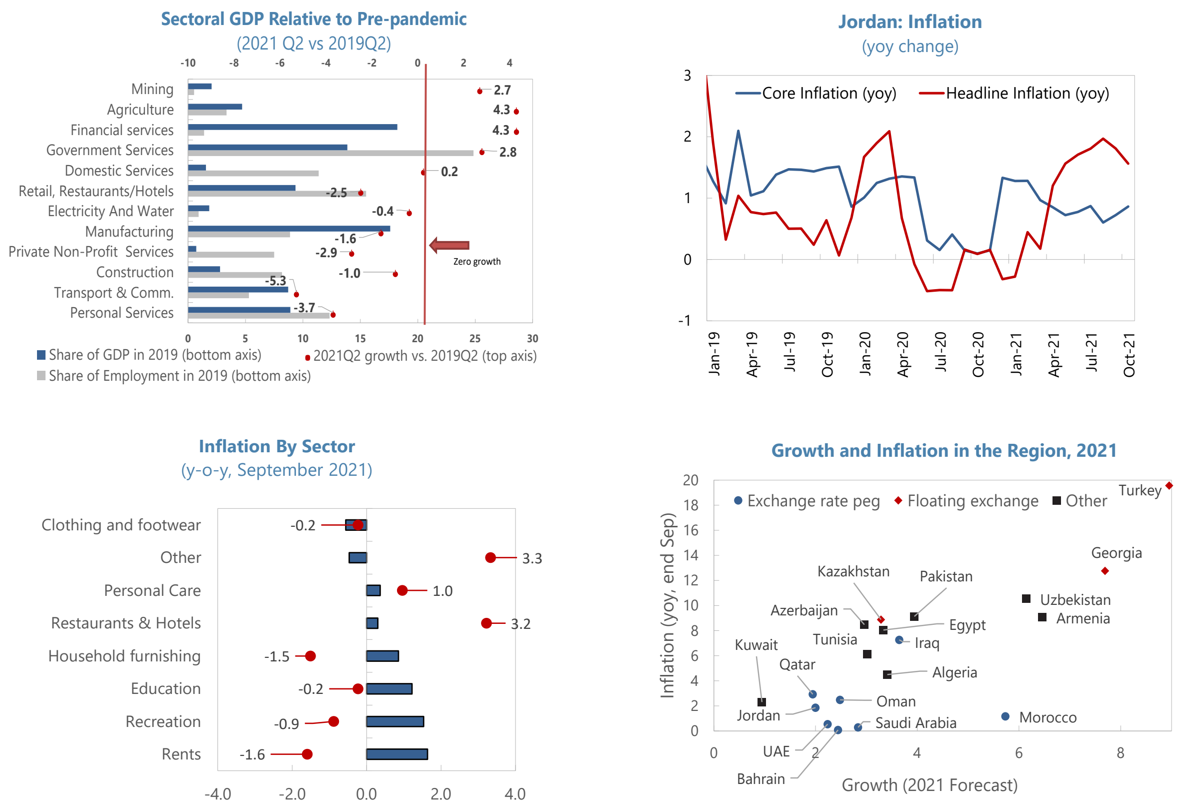
COVID-19 Outbreak, Containment, Response, and Mobility



Sources: Google COVID-19 Community Mobility Reports; Our World in Data; and IMF staff calculations.

2. A nascent recovery is underway, but significant slack remains in the economy. Growth in the first half of 2021 was 1.8 percent y-o-y, signaling an end to the recession, but output in the more heavily affected sectors (transport, manufacturing, non-financial services, and retail) remained below pre-pandemic levels. Despite increases in fuel and transportation prices and rising PPIs, core inflation was only 0.7 percent as of end-September, indicating slow pass-through and weak domestic demand (Annex II).[1] The growth outlook for 2021 (at 2 percent) and 2022 (2.7 percent) is unchanged from the Second Review, while the deflator is expected to grow more rapidly in 2022 as domestic demand recovers and the effects of higher commodity prices are passed through to consumer goods. High unemployment will likely continue to weigh on consumption.

Growth and Inflation Developments

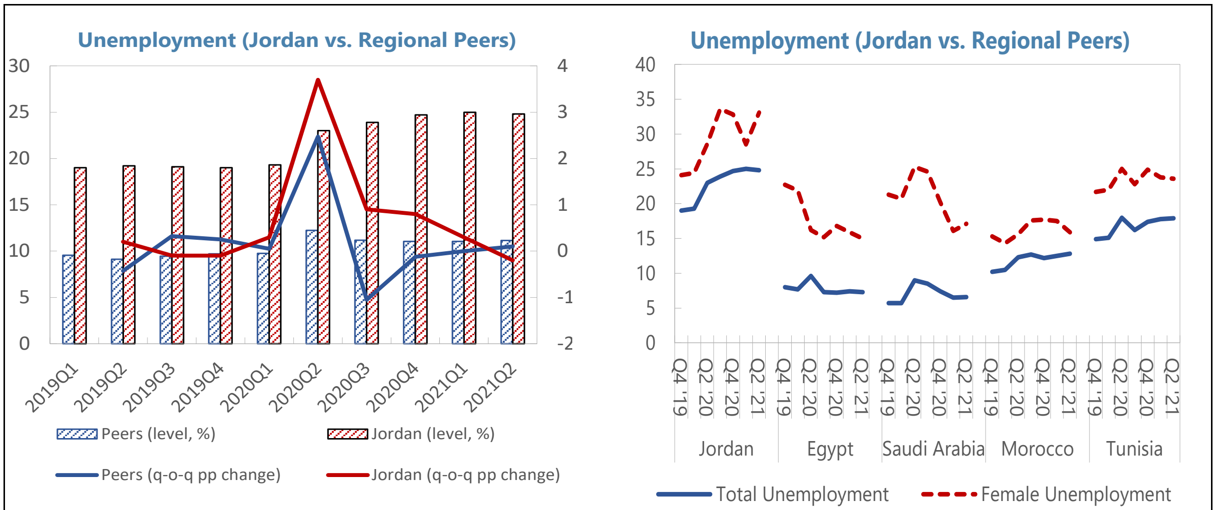


Sources: Haver Analytics; National Departments of Statistics; and IMF staff calculations.
Note: Peg includes currency boards and conventional pegs; other includes stabilized arrangements, pegged exchange rates within horizontal bands, crawling pegs, and crawl-like arrangements.

3. The recovery in jobs has been weaker than expected at the Second Review, raising hysteresis concerns (Annex II). Jordan entered the pandemic with the highest unemployment rate in MENA, and the gap with peers has continued to widen (text chart). While underlying structural drivers remain relevant, cyclical factors have persisted longer than anticipated, given employment

[1] Headline inflation rose from -0.3 in December 2020 to 1.8 percent by end-July, driven by rising fuel prices.

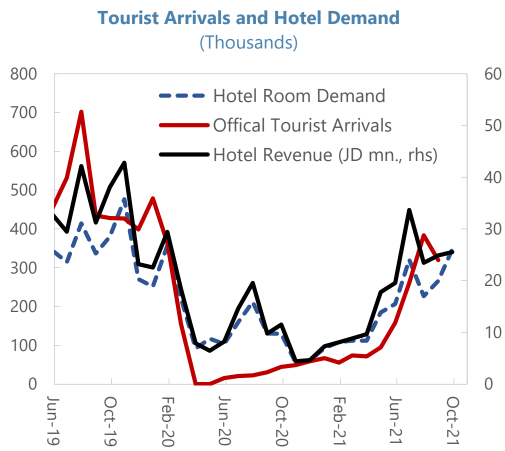
concentration in the contact-intensive sectors most affected by the delayed reopening. At 24.8 and 53.6 percent in Q2, unemployment and youth unemployment are 6 and 10 ppts. above 2019 levels, respectively, despite several targeted job-support programs. As emergency measures to support jobs are lifted, employment may come under further pressure. Labor force participation rates remain below pre-pandemic levels, with the decline especially notable for young men, raising the risk of further scarring. Staff will explore additional labor market reform opportunities during the upcoming Article IV consultation.

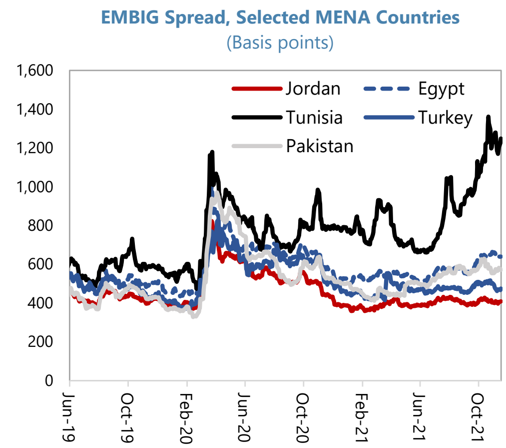


Note: Peer group consists of Egypt, Morocco, Tunisia, and Saudi Arabia.
Sources: Haver Analytics; National Departments of Statistics; and IMF staff calculations.

4. The current account deficit has been revised up from 8.3 to 9.7 percent of GDP in 2021. Non-energy imports have increased, driven by consumer durables, and intermediate imports and fuel prices are higher. The impact on the trade balance is being partially offset by higher exports, supported by sharp increases in the prices of fertilizers and phosphates. Tourism receipts outperformed expectations in the third quarter of 2021, although remain well below historical levels. Remittances are expected to recover close to their long run average, helped by higher growth in host GCC countries.[2] The current account deficit is projected to decline to around 4.7 percent of GDP in 2022 (still more than double the 2019 level), on account of stronger growth in export markets and the projected recovery in tourism and remittances. Gross international reserves reached close to US$18 billion at end-October and are expected to remain above 100 percent of the ARA metric through end-year. Jordan's EMBIG spreads remain among the lowest in the region, affirming its continued market access.

[2] Some of the recovery in remittances may be missed in the official data due to large errors and omissions (US$ 2 billion).





Sources: National authorities; Bloomberg; Our World in Data; and IMF staff calculations.

5. **Downside risks to the outlook are considerable.** While almost two-fifth of residents have been vaccinated, the emergence of new variants could delay the projected rebound in tourism and the service sector. Persistently high unemployment raises the risk of additional economic scarring, particularly given the decline in labor force participation for young men. Expectations of an earlier monetary policy normalization by the Fed and subsequent repositioning of market participants could further strain Jordan's external and fiscal positions through a tightening of global financial conditions and a rise in external borrowing costs across emerging markets. There is a risk of contingent liability materializations from the broader public sector, including higher-than-expected outlays to address water scarcity. Social discontent, given rising unemployment and poverty rates, could complicate the rollout of reforms. Downside risks are partially mitigated by the authorities' commitment to the program, additional donor support, and a hitherto resilient financial sector. On the upside, improving regional relations may boost exports, remittances, and aid inflows.

POLICY DISCUSSIONS

6. **The discussions focused on near-term policies to support the still-fragile recovery, address high unemployment, and facilitate private-sector-led growth, while ensuring debt sustainability.** There was agreement that the persistently high unemployment and rising poverty warrant some near-term policy support. In this context, the program envisages: (i) a gradual fiscal consolidation in 2022, accompanied by structural fiscal reforms to close tax loopholes, protect jobs, support the most vulnerable, and mitigate fiscal risks; (ii) proactive measures and oversight to preserve monetary and financial stability; (iii) efforts to ensure the electricity and water sectors to financial sustainability, while accounting for Jordan's energy and water needs; and (iv) continued structural reforms to strengthen job creation, competitiveness, and governance.

A. Supporting the Recovery While Preserving Debt Sustainability

7. The fiscal program is on track, with key quantitative targets met. Notwithstanding delays in implementing some tax policy measures (¶8), domestic tax revenues—led by income and sales taxes—were ahead of expectations. Spending has been in line with the supplementary budget, which accommodated the March 2021 social protection and job-support package. Accordingly, the authorities met the end-June fiscal QPCs and end-September ITs for central government primary deficit (excluding grants) as well as the combined public deficit. The June and September ITs on the floor on social spending and stock of public debt were also met. The authorities are on track to meet the end-December fiscal deficit targets after incorporating the relevant adjustors for COVID spending, grants, and arrears. Public debt is now projected at 91.7 percent of GDP, at end-2021, 0.8 ppt of GDP higher than in the second review, on the back of small underperformance in grants and somewhat lower than expected SSC holdings (which are netted out from gross debt).

Jordan: Fiscal Accounts in 2021 - Second Review vs Third Review

	2nd Review		**Third Review**		**Difference**	
	JD bil.	% GDP	JD bil.	% GDP	JD bil.	% GDP
Total revenue and grants	8.0	24.8	7.9	24.7	0.0	-0.1
Tax revenue, *of which*:	5.4	16.7	5.6	17.3	0.2	0.6
Taxes on income and profits	1.1	3.3	1.2	3.7	0.1	0.4
Sales taxes	3.9	12.1	4.0	12.4	0.1	0.3
Nontax revenue	1.8	5.5	1.6	5.1	-0.1	-0.4
Grants	0.8	2.6	0.8	2.4	-0.1	-0.2
Total expenditures:	9.8	30.6	10.1	31.3	0.2	0.7
Current expenditure, *of which:*	8.9	27.5	9.0	28.1	0.2	0.6
Wages and salaries	1.8	5.5	1.8	5.5	0.0	0.0
Transfers	2.6	8.2	2.6	8.1	0.0	-0.1
Goods and services	0.4	1.2	0.5	1.7	0.2	0.5
Capital expenditure	1.0	3.1	0.9	2.9	-0.1	-0.2
Other use of cash 1/	0.0	0.0	0.1	0.3	0.1	0.3
Overall central government balance	-1.9	-5.8	-2.1	-6.6	-0.3	-0.8
Primary government balance, excl. grants and transfers to utilities	-1.4	-4.3	-1.5	-4.7	-0.1	-0.4
NEPCO operating balance	-0.3	-0.9	-0.2	-0.5	0.1	0.4
WAJ overall balance, excl. grants	-0.3	-0.9	-0.3	-0.9	0.0	-0.1
Water companies overall balance	-0.1	-0.2	-0.1	-0.2	0.0	0.0
Combined public balance	-2.0	-6.3	-2.1	-6.4	0.0	-0.1
Government debt (net of SSC holdings)	29.2	90.9	29.5	91.7	0.3	0.8

Source: IMF staff projections.

1/ Adjustments on receivables and payables (net trust account liability, pending checks, wheat subsidy and other treasury advances).

8. The authorities have met most fiscal SBs, although there have been some delays (MEFP, Table 2).

- SBs met included (i) issuance of circular setting out timetable for elimination of the end-2020 central government domestic arrears and adopted procedures to prevent new energy arrears; (ii) implementation of digital volume verification (track-and-trace) system for three largest cigarette companies; (iii) issuance of secondary legislation requiring the adoption of Public Investment Management (PIM) appraisal documents for all new public investments and Public Private Partnerships (PPPs) to ensure their proper selection and management; (iv) completion of study on the drivers of the public sector wage bill with recommendations on enhancing civil service efficiency and better aligning remuneration with that of market comparators; and (v) development—with the support of the IMF's Fiscal Affairs Department (FAD)—a revenue mobilization plan, encompassing both tax policy and administration, to implement recent and ongoing legislative reforms.

- A few SBs needed some more time to be implemented. The authorities implemented with delay, the end-July SB on the GST "place-of-taxation" rules (aligned with international best practices) by submitting the draft legislation to parliament; and are committed to initiating the implementation of the new rules in a timely manner. The end-September SB on passage of legislation to bring ASEZA into a single Jordan tax administration and a single customs service was not met, and is *proposed to be reset to end-March-2022*. Early passage by parliament of the above two legislative reforms is critical to close major tax loopholes, and prevent a weakening in the revenue collection momentum. Finally, the end-October SB on recruitment of four new division heads and four staff for the new macro-fiscal unit at MOF was not met and is *proposed to be reset to end-January-2022*.

9. To support the recovery and accommodate priority social and infrastructure spending, staff proposes a more gradual fiscal consolidation path, that is nonetheless consistent with debt sustainability (Annex IV, MEFP ¶9).

- On November 28, the authorities met the prior action on submitting to parliament a draft budget for 2022 consistent with a JD 1,066 million (3.1 percent of GDP) primary central government deficit target (excluding grants and transfers to NEPCO and WAJ); this implies a 0.7 percent of GDP fiscal target relaxation relative to the Second Review. Relative to staff's projection, the budget envisages both domestic revenues and capital expenditures to be around 0.4 percent of GDP higher (text table, MEFP para 9), while current expenditure projections are

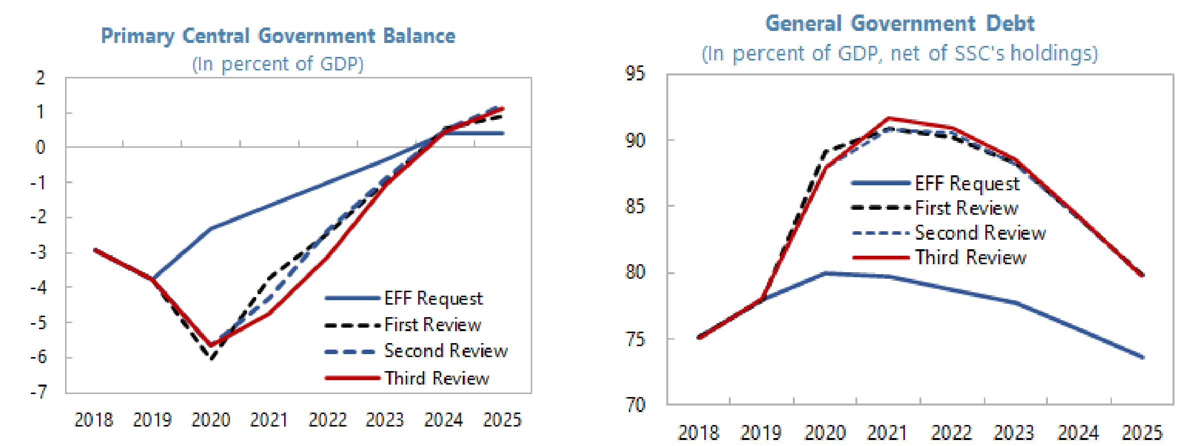
Jordan: 2022 - Third Review vs Draft Budget

	Third Review		Budget		Difference	
	JD bil.	% GDP	JD bil.	% GDP	JD bil.	% GDP
Total revenue and grants	8.8	25.9	8.8	26.1	0.1	0.2
Domestic revenues 1/	7.8	23.2	8.0	23.6	0.1	0.4
Tax revenue: 1/	5.9	17.6	6.0	17.8	0.1	0.2
Taxes on income and profits	1.3	3.7	1.3	3.8	0.0	0.1
Sales taxes	4.3	12.6	4.3	12.6	0.0	0.0
Taxes on foreign trade	0.3	1.0	0.4	1.0	0.0	0.0
Real estate taxes	0.1	0.2	0.1	0.3	0.0	0.1
Nontax revenue	1.9	5.6	2.0	5.8	0.1	0.2
Grants	0.9	2.7	0.8	2.5	-0.1	-0.2
Total primary expenditures 1/ 2/	8.9	26.3	9.0	26.7	0.1	0.4
Current primary expenditure 1/ 2/	7.5	22.2	7.5	22.2	0.0	0.0
Capital expenditure	1.4	4.1	1.5	4.6	0.1	0.4
Primary government balance, excl. grants and transfers to utilities	-1.0	-3.1	-1.1	-3.1	0.0	0.0

Sources: Ministry of Finance and IMF staff estimates
1/ Excludes JD80 million tax on embassies which will is fully offset by government transfers to the embassies.
2/The budget provides for additional COVID-19 spending up to JD110 million (0.3 percent of GDP) should new cases, hospitalizations, and share of nonvaccinated population exceed thresholds specified in the budget

aligned. The authorities have affirmed that should revenues underperform budget expectations, they will adjust spending to meet the 3.1 percent of GDP primary deficit target. Consistent with the staff level agreement, the budget also allows for up to JD110 million (0.3 percent of GDP) in additional contingency spending under the 2022 COVID-adjustor, should weekly COVID cases, COVID-related hospitalizations, and/or the share of the non-fully vaccinated population exceed expected thresholds (these will be specified by Cabinet in the coming weeks). Separately, the authorities will continue publishing information on 2021 COVID-related spending, including beneficial ownership of entities awarded contracts, and conduct and publish the results of an ex-post audit *(new proposed end-June 2022 SB)*.

- The revised fiscal targets for 2022 will allow the authorities to support a higher level of aggregate demand in the economy, which will help to reduce unemployment, while enabling them to accommodate key job-support and social protection schemes, and advance growth-enhancing capital spending. Importantly, the revised targets will still imply a significant y-o-y primary balance improvement (1.6 ppts. of GDP), sufficient to put public debt/GDP on a downward path(text chart, right panel). However, risks to debt sustainability remain, and continued fiscal consolidation efforts will be needed over the medium term.



Sources: National authorities; and IMF staff calculations.

10. The envisaged primary balance improvement in 2022 will come from a combination of sources. The revenue momentum observed in 2021 is expected to continue, implying a cyclical rebound of about 0.4 percent of GDP.[3] In addition, the authorities are undertaking significant efforts to close tax loopholes, strengthen tax compliance, tackle cigarette and alcohol smuggling, reduce customs brackets to limit opportunities for corruption—these are expected to yield an additional 0.5 percent of GDP in revenues. The remaining 0.7 percent of GDP in savings will come from the expenditure side, led by significant reductions in current primary spending, achieved—inter alia—through economizing

[3] Domestic revenues are more sensitive to COVID-related shocks and normalization than nominal GDP. When nominal GDP declined by 1.8 percent in 2020, revenues dropped by 9.4 percent.

non-priority items; improving procurement procedures; unwinding COVID-related expenditure (e.g., building temporary quarantine sites and hospitals, purchasing and administering vaccines, security to enforce curfews); and the expiration of the March 2021 spending package (with the exception of the Istidamah program, which has been extended till June 2022) (as set out in MEFP paras 10–12).

11. Enhancing the efficiency of public finances over the medium term will require additional structural fiscal reforms, notably in the areas of:

- *Investment incentives:* The authorities are advancing a new regime for incentivizing investment that will give MOF the central role in the granting and management of all fiscal incentives in Jordan *(MEFP, para 14, (i))*. To this end, the authorities will submit to Parliament a new draft law, which will: (i) set 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) consolidate the governance of new and existing fiscal incentives under MOF apparatus; and (iii) stipulate that all new fiscal incentives will be granted by the fiscal incentives ministerial committee (*new proposed SB for end-May, 2022)*. The authorities will also consider, in this context, sunset clauses for already-granted tax incentives as per the amendments to the JIL that were submitted to Parliament in December 2020.

- *Tax administration (MEFP, para 14, (i))*. The authorities are enhancing the capacity of ISTD by: (i) upgrading its IT infrastructure; (ii) strengthening its audit function; (iii) staff training; (iv) fully automating the income and sales tax registration process for new companies; and (v) implementing a digital track-and-trace system for all cigarette companies.

- *Social safety net (MEFP, para 14, (ii))*. The authorities are working to improve the adequacy and efficiency of social safety net. As they phase out the temporary support programs, they have committed to allocate more resources into permanent Takaful program and improve its targeting methodology, move towards fully virtual payments, and ease registration requirements for women.

- *Public sector wage bill and efficiency.* The authorities are committed to improving civil service efficiency, by containing the growth in the public wage bill and enhancing the quality of service delivery, including by leveraging the findings of the recently completed study on the drivers of the public wage bill (MEFP ¶14, (iii)).

- *Public procurement*. The authorities are planning to accelerate the rollout of the eGovernment Procurement system, JONEPS, including by: (i) amending the relevant Bylaw and regulations to clarify, inter alia, issues such as conditions for allowing direct purchasing (e.g., COVID-related emergency spending) and the membership, structure, and remuneration of committees (end-December 2021 SB). The authorities are also committed to expand JONEPS to the Education and Health Ministries (*new proposed SB for end-December 2022*), and Greater Amman Municipality (GAM) by June 2023.

- *Fiscal transparency and fiscal risks management (MEFP, para 14, (vi)).* To signal their commitment to transparency in public finances, the authorities have undertaken and published the results of a comprehensive Fiscal Transparency Evaluation (FTE), only the second country in the MENA region to do so. Consistent with the FTE's findings and recommendations, (a) the new macro-fiscal unit at MOF will prepare and publish a Fiscal Risk Statement with the 2023 budget, including a fiscal risk analysis of four major SOEs; and (b) the Fiscal Commitments and Contingent Liabilities Unit (FCCL) at MOF will gather key financial and non-financial information on three major PPPs, 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 the MOF website *(new proposed end-June 2022 SB).*

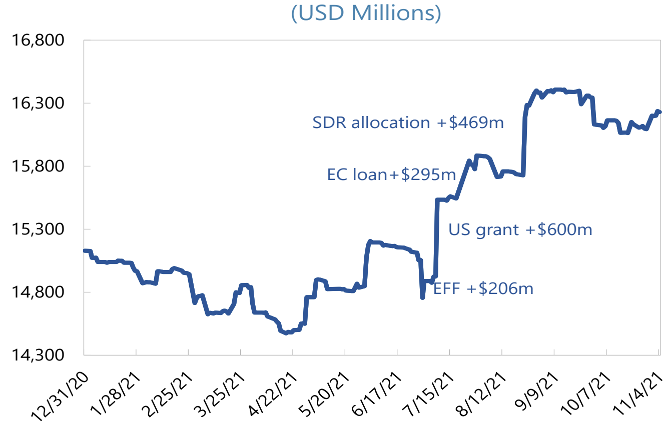
- *Investment quality and predictability (MEFP, para 14, (vii)).* To ensure proper selection and management of projects, the authorities will, by end-2021, launch the National Registry of Investment Projects (NRIP), comprising of the Public Investment Project (PIP) Databank and the PPP Project Databank, and will include in it all PIPs in the 2023 General Budget and all prepared PPP projects.

- *Fiscal policy and debt management capacity (MEFP, para 14, (viii)).* The newly constituted macro-fiscal unit should help strengthen MOF's capacity to generate its own medium-term forecasts, assess and elucidate the dynamic and distributional impacts of alternative revenue and expenditure measures, monitor public balance sheet risks, and carry out debt management and debt sustainability analyses. The unit will produce its first report on macro-fiscal outlook and risks by June 2022 (*new proposed SB*). Moreover, building on recent MCM TA, the authorities agreed to update and publish (by end-March 2022) a Medium-Term Debt Management Strategy (MTDS), which will assess the cost and risk trade-offs of different sources of public funding.

B. Ensuring Monetary Stability and Financial Sector Resilience

12. The CBJ has successfully preserved financial stability through the pandemic, including by maintaining robust international reserve buffers. Jordan's peg to the U.S. dollar has continued to serve as an effective anchor for macroeconomic stability and market confidence. Despite a higher-than-expected current account deficit in 2021, reserves have been buoyant due to strong official inflows (including the $469 million SDR allocation), and a significant retrenchment of banks' net foreign assets driven by a rise in non-resident

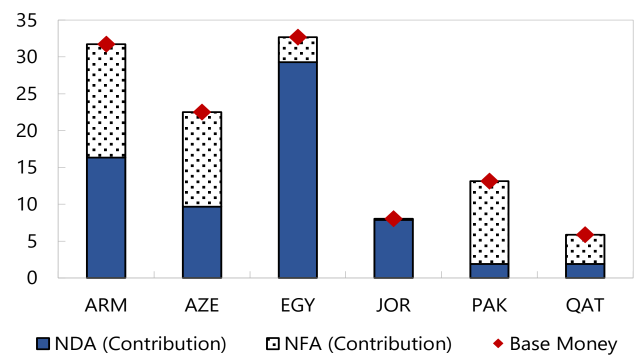
FX Reserves
(USD Millions)



deposits. Accordingly, the CBJ has been a net foreign-exchange buyer in 2021 thus far.[4] Concurrently, dollarization rates have fallen to their lowest levels since 2018. Consistent with these positive developments, the June and September PCs on NIR were met by a comfortable margin. The revised NIR path for 2021–22 reflects both the higher-than-expected stock of NIR to date, but also larger current account deficits, while continuing to ensure reserves above 100 percent of the Fund's Assessment of Reserve Adequacy (ARA) metric (the authorities' operational benchmark for reserve adequacy).

13. Monetary policy should remain flexible and data driven, continuing to support the peg. Comfortable liquidity conditions prompted the CBJ to unwind its reverse repo position around pre-pandemic levels (Figure 4). Accordingly, the ITs on net domestic assets (NDA) of the CBJ for June and September 2021 were met. Meanwhile, private sector credit growth slowed over the summer, but to a still-healthy level of around 4½ percent y-o-y (in September). The CBJ should maintain a flexible approach with regard to unwinding its crisis support measures, while remaining alert to liquidity needs in the banking system, as well as to possible sudden BoP pressures, e.g., in the event of a sharper/faster-than-expected rise in U.S. interest rates.

Base Money Growth & Contributions from NFA and NDA
(Percent, year-over-year. August 2021)



Sources: IMF Integrated Monetary Database and IMF staff calculations.
1/Azerbaijan data is for July 2021,

14. Subsidized lending schemes have provided strong support to businesses thus far, but should become more targeted as the recovery entrenches. In light of the weaker recovery, high unemployment, and the central role SMEs play in job creation, in March 2021 the CBJ expanded the size of its subsidized lending scheme for SMEs (introduced in 2020) by JD 200 million (MEFP ¶16).[5] However, demand for this scheme remained soft over the summer, likely reflecting the dampening effect of still-high economic uncertainty on credit demand, and the fact that some hard-hit sectors may have reached the scheme's, sectoral lending caps. Accordingly, in November, the CBJ extended the scheme by six months (to June 2022) and also raised the borrowing limits for certain sectors (i.e., tourism and trade) to increase take-up. Going forward, these schemes should become more targeted and gradually be phased out as the recovery gains momentum.

15. The banking system has remained healthy , but asset quality bears close monitoring. The banking system's capital adequacy ratio remained strong at 18.3 percent as of end-June 2021, well above the regulatory minimum of 12 percent. The CBJ has also maintained stringent provisioning standards, in line with the IFRS9's forward-looking expected loss approach. Bank profits have recovered back to their pre-pandemic level in June, mainly because most of the provisioning had already taken

[4] The CBJ's total net purchases of USD in 2021 amounted to $306.5 million as of end-October 2021.

[5] This SME scheme has been accessed by 5,678 companies by end-October 2021.

place in 2020. NPLs remain low (5.3 percent) but given the debt deferment period for affected borrowers expires end-2021, it will likely take time for the asset quality effects of the pandemic to fully manifest. Accordingly, there is a need for continued close monitoring of banks' asset quality, and sustained application of prudent accounting, reporting, and provisioning standards. Should downside risks materialize, the CBJ should ensure that banks swiftly resolve NPLs, while requiring weaker banks to prepare prudent but feasible capital restoration plans.

Jordan: Bank Soundness Indicators

	2019	2020	2021[1/]
Risk-weighted capital adequacy ratio	18.3	18.3	18.3
NPLs (In percent of total loans)	5.0	5.5	5.3
Provisions (In percent of classified loans)	69.5	71.5	75.2
Liquidity ratio	134.1	136.5	136.2
Return on assets	1.2	0.6	1.2
Loans to deposits ratio	81.6	84.5	86.0

Source: Central Bank of Jordan.

[1/] June 2021 data.

16. Enhancing the regime for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) is a priority (MEFP ¶20). Notwithstanding the enactment of a new AML/CFT law in September 2021, Jordan was placed on the Financial Action Task Force (FATF)'s watch list in October 2021 (consistent with the results of the 2019 mutual evaluation). The authorities have committed to an action plan for resolving the identified strategic deficiencies to facilitate exit the watch list by October 2023 *(new proposed SB for October 2023)*. The authorities have also committed to intermediate steps, such as an assessment to identify non-profit organizations that are vulnerable to terrorist financing abuse; and addressing AML/CFT deficiencies such that Jordan would no longer qualify for referral to the FATF's ICRG process on the basis of its technical compliance ratings *(new proposed SB for June 2022)*.

17. Finally, the authorities are leveraging Fund TA to update their monetary policy and banking supervision frameworks, and payment systems, and are preparing for the financial sector assessment program update in 2022 (MEFP ¶23–24)**.**

C. Reforming the Electricity and Water Sectors

18. NEPCO's financial losses undershot expectations in 2021, but will be higher in 2022. The shift in demand from the business sector to the (more heavily subsidized) household sector during lockdown periods weakened NEPCO's revenues in the first half of the year. However, costs significantly undershot expectations due to delays in the coming online of the Attarat oil shale plant (previously expected in mid-2021), while long-term supply contracts for natural gas largely shielded NEPCO from the surge in global commodity prices. NEPCO losses are projected to be contained to 0.5 percent of GDP in 2021, but will rise to 1 percent of GDP in 2022 as Attarat comes online. Separately, NEPCO continued accumulating arrears (JD 90 million by end-September), and thus the end-June and end-September ITs on the stock of electricity sector arrears were not met.

19. Continued reform efforts are essential for securing NEPCO's financial viability. The authorities have signed electricity export agreements with neighboring countries—notably Iraq and Lebanon—however, the completion of upgrades to regional infrastructure will be needed for transmissions to start. The authorities also plan to continue efforts to optimize costs related to PPA commitments which currently impose large capacity charges. Most crucially, the authorities, with support from the World Bank, are preparing an update of NEPCO's Roadmap for Financial Sustainability, to be adopted in the first half of 2022, which will, inter alia, also consider options to migrate NEPCO's legacy debt to MOF with a view to reducing its cost.[6]

20. The authorities are preparing for the rollout of the electricity tariff reform which will reduce cross subsidization and support private sector competitiveness (end-March 2022 SB). The mid-August announcement of the reform, which is revenue neutral for NEPCO, detailed the planned reductions in business tariffs, which will amount to JD 40 million annually, mostly in the commercial and industrial sectors. The authorities are preparing an online platform for households applying to retain access to subsidized rates; less than 15 percent of Jordanian households are expected to lose partial or full access to subsidies as a result of the reform, all of which on the high end of the income distribution. Donor assistance will be essential to support refugees potentially affected by the reform, especially after subsidies for the lowest income quartile of Syrian refugee households expire in September 2022.

21. The COVID-19 pandemic and changing climate conditions have exacerbated financial challenges in the water sector, underscoring the importance of reforms (MEFP, ¶28). Losses in the water sector remain elevated at 1.1 percent of GDP in 2021. Costs have been rising as near-record-low rainfall required further deepening of underground extraction and renting of private wells; at the same time, administrative and technical losses remain elevated. WAJ and distribution companies have continued to incur arrears (JD 45 million each by September 2021); thus, the respective end-June and end-September ITs were not met. Given persistent losses, the authorities are preparing a Financial Sustainability Roadmap for the water sector, to be adopted by end-March 2022, which will propose concrete reforms to durably improve the sector's financial position. Arresting the accumulation of arrears, including by ensuring MOF's automatic monthly transfers to WAJ are adequate, is critical; arrears to the electricity sector also have implications for NEPCO's liquidity management.

22. The authorities are also taking actions to alleviate water shortages. Jordan has one of the lowest levels of per capita water renewable resources globally and its underground water resources are depleting at an unprecedented pace due to (a) pressure from population growth (including the influx of refugees), and (b) inadequate replenishment of aquifers due to a climate change-induced decline in precipitation. A major desalination PPP project (the Aqaba-Amman Conveyor, or AAC), an RFP for which is currently being prepared, would help address water scarcity; the AAC would deliver an additional

[6] This debt migration would have no first-order implications on the DSA, which considers consolidated debt of the central government and NEPCO. There may be second-order benefits insofar as MOF can manage and refinance the combined debt at lower cost.

300 MCM of water starting 2028. The authorities are committed to transparent and competitive tendering, aligning project due diligence with requirements under the PPP law (which was enacted after the start of the project), and a careful assessment of fiscal risks (including contingent liability materialization) to ensure the project is consistent with debt sustainability. A recent declaration of intent to supply solar power in exchange for water from Israel could also contribute to reducing water scarcity in the medium term.

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

23. The program supports policies aimed at addressing structural impediments to formal employment.[7] The government has been working on addressing obstacles to female employment, including by: (i) removing gender-biased articles from labor legislation, (ii) tightening sexual harassment and workplace violence protection (MEFP ¶29); and (iii) improving access to safe and affordable transportation (such as the recently-launched Bus Rapid Transit for Amman). To promote youth employment, the authorities lowered social security contributions in the agricultural and IT sectors and are looking to extend these reduced rates for new workers under the age of 30 for a period of 10 years in all sectors. To address skills mismatch, they are working on strengthening vocational training and internship/employment programs targeted at the youth.

24. Improving the business environment, governance and competition framework is crucial to engendering strong, durable, and inclusive growth (MEFP ¶30). To reduce the cost of doing business, the authorities are streamlining licensing requirements, lowering electricity tariffs for businesses, and are working on strengthening the competition framework and operationalizing the insolvency framework. A new draft legislation to strengthen the competition framework, including empowering the relevant regulatory body and strengthening antitrust legislation, in line with the UNCTAD Model Law on Competition, will be submitted to Parliament by end-June 2022 (new proposed SB). Building on recent reforms, the government is strengthening the anti-corruption legal framework and the capacity of the Integrity and Anti-Corruption Commission, including on implementing the amended Illicit Gains Law recently passed by Parliament.

PROGRAM FINANCING AND SAFEGUARDS

25. Donors remain engaged. Notwithstanding the small grant shortfall in 2021, grant projections for 2021–22 combined are around US$100m higher than at the Second Review, with larger USAID and EU contributions. Concessional loans are projected to be US$280 million weaker primarily due to the later than anticipated disbursement of the EU MFA III (2022Q4 at the earliest) and some reprofiling of

[7] The IMF team is working with the ILO on a collaboration concept note with the aim to provide more focused structural recommendations during the upcoming 2022 Article IV discussions.

World Bank disbursements into outer years. Staff's projections do not yet include new World Bank projects totaling around US$0.7–1.2 billion over 2022–24.[8]

26. Staff confirms financing assurances for the next 12 months, and good prospects thereafter. Gross external financing requirements over 2021–22 (which are higher by about US$1 billion compared to the Second Review due to larger current account deficits) are being met by (i) larger private capital flows (driven by a decrease of US$1 billion in commercial banks' NFA); (ii) the EFF and SDR allocation (together around US$1.4 billion); (iii) multilateral and bilateral official loans (US$2.8 billion), and grants (US$3 billion); and (iv) a Eurobond issuance of US$1.5 billion (now baselined for Q2 2022) to rollover a US$1 billion maturing Eurobond in June 2022. Staff's projections reflect the current status of the SDR allocation (which is held as reserves at the CBJ) pending a decision on its final treatment which is expected in 2022. Any use of the SDR allocation should be monitored and reported in line with the best international practices of governance and transparency.

External Financing Requirements and Sources, 2020–22
(In million of U.S. dollars)

	2020	2021		2022	
		2nd Rev	Proj	2nd Rev	Proj
(1) Gross financing requirements 1/	**8,027**	**5,805**	**6,490**	**5,683**	**5,968**
of which, Current account deficit (excl. grants)	4,979	5,274	5,811	3,266	3,815
(2) Gross financing sources 2/	**6,222**	**3,431**	**4,450**	**4,268**	**4,383**
of which, Public grants	1,267	1,489	1,411	1,416	1,593
Issuance of sovereign bonds	1,750	500	0	1,000	1,500
SDR allocation held at CBJ	0	0	469	0	0
Private capital flows, net 5/	1,129	-98	1,186	-19	-284
(1)-(2) Total financing needs	**1,805**	**2,374**	**2,040**	**1,415**	**1,585**
Official financing	**1,805**	**2,374**	**2,040**	**1,415**	**1,585**
IMF 3/	690	557	550	400	396
Identified official public external financing	1,115	1,818	1,490	1,014	1,190
World Bank	403	511	475	354	263
European Union	298	548	295	0	238
Japan	200	100	100	100	100
Others 4/	214	658	621	561	588
Unidentified external financing	0	0	0	0	0

Source: IMF staff projections.
1/ Including changes in reserves and errors and omisison.
2/ Including errors and ommisions (zero in projections)
3/ In 2020, purchases under both the RFI and EFF.
4/ Financial support from Canada, France, Germany, Italy, GCC, EBRD, AIIB.
5/ Includes changes in commercial banks' NFA.

27. Capacity to repay the Fund remains adequate. IMF lending constitutes around 17 percent of disbursed and committed official budget support over 2020–24. Fund credit outstanding will peak at 3.9 percent of GDP in 2022, 11.5 percent of exports of goods and services in 2021, and 12 percent of gross usable reserves in 2023. Fund repurchases and charges peak at 1.5 percent of exports of goods and services and 1.8 percent of gross usable reserves in 2024. Downside risks (¶5) could strain capacity to repay, but donor's ongoing commitment to Jordan and strong market access constitute important safeguards.

28. Safeguards assessment: The CBJ continued its progress with implementation of the 2020 safeguards recommendations (MEFP ¶19). The guidelines for implementation of the Emergency Liquidity Assistance (ELA) framework were approved by the CBJ Board (end-June SB) to strengthen the lender of last resort function of the central bank. The CBJ has also reexamined the extent to which certain provisions in the central bank law impede compliance with IFRS (specifically the treatment of unrealized gains/losses on foreign exchange valuations and measurement of development loans) and resolved to maintain its accounting policies unchanged; the resolution was endorsed by the CBJ's Board

[8] Program for Results: Energy Reform, Industry Development Support Fund, Tourism Recovery Support Fund, National Employment Scheme, Emergency Cash Transfer COVID-19 Response Project augmentation.

Audit Committee and agreed with the external auditors who also disclosed this treatment transparently in the audited financial statements for FY2020, published on the bank's website.

STAFF APPRAISAL

29. Sound policies have helped maintain macroeconomic stability during a challenging period. Supported by targeted fiscal and monetary measures, and a gradual economic reopening, a recovery is underway. Reserves are comfortable, dollarization is at the lowest point since 2018, and the banking sector is well-capitalized. The government is on track to narrow the primary fiscal deficit by 1 percent of GDP in 2021, helped by robust revenue collection on the back of significant institutional efforts to broaden the tax base and improve tax compliance.

30. The authorities remain strongly committed to the program. All QPCs and most ITs have been met and the authorities have shown steady progress in implementing structural conditionality. Leveraging extensive Fund TA, they have advanced several legislative reforms to broaden the tax base and close tax loopholes. Building on efforts to improve spending efficiency, they are committed to passing an appropriate 2022 budget to continue the gradual fiscal consolidation, safeguard debt sustainability and continued market access.

31. Significant challenges lie ahead. The vaccination drive has been proceeding, yet a large part of the population is still unvaccinated and uncertainty remains with respect to new strains and the timing of exit from the pandemic. Unemployment is elevated, especially among the youth, raising fears of permanent scarring and social unrest. The authorities have reprioritized spending toward social protection and job support programs, yet elevated public debt (at 92 percent of GDP in 2021) limits fiscal space, including for large infrastructure projects to address priority needs. As an emerging market, Jordan is also vulnerable to the risk of a faster than expected rise in U.S. interest rates.

32. It will be important to maintain and further strengthen policy buffers, while supporting the recovery. The authorities remain committed to continuing efforts to broaden the tax base and improve the efficiency of public spending. In this regard, it will be critical to promptly implement legislative reforms to unify the tax and customs administration in ASEZA under ISTD and Jordan Customs respectively; introduce place-of-taxation rules into the GST; and reform the governance of tax incentives for investment. This would reduce revenue leakages and provide more fiscal space for priority social and infrastructure spending. Over the medium-term, further fiscal reforms are needed to reduce the deficit and debt. Monetary policy should remain data-driven, while safeguarding the peg and financial stability. Continued vigilance and agility in supervision are needed to ensure banks can continue to support good-quality credit creation, including in the event of a more protracted recovery.

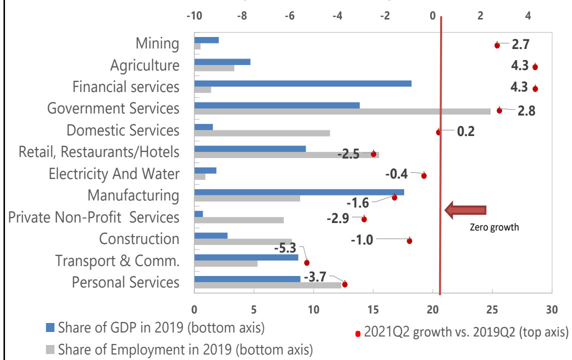
33. Unlocking Jordan's growth potential requires accelerating structural reforms. Decisive actions are needed to remove obstacles to private-sector job creation, female labor participation, and investment. Strengthening the competition and anti-corruption frameworks, streamlining licensing requirements, and reducing the economic footprint of the state will help promote entrepreneurship and competitiveness. Finally, addressing challenges related to climate change, especially water scarcity, in a financially responsible manner, will be critical.

34. Staff supports the authorities' request for the completion of the third review under the extended arrangement, as well as modification of targets. Based on the observed strong program performance, the still fragile recovery, high unemployment, and risks of scarring, staff supports the authorities' request for modification of targets on primary central government and combined public sector deficits (Table 7). Robust and timely development partner support remains critical for the success of Jordan's reform program, protecting lives and livelihoods, and Jordan's ability to host 1.3 million Syrian refugees. Jordan's inclusive (for refugees) vaccination program, and continued provision of flexible work permits to refugees deserves acknowledgement.

Figure 1. Jordan: Real Sector Developments

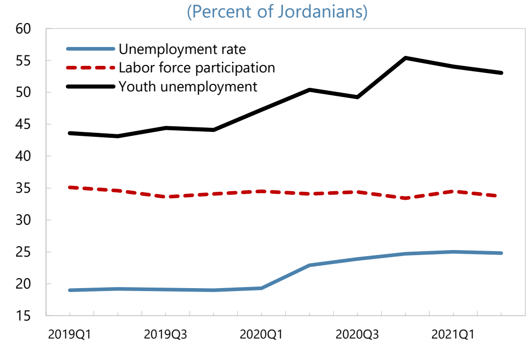
Growth reached 1.8 percent y-o-y in Q2, but output in job-rich sectors remained well below pre-pandemic levels …

Sectoral GDP Relative to Pre-pandemic
(2021 Q2 vs 2019Q2)



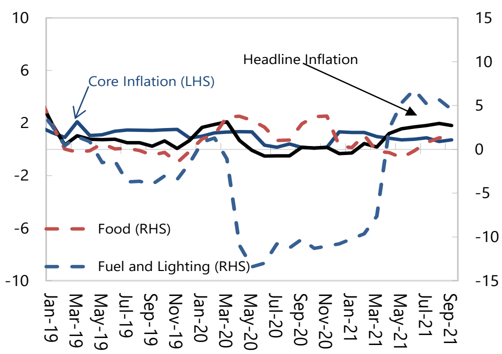
… leaving unemployment near record levels, with labor force participation still depressed.

Jordan: Labor Market Outcome
(Percent of Jordanians)



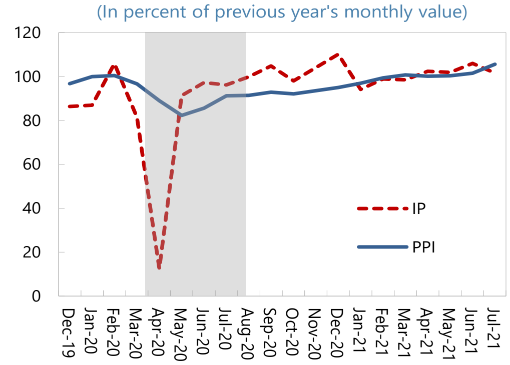
Low core inflation, in spite of rising fuel and transport prices, signals slack in the economy …

CPI Inflation, 2017 — 2021
(In percent, y-o-y changes)



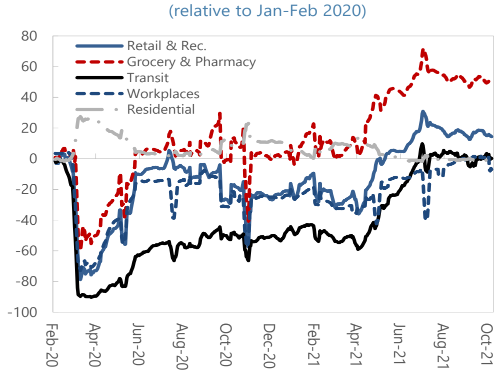
… but an accelerating PPI portends higher inflation to be passed through to domestic prices in the coming year.

Producer Price Index and Industrial Production
(In percent of previous year's monthly value)



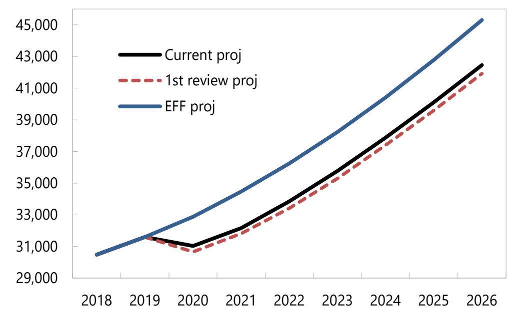
Mobility indicators suggest higher domestic activity in Q3, after the second and third phases of the reopening.

Jordan: Mobility
(relative to Jan-Feb 2020)



Growth is projected at 2.7 in 2022, with the recovery picking up steam and structural reforms bearing fruit.

Real GDP
(JD Millions)

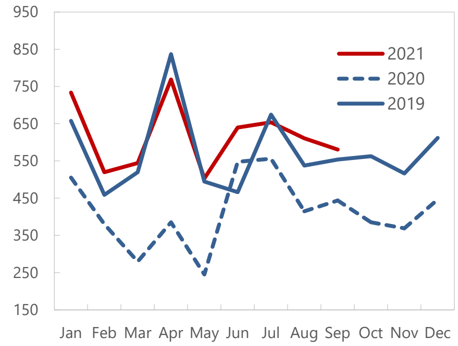


Sources: National authorities; Google COVID-19 Community Mobility Reports; Johns Hopkins University; IMF staff calculations.

Figure 2. Jordan: Fiscal Developments

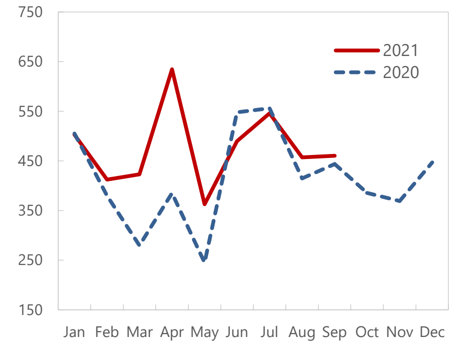
Domestic revenues have rebounded strongly in the first half of the year ….

Domestic Revenues
(JD millions)



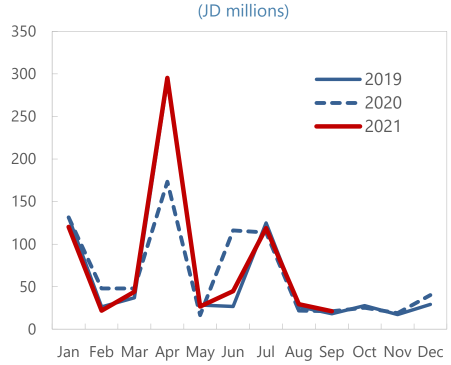
…with tax revenues exceeding expectations…

Tax Revenues
(In JD millions)



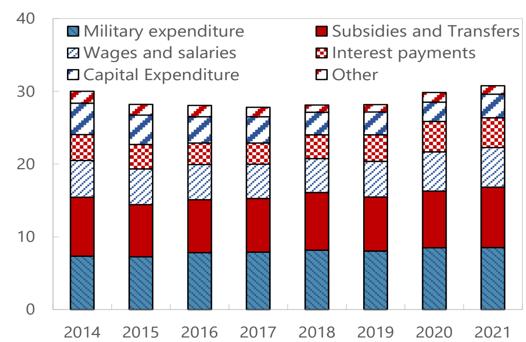
…as corporate income tax collections remained strong, despite declining 2020 profitability.

Corporate Income Tax
(JD millions)



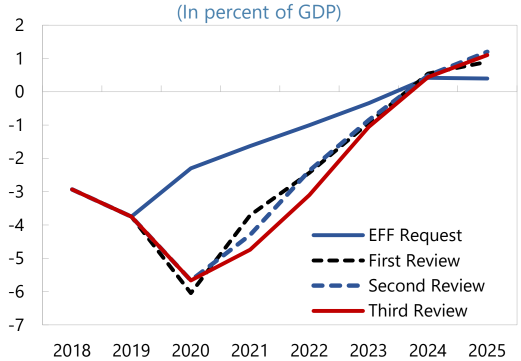
Higher revenues in 2021 allow for slightly higher capital expenditure, while still meeting the deficit targets…

Government Expenditure
(In percent of GDP)



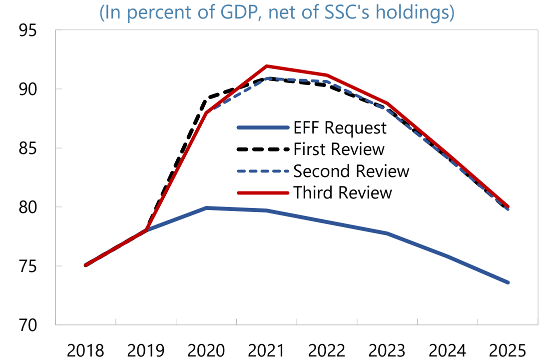
More backloaded fiscal consolidation can help protect the nascent recovery…

Primary Central Government Balance
(In percent of GDP)



… while still achieving the 80 percent debt-to-GDP target by 2025.

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

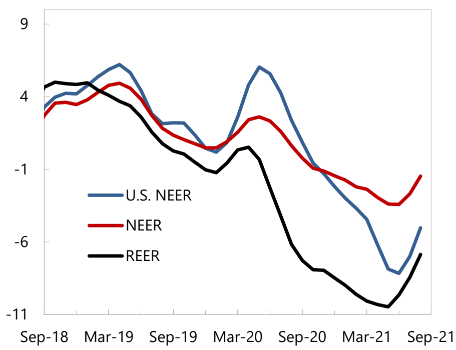


Sources: Jordanian authorities and IMF staff estimates.

Figure 3. Jordan: External Sector Developments

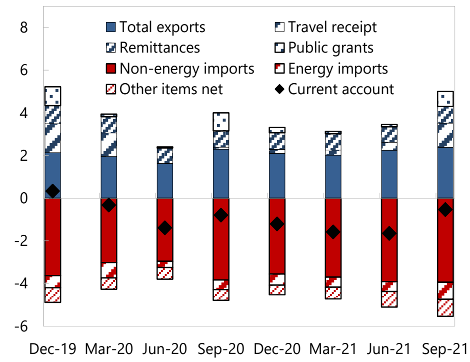
The JD REER has depreciated after 2020H1 but started to recover in 2021H1.

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



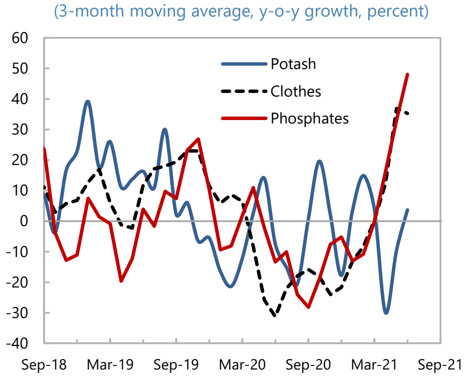
Merchandize exports and remittances have held up well, but travel receipts have been hit hard …

Jordan: Current Account, 2019-20
(USD Billions)



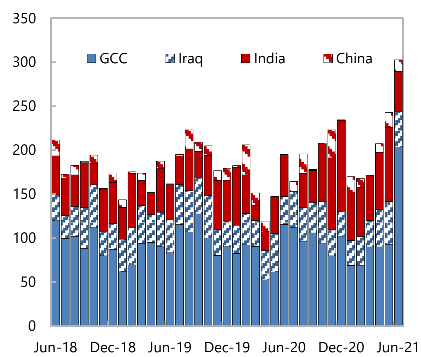
A strong rebound in fertilizer-related commodity prices, and output growth in clothing, has helped lift exports.

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



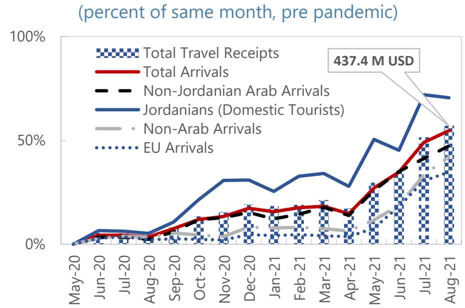
Improved access to Asian and GCC markets has aided a recovery in exports to India and the GCC region.

Exports to Select Markets
(Nominal Millions LCU)



Tourism has begun to recover from very low levels, driven primarily by arrivals from Arab countries. EU tourist recovery remains small.

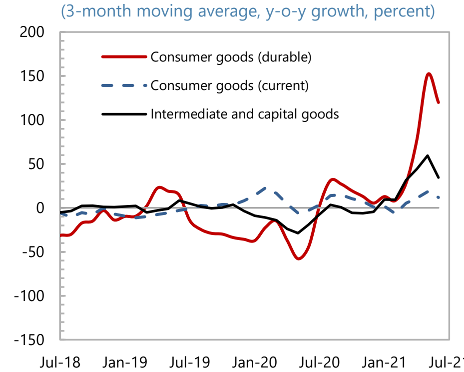
Tourist Arrivals and Receipts
(percent of same month, pre pandemic)



Note: Pre-pandemic reference period runs from May '18 to August '19, i.e.- total arrivals May '20 were 0% of May '18 arrivals, and total arrivals August '21 were 55% of August '19 arrivals.

2021H1 saw a continuation in the sharp recovery of non-energy imports that began in 2020H2, especially consumer durables.

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

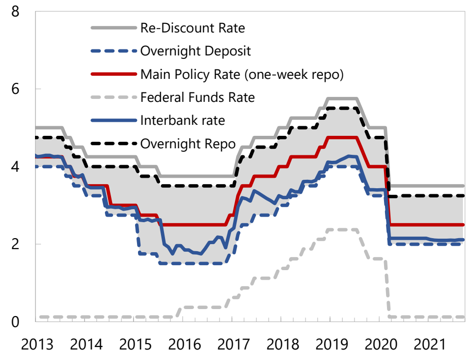


Sources: Central Bank of Jordan; Jordan Department of Statistics; and IMF staff estimates.

Figure 4. Jordan: Monetary and Financial Indicators

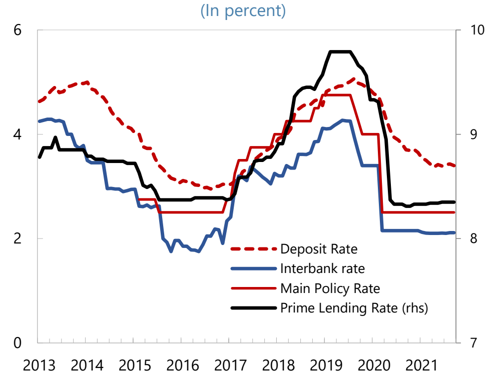
CBJ cut its main policy rate in March 2020 in response to COVID-19 and has kept it there since…

Interest Rates
(In percent)



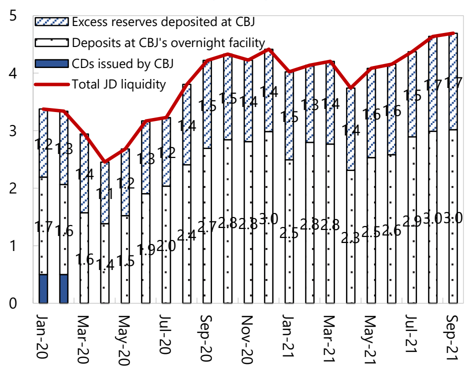
…contributing to an easing in deposit and lending rates…

Interest Rates
(In percent)



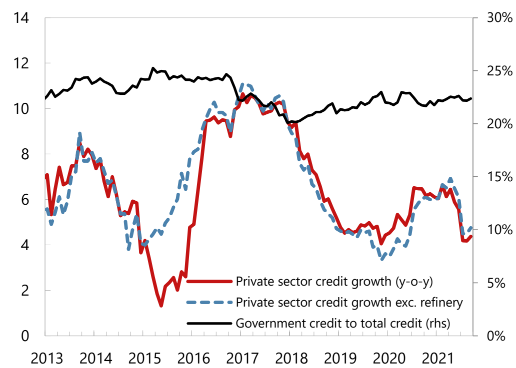
…and in banks' liquidity positions…

Banks' JD Liquidity
(Billions)



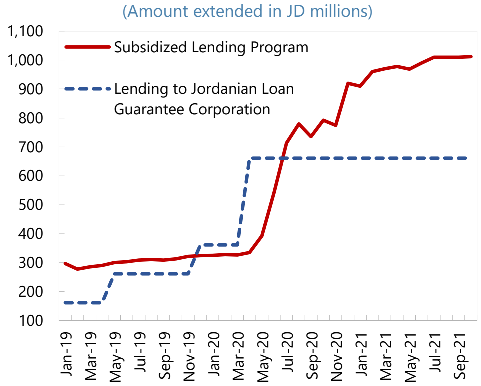
…supporting private sector credit growth but with some recent slowing down.

Domestic Credit of the Banking System



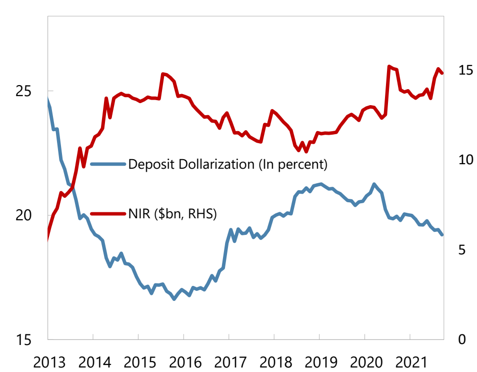
CBJ also continued expanding its subsidized lending programs especially for SMEs but demand has slowed.

CBJ Subsidized Lending Schemes
(Amount extended in JD millions)



Adequate reserves have brought dollarization down to its lowest level in recent years.

Reserves and Dollarization

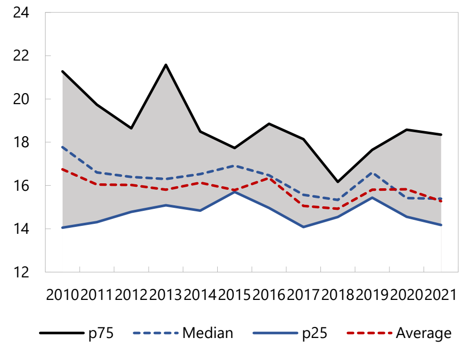


Sources: Central Bank of Jordan; Jordan Department of Statistics; and IMF staff estimates

Figure 5. Selected Indicators for Jordanian Banks
(As of end-June 2021)

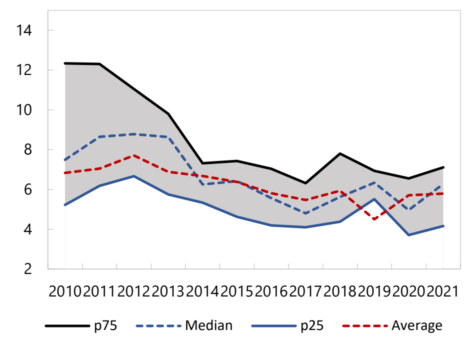
Banks continue to remain well-capitalized…

Tier 1 Capital to Risk Weighted Assets
(Percent)



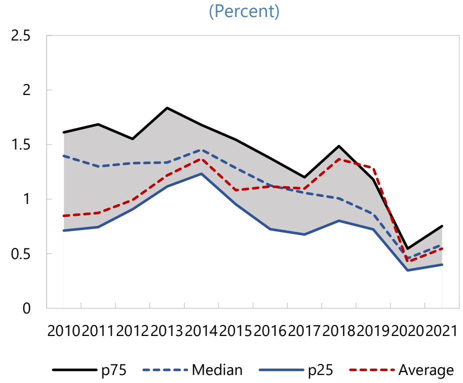
and NPLs remain stable.

Non-Performing Loans less Provisions 1/
(Percent)



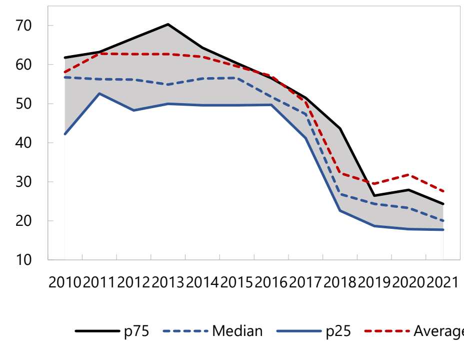
Profitability is recovering as most provisioning took place in 2020.

Return on Total Assets
(Percent)



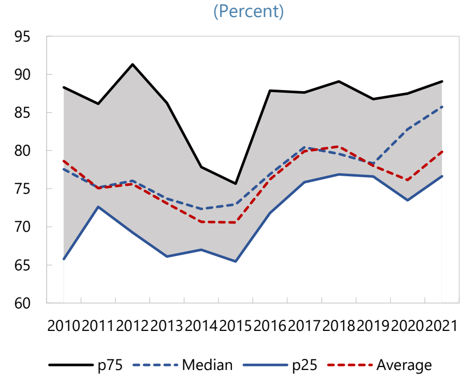
Liquidity has deteriorated in recent years.

Liquidity 2/
(Percent)



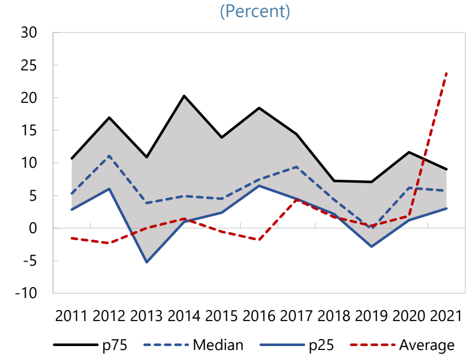
Loans have continued to be stably funded by deposits…

Total Loans to Total Deposits
(Percent)



And loan growth has held up well despite the pandemic.

Annualized Loan Growth
(Percent)



Sources: Bloomberg; and IMF staff calculations. The sample includes the 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 by total assets of the above banking sample.
1/Non-performing loans to gross loans, less ratio of provisions to gross loans.
2/Liquid assets to customer deposits and short-term funding.

Table 1. Jordan: Selected Economic Indicators and Macroeconomic Outlook, 2020–26

	Act. 2020	2nd Rev 2021	Proj. 2021	2nd Rev 2022	Proj. 2022	Proj. 2023	Proj. 2024	Proj. 2025	Proj. 2026
	(Annual percent change, unless otherwise noted)								
Output and prices									
Real GDP at market prices	-1.6	2.0	2.0	2.7	2.7	3.1	3.3	3.3	3.3
GDP deflator at market prices	-0.3	1.6	1.6	2.0	2.5	2.5	2.5	2.5	2.5
Nominal GDP at market prices	-1.8	3.6	3.6	4.8	5.3	5.7	5.9	5.9	5.9
Nominal GDP at market prices (JD millions)	31,025	32,149	32,157	33,677	33,851	35,772	37,877	40,105	42,464
Nominal GDP at market prices ($ millions)	43,759	45,344	45,355	47,500	47,744	50,455	53,423	56,565	59,893
Consumer price inflation (annual average)	0.4	2.3	1.3	2.0	2.5	2.5	2.5	2.5	2.5
Consumer price inflation (end of period)	-0.3	2.5	2.3	2.0	2.5	2.5	2.5	2.5	2.5
Unemployment rate (period average, percent) 1/	22.7	…	…	…	…	…	…	…	…
	(Percent of GDP, unless otherwise noted)								
Fiscal operations									
Revenue and grants	22.7	24.8	24.7	24.8	25.9	24.9	24.5	24.2	24.1
Of which: grants	2.5	2.6	2.4	2.3	2.7	1.6	1.2	0.9	0.9
Expenditure 2/	30.0	30.6	31.3	30.0	30.2	29.7	29.3	29.0	28.9
Unallocated discretionary fiscal measures 3/	0.0	0.0	0.0	1.1	0.0	1.3	2.6	3.0	3.0
Overall central government balance 4/	-7.3	-5.8	-6.6	-4.1	-4.4	-3.4	-2.2	-1.8	-1.8
Overall central government balance excluding grants	-9.9	-8.4	-9.0	-6.4	-7.1	-5.1	-3.5	-2.8	-2.7
Primary government balance (excluding grants)	-5.7	-4.3	-4.7	-2.4	-3.1	-1.1	0.4	1.1	1.1
NEPCO operating balance	-0.3	-0.9	-0.5	-0.9	-1.0	-0.9	-0.8	-0.7	-0.6
WAJ overall balance	-0.8	-0.9	-0.9	-0.9	-0.9	-0.9	-0.8	-0.7	-0.7
Water distribution companies overall balance	-0.3	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
Combined public sector balance 5/	-7.0	-6.3	-6.4	-4.4	-5.1	-2.9	-1.2	-0.4	-0.2
Consolidated general government overall balance, excl. grants	-8.6	-7.7	-7.7	-5.8	-6.2	-4.6	-2.8	-2.1	-2.0
Consolidated general government primary balance, excl. grants	-3.9	-3.0	-3.0	-1.2	-1.6	0.0	1.8	2.5	2.4
Government and guaranteed gross debt 6/	109.0	113.6	113.9	114.7	114.7	113.6	110.4	107.0	103.6
Government and guaranteed gross debt, net of SSC's holdings 6/	88.0	90.9	91.7	90.6	90.9	88.6	84.3	79.8	75.9
Of which: external debt	40.4	45.3	43.3	46.5	45.7	45.4	44.1	41.9	39.5
External sector									
Current account balance (including grants), *of which:*	-8.5	-8.3	-9.7	-3.9	-4.7	-3.3	-2.7	-2.7	-2.4
Exports of goods, f.o.b. ($ billions)	8.0	8.6	8.9	9.2	9.4	10.1	10.6	11.2	11.8
Imports of goods, f.o.b. ($ billions)	15.4	16.6	17.8	17.5	18.3	18.5	19.0	19.8	20.5
Oil and oil products ($ billions)	2.0	2.6	2.9	2.7	2.9	2.9	2.9	2.9	2.9
Current account balance (excluding grants)	-11.4	-11.6	-12.8	-6.9	-8.0	-6.0	-5.0	-4.6	-4.2
Private capital inflows (net)	1.4	2.5	2.5	2.9	2.3	2.8	3.3	3.3	3.2
Public grants and identified budget loans (excl. IMF)	5.4	7.3	6.4	5.1	5.8	4.5	2.2	1.9	1.8
	(Annual percent change)								
Monetary sector									
Broad money	5.8	3.6	3.6	4.8	4.4	5.7	5.9	5.9	5.9
Net foreign assets	0.2	2.5	-12.2	8.8	9.7	13.4	14.0	8.7	7.9
Net domestic assets	7.4	3.9	7.7	3.7	3.2	4.0	3.9	5.1	5.3
Credit to private sector	6.3	3.3	3.9	4.5	4.5	4.8	5.9	6.5	7.0
Credit to central government	11.4	-0.2	8.0	3.5	-0.5	1.4	-1.0	0.2	0.9
Memorandum items:									
Gross usable international reserves ($ millions)	15,127	15,137	15,269	16,085	15,954	15,863	17,007	17,930	18,846
In months of prospective imports	8.4	8.2	7.9	8.3	8.1	7.8	8.1	8.2	8.6
In percent of reserve adequacy metric	110	102	104	102	102	97	99	101	102
Net international reserves ($ millions)	13,844	13,316	13,448	13,888	13,762	13,617	14,942	16,097	17,232
Population (millions) 7/	10.2	10.3	10.3	10.4	10.4	10.5	10.5	10.6	10.7
Nominal per capita GDP ($)	4,286	4,394	4,395	4,565	4,588	4,817	5,069	5,334	5,613
Real effective exchange rate (end of period, 2010=100) 8/	108.5	…	…	…	…	…	…	…	…
Percent change (+=appreciation; end of period)	-6.9	…	…	…	…	…	…	…	…

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, 2019–26 1/

(In millions of Jordanian dinars)

	2019	2020	Proj. 2021	2nd Rev 2021	Proj. 2022	Proj. 2023	Proj. 2024	Proj. 2025	Proj. 2026
Total revenue and grants	7,677	7,029	7,946	7,972	8,752	8,923	9,280	9,704	10,228
Domestic revenue	6,889	6,238	7,183	7,135	7,849	8,348	8,807	9,327	9,852
Tax revenue, *of which:*	4,823	4,958	5,550	5,362	5,943	6,344	6,667	7,067	7,459
Taxes on income and profits	1,020	1,103	1,178	1,062	1,269	1,368	1,446	1,563	1,657
Sales taxes 2/	3,302	3,534	3,993	3,892	4,252	4,509	4,743	5,008	5,289
Taxes on foreign trade	277	274	311	327	339	364	369	380	391
Other taxes	224	47	68	81	83	103	109	116	122
Nontax revenue 2/	2,066	1,279	1,633	1,774	1,906	2,004	2,140	2,260	2,393
Grants	789	791	763	836	902	575	473	378	376
Total expenditures, inc. other use of cash	9,220	9,294	10,067	9,841	10,237	10,605	11,091	11,645	12,259
Current expenditure	7,913	8,434	9,025	8,852	8,837	9,371	9,753	10,206	10,624
Wages and salaries	1,553	1,677	1,779	1,759	1,873	1,929	1,987	2,047	2,108
Interest payments	1,147	1,289	1,360	1,324	1,339	1,433	1,489	1,558	1,616
Domestic	729	893	912	874	933	970	1,021	1,065	1,124
External	418	396	448	449	406	463	468	492	491
Military and public security expenditure, *of which:*	2,545	2,636	2,747	2,747	2,836	2,997	3,174	3,334	3,460
Military expenditure	1,338	1,390	1,441	1,441	1,481	1,565	1,657	1,744	1,802
Subsidies	20	19	23	20	20	20	20	20	20
Transfers, *of which*:	2,324	2,399	2,599	2,625	2,421	2,623	2,694	2,834	2,982
Pensions	1,426	1,570	1,613	1,612	1,655	1,749	1,852	1,961	2,077
Cash transfers, NAF social assistance	140	240	251	251	241	221	221	221	221
Transfers to health fund, *of which:*	273	238	172	144	175	159	90	90	90
Health arrears clearance	97	136	102	74	105	69	0	0	0
Energy arrears clearance	70	6	0	0	45	0	0	0	0
Transfers to public sector institutions	199	212	207	207	212	213	214	227	240
Purchases of goods & services	324	415	517	377	349	369	390	413	438
Capital expenditure	990	823	927	989	1,400	1,234	1,337	1,440	1,635
Adjustment on receivables and payables (use of cash)	317	28	104	0	0	0	0	0	0
Overall central government balance at current policies	-1,543	-2,266	-2,121	-1,870	-1,493	-1,691	-1,820	-1,952	-2,043
Unallocated discretionary fiscal measures (cumulative) 3/	0	0	-4	0	7	457	971	1,213	1,283
Overall central government balance after fiscal measures	-1,543	-2,266	-2,125	-1,870	-1,486	-1,234	-849	-739	-760
Advances to water sector, *of which:*	512	368	349	413	410	287	347	334	339
Distribution companies	0	80	66	69	51	48	45	41	42
Financing	2,055	2,634	2,482	2,282	1,895	1,521	1,196	1,073	1,098
Foreign financing (net) 4/	194	1,156	1,099	1,437	1,033	476	378	58	-12
Domestic financing (net)	1,860	1,478	1,383	846	862	1,045	818	1,015	1,110
CBJ on-lending of net IMF financing	-293	343	146	394	283	68	-89	-125	-116
Other domestic bank financing	1,093	401	475	-367	-328	93	-22	147	259
Domestic nonbank financing	872	743	608	868	917	894	939	1,003	977
Use of deposits	112	-10	154	-50	-10	-10	-10	-10	-10
Sale of non-financial assets	77	0	0	0	0	0	0	0	0
Memorandum items:									
NEPCO operating balance	2	-89	-157	-282	-325	-313	-285	-272	-249
WAJ overall balance, excluding project grants	-291	-257	-304	-284	-304	-306	-297	-287	-290
Water distribution companies overall balance	-87	-80	-66	-69	-51	-48	-45	-41	-42
Primary government balance, excluding grants	-1,184	-1,767	-1,528	-1,382	-1,049	-376	167	441	480
Primary government balance, excluding grants and transfers to NEPCO and WAJ	-1,184	-1,758	-1,517	-1,382	-1,049	-376	167	441	480
Combined public balance 5/	-1,559	-2,184	-2,044	-2,017	-1,729	-1,042	-460	-159	-102
Overall public balance, including grants	-1,900	-2,674	-2,635	-2,469	-2,135	-1,871	-1,446	-1,309	-1,311
Consolidated general government overall balance, excl. grants	-1,622	-2,559	-2,393	-2,469	-2,068	-1,414	-829	-546	-530
Consolidated general government primary balance, excl. grants	-301	-1,111	-854	-967	-525	226	883	1,248	1,335
Social Security Corporation balance	1,084	923	1,018	872	1,000	1,061	1,120	1,171	1,188
Government and guaranteed gross debt	30,768	33,828	36,627	36,524	38,837	40,633	41,807	42,909	44,010
Government and guaranteed gross debt, net of SSC's holdings	24,651	27,295	29,486	29,219	30,779	31,681	31,916	32,015	32,182
Of which: External	11,046	12,530	13,929	14,569	15,469	16,242	16,707	16,801	16,776
Programmed stock of health and energy arrears	300	420	218	246	68	0	0	0	0
Stock of health arrears	110	275	173	201	68	0	0	0	0
Stock of energy arrears (fuel and electricity) 6/	190	145	45	45	0	0	0	0	0
GDP at market prices	31,597	31,025	32,157	32,149	33,851	35,772	37,877	40,105	42,464

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

2/ In 2019 non-tax revenues on oil derivatives were reclassified as sales taxes.

3/ For 2023-25, these are unidentified cumulative fiscal discretionary measures needed to reach program deficit targets.

4/ Includes net issuance of domestic FX bonds.

5/ 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.

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

Table 2b. Jordan: Central Government: Summary of Fiscal Operations, 2019–26 1/
(In percent of GDP)

	2019	2020	2nd Rev 2021	Proj. 2021	Proj. 2022	Proj. 2023	Proj. 2024	Proj. 2025	Proj. 2026
Total revenue and grants	24.3	22.7	24.8	24.7	25.9	24.9	24.5	24.2	24.1
Domestic revenue	21.8	20.1	22.2	22.3	23.2	23.3	23.3	23.3	23.2
Tax revenue, *of which*:	15.3	16.0	16.7	17.3	17.6	17.7	17.6	17.6	17.6
Taxes on income and profits	3.2	3.6	3.3	3.7	3.7	3.8	3.8	3.9	3.9
Sales taxes 2/	10.5	11.4	12.1	12.4	12.6	12.6	12.5	12.5	12.5
Taxes on foreign trade	0.9	0.9	1.0	1.0	1.0	1.0	1.0	0.9	0.9
Nontax revenue 2/	6.5	4.1	5.5	5.1	5.6	5.6	5.6	5.6	5.6
Grants	2.5	2.5	2.6	2.4	2.7	1.6	1.2	0.9	0.9
Total expenditures, inc. other use of cash	29.2	30.0	30.6	31.3	30.2	29.7	29.3	29.0	28.9
Current expenditure	25.0	27.2	27.5	28.1	26.1	26.2	25.7	25.4	25.0
Wages and salaries	4.9	5.4	5.5	5.5	5.5	5.3	5.2	5.0	4.9
Interest payments	3.6	4.2	4.1	4.2	4.0	4.0	3.9	3.9	3.8
Domestic	2.3	2.9	2.7	2.8	2.8	2.7	2.7	2.7	2.6
External	1.3	1.3	1.4	1.4	1.2	1.3	1.2	1.2	1.2
Military and public security expenditure, *of which:*	8.1	8.5	8.5	8.5	8.4	8.4	8.4	8.3	8.1
Military expenditure	4.2	4.5	4.5	4.5	4.4	4.4	4.4	4.3	4.2
Subsidies	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Transfers, *of which*:	7.4	7.7	8.2	8.1	7.2	7.4	7.1	7.1	7.0
Pensions	4.5	5.1	5.0	5.0	4.9	4.9	4.9	4.9	4.9
Cash transfers, NAF social assistance	0.4	0.8	0.8	0.8	0.7	0.6	0.6	0.6	0.5
Transfers to health fund, *of which:*	0.9	0.8	0.4	0.5	0.5	0.4	0.2	0.2	0.2
Health arrears clearance	0.3	0.4	0.2	0.3	0.3	0.2	0.0	0.0	0.0
Energy arrears clearance	0.2	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Transfers to public sector institutions	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Purchases of goods & services	1.0	1.3	1.2	1.7	1.1	1.1	1.1	1.1	1.1
Capital expenditure	3.1	2.7	3.1	2.9	4.1	3.5	3.6	3.6	3.9
Adjustment on receivables and payables (use of cash)	1.0	0.1	0.0	0.3	0.0	0.0	0.0	0.0	0.0
Overall central government balance at current policies	-4.9	-7.3	-5.8	-6.6	-4.4	-4.7	-4.8	-4.9	-4.8
Unallocated discretionary fiscal measures (cumulative) 3/	0.0	0.0	0.0	0.0	0.0	1.3	2.6	3.0	3.0
Overall central government balance after fiscal measures	-4.9	-7.3	-5.8	-6.6	-4.4	-3.4	-2.2	-1.8	-1.8
Advances to water sector, *of which:*	1.6	1.2	1.3	1.1	1.2	0.8	0.9	0.8	0.8
Distribution companies	0.0	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Financing	6.5	8.5	7.1	7.7	5.6	4.3	3.2	2.7	2.6
Foreign financing (net) 4/	0.6	3.7	4.5	3.4	3.1	1.3	1.0	0.1	0.0
Domestic financing (net)	5.9	4.8	2.6	4.3	2.5	2.9	2.2	2.5	2.6
CBJ on-lending of net IMF financing	-0.9	1.1	1.2	0.5	0.8	0.2	-0.2	-0.3	-0.3
Other domestic bank financing	3.5	1.3	-1.1	1.5	-1.0	0.3	-0.1	0.4	0.6
Domestic nonbank financing	2.8	2.4	2.7	1.9	2.7	2.5	2.5	2.5	2.3
Use of deposits	0.4	0.0	-0.2	0.5	0.0	0.0	0.0	0.0	0.0
Sale of non-financial assets	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
NEPCO operating balance	0.0	-0.3	-0.9	-0.5	-1.0	-0.9	-0.8	-0.7	-0.6
WAJ overall balance, excluding project grants	-0.9	-0.8	-0.9	-0.9	-0.9	-0.9	-0.8	-0.7	-0.7
Water distribution companies overall balance	-0.3	-0.3	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
Primary government balance, excluding grants and transfers to NEPCO and WAJ (PC)	-3.7	-5.7	-4.3	-4.7	-3.1	-1.1	0.4	1.1	1.1
Combined public balance (PC) 5/	-4.9	-7.0	-6.3	-6.4	-5.1	-2.9	-1.2	-0.4	-0.2
Overall public balance, including grants	-6.0	-8.6	-7.7	-8.2	-6.3	-5.2	-3.8	-3.3	-3.1
Consolidated general government overall balance, excl. grants	-5.1	-8.2	-7.7	-7.4	-6.1	-4.0	-2.2	-1.4	-1.2
Consolidated general government primary balance, excl. grants	-1.0	-3.6	-3.0	-2.7	-1.5	0.6	2.3	3.1	3.1
Social Security Corporation balance	3.4	3.0	2.7	3.2	3.0	3.0	3.0	2.9	2.8
Government and guaranteed gross debt	97.4	109.0	113.6	113.9	114.7	113.6	110.4	107.0	103.6
Government and guaranteed gross debt, net of SSC's holdings	78.0	88.0	90.9	91.7	90.9	88.6	84.3	79.8	75.8
Of which: External	35.0	40.4	45.3	43.3	45.7	45.4	44.1	41.9	39.5
Programmed stock of health and energy arrears	0.9	1.4	0.8	0.7	0.2	0.0	0.0	0.0	0.0
Stock of health arrears	0.3	0.9	0.6	0.5	0.2	0.0	0.0	0.0	0.0
Stock of energy arrears (fuel and electricity) 6/	0.6	0.5	0.1	0.1	0.0	0.0	0.0	0.0	0.0
GDP at market prices (JD millions)	31,597	31,025	32,149	32,157	33,851	35,772	37,877	40,105	42,464

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/ In 2019 non-tax revenues on oil derivatives were reclassified as sales taxes.

3/ For 2023-25, these are unidentified cumulative fiscal discretionary measures needed to reach program deficit targets.

4/ Includes net issuance of domestic FX bonds.

5/ 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.

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

Table 2c. Jordan: General Government: Summary of Fiscal Operations, 2019–26 1/

(In millions of Jordanian dinars, unless otherwise noted)

	2019	2020	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.
A. Total general government revenues:	11,586	10,664	11,838	12,892	13,526	14,407	15,210	16,000
(in percent of GDP)	*36.7*	*34.4*	*36.8*	*38.1*	*37.8*	*38.0*	*37.9*	*37.7*
Central government revenues, excl. grants 2/	6,889	6,238	7,183	7,849	8,575	9,291	9,930	10,488
A*. Central government grants	789	791	763	902	575	473	378	376
NEPCO	1,547	1,326	1,334	1,443	1,482	1,540	1,581	1,624
WAJ	62	62	52	68	69	70	71	72
WAJ Revenues - excluding grants (million JD)	44	45	34	38	39	40	41	42
WAJ grants A**	18	17	17	30	30	30	30	30
Water distribution companies	210	234	234	257	269	282	296	302
SSC 3/	2,089	2,013	2,272	2,373	2,556	2,751	2,954	3,139
B. Total general government expenditure, inc. use of cash:	12,401	12,415	13,451	14,027	14,335	14,733	15,348	16,124
(in percent of GDP)	*39.2*	*40.0*	*41.8*	*41.4*	*40.1*	*38.9*	*38.3*	*38.0*
Central government 2/	9,220	9,294	10,067	10,237	10,384	10,613	11,047	11,624
NEPCO	1,545	1,415	1,491	1,768	1,795	1,824	1,853	1,873
WAJ	335	302	338	341	344	337	328	332
Water distribution companies	296	314	300	307	317	327	338	344
Water distribution companies deficit	33.65	46.48	24.58	22.26	23.61	25.05	26.59	27.13
SSC	1,005	1,090	1,255	1,374	1,495	1,631	1,783	1,951
(A-B). General government balance incl. unidentified measures	-816	-1,751	-1,613	-1,135	-810	-325	-138	-124
(in percent of GDP)	*-2.6*	*-5.6*	*-5.0*	*-3.4*	*-2.3*	*-0.9*	*-0.3*	*-0.3*
C. General government overall balance, excluding grants (A-B-A*-A**)	-1,622	-2,559	-2,393	-2,068	-1,414	-829	-546	-530
(in percent of GDP)	*-5.1*	*-8.2*	*-7.4*	*-6.1*	*-4.0*	*-2.2*	*-1.4*	*-1.2*
D. General government primary balance, excluding grants (C+E)	-301	-1,111	-854	-525	226	883	1,248	1,335
(in percent of GDP)	*-1.0*	*-3.6*	*-2.7*	*-1.5*	*0.6*	*2.3*	*3.1*	*3.1*
General government primary balance, including grants (D+A*)	*488*	*-320*	*-91*	*378*	*801*	*1,357*	*1,625*	*1,712*
(in percent of GDP)	*1.5*	*-1.0*	*-0.3*	*1.1*	*2.2*	*3.6*	*4.1*	*4.0*
Central government primary balance excluding grants	*-1,184*	*-1,767*	*-1,524*	*-1,049*	*-376*	*167*	*441*	*480*
(in percent of GDP)	*-3.7*	*-5.7*	*-4.7*	*-3.1*	*-1.1*	*0.4*	*1.1*	*1.1*
Balance of utilities (NEPCO, WAJ, water distribution companies)	*-375*	*-426*	*-527*	*-679*	*-667*	*-627*	*-600*	*-582*
Combined public sector balance (2)	*-1,560*	*-2,193*	*-2,051*	*-1,729*	*-1,042*	*-460*	*-159*	*-102*
(in percent of GDP)	*-4.9*	*-7.1*	*-6.4*	*-5.1*	*-2.9*	*-1.2*	*-0.4*	*-0.2*
General gov. overall balance excluding grants (1+2-3 = A-B-A*-A**)	-1,622	-2,559	-2,393	-2,068	-1,414	-829	-546	-530
E. Interest expenditure:	1,321	1,448	1,539	1,543	1,640	1,712	1,793	1,865
Central government (3)	1,147	1,289	1,360	1,339	1,433	1,489	1,558	1,616
NEPCO	115	114	134	164	170	185	199	213
WAJ Interest Payments	60	45	45	41	37	38	36	37
Consolidated debt of general government = Debt$_{t-1}$ + Net borrowing	24,651	27,295	29,486	30,779	31,681	31,916	32,015	32,212
(in percent of GDP)	*78.0*	*88.0*	*91.7*	*90.9*	*88.6*	*84.3*	*79.8*	*75.9*
Net borrowing need:								
General government overall deficit incl. discretionary measures			1,613	1,135	810	325	138	124
Prefunding of amortizing debt and use/buildup of deposits			12	19	17	13	12	0
SSIF investment outside GG			410	82	167	181	169	253
Guaranteed off-budget project loans			25	75	87	76	70	92
CBJ repurchases in respect of 2012 EFF			-4	-18	-179	-361	-289	-271
Recapitalization and guarantee of Royal Jordanian			35	0	0	0	0	0
Securitization of domestic arrears			100					
Memorandum items:								
SSC balance, inc. interest revenue on government bonds (1)	1,084	923	1,018	1,000	1,061	1,120	1,171	1,188
Nominal GDP at market prices	31,597	31,025	32,157	33,851	35,772	37,877	40,105	42,464

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

1/Pending a formal switch to General Government reporting by the authorities, this table reports fiscal flows and debt stocks (direct and guaranteed) of the central government, NEPCO, WAJ, water distribution companies, and the SSC.

2/Includes unidentified fiscal measures to be implemented in order to eliminate central government primary deficits by the end of the program.

3/Excludes SSC's interest earned on government bond holdings.

Table 2d. Jordan: Central Government: Summary of Quarterly Fiscal Operations, 2021–22

(In millions of Jordanian dinars)

	2021					2022				
	Q1	Q2	Q3 Prel.	Q4 Proj.	Annual Proj.	Q1 Proj.	Q2 Proj.	Q3 Proj.	Q4 Proj.	Annual Proj.
Total revenue and grants	1,852	1,934	2,338	1,822	7,946	1,902	2,219	2,506	2,125	8,752
Domestic revenue	1,797	1,911	1,845	1,630	7,183	1,837	2,192	1,923	1,897	7,849
Tax revenue, *of which*:	1,338	1,487	1,463	1,262	5,550	1,417	1,662	1,425	1,439	5,943
Taxes on income and profits	277	498	262	141	1,178	306	497	241	226	1,269
Sales taxes	969	894	1,092	1,038	3,993	1,004	1,059	1,083	1,106	4,252
Taxes on foreign trade	78	78	91	63	311	86	85	81	86	339
Other taxes	14	17	18	19	68	20	21	21	20	83
Nontax revenue	459	424	382	368	1,633	421	530	497	459	1,906
Grants	55	23	494	192	763	65	27	584	227	902
Total expenditures, inc. other use of cash	2,241	2,489	2,569	2,736	10,078	2,334	2,715	2,350	2,838	10,237
Current expenditure	2,043	2,188	2,283	2,474	9,032	2,014	2,279	2,024	2,520	8,837
Wages and salaries	435	453	440	431	1,759	428	447	445	533	1,852
Interest payments	358	314	368	277	1,360	333	341	307	357	1,339
Domestic	250	209	256	153	912	251	228	220	233	933
External	107	106	112	123	448	81	113	87	124	406
Military and public security expenditure	661	719	696	671	2,747	659	696	682	800	2,836
Subsidies	0	0	23	0	23	0	0	0	20	20
Transfers, *of which*:	531	601	649	818	2,599	520	701	519	682	2,422
Pensions	400	401	403	407	1,613	407	413	412	424	1,655
Cash transfers, NAF social assistance	46	55	71	80	251	0	110	0	131	241
Medical treatments, clearance of health and energy arrears	17	28	18	109	172	0	0	0	0	175
Transfers to public sector institutions	50	51	53	53	207	42	66	52	51	212
Other transfers	18	66	103	169	356	70	112	55	77	139
Purchases of goods & services	59	101	107	277	544	74	93	72	129	369
Capital expenditure	83	303	238	304	927	190	387	276	547	1,400
Adjustment on receivables and payables (use of cash)	116	-14	48	-42	108	130	50	50	-230	0
Overall balance of the central government from above the line	-390	-555	-230	-914	-2,132	-432	-497	156	-713	-1,486
Statistical discrepancy, net	13	94	-57	-50	0	0	0	0	0	0
Overall balance of the central government at current policies	-403	-649	-174	-863	-2,132	-432	-497	156	-713	-1,486
Unalocated discretionary fiscal measures 1/	0	0	0	0	0	0	0	0	0	0
Overall balance after fiscal measures	-403	-649	-174	-863	-2,132	-432	-497	156	-713	-1,486
Advances to water sector	58	120	57	115	349	85	151	0	173	173
Financing	460	769	230	1,022	2,482	517	648	-156	886	1,895
Foreign financing (net) 2/	28	293	308	471	1,099	-14	401	-15	661	1,033
Domestic financing (net)	432	476	-77	551	1,383	530	247	-141	225	862
CBJ on-lending of net IMF financing	0	146	0	0	146	-141	0	-142	567	283
Other domestic bank financing	239	-72	-102	410	475	335	-295	60	-428	-328
Domestic nonbank financing	223	360	-39	64	608	337	543	-59	96	917
Use of deposits	-30	43	64	77	154	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	-33	-43	-41	-40	-157	-80	-116	-62	-66	-325
WAJ overall balance, excluding project grants	-70	-64	-85	-85	-304	-70	-63	-85	-85	-304
Water distribution companies overall balance	-19	7	-27	-27	-66	-15	6	-21	-21	-51
Primary government balance, excluding grants and transfers to NEPCO and WAJ (PC)	-100	-346	-299	-779	-1,524	-164	-182	-121	-583	-1,049
Combined public balance (PC) 3/	-222	-445	-453	-932	-2,051	-328	-355	-289	-756	-1,729
Government and guaranteed gross debt 4/	34,276	34,981	35,106	36,627	36,627	37,359	38,026	38,170	38,837	38,837
Government and guaranteed gross debt, net of SSC's holdings (IT) 4/	27,589	27,988	28,111	29,486	29,486	30,218	30,886	31,030	31,697	31,697

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

1/ Unidentified fiscal measures that will need to be implemented to meet program targets.

2/ Includes net issuance of domestic FX bonds.

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

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

Table 2e. Jordan: NEPCO Operating Balance and Financing, 2020–26
(In millions of Jordanian dinars, unless otherwise noted)

	2020 Act.	2021 2nd Rev	2021 Proj.	2022 2nd Rev	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.
NEPCO Balance									
Revenues *of which*	1,326	1,429	1,334	1,452	1,443	1,482	1,540	1,581	1,624
Electricity sales 1/	1,293	1,429	1,334	1,452	1,443	1,482	1,540	1,581	1,624
Fuel clause	33	-	-	-	-	-	-	-	-
Expenses	1,415	1,711	1,491	1,768	1,768	1,795	1,824	1,853	1,873
Purchase of electricity 2/	1,254	1,518	1,302	1,544	1,544	1,566	1,579	1,594	1,600
Depreciation	30	30	30	31	31	31	31	31	31
Interest payments 3/	114	133	134	164	164	170	185	199	213
Other expenses	16	30	25	29	29	29	29	29	29
Operating balance (QPC)	-89	-282	-157	-315	-325	-313	-285	-272	-249
Total net domestic financing	89	282	157	315	325	313	285	272	249
Banks	97	368	243	331	340	313	285	272	249
Loans and bonds	96	597	472	331	340	313	285	272	249
Overdrafts	1	(159)	-159	-	-	-	-	-	-
Other items 4/	51	-15	-15	-15	-15	-	-	-	-
Increase in payables	-59	-140	-140	-	-	-	-	-	-
Direct transfer from central government	-215	-	-	-	-	-	-	-	-
To cover losses and repay arrears	-215	-	-	-	-	-	-	-	-
To repay loans	-	-	-	-	-	-	-	-	-
Payables to the private sector	155	-140	-140	-	-	-	-	-	-
Of which: Increase in arrears	70	-70	-70	-	-	-	-	-	-
Memorandum items:									
Operating balance (percent of GDP)	-0.3	-0.9	-0.5	-0.9	-1.0	-0.9	-0.8	-0.7	0.0
Brent oil prices (USD per barrel)	41	59	66	55	65	61	59	57	56
Outstanding loans and bonds (stocks, end-of-period)	2,495	3,092	2,967	3,423	3,307	3,621	3,905	4,177	4,426
Overdrafts	227	68	68	68	68	68	68	68	68
Total payables	3,010	3,060	2,870	3,060	2,870	2,870	2,870	2,870	2,870
to government 5/	2,262	2,459	2,262	2,459	2,262	2,262	2,262	2,262	2,262
to private sector	748	601	608	601	608	608	608	608	608
Of which: arrears (IT)	70	-	-	-	-	-	-	-	-

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

1/ Projections include prospects for increased revenues from exports to the West Bank and Iraq.

2/ Projected costs assume saving measures of 3 percent of the annual cost from 2022 onwards (about JD55 million per year). These could arise from re-negotiations of LNG contracts and PPAs, and/or the debt optimization plan.

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

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

5/ 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, 2020–26
(In millions of Jordanian dinars)

	2020 Act.	2021 2nd Rev	2021 Proj.	2022 2nd Rev	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.
WAJ Balance:									
Total Revenues	45	47	34	49	38	39	40	41	42
of which:									
Sales of goods and services	45	47	34	48	38	38	39	40	41
Current Expenditure 1/	164	160	156	159	159	159	162	163	166
Salaries, wages and allowances 1/	20	20	20	21	21	22	22	23	24
Social Security contributions	3	3	3	3	3	3	3	3	3
Use of goods and services	38	32	27	33	33	34	35	35	36
Disi Project operational charge	39	40	45	41	46	47	48	49	50
Samra operational charge	19	19	14	20	15	15	15	16	16
Arrears clearance	23	…	…	…	…	…	…	…	…
Interest payments, *of which:*	45	45	45	41	41	37	38	36	37
Interest payments on domestic loans	35	26	26	18	18	11	11	6	2
Interest payments on foreign loans	9	12	12	13	13	13	14	15	15
Primary balance 2/	-75	-68	-76	-70	-81	-83	-84	-86	-88
Capital Expenditure	180	171	183	182	182	186	175	165	166
WAJ Overall balance	-299	-284	-304	-293	-304	-306	-297	-287	-290
Overall balance of Distribution Companies 3/	-139	-69	-66	-61	-51	-48	-45	-41	-42
Overall balance Consolidated Water Sector 4/	-438	-353	-370	-353	-355	-354	-342	-329	-333
Total net financing	438	353	370	353	355	354	342	329	333
Grants	17	35	17	53	30	30	30	30	30
Transfers from Central Government 5/	381	278	313	261	285	284	272	259	263
Loans (net borrowing)	-178	-95	-95	-85	-85	37	-35	-35	16
of which:									
Domestic loans	-218	-135	-135	-125	-125	-3	-75	-75	-24
Foreign loans	40	40	40	40	40	40	40	40	40
Others 6/	218	135	135	125	125	3	75	75	24
Memorandum items:									
WAJ overall balance (percent of GDP)	-1.0	-0.9	-0.9	-0.9	-0.9	-0.9	-0.8	-0.7	-0.7
Overall balance of Distribution Companies (percent of GDP)	-0.4	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
Overall balance Consolidated Water Sector (percent of GDP) 4/	-1.4	-1.1	-1.2	-1.0	-1.0	-1.0	-0.9	-0.8	-0.8
Domestic payment arrears of WAJ in JD million 7/	23	0	0	0	0	0	0	0	0
Domestic payment arrears of Aqaba, Miyahuna and Yarmouk Distribution Companies in JD million 8/	88	157	154	218	205	253	298	339	381
Outstanding loans, *of which:*	2,327	2,510	2,545	2,686	2,745	3,065	3,302	3,526	3,804
Domestic loans and bonds	437	302	302	177	177	174	99	24	0
Foreign loans	520	560	560	600	600	640	680	720	760
Advances from Central Government	1370	1647	1683	1908	1967	2251	2523	2782	3044
Grants and foreign loans to capital expenditure ratio (in percent)	32	44	31	51	38	38	40	42	42
Grants to capital expenditure ratio (in percent)	10	20	9	29	16	16	17	18	18
Effective interest rate (in percent), *of which:*	2.1	1.9	1.9	1.6	1.6	1.4	1.2	1.1	1.1
Domestic loans (in percent)	5.4	6.0	6.0	6.0	6.0	6.2	6.3	6.1	6.3
Foreign loans (in percent)	1.9	2.4	2.4	2.2	2.2	2.2	2.2	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 2018, it includes accumulation of arrears for WAJ. Before 2019, it includes accumulation of arrears of 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. These arrears were cleared in 2019 through a one-off settlement of intra-governmental liabilities among the water distribution companies, NEPCO, and the ministry of finance.

Table 3a. Jordan: Summary Balance of Payments, 2019–26
(In millions of U.S. dollars, unless otherwise indicated)

	2019	2020	2021		2022		2023	2024	2025	2026
		Proj.	2nd Rev	Proj.	2nd Rev	Proj.	Proj.	Proj.	Proj.	Proj.
Current account (CA)	-948	-3,712	-3,785	-4,399	-1,850	-2,222	-1,660	-1,463	-1,542	-1,455
Trade balance	-8,747	-7,396	-8,011	-8,882	-8,329	-8,857	-8,428	-8,418	-8,557	-8,742
Exports f.o.b.	8,329	7,954	8,565	8,895	9,185	9,408	10,102	10,583	11,215	11,800
Imports f.o.b.	17,076	15,351	16,576	17,777	17,514	18,266	18,530	19,002	19,772	20,542
Energy	3,080	1,978	2,563	2,852	2,659	2,930	2,902	2,885	2,891	2,861
Non-energy	13,996	13,372	14,013	14,925	14,855	15,335	15,628	16,117	16,880	17,680
Services and income (net), *of which:*	2,953	-807	-446	-177	1,845	1,738	2,079	2,394	2,554	2,754
Travel receipts	5,794	1,411	2,257	2,562	5,437	5,475	6,225	6,790	7,209	7,614
Current transfers (net), *of which:*	4,846	4,490	4,672	4,659	4,634	4,898	4,688	4,562	4,461	4,533
Public grants	1,331	1,267	1,489	1,411	1,416	1,593	1,350	1,192	1,058	1,057
Remittances	3,338	3,033	3,034	3,093	3,094	3,175	3,273	3,374	3,479	3,589
Capital and financial account 1/	-313	1,029	2,140	2,013	1,708	1,847	882	3,087	2,697	2,590
Public sector, *of which:* 2/	-1,304	319	516	314	104	561	-1,064	838	364	183
Public commerical external borrowing	-1,000	501	500	0	0	500	0	0	0	0
Issuance	0	1,750	500	0	1,000	1,500	0	0	1,000	1,000
Ammortization	-1,000	-1,249	0	0	-1,000	-1,000	0	0	-1,000	-1,000
Public sector loans	-258	-104	116	-55	154	111	103	838	364	183
Disbursement (xcl. program financing)	314	387	619	470	598	555	576	1,244	1,025	747
Ammortization	-572	-492	-503	-525	-444	-444	-474	-405	-661	-564
GCC deposits at CBJ	0	0	0	0	0	0	-1,167	0	0	0
SDR allocation	0	0	0	469		0	0	0	0	0
Foreign direct investment	687	693	1,021	1,013	1,323	1,070	1,383	1,718	1,796	1,871
Portfolio flows (private)	-62	-95	106	104	55	53	54	53	53	53
Other capital flows	366	113	496	582	226	163	509	478	485	483
Errors and omissions	-151	1,073	0	0	0	0	0	0	0	0
Overall balance	-1,412	-1,610	-1,646	-2,386	-142	-375	-778	1,624	1,155	1,135
Financing	1,412	1,610	1,646	2,386	142	375	778	-1,624	-1,155	-1,135
Reserves (+ = decrease)	-571	-1,110	-10	-141	-948	-685	91	-1,143	-924	-916
Commercial banks' NFA (+ = decrease)	972	1,111	-700	500	-300	-500	-300	-300	0	0
Program financing (+ = increase)	1,012	1,609	2,356	2,028	1,390	1,561	987	-181	-232	-219
Official budget support	1,260	1,115	1,818	1,490	1,014	1,190	934	0	0	0
World Bank	810	403	511	475	354	263	312	0	0	0
Bilateral and other multilateral loans	449	713	1,307	1,015	661	927	622	0	0	0
EU emergency pandemic support	0	116	121	116	0	0	0	0	0	0
IMF (net), *of which:*	-248	493	538	538	375	371	54	-181	-232	-219
Fund purchases, *of which:*	166	690	557	550	400	396	200	101	0	0
EFF augmentation	…	…	140	137	70	68	0	0	0	0
Memorandum items:										
Gross reserves	15,402	16,960	16,970	17,102	17,918	17,787	17,696	18,839	19,763	20,679
Gross usable reserves 3/	13,512	15,127	15,138	15,269	16,085	15,954	15,863	17,007	17,930	18,846
In percent of the IMF Reserve Adequacy Metric	100	110	102	104	102	102	97	99	101	102
In months of next year's imports of GNFS	8.8	8.4	8.2	7.9	8.3	8.1	7.8	8.1	8.2	8.2
Current account (percent of GDP)	-2.1	-8.5	-8.3	-9.7	-3.9	-4.7	-3.3	-2.7	-2.7	-2.4
Current account ex-grants (percent of GDP)	-5.1	-11.4	-11.6	-12.8	-6.9	-8.0	-6.0	-5.0	-4.6	-4.2
CA ex-grants and energy imports (percent of GDP)	1.8	-6.9	-6.0	-6.5	-1.3	-1.9	-0.2	0.4	0.5	0.6
Energy imports	6.9	4.5	5.7	6.3	5.6	6.1	5.8	5.4	5.1	4.8
Public grants	3.0	2.9	3.3	3.1	3.0	3.3	2.7	2.2	1.9	1.8
Merchandize export growth (percent)	7.3	-4.5	7.7	11.8	7.2	5.8	7.4	4.8	6.0	5.2
Re-exports	9.9	-34.5	15.1	-2.1	15.0	5.0	6.5	5.6	4.8	4.7
Domestic exports	6.9	1.0	6.8	13.5	6.3	5.8	7.5	4.7	6.1	5.3
Merchandize import growth (percent)	-5.5	-10.1	9.4	15.8	5.7	2.7	1.4	2.5	4.1	3.9
Energy (percent)	-18.2	-35.8	29.5	44.2	3.8	2.7	-1.0	-0.6	0.2	-1.0
Non-energy (percent)	-2.2	-4.5	6.4	11.6	6.0	2.8	1.9	3.1	4.7	4.7
Travel growth (percent)	10.2	-75.7	60.0	81.6	140.9	113.7	13.7	9.1	6.2	5.6
Remittances growth (percent)	0.9	-9.1	0.0	2.0	2.0	2.6	3.1	3.1	3.1	3.1
Total external debt (percent of GDP)	68.0	78.8	83.1	81.3	82.9	82.0	80.5	78.0	74.5	70.9
Of which, Public external debt (Percent of GDP) 4/	35.0	40.4	45.3	43.3	46.5	45.7	45.4	44.1	41.9	39.5
Nominal GDP	44,566	43,759	45,344	45,355	47,499	47,744	50,455	53,423	56,565	59,893

Sources: Jordanian authorities; and IMF staff estimates and projections.
1/ Central bank reserve accummulation, commercial banks' NFAs, and program financing are shown below-the-line.
2/ Includes changes in CBJ liabilities, including GCC deposits of $1.2 billion made in 2018 and maturing in 2023.
3/ Including gold and excluding commercial banks' FX deposits at the CBJ, bilateral accounts and forward contracts.
4/ Does not include GCC deposits at CBJ.

Table 3b. Jordan: External Financing Requirements and Sources, 2019–26
(In millions of U.S. dollars, unless otherwise indicated)

		2019	2020	2021	2021	2022	2022	2023	2024	2025	2026
			Proj.	2nd Rev	Proj.	2nd Rev	Proj.	Proj.	Proj.	Proj.	Proj.
(1)	**Gross financing requirements**	**4,265**	**6,916**	**5,796**	**6,348**	**4,735**	**5,283**	**4,797**	**3,342**	**4,492**	**4,295**
	Current account deficit (excl. grants)	2,279	4,979	5,274	5,811	3,266	3,815	3,011	2,655	2,600	2,511
	of which: Energy imports	3,080	1,978	2,563	2,852	2,659	2,930	2,902	2,885	2,891	2,861
	Amortization of public sector loans 1/	572	492	503	525	444	444	474	405	661	564
	Amortization of sovereign bonds 2/	1,000	1,249	0	0	1,000	1,000	0	0	1,000	1,000
	GCC deposits at the CBJ	0	0	0	0	0	0	1,167	0	0	0
	IMF repurchases	414	196	19	12	25	25	146	282	232	219
(2)	**Change in reserves (+ = increase)**	**571**	**1,110**	**10**	**141**	**948**	**685**	**-91**	**1,143**	**924**	**916**
(3)	**Gross financing sources**	**3,562**	**4,943**	**3,431**	**4,450**	**4,268**	**4,383**	**3,573**	**4,385**	**5,416**	**5,211**
	FDI, net	687	693	1,021	1,013	1,323	1,070	1,383	1,718	1,796	1,871
	Public grants	1,331	1,267	1,489	1,411	1,416	1,593	1,350	1,192	1,058	1,057
	Public sector borrowing (xcl. official budget support) 2	314	387	619	470	598	555	576	1,244	1,025	747
	Issuance of sovereign bonds 3/	0	1,750	500	0	1,000	1,500	0	0	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	26	-214	0	0	0	0	0	0	0	0
	CBJ other financing (net) 4/	-72	-69	-100	-100	-50	-50	0	0	0	0
	SDR allocation held at CBJ	0	0	0	469	0	0	0	0	0	0
	Private capital flows, net 5/	1,275	1,129	-98	1,186	-19	-284	263	231	537	536
(4)	**Errors and omissions**	-151	1,073	0	0	0	0	0	0	0	0
(1)+(2)-(3)-(4)	**Total financing needs**	**1,425**	**2,011**	**2,374**	**2,040**	**1,415**	**1,585**	**1,134**	**101**	**0**	**0**
	Official public external financing	**1,425**	**1,805**	**2,374**	**2,040**	**1,415**	**1,585**	**1,134**	**101**	**0**	**0**
	Identified official budget support	1,260	1,115	1,818	1,490	1,014	1,190	934	0	0	0
	EU and WB emergency pandemic support	0	149	331	32	137	125	0	0	0	0
	IMF purchases, *of which*	166	690	557	550	400	396	200	101	0	0
	RFI	0	401	0	0	0	0	0	0	0	0
	EFF augmentation	…	…	140	137	70	68	0	0	0	0
	Memorandum Items:										
	Gross financing requirements (in percent of GDP)	19.0	31.4	25.4	27.8	19.8	22.0	18.9	12.4	15.8	14.3
	Gross Usable Reserves	13,512	15,127	15,138	15,269	16,085	15,954	15,863	17,007	17,930	18,846
	In percent of the IMF Reserve Adequacy Metric 6/	100	110	102	104	102	102	97	99	101	102
	In months of next year's imports of GNFS	8.8	8.4	8.2	7.9	8.3	8.1	7.8	8.1	8.2	8.2

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, 2019–26

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

		2019	2020	2021		2022		2023	2024	2025	2026
			Proj.	2nd Rev	Proj.	2nd Rev	Proj.	Proj.	Proj.	Proj.	Proj.
(1)	**General Government Gross Needs**	**3,656**	**3,669**	**3,042**	**3,252**	**3,526**	**3,517**	**3,682**	**1,888**	**3,162**	**4,242**
	NEPCO energy imports	955	913	734	924	757	757	759	761	763	765
	Net interest payments	315	419	437	440	400	391	437	440	506	544
	Amortization of external debt 1/	1,985	1,937	522	538	1,469	1,469	1,786	687	1,892	1,783
	Amortization of domestic debt in FX	400	400	1,350	1,350	900	900	700	0	0	1,150
(2)	**General Government Sources**	**2,611**	**4,900**	**4,315**	**3,582**	**4,314**	**4,943**	**2,827**	**2,536**	**3,083**	**3,954**
	Public grants	1,331	1,267	1,489	1,411	1,416	1,593	1,350	1,192	1,058	1,057
	Public sector borrowing 2/	480	1,283	1,176	1,020	998	951	776	1,344	1,025	747
	Sovereign bonds 3/	0	1,750	500	0	1,000	1,500	0	0	1,000	1,000
	Local bonds in FX	800	600	1,150	1,150	900	900	700	0	0	1,150
	GCC deposits at the CBJ	0	0	0	0	0	0	0	0	0	0
(3)=(2)-(1)	**General Government Balance**	**-1,045**	**1,230**	**1,272**	**330**	**788**	**1,427**	**-855**	**649**	**-79**	**-289**
(4)	**Financing under the EFF**	**1,260**	**1,115**	**1,818**	**1,490**	**1,014**	**1,190**	**934**	**0**	**0**	**0**
	Identified official budget support	1,260	1,115	1,818	1,490	1,014	1,190	934	0	0	0
(5)=(3)+(4)	**General Government Balance under the EFF**	**215**	**2,346**	**3,090**	**1,820**	**1,803**	**2,616**	**78**	**649**	**-79**	**-289**
(6)	**CBJ Balance under the EFF**, of which	**-545**	**-1,324**	**-10**	**-141**	**-948**	**-685**	**91**	**-1,143**	**-924**	**-916**
	Increase in gross reserves	571	1,110	10	141	948	685	-91	1,143	924	916
(7)=(5)+(6)	**Public Sector Net Balance**	**-330**	**1,021**	**3,080**	**1,679**	**855**	**1,931**	**169**	**-495**	**-1,002**	**-1,205**

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, 2019–26
(In millions of U.S. dollars unless otherwise indicated)

	2019	2020	2021		2022		2023	2024	2025	2026
	Prel.	Proj.	2nd Rev	Proj.	2nd Rev	Proj.	Proj.	Proj.	Proj.	Proj.
Budget grants	**972**	**1,047**	**1,089**	**1,006**	**996**	**1,185**	**764**	**667**	**533**	**531**
EU	82	70	89	25	66	150	91	91	44	44
GCC 1/	99	73	117	99	150	150	161	74	0	0
United States	745	845	845	845	745	845	0	0	0	0
Other 2/	46	58	38	37	35	40	512	503	489	487
GCC grants transferred from CBJ to MOF	**159**	**68**	**91**	**70**	**87**	**87**	**47**	**0**	**0**	0
Loans	**1,471**	**1,438**	**1,969**	**1,706**	**1,226**	**1,366**	**1,145**	**939**	**743**	**547**
Multilateral	**1,061**	**665**	**816**	**748**	**615**	**487**	**587**	**539**	**378**	**294**
Arab Monetary Fund	212	249	212	212	212	212	212	212	212	212
Asian Infrastructure Investment Bank	0	0	94	62	50	12	64	57	38	19
EBRD	0	0	0	0	0	0	0	0	0	0
Islamic Development Bank	40	13	0	0	0	0	0	0	0	0
World Bank	810	403	511	475	354	263	312	271	129	64
Bilateral	**410**	**773**	**1,153**	**958**	**611**	**880**	**558**	**400**	**365**	**254**
Canada	0	0	15	15	30	30	45	0	0	0
EU	113	298	548	295	0	238	0	0	0	0
France	16	113	217	184	80	115	92	125	126	127
Germany	181	88	183	177	185	182	92	125	126	127
Italy	0	0	38	37	67	66	49	37	0	0
Japan	100	200	100	100	100	100	100	0	0	0
Kuwait	0	0	51	51	113	113	113	113	113	0
Saudi Arabia	0	0	50	50	35	35	66	0	0	0
UAE	0	73	67	49	0	0	0	0	0	0
IMF purchases	**0**	**690**	**557**	**555**	**400**	**400**	**202**	**102**	**0**	**0**
Sovereign issuance	**0**	**1,750**	**500**	**0**	**1,000**	**1,500**	**0**	**0**	**1,000**	**1,000**
Guaranted	0	0	0	0	0	0	0	0	0	0
Non-guaranteed	0	1,750	500	0	1,000	1,500	0	0	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, 2019–26

	2019	2020	2021		2022		2023	2024	2025	2026
			2nd Rev	Proj.	2nd Rev	Proj.	Proj.	Proj.	Proj.	Proj.
(Stocks, in millions of Jordanian dinars)										
Net foreign assets	7,513	7,528	7,715	6,610	8,395	7,249	8,219	9,371	10,190	10,995
Central bank	9,981	10,765	10,455	10,201	10,922	10,485	11,243	12,182	13,001	13,806
Commercial banks	-2,468	-3,237	-2,740	-3,591	-2,528	-3,237	-3,024	-2,811	-2,811	-2,811
Net domestic assets	27,455	29,479	30,633	31,747	31,775	32,778	34,080	35,416	37,232	39,217
Net claims on general government	11,900	12,990	13,316	14,132	13,803	14,216	14,479	14,453	14,549	14,696
Net claims on central budgetary government 1/	9,225	10,277	10,254	11,096	10,610	11,040	11,190	11,079	11,103	11,201
Net claims on NEPCO	2,120	2,217	2,566	2,441	2,697	2,582	2,695	2,779	2,851	2,901
Net claims on other own budget agencies 2/	-246	-370	-370	-271	-370	-271	-271	-271	-271	-271
Claims on other public entities	801	866	866	866	866	866	866	866	866	866
Claims on financial institutions	852	1,359	1,359	1,359	1,359	1,359	1,359	1,359	1,359	1,359
Claims on the private sector	24,700	26,262	27,119	27,318	28,350	28,540	29,904	31,667	33,736	36,099
Other items (net)	-9,997	-11,132	-11,162	-11,062	-11,737	-11,337	-11,662	-12,062	-12,412	-12,937
Broad money	34,968	37,007	38,347	38,357	40,170	40,027	42,299	44,787	47,422	50,212
Currency in circulation	4,631	5,939	6,116	6,118	6,407	6,324	6,620	6,942	7,279	7,632
Jordanian dinar deposits	24,100	24,848	25,785	25,952	27,180	27,029	28,900	30,844	32,716	34,702
Foreign currency deposits	6,237	6,219	6,446	6,287	6,584	6,673	6,779	7,001	7,426	7,877
(Flows, in millions of Jordanian dinars)										
Net foreign assets	225	16	186	-918	680	639	971	1,152	819	805
Net domestic assets	1,388	2,024	1,154	2,268	1,143	1,031	1,302	1,337	1,816	1,985
Net claims on general government	996	1,091	326	1,142	487	84	263	-26	96	147
Net claims on central budgetary government	1,111	1,053	-23	819	356	-56	150	-111	24	98
Net claims on NEPCO	114	97	349	224	131	140	113	85	72	49
Net claims on other own budget agencies	-233	-124	0	99	0	0	0	0	0	0
Claims on financial institutions	229	507	0	0	0	0	0	0	0	0
Claims on the private sector	1,003	1,562	858	1,056	1,231	1,222	1,364	1,763	2,070	2,363
Other items (net)	-841	-1,135	-30	70	-575	-275	-325	-400	-350	-525
Broad money	1,612	2,039	1,340	1,350	1,823	1,670	2,273	2,488	2,635	2,790
Currency in circulation	335	1,308	177	178	291	207	296	322	337	353
Jordanian dinar deposits	1,208	748	937	1,104	1,395	1,077	1,871	1,944	1,872	1,986
Foreign currency deposits	69	-17	227	67	138	386	106	222	425	451
Memorandum items:										
Year-on-year broad money growth (percent)	4.8	5.8	3.6	3.6	4.8	4.4	5.7	5.9	5.9	5.9
Year-on-year private sector credit growth (percent)	4.2	6.3	3.3	4.0	4.5	4.5	4.8	5.9	6.5	7.0
Foreign currency/total deposits (percent)	20.6	20.0	20.0	19.5	19.5	19.8	19.0	18.5	18.5	18.5
Private sector credit/total deposits (percent)	81.4	84.5	84.1	84.7	84.0	84.7	83.8	83.7	84.0	84.8
Currency in circulation/JD deposits (percent)	19.2	23.9	23.7	23.6	23.6	23.4	22.9	22.5	22.2	22.0
Money multiplier (for JD liquidity)	3.6	3.4	3.4	3.4	3.4	3.5	3.7	3.7	3.7	3.7
Velocity (GDP/M)	0.9	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, 2019–26

	2019	2020	2021		2022		2023	2024	2025	2026
			2nd Rev	Proj.	2nd Rev	Proj.	Proj.	Proj.	Proj.	Proj.
	(Stocks, in millions of Jordanian dinars)									
Net foreign assets 1/	9,981	10,765	10,455	10,201	10,922	10,485	11,243	12,182	13,001	13,806
Foreign assets	11,687	12,791	12,798	12,892	13,470	13,377	13,313	14,123	14,778	15,428
Of which: Bilateral accounts	767	767	767	767	767	767	767	767	767	767
Of which: encumbered due to forwards or swaps	643	627	627	627	627	627	627	627	627	627
Foreign liabilities	1,706	2,026	2,343	2,691	2,548	2,892	2,070	1,941	1,777	1,622
Of which: Net Fund Position	358	737	1,118	1,118	1,384	1,381	1,419	1,291	1,126	971
Of which: GCC grants-related	1,240	1,181	1,117	1,132	1,055	1,070	210	210	210	210
Net domestic assets	-1,897	-1,617	-1,018	-685	-1,132	-1,010	-1,565	-1,970	-2,250	-2,487
Net claims on central budgetary government 2/	688	1,163	1,507	1,507	1,770	1,777	1,832	1,729	1,591	1,426
Net claims on own budget agencies and other public entities	-124	-103	-103	-103	-103	-103	-103	-103	-103	-103
Net claims on financial institutions	452	766	766	766	766	766	766	766	766	766
Net claims on private sector	23	23	23	23	23	23	23	23	23	23
Net claims on commercial banks	-2,131	-2,786	-2,176	-2,168	-2,252	-2,138	-2,747	-3,150	-3,492	-3,563
Of which: FX deposits of commercial banks	760	737	737	737	737	737	737	737	737	737
CDs	-500	0	-200	0	-500	-500	-500	-400	-200	-200
Other items, net (asset: +)	-258	-681	-836	-711	-836	-836	-836	-836	-836	-836
Jordanian dinar reserve money	8,083	9,148	9,437	9,516	9,791	9,475	9,679	10,212	10,752	11,319
Currency	5,162	6,497	6,673	6,675	6,964	6,881	7,177	7,499	7,836	8,189
Commercial bank reserves	2,921	2,652	2,764	2,842	2,827	2,594	2,502	2,713	2,915	3,130
Of which: required reserves	1,654	1,222	1,268	1,276	1,336	1,329	1,421	1,516	1,608	1,706
	(Flows, in millions of Jordanian dinars)									
Net foreign assets	883	784	-310	-254	468	284	758	939	819	805
Foreign assets	635	1,105	7	94	672	486	-64	811	655	650
Foreign liabilities	-249	320	317	347	204	201	-822	-128	-164	-155
Net domestic assets	-72	280	599	333	-114	-325	-555	-405	-280	-237
Net claims on central budgetary government	-98	475	344	0	263	270	55	-102	-138	-165
Net claims on commercial banks	-122	-655	610	8	-77	30	-609	-403	-342	-72
Other items, net (asset: +)	-99	-422	-155	125	0	-125	0	0	0	0
Jordanian dinar reserve money	812	1,065	289	79	354	-41	203	534	539	568
Currency	360	1,335	177	2	291	207	296	322	337	353
Commercial banks' reserves	452	-270	112	78	63	-247	-93	212	202	215
Memorandum items:										
Gross international reserves ($ millions)	15,401	16,960	16,969	17,101	17,917	17,786	17,695	18,839	19,762	20,678
Gross usable international reserves ($ millions)	13,512	15,127	15,137	15,269	16,084	15,954	15,863	17,006	17,930	18,846
As a ratio to JD broad money (in percent)	33	35	34	34	34	34	32	32	32	32
As a ratio of JD reserve money (in percent)	119	117	114	114	116	119	116	118	118	118
Net international reserves (millions of JD)	9,050	9,815	9,441	9,534	9,847	9,757	9,655	10,594	11,413	12,217
Net international reserves (millions of U.S. dollars)	12,765	13,844	13,316	13,448	13,888	13,762	13,617	14,942	16,097	17,232
Money multiplier (for JD liquidity)	3.6	3.4	3.4	3.4	3.4	3.5	3.7	3.7	3.7	3.7

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

1/ Pending a final treatment of the SDR allocation, the foreign asset and foreign liability numbers here reflect its current status (i.e. it is with the CBJ).

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

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

Review	Availability Date	Action	Purchase	
			SDR Million	Percent of Quota 1/
	March 25, 2020	Board approval of EFF	102.930	30.0
First Review	September 30, 2020	Observance of end-June 2020 performance criteria, completion of first review	102.930	30.0
Second Review	March 30, 2021	Observance of end-December 2020 performance criteria, completion of second review	144.102	42.0
Third Review	September 30, 2021	Observance of end-June 2021 performance criteria, completion of third review	240.170	70.0
Fourth Review	March 30, 2022	Observance of end-December 2021 performance criteria, completion of fourth review	137.240	40.0
Fifth Review	September 30, 2022	Observance of end-June 2022 performance criteria, completion of fifth review	137.240	40.0
Sixth Review	March 30, 2023	Observance of end-December 2022 performance criteria, completion of sixth review	68.620	20.0
Seventh Review	September 30, 2023	Observance of end-June 2023 performance criteria, completion of seventh review	68.620	20.0
Eighth Review	March 15, 2024	Observance of end-December 2023 performance criteria, completion of eighth review	68.620	20.0
Total			**1070.472**	**312.0**

Source: IMF staff estimates.

1/ Jordan's quota is SDR 343.1 million.

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

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
		Prel	Projections													
Existing and prospective Fund arrangements																
								(SDR million)								
Disbursements	120.1	497.4	384.3	274.5	137.2	68.6	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	1,349.2	1,386.4	1,263.5	1,107.1	960.1	786.0	593.3	404.8	235.0	102.9	34.3	5.7	0
Obligations to the Fund 2/	310.3	151.0	25.2	40.9	130.3	222.0	184.0	171.6	192.5	203.8	194.4	173.9	134.5	69.7	29.1	6.0
Principal (repayments/repurchases)	298.4	142.1	12.9	17.2	100.1	191.5	156.4	147.0	174.1	192.7	188.4	169.8	132.1	68.6	28.6	5.7
Charges and interest 3/	11.9	9.0	12.3	23.8	30.3	30.5	27.7	24.7	18.4	11.0	6.0	4.1	2.4	1.1	0.5	0.3
								(Percent)								
Stock of existing and prospective Fund credit 1/ 4/																
In percent of quota	106.4	210.0	318.2	393.2	404.1	368.2	322.7	279.8	229.1	172.9	118.0	68.5	30.0	10.0	1.7	0.0
In percent of GDP	1.1	2.4	3.3	3.9	3.8	3.2	2.7	2.2	1.7	1.2	0.8	0.4	0.2	0.1	0.0	0.0
In percent of exports of goods and services	3.1	10.0	11.5	10.9	10.3	8.8	7.3	6.0	4.6	3.3	2.1	1.2	0.5	0.2	0.0	0.0
In percent of gross usable reserves	3.7	6.8	9.8	11.6	12.0	10.2	8.5	7.0	5.4	3.9	2.5	1.4	0.6	0.2	0.0	0.0
In percent of government revenue	4.7	10.5	13.4	15.0	14.8	12.6	10.5	8.6	6.7	4.8	3.1	1.7	0.7	0.2	0.0	0.0
In percent of total external debt	1.7	3.0	4.2	5.0	5.0	4.5	3.9	3.4	2.8	2.1	1.4	0.9	0.4	0.1	0.0	0.0
Obligations to the Fund (repurchases and charges) 4/																
In percent of quota	90.4	44.0	7.3	11.9	38.0	64.7	53.6	50.0	56.1	59.4	56.7	50.7	39.2	20.3	8.5	1.7
In percent of GDP	1.0	0.5	0.1	0.1	0.4	0.6	0.4	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	0.3	0.3	1.0	1.5	1.2	1.1	1.1	1.1	1.0	0.9	0.6	0.3	0.1	0.0
In percent of gross usable reserves	3.2	1.4	0.2	0.4	1.1	1.8	1.4	1.3	1.3	1.3	1.2	1.0	0.8	0.4	0.1	0.0
In percent of government revenue	4.0	2.1	0.3	0.5	1.4	2.2	1.7	1.5	1.6	1.6	1.5	1.3	0.9	0.5	0.2	0.0
In percent of total external debt service	10.2	4.8	1.0	1.4	5.4	8.6	5.3	5.0	5.7	8.3	6.6	4.6	4.3	1.7	0.9	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	43,759	45,355	47,744	50,455	53,423	56,565	59,893	63,416	67,146	71,096	75,279	79,707	84,396	89,360	94,617
Exports of goods and services (USD million)	16,193	10,369	13,058	16,930	18,519	19,732	20,923	22,054	23,289	24,561	25,882	27,287	28,780	30,369	32,061	33,862
Gross usable reserves (USD million)	13,512	15,127	15,269	15,954	15,863	17,006	17,930	18,846	19,809	20,821	21,885	23,003	24,179	25,414	26,713	28,078
Government revenue (USD million)	10,828	9,914	11,208	12,322	12,894	13,760	14,526	15,310	16,136	17,008	17,926	18,894	19,914	20,989	22,122	23,316
External debt service (USD million)	4,221	4,317	3,132	4,257	3,555	3,777	5,133	5,111	5,037	3,655	4,408	5,648	4,609	6,112	4,602	4,647
Total external debt (USD million)	30,306	34,489	36,858	39,145	40,628	41,646	42,146	42,476	42,650	42,720	42,598	41,283	41,055	39,324	39,104	38,893

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 1.05 (as of November 25, 2021).
4/ Using the end-2020:Q1 forecast of the SDR/USD rate in 2021-2034 forecasts.

Table 7. Jordan: Proposed Quantitative Performance Criteria and Indicative Targets, June 2021–December 2022 1/

	Jun-21				Sep-21				Dec-21		Mar-22		Jun-22		Sep-22	Dec-22
	PC	Adjusted	Actual	Note	IT	Adjusted	Actual		PC	Proposed Revised PC	IT	Proposed Revised IT	PC	Proposed Revised PC	Proposed IT	Proposed PC
	(in JD millions, unless specified otherwise)															
Performance Criteria																
Primary fiscal deficit of central government, excluding grants and net transfers to NEPCO and WAJ (flow, cumulative ceiling)	813	895	445	Met	1,241	1,602	745	Met	1,400		110	182	369	425	572	1,066
Combined public deficit (flow, cumulative ceiling)	1,175	1,257	667	Met	1,744	2,105	1,120	Met	2,132		237	347	650	764	1,079	1,745
Net International Reserves of the Central Bank of Jordan in USD million (stock, floor)	11,211	10,820	13,095	Met	11,097	11,253	14,323	Met	12,477	12,938	11,762	12,100	11,878	11,678	11,294	13,252
Ceiling on accumulation of external debt service arrears 2/	0	0	0	Met	0	0	0	Met	0		0	0	0		0	0
Indicative Targets																
Social spending by the central government (flow, cumulative floor)	308	308	439	Met	691		710	Met	943		127	121	259	361	584	793
Public debt (stock, ceiling) 3/	28,557	28,557	27,988	Met	28,915		28,111	Met	29,289	29,631	29,839	30,383	30,737	31,082	31,223	31,844
Domestic payment arrears of NEPCO (stock, ceiling) 4/	0	0	90	Not met	0		90	Not met	0		0		0		0	0
Domestic payment arrears of WAJ (stock, ceiling) 5/	0	0	44	Not met	0		45	Not met	0		0		0		0	0
Domestic payment arrears of Aqaba, Miyahuna and Yarmouk Distribution Companies (stock, ceiling) 6/	0	0	122	Not met	0		138	Not met	0		0		0		0	0
Net Domestic Assets of the Central Bank of Jordan (stock, ceiling)	797	1,188	510	Met	876	720	-286	Met	591	343	1,131	600	1,159	670	1,011	80
SSC net financing to the central government (flow, ceiling)	328	328	460	Not met	450		463	Not met	772		216	337	381	879	821	917
Memorandum items for adjustors																
Foreign budgetary grants received by the central government (flow)	78		77		105		571		836	763	15	53	38	125	240	1,027
Foreign budgetary grants and loans received by the Central Bank of Jordan (USD millions, flow, cumulative from beginning of year)	687		296		975		1,631		3,123	2,708	50	109	248	332	427	2,587
Programmed stock of the combined health and energy arrears	422		420		407		397		326		316	218	306	206	176	68
Unbudgeted COVID-related spending (flow)			82				128									
Stock of checks issued by the central government but not yet cashed by the beneficiary ...	...		75.1		...		50		...		...		...			

1/ Proposed quantitative performance criteria and indicative targets under the new program.
2/ Continuous.
3/ Public debt includes central government debt (including off-budget project loans) and government-guarantees to NEPCO, WAJ, and other public entities, net of SSC's holdings of government debt.
4/ Arrears owed by NEPCO only, to all entities. Excludes debt to the central government, which is not expected to be repaid, with central government having assumed the costs.
5/ Arrears owed by WAJ only, to all entities. Excludes advances from Central Government for which WAJ does not pay interest and that do not have established maturity.
6/ Arrears owed by Aqaba, Miyahuna and Yarmouk distribution companies only to all entities. Excludes advances from central government for which Aqaba, Miyahuna and Yarmouk distribution companies do not pay interest and that do not have established maturity.

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

No.	Measure	Time Frame (by end period)	Status	Macroeconomic Rationale	Proposed Action
I. Prior Action					
1	Submit to Parliament a budget consistent with a JD1066 million (3.1 percent of GDP) primary deficit central government (excluding grants and transfers to NEPCO and WAJ).	Dec-21	Met	Safeguarding macroeconomic sustainability	
II. Proposed New Structural Benchmarks					
1	Submit to Parliament a new draft law titled "Regulating the Investment Environment and Doing Business Law", which will include a chapter on investment that (i) sets out the incentives framework– for the granting of all fiscal incentives to investors – including clear principles to be administered by a fiscal incentives ministerial committee including MOF, that takes full account of the benefits and costs, especially foregone government revenues, associated with the incentives; (ii) consolidates the governance of new and existing fiscal incentives under MOF apparatus; and (iii) stipulates that all new fiscal incentives will be granted by the fiscal incentives ministerial committee.	May-22		Protect against tax base erosion	
2	Submit to Parliament draft legislation to strengthen the competition framework, including empowering the relevant regulatory body and strengthening antitrust legislation, in line with the UNCTAD Model Law on Competition.	Jun-22		Strengthening competition	
3	Expand coverage of the e-Government Procurement system (JONEPS) to Education and Health Ministries.	Dec-22		Governance and fiscal transparency	
4	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	Jun-22		Managing fiscal risks and fiscal transparency	
5	Undertake ex-post audits of all COVID-related spending in 2021 and publish the results.	Jun-22		Governance and fiscal transparency	
6	The new macro-fiscal unit in MOF to produce, and share with Fund staff, its first report on the macro-fiscal outlook and risks	Jun-22		Strengthen fiscal policy analysis capacity	

Table 8. Jordan: Status of Existing and Proposed New Structural Conditionality (continued)					
No.	**Measure**	**Time Frame (by end period)**	**Status**	**Macroeconomic Rationale**	**Proposed Action**
7	Complete an assessment to identify non-profit organizations that are vulnerable to terrorist financing abuse; and address AML/CFT deficiencies such that Jordan would no longer qualify for referral to the FATF's ICRG process on the basis of its technical compliance ratings.	Jun-22		Strengthening the effectiveness of AML/CFT	
8	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	Oct-23		Strengthening the effectiveness of AML/CFT	
III. Existing Structural Benchmarks (with due dates after second review)					
1	MOF to complete, and share with Fund staff, an FAD-supported plan, encompassing both tax policy and administration, to implement recent and ongoing legislative reforms aimed at streamlining tax incentives, introducing place-of-taxation rules for GST, establishing economic substance requirements for special zones, enhancing transfer pricing rules, and brining ASEZA into a single tax administration and a single customs service.	Nov-21	Met	Domestic revenue mobilization	
2	Minister of Finance to (i) issue a circular setting out timetable for elimination of the end-2020 stock of central government domestic arrears during 2021–22; and (ii) issue decision committing all central government entities to new procedures for purchases from the Jordan Petroleum Refinery Company to eliminate the incurrence of energy arrears in the future.	Jul-21	Met	Eliminating domestic arrears	
3	Implement the Digital Volume Verification System (track-and-trace system) to monitor tobacco production and reduce cigarette smuggling.	Jul-21	Met	Revenue mobilization	
4	Issuance of secondary legislation requiring the adoption of PIM appraisal documents for all new public investments and private-public partnership projects to ensure their proper management and selection.	Oct-21	Met	Managing fiscal risks	
5	MOF to complete, and share with Fund staff, a study of the drivers of the public sector wage bill with recommendations on enhancing civil service efficiency and better aligning remuneration with that of market comparators.	Oct-21	Met	Efficiency of public expenditure; reducing public-private wage premium	

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

No.	Measure	Time Frame (by end period)	Status	Macroeconomic Rationale	Proposed Action
6	Recruitment of four new division heads and four staff for new macro-fiscal unit at MOF.	Oct-21	Not met	Strengthen fiscal policy analysis capacity	Proposed to be reset to Jan-22
7	Cabinet approval of the amended Procurement Bylaw and related Instructions based on one year of implementation.	Dec-21		Transparency	
8	Roll out of new electricity tariffs for subsidized and unsubsidized households and for business sectors.	Mar-22		NEPCO's financial viability and cost of doing business	
9	Approval by the CBJ Board of guidelines for implementation of the Emergency Liquidity Assistance (ELA) framework provided for in the CBJ Law.	Jun-21	Met	Strengthen lender of last resort function of the CBJ	
10	Undertake ex-post audits of all crisis-mitigating inflows and spending, which will also assess the transparency of the procurement process and take stock of the publication of beneficial ownership of entities awarded such contracts since end-June 2020 and publish the results.	Aug-21	Met	Governance and fiscal transparency	
11	Introduce into the GST Law "place-of-taxation" rules for GST in line with international best practices.	Jul-21	Not met. Implemented with delay in Oct.	Increase efficiency of GST and improve tax compliance	
12	Pass legislation to impose a single tax administration and a single customs service for Jordan, bringing ASEZA participants under ISTD and Customs national control.	Sep-21	Not met	Strengthen tax compliance management	Proposed to be reset to Mar-22

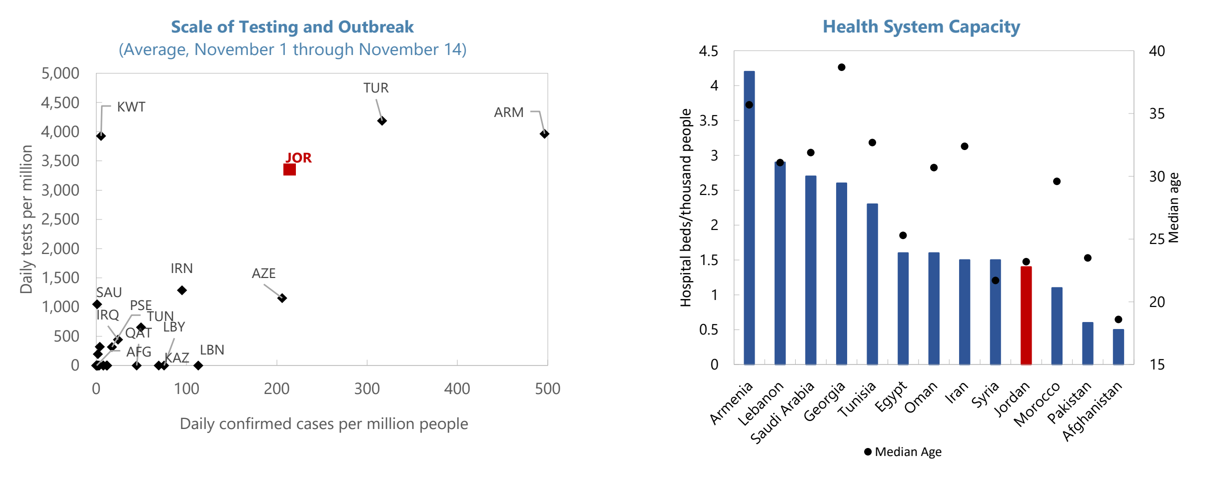
Annex I. Jordan's Vaccination Rollout

1. **The government remains committed to securing sufficient vaccination supplies through donations and bilateral negotiations.** So far, the authorities have secured a total of 12 million vaccine doses and are in the process of obtaining an additional 5 million. As of November 30, around 36 percent of the total population in Jordan has been fully vaccinated against COVID-19, and an additional 4 percent has been partially vaccinated. Jordan has also begun vaccinating children aged 12 and above and recommended a complementary Pfizer booster shot for eligible immunocompromised groups. However, number of vaccines administered daily has declined rapidly since the summer, leaving Jordan exposed to new fast-spreading variants such as Omicron; the evolution of COVID cases and hospitalizations thus continues to bear close monitoring.

2. **The government has issued several guidelines to encourage vaccination and ensure adequate testing for those unvaccinated.** Under the mandate of several Defense Orders, unvaccinated employees in both the public and private sectors were asked to submit negative PCR tests or face fines. Work permits and annual residencies will also not be renewed for those who are not vaccinated. As a result, testing rates peaked from an average of 3 per one thousand per week to 10 in July. Furthermore, registering on an electronic government platform to access the vaccination certificate is now a requirement to enter many facilities including public institutions. To encourage vaccination, the government opened several vaccination centers where one can receive a vaccine without an official appointment. Furthermore, fully vaccinated people are exempted from curfew hours and restrictions.

3. **Jordan is one of the first countries to extend COVID-19 vaccination to refugees.** As part of the government's policy of equitable and free access to COVID vaccination, all residents, refugees, and asylum seekers have equal access to the vaccine. As of November 15, the number of vaccinated refugees in the Azraq and Zaatari camps exceeded 35,000. Additionally, initial data shows that 33 percent of the eligible urban refugee population has been vaccinated. In total, over 44,000 refugees are registered on the government platform to receive the vaccine, representing 66 percent of the eligible refugee population, while 51 percent has already received at least one dose.

Figure AI.1. Jordan's Testing and Health System Capacity



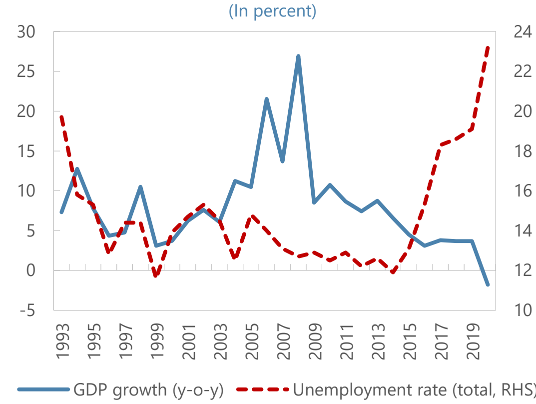
Sources: National authorities; Our World in Data; Johns Hopkins University CSSE; and IMF staff calculations.

Annex II. Employment and Labor Force Participation in Jordan

Jordan entered the pandemic with already elevated unemployment following a decade of anemic economic growth and regional shocks. The most vulnerable groups, women and youth, were particularly affected by the weak job market. COVID-19 exacerbated cyclical pressures, particularly on job-rich sectors, necessitating temporary and targeted policy support aimed at stemming the sharp loss in jobs. Despite these efforts, unemployment has risen to new highs. Moving forward, an economic recovery and a bounce back in tourism is projected to alleviate some of the pressures, but accelerating reforms and improving infrastructure will be essential to limit the scarring from the pandemic, reduce structural unemployment, and improve labor market outcomes for women and youth.

1. Jordan has faced low levels of growth in the context of successive exogenous shocks over the past decade leading to elevated structural unemployment. Anemic growth has led to a deterioration in public finances, which meant that the government could no longer be the first and last employer of resort. Concurrently, a shift in labor policies in the GCC away from foreign workers, has limited the options for highly educated Jordanians working abroad. These constraints together with limited growth in the private sector against the backdrop of instability in neighboring countries has left unemployment structurally high.

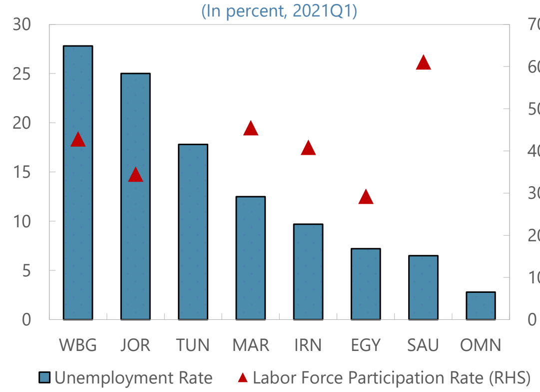
GDP Growth and Unemployment in Jordan
(In percent)



Source: National authorities, Haver, and IMF staff calculations.

2. The labor market is transitioning on several fronts. Most new jobs are now created in the private sector. However, a recent study conducted by the government concluded that public sector employment remains attractive at the entry and low skill levels, while hiring/retaining qualified mid-career staff is difficult, and therefore the incentive structure in the public sector needs to be restructured. To that end, the authorities are keen to bolster private-sector-led job creation, which is impeded by infrastructure bottlenecks and regulatory barriers, and to align compensation packages (including allowances) of public employees with market comparators. Unemployment, which has been roughly steady at 18–19 percent since 2017, rose to an all-time high post-COVID.

Unemployment and Labor Force Participation
(In percent, 2021Q1)



Source: National authorities, Haver, and IMF staff calculations.
Note: Data for EGY is 2020Q4. LFPR for TUN and OMN not available.

3. The unemployment rate for Jordanians reached 24.8 percent in 2021Q2, among the highest in the region, with only one third of the working-age population participating in the labor force. Youth and women were hard-hit by the pandemic. By 2021Q2, youth unemployment rose to a 53 percent (from 44 percent pre-pandemic), while female unemployment reached 33.1 percent (from 24 percent pre-pandemic). The impact on young females is twofold, where unemployment reached 64 percent, despite a relatively high labor force participation of 30 percent as compared to females in total (14 percent). At the same time, Jordan continues to disproportionately rely on migrant labor compared to countries in the region with similar income levels, partially due to structural mismatches and challenging work conditions in some sectors (such as agriculture and textiles).

4. The authorities made significant efforts to protect jobs and the most vulnerable from the effect of the COVID-19 crisis through temporary and targeted measures. Jordan's labor market challenges have been amplified by the pandemic, particularly given the economy's reliance on tourism and non-financial services (sectors that employ nearly half of the labor force) which were badly affected. In the absence of these measures, unemployment would have increased even further. To protect jobs, the government:

- Issued several Defense Orders that support job retention and reduce the burden on the most impacted. These included Defense Order 1 decreasing social security contributions to both the employers and workers, and Defense Order 6, which entitled all private sector workers to their regular wages and placed a cap on salary reductions. Moreover, Defense Order 9 launched the Tadamun program to support daily wage workers and companies not subscribed to the SSC, and Defense Order 14 included a program for the SSC to provide credit support to the tourism sector to pay salaries.

- Launched the Istidamah program in December 2020 to provide salary contributions support to affected sectors, and mobilized a fiscal stimulus package in March 2021 to support the unemployed, which included: (i) an additional JD 75 million for the Istidamah program; (ii) JD 10 million for a 6-month employment program for 6,000 people in the agriculture sector; (iii) JD 11 million for a 8-month employment program for 4500 people to maintain and clean tourist sites; (iv) JD 20 million for wage-sharing program in the ICT and start-up sectors targeting youth; and (v) JD 10 million for 4000 temporary jobs to help with the COVID-19 campaign (see Jordan Second Review Annex III for more details). The Istidamah program, which covers approximately 130,000 people, was recently extended through June 2022.

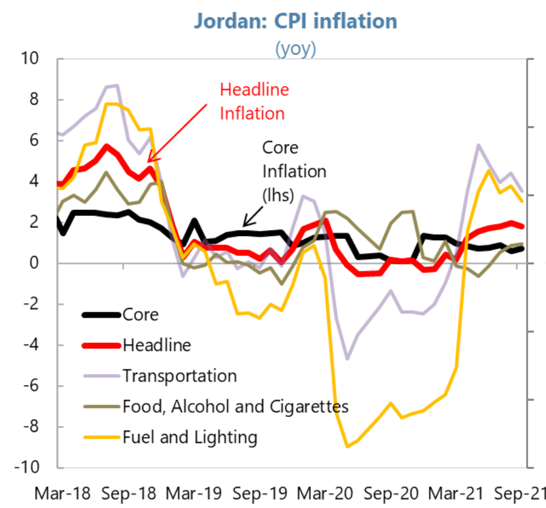
- Designed a subsidized lending schemes to support SMEs. The Central Bank of Jordan (CBJ) extended its JD 700 million subsidized lending scheme for SMEs through June 2022 and increased the ceiling of borrowing for certain sectors (i.e. tourism and trade) to increase take-up. If SMEs use the credit to pay employee salaries, the government subsidizes the loan by paying the interest cost. The CBJ also extended the deferment on debt repayments by affected borrowers to banks to from June to end-2021.

5. The authorities have been committed to broad-based labor market structural reforms (¶23), but further efforts are needed to tackle structural impediments to job creation and build a more inclusive labor market. The reopening of the Jordanian economy post-lockdown and a rebound in the global market have yet to translate to a downtick in unemployment rates. Moving forward, staff will work together with the government and the ILO on identifying opportunities for reforms in this area including during the Article IV discussions taking place in the first half of 2022.

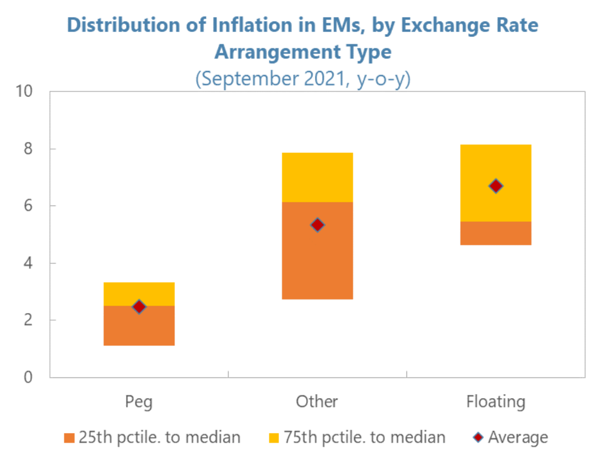
Annex III. A Closer Look at Jordan's Inflation

While not inconsistent with trends observed in other EMs with fixed exchange rate regimes, persistently low inflation in Jordan points to residual slack in the economy and slow pass-through of global commodity prices to consumer products.

1. **Inflation in Jordan has been persistently low over the past year, suggesting limited pass-through and still weak domestic demand.** Headline inflation rose gradually from -0.3 percent y-o-y in January to 1.8 percent y-o-y at end-September, primarily on the back of increases in fuel and transport prices. Meanwhile, core inflation has remained below one percent y-o-y since March. Downward price stickiness in 2020 (core inflation, unlike headline inflation, never falling below zero) masked the depth of the recession. Low core inflation in 2021 is thus consistent with a nascent recovery and significant slack remaining in the economy, also illustrated by output in the more heavily affected sectors (transport, manufacturing, non-financial services, and retail) remaining below pre-pandemic levels, and unemployment remaining elevated.



2. **Low inflation in Jordan is consistent with trends in other EMs with exchange rate pegs.** An analysis of end-September headline inflation in 57 EMs reveals that high inflation was concentrated primarily in countries with floating of semi-flexible exchange rate regimes (with median y-o-y inflation of 8.2 and 7.9 percent respectively); these trends are consistent with exchange rate deprecation in several of these EMs.[1] Meanwhile, countries with currency boards or pegged regimes experienced lower inflation (with a median of 2.5 percent y-o-y), and a lower variation in inflation outcomes. Jordan's inflation—1.8 percent y-o-y—falls in the second quartile of the latter group.



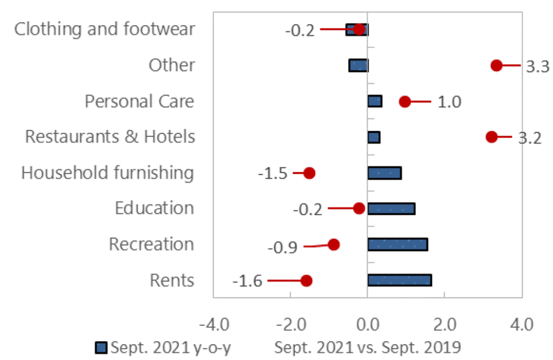
3. **Long-term gas contracts together with price controls have helped contain the impact and pass-through of global commodity prices.** In the first seven months of 2021, the volume of natural gas imports by NEPCO (the price of which is regulated by contracts with stable pricing

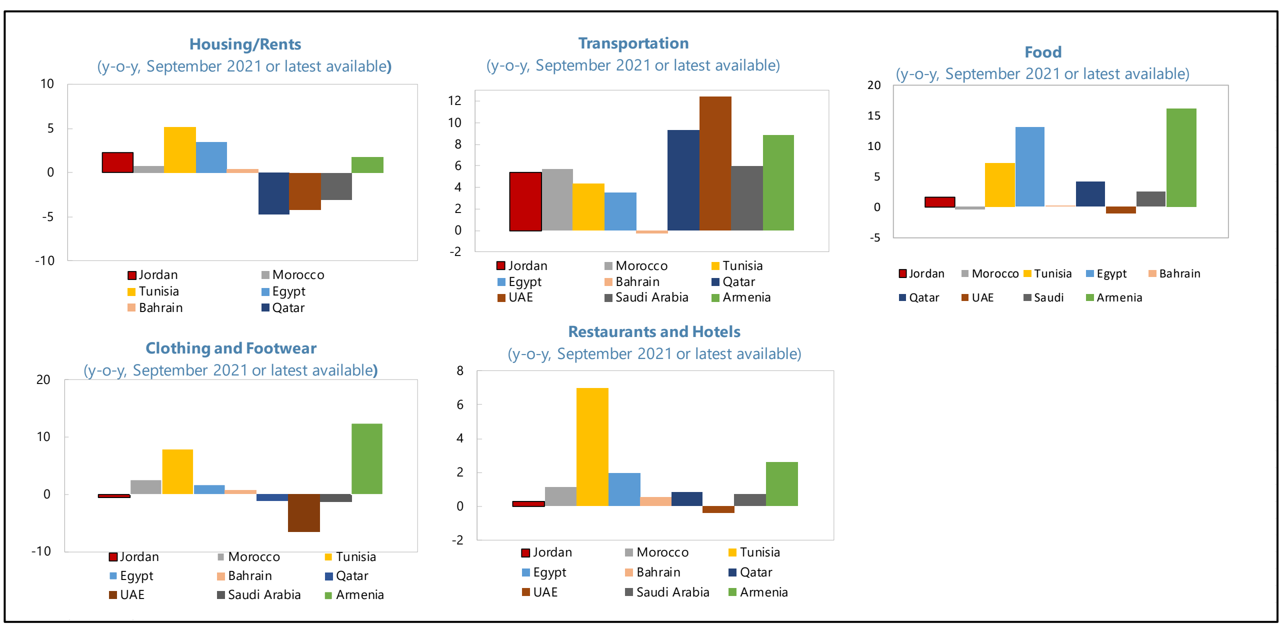
[1] Exchange rate regimes classified according to IMF AREAER database.

structures and thus remained close to 2020 levels) increased by 61 percent y-o-y, while NEPCO's LNG import volumes (the price of which doubled) declined by 80 percent. The optimization of energy inputs shielded electricity production costs from the rise in global gas prices, and thus the fuel clause for electricity end-users remained at zero.[2] Separately, the surge in global oil prices resulted in a 35 percent y-o-y increase in the crude oil import bills, even as quantity imported declined. Price controls nevertheless prevented consumers from feeling the full impact of this increase in the fuel and transportation categories, where inflation peaked 7 and 9 percent y-o-y respectively in July.

4. **The evolution of the other components of inflation are consistent weak domestic demand rather than sector-specific supply shocks.** As of end-September, core inflation was highest (lowest) in the sectors which displayed some (limited) downward price flexibility in 2020. Prices in rents and recreation, which had declined by 1.6 and 1.5 percent y-o-y respectively by September 2020, showed strongest bounce-back in 2021, rising close to pre-pandemic levels. Inflation in non-financial service and tourism sectors was low as of end-September, consistent with these sectors having demonstrated high price stickiness in 2020.

Jordan: Inflation by sector
(September 2021)

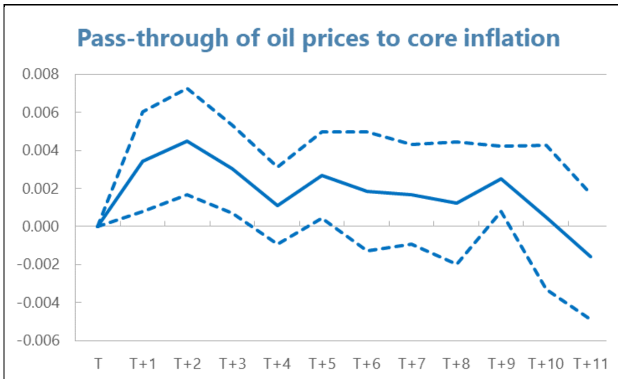


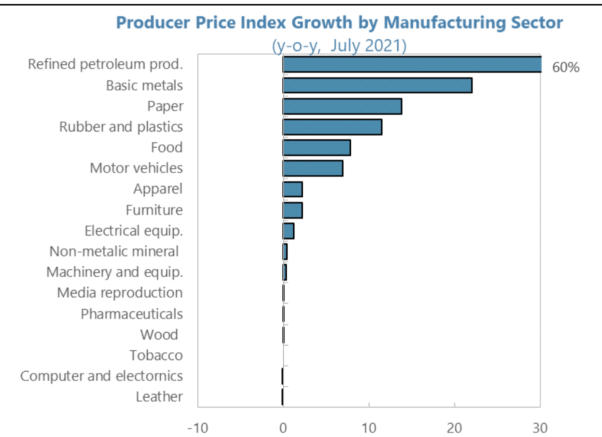


[2] The fuel clause was a charge imposed on most end-users to pass through fluctuations in input costs, which dropped to zero in 2020 when commodity prices collapsed.

5. Sectoral inflation trends in Jordan are not outliers among regional peers. The contained pass-through of global commodity prices to transportation and fuel is also observed in other oil-importers including Tunisia, Morocco, and Egypt. The rise in rent prices and the slight deflation observed in clothing and footwear (the latter likely linked to changing demand during lockdowns) are also consistent with regional trends. Moreover, despite rising global food prices, variation in food inflation remains high across the region, with Jordan close to the median.

6. Staff expects average inflation to rise from 1.3 percent in 2021 to 2.5 percent in 2022. The producer price index (PPI)—a leading indicator for CPI—accelerated in July, reaching 16 percent growth y-o-y. Growth in manufacturing PPI has been concentrated in sectors using oil, oil by-products, or other commodities as inputs, which suggests most of the inflation is cost-push (rather than demand-pull), resulting from surges in global commodity prices. A local projection analysis (Jordà, 2005) of the pass-through of Brent prices to core inflation in Jordan from 2006 to 2019 reveals a history of slow, albeit weak pass through; a 10 percent m-o-m increase in global Brent prices (the average observed in Q1 2021) would increase y-o-y core inflation by 0.2 percent after 12 months.[3] Supply side factors – including global supply chain disruptions – linked to the unprecedent nature of the pandemic and the attendant economic implications may keep PPI growth elevated into 2022, and ultimately lead to further price pressures for consumer goods.





[3] Jordà, O. (2005). Estimation and Inference of Impulse Responses by Local Projections. American Economic Review, 95(1):161–182.

Annex IV. Government of Jordan's Economic Priorities Program for 2021–23

The Government Economic Priorities Program (GPP) is a combination of a fiscal package centered on allocating spending within the existing budgetary envelope to key public investments and initiatives supporting job retention/creation in the private sector, already planned PPPs including the Aqaba-Amman Conveyor, and reforms to promote growth and job creation based on Jordan's five-year reform matrix backed by donors.

1. **The government announced a two-year JD480 million fiscal package as part of the GPP aiming at promoting job growth and economic recovery for 2021–23**. The package will be funded by JD 280 million of 2022 budgeted allocations under capital spending, with an additional JD 200 million to be secured from foreign grants. The GPP includes 53 priorities that are subdivided into three focus *areas: (i) improving the investment environment, (ii) strengthening competition and creating incentives for the private sector to generate more jobs, and (iii) supporting priority economic sectors.* The government's work priorities are a roadmap for post-COVID recovery and structural reforms mainly draw on the five-year reform matrix supported by the donor community. A semi-annual review will be conducted to assess the progress and success of implementation.

2. **To encourage investment, the government plans to bolster the legislative and institutional environment, lower production costs, and digitalize its services.** The GoJ plans to enact a personal information protection law, simplify licensing and registration processes, merge residency and work permits, unify the terms of reference for the control of border crossings and portals, and launching an Integrated Business Registration System (IBRS). The government will work to lower production costs by reducing electricity costs for certain economics sectors, streamlining customs tariff, decreasing funding costs for microfinance companies, and expanding the Loan Guarantee Corporation Program. The government will also activate a digital payment and electronic invoicing system and develop a digital gateway to government services.

3. **To foster private sector development and job creation, the government will focus on strengthening competition and addressing barriers to employment.** The government plans to review and amend capital and judicial guarantees that impede competition and entry of new investors into certain sectors, as well as promote the role of competition supervisory agencies to ensure fairness. To address unemployment, the government plans to amend the Social Security Law to lower the contribution rates of new entrants for 10 years, extend the Istidama (job-retention for COVID-hit sectors) program until end-June 2022, and launch a national employment program that includes salary support and skills development.

4. **The government will support priority sectors and embark on several large infrastructure projects in partnership with the private sector**. Priority economic sectors includes tourism, agriculture, IT, and industry. The government, in collaboration with private sector investors (via PPPs), will launch 5 multi-infrastructure projects in 2021 totaling JD 260 million including for new schools, and two projects in 2022 for an additional JD 2 billion. These projects include the Amman-Aqaba Water Desalination and Conveyance National Project.

Annex V. Public and External Debt Sustainability Analysis[1]

Risks to debt sustainability remain elevated, broadly unchanged from the second review and Jordan's public debt is assessed as sustainable with continued strong policy implementation. This assessment reflects a baseline which assumes that the authorities remain committed to the revised fiscal consolidation path under the program, and committed donor and planned market financing come through. Public debt, defined in this DSA as the consolidated gross direct and guaranteed debt of the central government, NEPCO, WAJ, water distribution companies, and the state-owned Social Security Corporation, is now projected to reach almost 92 percent of GDP in 2021, and to decline to below 80 percent of GDP by 2025. Risks to debt sustainability arise from COVID-induced scarring, the possibility of further adverse shocks to growth and/or financing conditions, slippages in fiscal consolidation, escalation of political risks in the region, or materialization of contingent liabilities from the broader public sector. These risks are mitigated by continued external market access and a favorable debt structure, with long maturities and substantial current and committed concessional financing. External debt is sustainable as long as the peg stands.

A. Public Sector DSA

1. Public debt increased sharply in 2020 due to the COVID crisis but should be on a firmly downward trajectory after 2021 with strong policy implementation. Public debt, defined in this DSA as the consolidated gross direct and guaranteed debt of the central government, NEPCO, WAJ, water distribution companies, and the state-owned Social Security Corporation (SSC), reached 88 percent of GDP at end-2020, is projected to peak at 91.7 percent of GDP in 2021, and should decline thereafter to below 80 percent of GDP by 2025, consistent with the Second Review projection. The impact of the COVID shock on public finances in 2020, somewhat higher deficits going forward, and weaker economic growth contribute to the higher debt to GDP. Nonetheless, given the temporary nature of the shock, the authorities' intention to restart fiscal consolidation this year and implement structural reforms to raise the growth potential, and continued investment by the SSC in government debt - should put the debt to GDP on a firmly downward trajectory after 2021.

2. Pressures have also increased outside the central government sector. Staff considers that the issuance of "comfort letters" by the Ministry of Finance to a commercial bank that enable Royal Jordanian to borrow up to JD50 million amounts to a government guarantee, which increases the debt stock. The SSC's net income has deteriorated by about 15 percent in 2020 compared to 2019, as social security contributions were reduced for all companies, the economy has contracted, investment income has dropped (especially on equities), and payouts have increased. However, the SSC's net income position has rebounded strongly through end-September 2021, mostly due to

[1] The DSA is based on the assumption that NEPCO will fully honor its contractual obligations with respect to the most significant oil shale PPA. Potential resolution of the oil shale PPA, thus, presents an upside for debt sustainability.

better-than-expected returns on its equity investments. The SSC is undertaking reforms to ensure its continued long-term financial health and its interest in government bonds appears to be strong.

3. **The structure of public debt remains favorable.** Foreign-currency denominated debt is half of total public debt, however, a large part is held by multilateral and official bilateral creditors, a pattern that will continue, given official sector pledges made as part of the Jordan Compact and the 2019 London Initiative. On the domestic side, Jordan has notably lengthened maturities in recent years: excluding treasury bills, the average maturity has almost doubled to six years since 2018.

Jordan: Consolidated Public and Publicly Guaranteed Debt

	2020			
	JD (Billion)	USD (Billion)	Percent of GDP	Percent of total
Public and publicly guaranteed debt	**27.3**	**38.5**	**88.0**	**100.0**
Domestic debt	**14.8**	**20.9**	**47.7**	**54.2**
Direct debt	12.3	17.4	39.7	45.1
Guaranteed debt	2.5	3.5	8.0	9.1
Held by commercial banks	12.8	18.1	41.3	47.0
Held by CBJ	0.3	0.4	0.9	1.0
Held by non-banks	1.7	2.4	5.5	6.2
Local currency	13.2	18.6	42.5	48.3
Foreign currency	1.6	2.3	5.1	5.9
T-Bills	0.2	0.2	0.6	0.6
Bonds	12.7	17.9	40.9	46.5
Loans	1.9	2.7	6.2	7.0
External debt	**12.5**	**17.6**	**40.3**	**45.8**
External direct debt	**11.9**	**16.8**	**38.4**	**43.6**
Multilateral	4.2	5.9	13.5	15.4
of which: IMF	0.7	1.0	2.4	2.7
of which: World Bank	2.4	3.3	7.6	8.6
of which: Other Multilaterals	1.1	1.5	3.5	4.0
Bilateral	2.8	3.9	8.9	10.2
Paris Club	2.4	3.4	7.7	8.7
of which: Japan	0.9	1.2	2.8	3.2
of which: France	0.7	1.0	2.3	2.6
of which: Germany	0.5	0.8	1.8	2.0
non-Paris Club	0.4	0.6	1.3	1.4
of which: Kuwait	0.2	0.3	0.7	0.8
of which: Saudi Arabia	0.1	0.2	0.4	0.4
of which: China	0.0	0.1	0.1	0.1
Guaranteed Eurobonds	1.1	1.5	3.4	3.9
Non-guaranteed Eurobonds	3.9	5.5	12.5	14.2
External guaranteed debt	**0.6**	**0.8**	**1.9**	**2.2**
Multilateral	0.4	0.6	1.4	1.6
of which: AFESD	0.3	0.4	0.9	1.0
Bilateral	0.1	0.1	0.2	0.2
of which: Saudi Arabia	0.0	0.1	0.2	0.2
Commercial	0.1	0.2	0.3	0.4
Memorandum items:				
SSC' holdings of government debt	6.5	9.2	21.1	

Sources: Ministry of Finance and IMF staff calculations.

4. Staff encouraged the authorities to improve transparency with respect to debt recording. The authorities' reported debt stock numbers do not include non-traditional debt instruments. These non-traditional instruments in the form of "comfort letters" are given to entities that are owed arrears (construction companies, cancer center, refinery, and municipalities) by government; and enable the entities to obtain loans from commercial banks. The letters imply a government obligation to repay what these entities owed over a period of 5 years plus the interest (4–5 percent) that the banks charge. Accordingly, staff records them as debt, but the authorities do not. FTE recommended that the authorities record these "securitized arrears" as debt, especially because the MOF must service these obligations. At end-2020, these non-traditional debt instruments amounted to 2.5 percent of GDP. In 2021, the MOF issued an additional JD 100 million in "comfort letters" to the refinery to securitize energy arrears owed to it, which increases public debt stock in 2021.[2] Staff encouraged the authorities' to start including (initially as a separate line) debt arising from "securitization of arrears" in future reports.

5. The use of new SDR allocation may have some implications on the debt stock numbers. Staff currently assumes that the new SDR allocations will stay in reserves. Should the SDR allocation (partially or entirely) be channeled for budget support, there might be a temporary increase in domestic debt stock numbers. With unchanged deficit targets, the new SDR allocation will help scale back domestic bond issuance, with no impact on the end-2022 debt stock, and some positive impact on the medium-term debt trajectory to the extent the terms of the on-lent money are more favorable than commercial borrowing.

6. Importantly, public gross financing needs (GFNs) seem manageable, peaking at 19.3 percent in 2022 before declining to 13–16 percent over the medium term. The stress tests show that GFNs are robust to shocks. This reflects significant projected concessional financing; little private external debt maturating during the program; and the pre-COVID domestic debt maturity extension. Moreover, Jordan has maintained external market confidence following the COVID shock (its $1.75 billion Eurobond issuance in June 2020 at very attractive rates was more than 6 times oversubscribed); and Jordanian banks are adequately capitalized, so can absorb higher government domestic debt issuance (recent domestic bond issuance has been significantly oversubscribed and interest rates on domestic debt have been at historic lows). The SSC's net income position has rebounded and with government debt accounting for about 58 percent of its investment portfolio, the SSC can scale up purchases of government bonds before the exposure cap becomes binding. Taken together, these suggest manageable risks to GFN finance ability. Finally, GFNs are projected to decline over the medium term, in line with the envisaged fiscal consolidation.

7. There are significant risks to debt sustainability. Although Jordan's debt and GFN profiles point to moderate risks overall, a longer lasting pandemic associated with deeper hysteresis effects; weaker fiscal consolidation effort; tightening of global liquidity conditions, or losses from SOEs and costs related to PPPs (especially in the water sector) exceeding those already captured in the

[2] Staff expects that the refinery will borrow from commercial banks using the "comfort letter" by end-December 2021. If such borrowing does not happen until next year, the debt projected debt stock in 2021 will be 0.3 ppt of GDP lower than is currently projected.

baseline debt projections; could pressure debt sustainability. This underlines the importance of initiating and maintaining momentum on growth-friendly fiscal consolidation once the pandemic abates; accelerating structural reforms to protect the recovery and boost potential growth, and mitigating losses from the broader public sector.

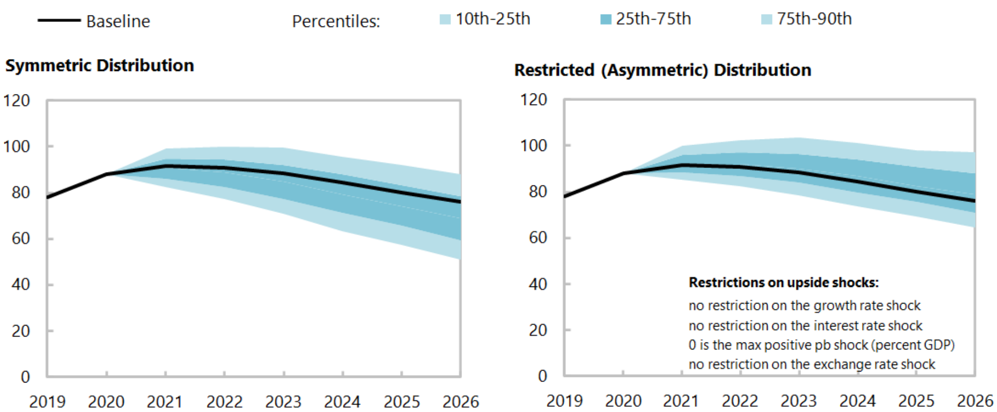
Figure AV.1. Jordan: Public DSA—Risk Assessment

Heat Map

Debt level 1/	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability shock
Gross financing needs 2/	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability Shock
Debt profile 3/	Market Perception	External Financing Requirements	Change in the Share of Short-Term Debt	Public Debt Held by Non-Residents	Foreign Currency Debt

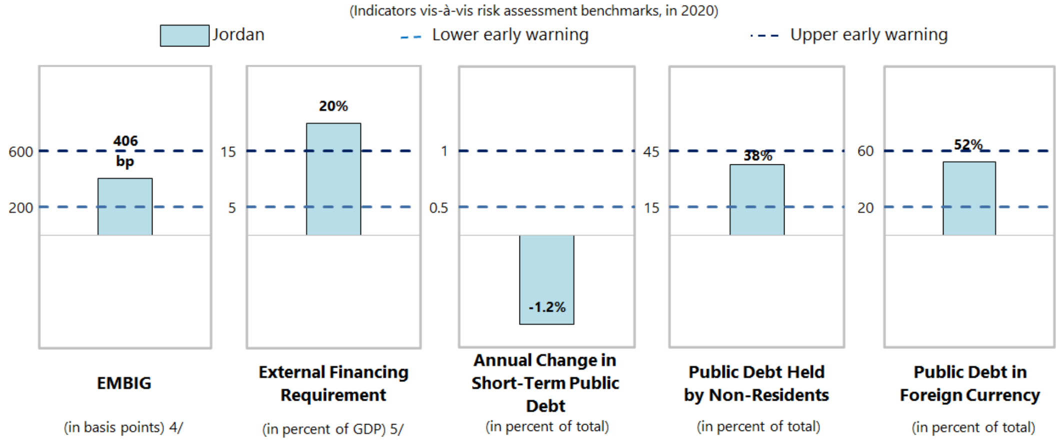
Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2020)



Source: IMF staff.

1/ The cell is highlighted in green if debt burden benchmark of 70% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

2/ The cell is highlighted in green if gross financing needs benchmark of 15% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

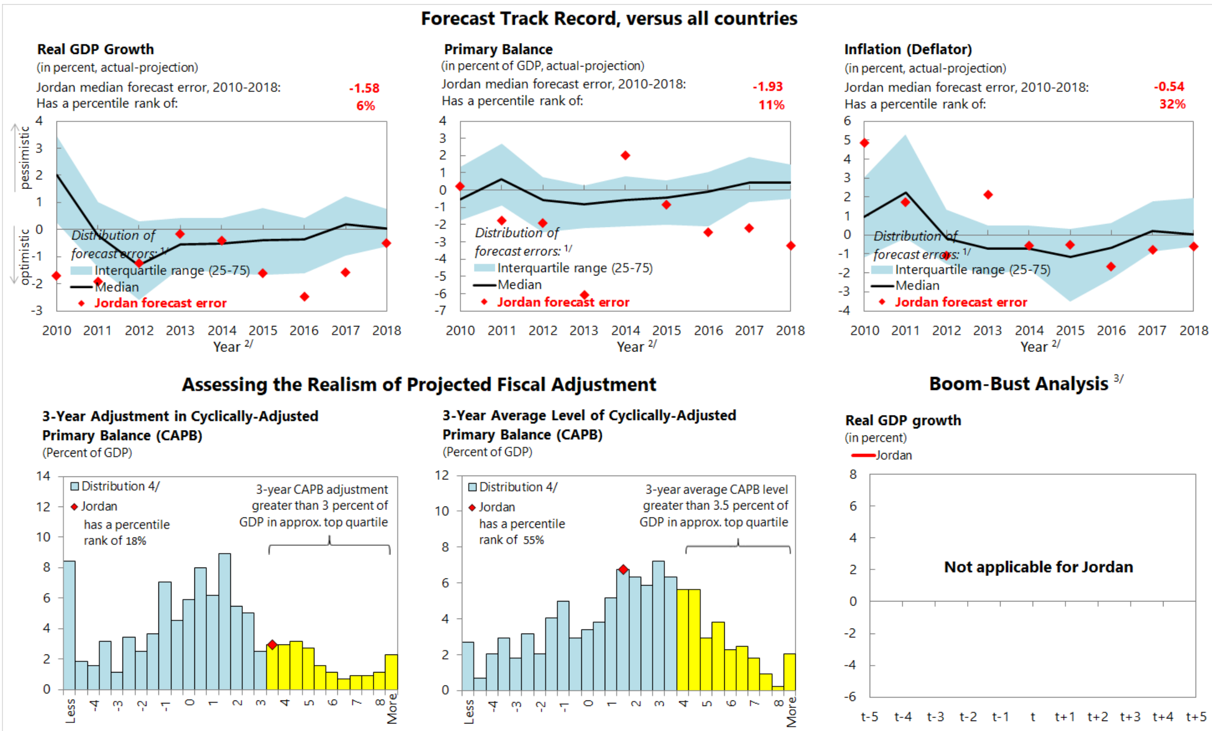
3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant, cell is white.
Lower and upper risk-assessment benchmarks are:

200 and 600 basis points for bond spreads; 5 and 15 percent of GDP for external financing requirement; 0.5 and 1 percent for change in the share of short-term debt; 15 and 45 percent for the public debt held by non-residents; and 20 and 60 percent for the share of foreign-currency denominated debt.

4/ EMBIG, an average over the last 3 months, 12-Aug-21 through 10-Nov-21.

5/ External financing requirement is defined as the sum of current account deficit (excluding public grants), amortization of medium and long-term total external debt, and short-term total external debt at the end of previous period.

Figure AV.2. Jordan: Public DSA—Realism of Baseline Assumptions



Source : IMF Staff.

1/ Plotted distribution includes all countries, percentile rank refers to all countries.

2/ Projections made in the spring WEO vintage of the preceding year.

3/ Not applicable for Jordan, as it meets neither the positive output gap criterion nor the private credit growth criterion.

4/ Data cover annual obervations from 1990 to 2011 for advanced and emerging economies with debt greater than 60 percent of GDP. Percent of sample on vertical axis.

Figure AV.3. Jordan: Public Sector Debt Sustainability Analysis (DSA)—Baseline Scenario

(In percent of GDP, unless otherwise indicated)

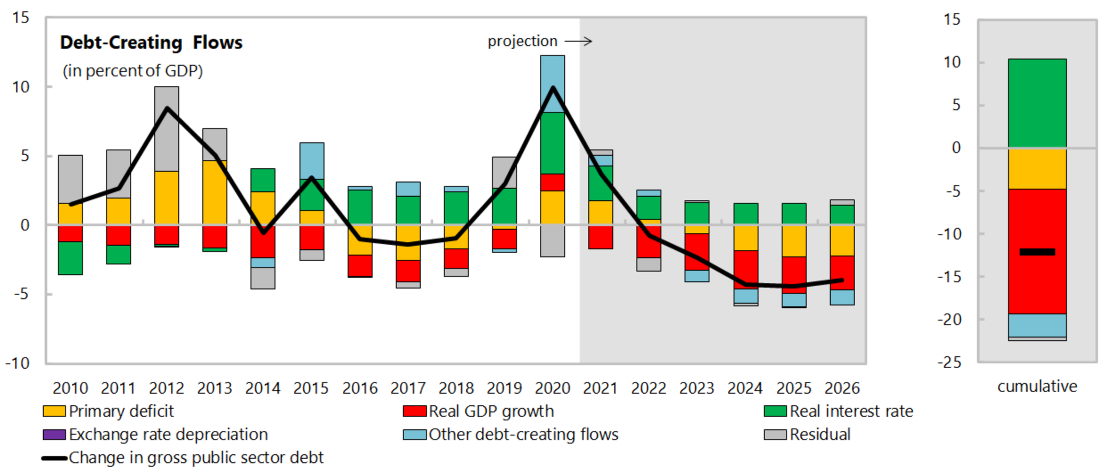
Debt, Economic and Market Indicators [1/]

	Actual			Projections					
	2010-2018 [2/]	2019	2020	2021	2022	2023	2024	2025	2026
Nominal gross public debt	72.2	78.0	88.0	91.7	90.9	88.6	84.3	79.8	75.9
Of which: guarantees	10.4	9.9	9.8	10.0	10.2	10.5	10.5	10.0	8.2
Public gross financing needs	23.5	23.2	21.9	18.4	19.3	14.6	13.1	13.6	16.0
Real GDP growth (in percent)	2.4	2.0	-1.6	2.0	2.7	3.1	3.3	3.3	3.3
Inflation (GDP deflator, in percent)	3.9	1.7	-0.3	1.6	2.5	2.5	2.5	2.5	2.5
Nominal GDP growth (in percent)	6.4	3.7	-1.8	3.6	5.3	5.7	5.9	5.9	5.9
Effective interest rate (in percent) [4/]	4.8	4.6	4.6	4.5	4.0	4.0	3.9	3.9	4.0

As of November 10, 2021		
Sovereign Spreads		
EMBIG (bp) 3/		397
5Y CDS (bp)		n.a.
Ratings	Foreign	Local
Moody's	B1	B1
S&Ps	B+	B+
Fitch	BB-	BB-

Contribution to Changes in Public Debt

	Actual			Projections							
	2010-2018	2019	2020	2021	2022	2023	2024	2025	2026	cumulative	debt-stabilizing primary balance [10/]
Change in gross public sector debt	1.9	3.0	10.0	3.7	-0.8	-2.4	-4.3	-4.4	-4.0	-12.1	
Identified debt-creating flows	0.6	0.7	12.3	3.3	0.2	-2.5	-4.1	-4.3	-4.3	-11.7	
Primary deficit	1.0	-0.3	2.5	1.8	0.4	-0.6	-1.9	-2.3	-2.2	-4.8	-2.1
Revenues and grants	33.8	36.3	33.8	36.3	37.5	37.3	37.5	37.4	37.2	223.2	
Primary expenditures	34.8	35.9	36.3	38.0	38.0	36.7	35.6	35.1	35.0	218.4	
Automatic debt dynamics [5/]	-0.8	1.2	5.6	0.8	-0.7	-1.0	-1.2	-1.1	-1.0	-4.3	
Interest rate/growth differential [6/]	-0.8	1.2	5.6	0.8	-0.7	-1.0	-1.2	-1.1	-1.0	-4.3	
Of which: real interest rate	0.8	2.7	4.4	2.5	1.7	1.6	1.5	1.5	1.5	10.3	
Of which: real GDP growth	-1.6	-1.4	1.2	-1.7	-2.4	-2.7	-2.8	-2.6	-2.5	-14.6	
Exchange rate depreciation [7/]	0.0	0.0	0.0	…	…	…	…	…	…	…	
Other identified debt-creating flows	0.4	-0.2	4.1	0.8	0.4	-0.8	-1.0	-1.0	-1.1	-2.7	
Privatization Receipts (negative)	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other flows [8/]	0.5	0.0	4.1	0.8	0.4	-0.8	-1.0	-1.0	-1.1	-2.7	
Residual, including asset changes [9/]	1.3	2.3	-2.3	0.4	-1.0	0.1	-0.2	-0.1	0.4	-0.4	



Source: IMF staff.

1/ Public sector is defined as the consolidated central government, NEPCO, WAJ, water distribution companies, and Social Security Corporation and includes public guarantees, defined as guaranteed debt of NEPCO, WAJ, and other public entities.

2/ Based on available data.

3/ EMBIG.

4/ Defined as interest payments divided by debt stock at the end of previous year.

5/ Derived as [(r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ)) times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

6/ The real interest rate contribution is derived from the numerator in footnote 5 as r - π (1+g) and the real growth contribution as -g.

7/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).

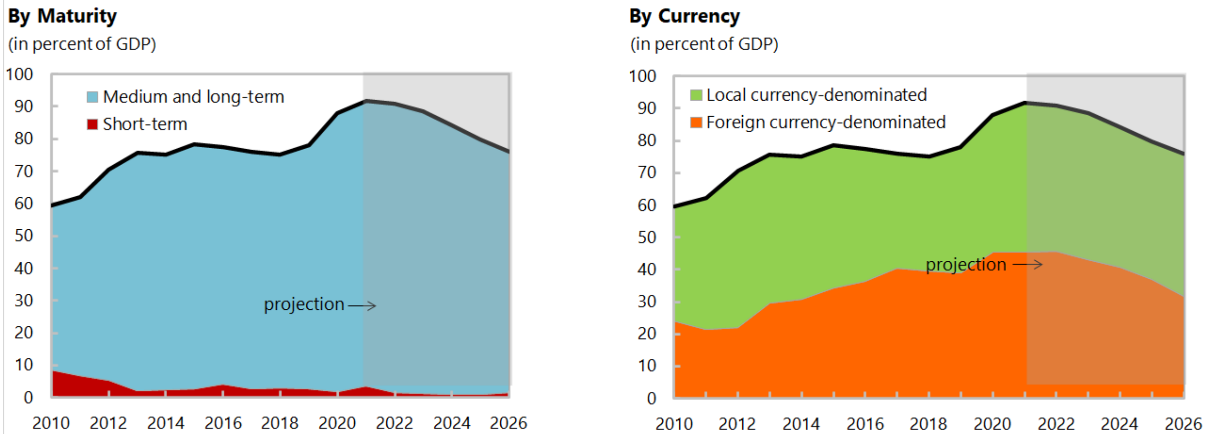
8/ Includes off-budget project loans, repurchases under the 2016 EFF, and SSC's investments in non-government debt and equity.

9/ Includes changes in the stock of guarantees, asset changes, and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

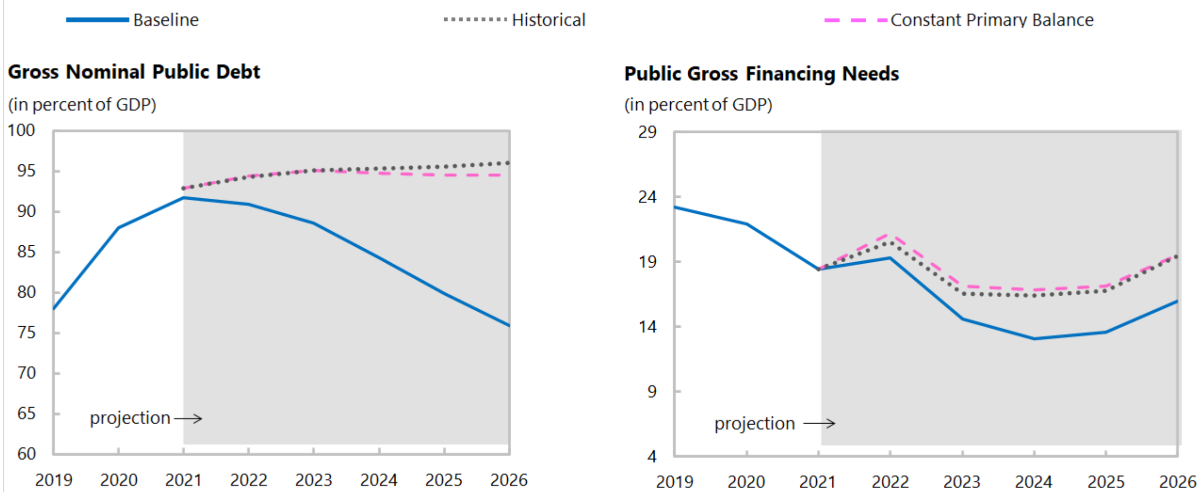
10/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

Figure AV.4. Jordan: Public DSA—Composition of Public Debt and Alternative Scenarios

Composition of Public Debt



Alternative Scenarios



Underlying Assumptions
(in percent)

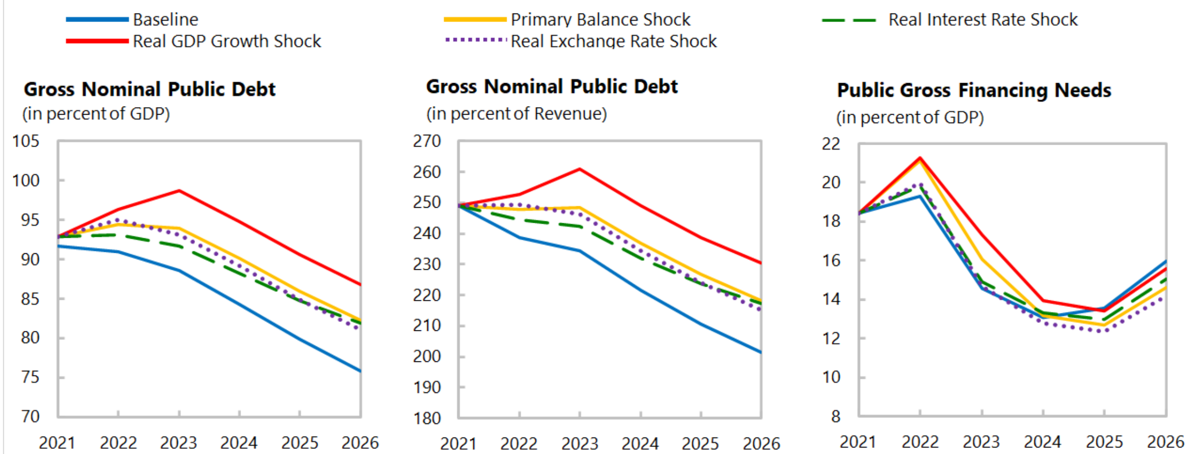
Baseline Scenario	2021	2022	2023	2024	2025	2026
Real GDP growth	2.0	2.7	3.1	3.3	3.3	3.3
Inflation	1.6	2.5	2.5	2.5	2.5	2.5
Primary Balance	-1.8	-0.4	0.6	1.9	2.3	2.2
Effective interest rate	4.5	4.0	4.0	3.9	3.9	4.0
Constant Primary Balance Scenario						
Real GDP growth	2.0	2.7	3.1	3.3	3.3	3.3
Inflation	1.6	2.5	2.5	2.5	2.5	2.5
Primary Balance	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8
Effective interest rate	4.5	4.6	4.8	4.7	4.8	4.8

Historical Scenario	2021	2022	2023	2024	2025	2026
Real GDP growth	2.0	2.0	2.0	2.0	2.0	2.0
Inflation	1.6	2.5	2.5	2.5	2.5	2.5
Primary Balance	-1.8	-1.0	-1.0	-1.0	-1.0	-1.0
Effective interest rate	4.5	4.6	4.8	4.9	5.0	5.0

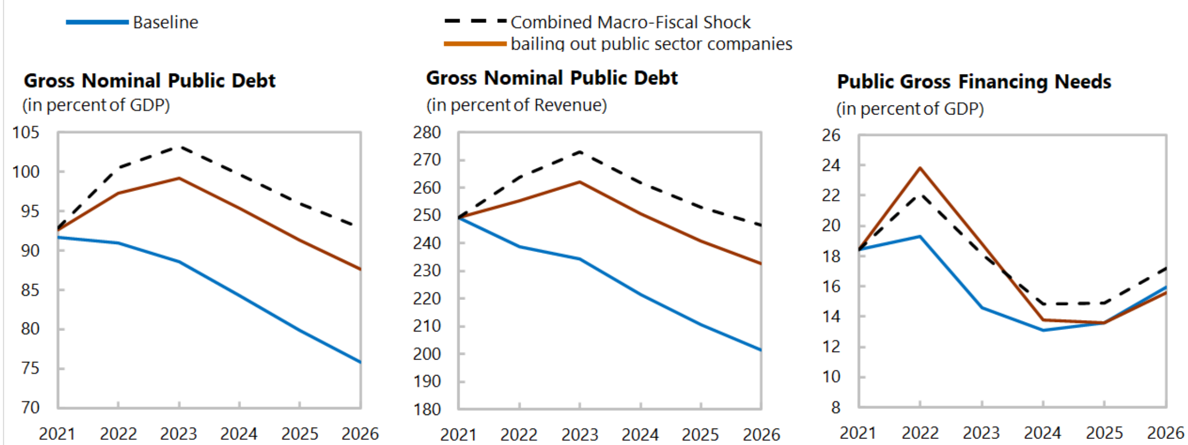
Source: IMF staff.

Figure AV.5. Jordan: Public DSA—Stress Tests

Macro-Fiscal Stress Tests



Additional Stress Tests



Underlying Assumptions

(in percent)

Primary Balance Shock	2021	2022	2023	2024	2025	2026
Real GDP growth	2.0	2.7	3.1	3.3	3.3	3.3
Inflation	1.6	2.5	2.5	2.5	2.5	2.5
Primary balance	-1.8	-1.7	-0.7	1.9	2.3	2.2
Effective interest rate	4.5	4.6	4.8	4.9	5.0	5.0
Real Interest Rate Shock						
Real GDP growth	2.0	2.7	3.1	3.3	3.3	3.3
Inflation	1.6	2.5	2.5	2.5	2.5	2.5
Primary balance	-1.8	-0.4	0.6	1.9	2.3	2.2
Effective interest rate	4.5	4.6	5.2	5.5	5.9	6.1
Combined Shock						
Real GDP growth	2.0	0.7	1.1	3.3	3.3	3.3
Inflation	1.6	2.0	2.0	2.5	2.5	2.5
Primary balance	-1.8	-1.7	-1.2	1.9	2.3	2.2
Effective interest rate	4.5	4.8	5.1	5.4	5.8	6.0

Real GDP Growth Shock	2021	2022	2023	2024	2025	2026
Real GDP growth	2.0	0.7	1.1	3.3	3.3	3.3
Inflation	1.6	2.0	2.0	2.5	2.5	2.5
Primary balance	-1.8	-1.4	-1.2	1.9	2.3	2.2
Effective interest rate	4.5	4.6	4.8	4.9	5.0	5.0
Real Exchange Rate Shock						
Real GDP growth	2.0	2.7	3.1	3.3	3.3	3.3
Inflation	1.6	4.5	2.5	2.5	2.5	2.5
Primary balance	-1.8	-0.4	0.6	1.9	2.3	2.2
Effective interest rate	4.5	4.6	4.4	4.4	4.4	4.4

Source: IMF staff.

B. External Sector DSA

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

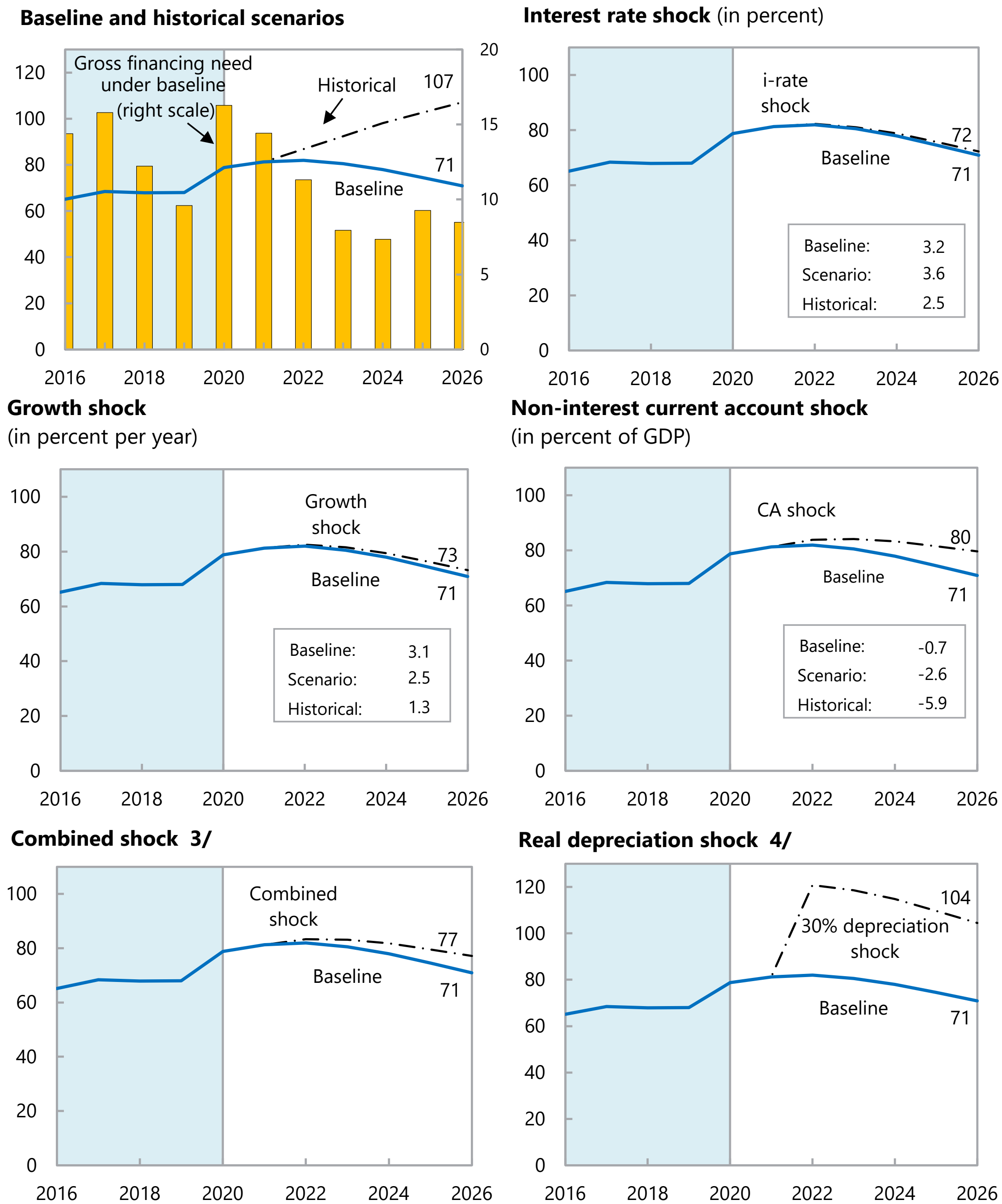
9. Jordan's public external debt remains moderate but is projected to grow slightly over the medium term. Public external debt is expected to rise from around 40 percent of GDP in 2020 to 46 percent in 2022, reflecting higher external financing support in the wake of the COVID-19 pandemic, before falling back slightly below 40 percent by 2026. The composition of public external debt would remain favorable, due to the sizable share of concessional borrowing, including pledges made as part of the Jordan Compact and the 2019 London Initiative.

10. Private external debt is expected to remain moderate in the 31–39 percent of GDP range. As of end-2020, 77 percent of total private external debt was owed by banks (mostly in the form of non-resident deposits), with the remainder owed by non-financial corporations. In broad terms, the projections are predicated on banks maintaining their exposure to non-residents and on the non-bank corporate sector meeting part of its financing needs with debt-creating flows. Over the medium term, the share of firms' external debt is expected to gradually increase from roughly a quarter to one third of total private external debt. Given the currently available information on private external debt—particularly its moderate size and the healthy balance sheets of local banks—contingent liability risks to the public sector are expected to be contained.

11. External financing requirements would remain sizable through mid-program and gradually decline thereafter. The still elevated financing requirements reflect the post-COVID-19 widening of the current account deficit and its gradual correction, as well as amortizations of U.S. guaranteed Eurobonds falling due in 2022, which is assumed to be rolled-over on market terms prevailing at that time. A further sharp rise in fuel prices and/or faster than expected rise in policy rates in advanced countries would likely increase external financing pressures.

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

Figure AIV.6. Jordan: External Debt Sustainability: Bound Tests 1/ 2/
(External debt in percent of GDP)



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

Table AIV.1 Jordan: External Debt Sustainability Framework, 2016–26

(In percent of GDP, unless otherwise indicated)

	Actual							Projections						
	2016	2017	2018	2019	2020			2021	2022	2023	2024	2025	2026	**Debt-stabilizing non-interest current account 7/**
	28.8	29.2	31.3	33.0	38.4			37.9	36.3	35.1	33.8	32.6	31.4	
1 **Baseline: External debt 1/**	65.1	68.4	67.9	68.0	78.8			**81.3**	**82.0**	**80.5**	**78.0**	**74.5**	**70.9**	**-4.7**
Of which : Public and Publicly Guaranteed External Debt	36.3	39.2	36.6	35.0	40.4			43.3	45.7	45.4	44.1	41.9	39.5	
2 Change in external debt	1.2	3.3	-0.5	0.1	10.8			2.4	0.7	-1.5	-2.6	-3.4	-3.6	
3 Identified external debt-creating flows (4+8+9)	3.7	3.3	2.2	-1.8	8.2			5.9	0.3	-1.9	-3.0	-2.9	-3.0	
4 Current account deficit, excluding interest payments	8.6	9.3	5.0	0.1	6.4			7.5	2.4	0.9	0.3	0.2	0.0	
5 Deficit in balance of goods and services	20.8	21.1	18.2	13.0	18.5			18.8	13.1	10.1	8.5	7.7	7.2	
6 Exports	34.1	34.5	35.2	36.3	23.7			28.8	35.5	36.7	36.9	37.0	36.8	
7 Imports	54.8	55.6	53.4	49.4	42.2			47.6	48.5	46.8	45.4	44.7	44.0	
8 Net non-debt creating capital inflows (negative)	-3.9	-4.9	-2.2	-1.5	-1.6			-2.2	-2.2	-2.7	-3.2	-3.2	-3.1	
9 Automatic debt dynamics 2/	-1.1	-1.1	-0.5	-0.4	3.3			0.6	0.2	0.0	0.0	0.1	0.2	
10 Contribution from nominal interest rate	1.0	1.3	1.9	2.0	2.1			2.2	2.3	2.4	2.5	2.5	2.5	
11 Contribution from real GDP growth	-1.2	-1.3	-1.3	-1.3	1.1			-1.5	-2.1	-2.4	-2.5	-2.4	-2.3	
12 Contribution from price and exchange rate changes 3/	-0.9	-1.1	-1.2	-1.1	0.2			...	...	...	...	...	...	
13 Residual, incl. change in gross foreign assets (2-3) 4/	-2.5	-0.1	-2.7	1.9	2.7			-3.5	0.4	0.4	0.4	-0.6	-0.6	
External debt-to-exports ratio (in percent)	191.3	198.1	193.2	187.2	332.6			282.3	231.2	219.4	211.1	201.4	192.6	
Gross external financing need (in billions of US dollars) 5/	5.7	6.6	5.3	4.3	7.1			6.5	5.4	4.0	3.9	5.2	5.1	
in percent of GDP	14.4	15.8	12.2	9.6	16.3			14.4	11.3	8.0	7.3	9.3	8.5	
Scenario with key variables at their historical averages 6/						5-Year Historical Average	10-Year Standard Deviation	**81.3**	**86.8**	**92.4**	**98.0**	**102.6**	**107.1**	**-2.8**
Key Macroeconomic Assumptions Underlying Baseline														
Real GDP growth (in percent)	2.0	2.1	1.9	2.0	-1.6	1.3	1.3	2.0	2.7	3.1	3.3	3.3	3.3	
GDP deflator in US dollars (change in percent)	1.4	1.7	1.7	1.7	-0.3	1.2	2.1	1.6	2.5	2.5	2.5	2.5	2.5	
Nominal external interest rate (in percent)	1.7	2.1	2.8	3.1	3.0	2.5	0.7	2.9	2.9	3.1	3.2	3.4	3.5	
Growth of exports (US dollar terms, in percent)	-3.8	5.3	5.5	7.1	-36.0	-4.4	13.5	25.9	29.6	9.4	6.5	6.0	5.4	
Growth of imports (US dollar terms, in percent)	-4.0	5.3	-0.5	-4.2	-16.1	-3.9	9.3	17.0	7.3	1.9	2.9	4.2	4.1	
Current account balance, excluding interest payments	-8.6	-9.3	-5.0	-0.1	-6.4	-5.9	3.7	-7.5	-2.4	-0.9	-0.3	-0.2	0.0	
Net non-debt creating capital inflows	3.9	4.9	2.2	1.5	1.6	2.8	1.6	2.2	2.2	2.7	3.2	3.2	3.1	

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

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

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

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

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

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

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

Appendix I. Letter of Intent

Amman, Jordan
December 8, 2021

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

Dear Ms. Georgieva:

Jordan continues to experience economic challenges due to the effects of the COVID-19 pandemic. The outbreak of the virus and measures to contain it, both locally and globally, took a heavy toll on our economy, with interruptions to domestic activity and global supply chains, coupled with reduced tourism and remittances, adversely affecting incomes and pushing unemployment to record levels. Two back-to-back waves of the pandemic in late 2020 and early 2021 rendered Jordan as one of the most severely affected countries in the region and delayed the economic reopening. Consequently, the recovery in the first half of the year has been tepid, especially in job-rich contact-intensive sectors, with elevated unemployment persisting, particularly for youth and women. However, we expect the rebound to solidify as the global recovery consolidates, vaccination expands, and tourism recovers.

The budget came under pressure due to the need to mobilize additional public resources for health and social protection and support the most severely impacted sectors of the economy. Leveraging the built-in flexibility of our EFF-supported program, we are devoting the necessary resources for vaccine procurement and distribution, enforcing the use of masks in public places, and other safety measures, which have so far been successful in mitigating the spread of new COVID variants. We have also further increased critical social spending to support the most vulnerable, and launched initiatives to keep workers employed and limit the scarring effects of the pandemic. Looking ahead, given the better vaccine coverage, we are hopeful that the recent increase in cases will remain contained and not spiral into a full wave, and that the worst of the pandemic is behind us. However, any withdrawal of support measures to vulnerable households and struggling firms must be gradual and measured, to avoid permanent scarring and derailing the nascent recovery.

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. Indeed, we have successfully completed the first two reviews, meeting all key quantitative targets, and have delivered a large number of important structural benchmarks. We are strengthening social safety nets, and working to reduce unemployment, promote labor force participation, particularly for youth and women, and improve governance and transparency. The recently announced Government Priorities

Plan 2021–23 will guide our policy efforts to improve the business climate and enhance competitiveness. A more reliable stream of financing, in line with the pledged support by the international community under the Jordan Compact and the 2019 London Initiative, will enable us to continue shouldering the burden of hosting 1.3 million Syrian refugees.

Despite the pandemic-induced challenges, we were able to meet all end-June 2021 quantitative performance criteria (QPC) and several key indicative targets (IT), as well as most indicative targets for end-September. Our spending is in line with the supplemental 2021 budget approved by the Cabinet and Parliament, as well as with the fiscal consolidation path envisioned in the program, and our tax revenue collections exceeded budgetary targets. As a result, we are on track to meet both end-December 2021 fiscal QPCs. This is a testament to our commitment to the program and to prudent fiscal management. We have also delivered on critically important structural benchmarks (SBs) notwithstanding a continuously challenging pandemic environment. To help stem revenue leakages, we have submitted to parliament amendments introducing "place-of-taxation" rules in line with international best practice into our GST law, and implemented the digital track-and-trace system for the three largest cigarette companies. Demonstrating our commitment to good governance and transparency, we have completed and published ex-post audits of all COVID-related spending, including beneficial ownership information. Moreover, we were only the second country in the MENA region to have undertaken a Fiscal Transparency Evaluation (FTE).[1] Furthermore, we are continuing a robust anti-tax evasion drive and have further enhanced tax administration capacity as part of our efforts to strengthen tax compliance. We have also issued, ahead of schedule, by-laws requiring the adoption of appraisal documents for all new public investments and PPPs to ensure their proper selection and management. 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).

The CBJ has continued its strong track record of prudent management of monetary policy, which has been anchored by the peg to the US dollar. The peg has served our economy well, and helped to preserve market confidence. Balancing monetary and financial stability and growth objectives, we have kept an accommodative monetary stance to support credit growth and have, at the same time, maintained a comfortable level of international reserves. Through two subsidized lending programs, the CBJ provided support measures that have been seen as crucial for Jordanian businesses, including SMEs, in protecting employment and production operations. We have also approved the guidelines for implementation of the Emergency Liquidity Assistance (ELA) framework and enacted a new Anti-money Laundering/Combating the Financing of Terrorism (AML/CFT) law in line with international best practices which the parliament has passed in August.

In light of the still nascent recovery and record high unemployment, we are requesting a relaxation of the fiscal targets for 2022, which would enable us to avoid premature withdrawal of support to the most vulnerable households and businesses that were severely affected by the crisis. In view of the aforementioned strong program performance, we request the completion of the third review under the extended arrangement and approval of the related purchase, reset of the completion dates of delayed structural conditionality and modification of performance criteria.

[1] https://www.imf.org/en/Publications/CR/Issues/2021/10/04/Jordan-Technical-Assistance-Report-Fiscal-Transparency-Evaluation-478013

We believe that the policies set forth in the attached memorandum are adequate to achieve the objectives of our program, but 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 fourth review to be completed on or after March 30, 2022, and the fifth review on or after September 30, 2022.

The Fund has been a reliable partner for Jordan through a very difficult period. We are particularly grateful for the very significant financing support (including through the RFI, the EFF rephasing/augmentation and, most recently, the SDR allocation); the successive recalibrations to the EFF program that have enabled us meet vital health, social protection and job support needs, while maintaining macroeconomic stability and market access; and extensive technical assistance to facilitate the implementation critical structural reforms. We hope that this partnership between Jordan and the IMF will only grow stronger going forward.

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/

Ziad Fariz
Governor of the Central Bank

Attachment I. Memorandum of Economic and Financial Policies

BACKGROUND

1. The COVID-19 pandemic is taking a heavy toll on the economy, and back-to-back COVID waves have delayed the recovery. In 2020, the pandemic and related containment measures led to significant declines in output, particularly in contact-intensive sectors including construction and non-financial services, as well as a substantial drop in tourism. After a difficult start to 2021, where the largest wave of the pandemic necessitated stringent containment measures, the number of daily new COVID cases declined from a peak of over 800 per million in March to 80 at end-August, allowing for a complete reopening of the economy in September. However, given the delayed reopening and return of tourism on the back of new COVID waves, growth was modest in the first half of the year, and was primarily concentrated in the sectors less affected by the pandemic; output in the more heavily affected sectors continues to lag well behind pre-pandemic levels.

2. Our response to the pandemic has been timely and commensurate. In addition to virus containment measures, to minimize the economic fallout of the crisis and shield the vulnerable, we increased social protection spending, deferred tax customs and key utility payments, and temporarily reduced consumption tax rates on tourism. We have availed ourselves of the welcome flexibility provided by the program adjustors to expand the capacity of the healthcare system to deal with a surge in COVID-19 infections, which allowed us to keep some parts of the economy open during two significant waves. Taking advantage of the relaxation of the 2021 fiscal targets agreed at the time of the second review, and in line with the supplementary budget, we have increased spending on critical social protection and job-support schemes. On the monetary side, the Central Bank of Jordan (CBJ) has continued robust and timely monetary and credit policy support, while maintaining financial stability. The CBJ introduced a new subsidized lending scheme for SMEs in 2020 to support jobs (with the government bearing the interest cost where loans are used to meet payroll); and expanded the scheme's size in March 2021 in light of the evolving pandemic. The CBJ also extended to end-December 2021 the deferment on debt repayments by affected borrowers to banks.

3. Despite supportive policies, significant slack remains in the economy. Unemployment—already among the highest in the region prior to the pandemic—rose to record levels in 2020 despite Defense Orders prohibiting layoffs and several targeted job-support programs. The pandemic hit vulnerable groups particularly hard, with youth unemployment rising over 50 percent, and the gap between male and female unemployment increasing. The increase in unemployment has persisted longer than anticipated due to employment concentration in contact-intensive sectors which have only experienced a tepid recovery thus far. As emergency measures to protect jobs are lifted, employment may come under further pressure; in this context a gradual and carefully sequenced withdrawal of supportive policies for households and firms is essential to limit hysteresis.

4. Despite the ongoing economic challenges posed by the pandemic, we have continued implementing our fiscal structural agenda, and have seen our domestic revenue collection exceed pre-pandemic levels. To help stem revenue leakages, we have implemented the digital track-and-trace system for the three largest cigarette companies to tackle smuggling (end-July SB).

Demonstrating our commitment to good governance and transparency, we completed and published ex-post audits of all COVID-related spending, including beneficial ownership information (end-August SB); and an IMF Fiscal Transparency Evaluation (FTE), only the second one in MENA, has been undertaken and published in September. Moreover, we have set out a timetable to eliminate the end-2020 stock of domestic central government arrears and adopted procedures to prevent new energy arrears (end-July SB); have issued, ahead of schedule, by-laws requiring the adoption of appraisal documents for all new public investments and PPPs to ensure their proper selection and management (end-October SB); and completed a comprehensive study of the wage bill (end-October SB). Finally, our continued efforts to curb tax evasion and strengthen tax administration are paying off, with domestic revenues expected to outperform 2019 levels (pre-COVID year).

5. **The economic outlook remains uncertain.** The pandemic hit Jordan after a decade of exogenous regional shocks (most notably gas supply disruptions and the inflow of refugees), and significant fiscal consolidation efforts. While over one third of residents have been vaccinated, COVID cases have been rising in recent weeks, increasing the risk of new containment measures. Persistently high unemployment raises the risk of additional economic scarring, particularly as labor force participation for young men has started to decline. On the upside, an improving regional environment may help boost exports, remittances, tourism, and aid inflows.

6. **In these challenging times, donor support is ever more critical in helping Jordan cope with the refugee crisis and its associated fiscal and social costs**. As of August 2021, the shortfall between planned and received donor financing to address the needs of refugees remained in the region of US$1 billion, compounding on similar-sized shortfalls in 2019 and 2020, while funding for the Jordan Response Plan stood at 18 percent of 2021 needs. These shortfalls hamper Jordan's ability to sustainably cope with the refugee crisis and reduce macroeconomic vulnerabilities. Notwithstanding this, Jordan will continue to provide refugees with all essential services, as well as access to COVID-19 vaccines.

7. **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 COVID-related pressures on the budget exerted by the need to protect lives and livelihoods, we were able to meet the end-June 2021 quantitative performance criteria (QPCs) and end-September 2021 indicative targets (ITs) for the primary fiscal deficit of the central government, the combined public deficit, net international reserves (NIR) and non-incurrence of external debt service arrears. Similarly, most other indicative targets for end-June 2021 and end-September 2021 have also been observed (MEFP Table 1). We have also successfully implemented seven of the twelve structural benchmarks that fell due on June 30, 2021 or later (MEFP Table 2).

POLICIES FOR SAFEGUARDING MACROECONOMIC STABILITY AND BOOSTING GROWTH

Fiscal Policy and Structural Fiscal Reforms

8. **We are on track to meet the end-year QPCs for the central government primary deficit and the combined public sector deficit.** Notwithstanding delays in implementing some tax policy measures (¶14), domestic revenues are expected to increase by 15 percent relative to 2020, and 4 percent relative to 2019 (pre-COVID year), led by a sharp rebound in CIT and sales taxes. Nontax revenues have also increased, but are yet to recover to pre-crisis levels (after accounting for oil derivatives reclassification from non-tax to tax in 2019). Spending has been in line with the supplementary budget, which accommodated additional spending on critical social protection and job-support schemes. Accordingly, we met the end-June fiscal QPCs and end-September ITs for the central government primary deficit (excluding grants) and the combined public deficit. We are on track to meet the end-December 2021 fiscal targets after incorporating the relevant adjustors for COVID spending, grants over/underperformance, and the stock of programmed health and energy arrears. The combined public sector deficit and public debt are now projected at 6.4 percent of GDP and 91.5 percent of GDP, respectively, at end-2021.

9. **Fiscal policy in 2022 and over the medium-term will need to strike a delicate balance between protecting the nascent recovery and arresting the rise in debt.** For 2022, we are aiming to narrow our primary deficit (excluding grants) to a targeted level of 3.1 percent of GDP. The new target represents a 0.7 ppt of GDP relaxation relative to the 2.4 percent of GDP target for 2022 envisioned at the time of the second review. This additional fiscal space will allow for a more gradual withdrawal of fiscal support measures (both social and job protection measures), and avoid ad-hoc consolidation measures that could hurt growth. To that end, we have submitted to Parliament (prior action) a budget consistent with a JD 1066 million (3.1 percent of GDP) primary central government deficit (excluding grants and transfers to NEPCO and WAJ). The budget has set out line ministerial ceilings consistent with both a partial unwinding of COVID-related measures, as well as significant efficiency savings across functions (see ¶10, 12 below). We expect a stronger rebound in nontax revenues and a higher yield from our continued efforts to fight tax evasion and close tax loopholes (see ¶11 below). These efforts will enable us to support an ambitious expansion of capital spending, which will help boost growth and employment (we are committed to applying PIM appraisal standards to public investments and PPPs). Should revenues underperform expectations, we will adjust spending downward in line with our commitment under the program to deliver the 3.1 percent of GDP target; the next review will provide an opportunity to assess revenue performance and, in case of a projected shortfall, discuss the needed expenditure adjustments. Finally, the budget provides for up to JD 110 million (0.3 percent of GDP) in contingency health spending under the 2022 COVID adjustor should weekly COVID cases, COVID-related hospitalizations, or the share of the non-fully-vaccinated population exceed thresholds (which we will specify in the coming weeks). Separately, we will continue publishing information on COVID-related spending, including beneficial ownership of entities awarded contracts, on the MOF website; and conduct, and publish the results of, an ex-post audit of COVID-related spending in 2021 by end-June 2022 *(new proposed SB)*.

10. Delivering the 2022 primary balance target will involve both: unwinding most of the pandemic-induced temporary measures adopted in 2020–21, and introducing new permanent discretionary measures. The revenue momentum observed in 2021 is expected to continue. With the worst of the pandemic hopefully behind us and a third of the population fully vaccinated, we are planning to unwind of most COVID-related spending (renting and/or building temporary quarantine site and hospitals, purchasing and administering vaccines, additional security to enforce curfews and quarantines). Unwinding of the March 31, 2021 fiscal stimulus package, with the exception of the Istidamah program (extended for another 6 months, till June 2022), will save additional resources. And an expiration of Defense orders deferring collection of sales taxes and customs duties payments will help increase revenues. Still, to bring us to the 3.1 percent of GDP target, while also accommodating higher capital spending, we will be adopting discretionary measures on both the revenue and expenditure sides.

11. A revenue effort of 0.5 percent of GDP will come from measures to broaden the tax base, close existing tax loopholes, and aggressively fight tax evasion. In line with the recently-completed revenue mobilization plan, we will promptly implement recent and ongoing legislative changes related to GST place-of-taxation rules; economic substance requirements for SEZs; bringing ASEZA into a single tax administration and a single customs service; and will give MOF the central role in the granting and management of all fiscal incentives for investment in Jordan (see ¶14(i)). We will fully implement the digital volume verification system to reduce cigarette smuggling for all cigarette companies by end-December 2021, and start the process of harmonizing the tax and customs levies on alcoholic drinks within and outside ASEZA to eliminate arbitrage opportunities. We will improve customs revenue collections by significantly reducing the number of tariff brackets, thereby removing personal discretion of customs agents in assigning classifications and limiting opportunities for corruption. Building on our past success in this area, we will continue strengthening tax compliance through modernizing ISTD and customs audit operations, greater outreach and training of the taxpayers, and continued active anti-tax evasion campaign.

12. And we expect significant savings in non-priority current expenditures, including to allow space for the budgeted increase in capital expenditures. As emphasized in the 2022 budget submission, we are committed to improving our current spending efficiency, and to reprioritizing expenditures to protect and enhance inclusive growth. Moreover, we will economize on goods and services purchases by postponing non-priority items and through better procurement practices (competitive bidding and use of e-procurement). Finally, we will continue to take measures to improve civil service efficiency, including by seeking to contain the growth of the public wage bill, while enhancing the quality of service delivery.

13. 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).** The five-month suspension of all incoming and outgoing commercial passenger flights in 2020 and the slow pace of subsequent re-opening of the airport have pressured RJ's finances. While RJ has resumed operations and started new routes to Europe, it is continuing to make losses in 2021. Given its strategic national importance, we are committed to facilitate the orderly restructuring of RJ operations to enable its quick return to profitability. Any government support provided in this context will be measured, and conditional on agreement on a plan for increasing RJ's operational efficiency and on its steadfast implementation.

- **Greater Amman Municipality (GAM).** The containment measures implemented in the context of the pandemic have led to a further decline in GAM's own-source revenues. To address the emerging deficits, GAM is taking measures to strengthen revenues, decrease operating costs (including by reducing its wage bill), improve service delivery, and stretch out its debt maturities. GAM has also recently completed the Bus Rapid Transportation (BRT) project, which will provide reliable, affordable, and safe transportation to residents of Amman.

14. To durably improve the efficiency of public finances, we are targeting structural fiscal reforms in key areas:

(i) **Tax policy and revenue administration.** To enable us to enhance revenue collection:

- We will introduce a new regime for incentivizing investment that will give MOF the central role in the granting and management of all fiscal incentives for investment in Jordan. To this end, we will submit to Parliament a new draft law titled "Regulating the Investment Environment and Doing Business Law", which will include a chapter on investment that (i) sets out the incentives framework—for the granting of all fiscal incentives to investors—including clear principles to be administered by a fiscal incentives ministerial committee including MOF that takes full account of the benefits and costs, especially foregone government revenues, associated with the incentives; (ii) consolidates the governance of new and existing fiscal incentives under MOF apparatus; and (iii) stipulates that all new fiscal incentives will be granted by the fiscal incentives ministerial committee *(new proposed SB for end-May, 2022)*. We will consider, in this context, sunset clauses for already-granted tax incentives as per the amendments to the JIL that were submitted to Parliament in December 2020. We are also completing, with IMF technical assistance, an analysis of tax expenditures, and will publish estimates thereof in the 2023 budget, along with the methodology used.

- We have developed—with the support of the IMF's Fiscal Affairs Department (FAD—a revenue mobilization plan (end-November SB met), encompassing both tax policy and administration, to implement recent and ongoing legislative reforms aimed at: introducing place-of-taxation rules for GST (end-July SB implemented in October 2021), establishing economic substance requirements for special zones, enhancing transfer pricing rules, and bringing ASEZA into a single tax administration and a single customs service in a manner that effectively prevents the use of ASEZ for tax evasion. On the latter, we envisage parliamentary approval of the ASEZA unification law by end-March 2022 (SB proposed to be reset from end-September 2021). We are also committed to initiate the implementation of the new GST place-of-taxation rules in a timely manner, pursuant to parliamentary approval of this important reform.

- We will enhance ISTD capacity by upgrading its IT infrastructure; strengthening its audit function through incorporating risk-based practices and building capacity of specialized audit teams for high-risk sectors in the large taxpayer directorate (LTD); and collaborating with local universities to develop appropriate curricula and train new and existing ISTD staff.

- We are in the process of fully automating the income and sales tax registration process for new companies, including the granting of tax identification numbers and VAT certificates (by mid-2022).

- We have implemented a digital track-and-trace system with the three largest cigarette companies, with a view to full implementation in the rest of the sector by end-2021, to address revenue leakages from tobacco smuggling.

- We are planning to launch an e-invoicing system. This will strengthen the monitoring of economic activities, disincentivize under-invoicing through a random enforcement mechanism, and strengthen the audit function of the sales-tax framework. We are currently identifying and developing the system requirements and ToR for the new e-invoicing system. The RFP to select a company that will implement this system will be released in Q3 2022.

(ii) **Social safety net.** To ensure the adequacy and efficiency of social safety net, we conducted a comprehensive review of our social spending envelope, and will publish and implement an action plan to enhance its effectiveness and efficiency by end-March 2022. To enhance its targeting and transparency, we brought the National Unified Registry (NUR) online as single gateway for all Jordanians seeking social assistance. Our 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. To ensure that the vulnerable are adequately provisioned, we have increased allocations to NAF in the 2021 budget. As we phase out the temporary Takaful programs, we will allocate more resources into Takaful 1 and improve its targeting methodology, move towards fully virtual payments, and ease registration requirements for women.

(iii) **Public sector wage bill and efficiency.** The recent study on the civil service wage bill (end-October SB met) found that the public-private wage premium in Jordan was not outsized relative to peers. It also identified that civil service employment in the education and health ministries is growing at a rate commensurate with demographic changes. At the same time, the study suggests scope to align with market comparators the compensation packages (including allowances) of public sector employees, particularly at the entry-levels and for unskilled workers; ensure the attractiveness of the civil service for experienced and high-skilled professionals; improve the portability of benefits across ministries; and 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. We look forward to discussing the findings of the study, and the medium-term reform implications thereof, with Fund staff in the context of the Article IV consultation in early 2022.

(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 100 million between end-December 2019 and end-September 2021. We have taken a number of measures to reduce the stock of central government arrears; and stem the incurrence of new arrears. In this context, the Minister of Finance: (i) issued a circular setting out a timetable for the elimination of the end-2020 stock of central government domestic arrears during 2021–22; and (ii) issued a decision committing all central government entities to new procedures for purchases from Jordan Petroleum Refinery Company to eliminate the incurrence of energy arrears in the future (end-July 2021 SB). The upcoming IMF TA on cash management will also help prevent accumulation of new arrears. To eliminate off-budget expenditures, we are strengthening top-down budgeting, and improving the quality of fiscal projections, and have issued a cabinet decision to prohibit the use of treasury advances to pay for unbudgeted expenditures. We issued guidance to the main trust account holders to submit to the MOF monthly revenues, expenditures, and financial transaction information, including explanations for changes over JD3 million, and flagging future large drawdowns/increases. The Parliament passed amendments to the 2017 draft organic budget law, which have benefitted from technical assistance from the Fund.

(v) **Public procurement.** We issued all regulations needed to support implementation of the Unified Public Procurement Bylaw. We will accelerate the rollout of the eGovernment Procurement system, JONEPS, including by: (1) amending the above Bylaw and regulations based on one year of implementation to clarify, inter alia, issues such as conditions for allowing direct purchasing (such as COVID-related emergency spending) and the membership, structure, and remuneration of committees (end-December 2021 SB); and (2) ensuring adequate staffing of the relevant committees and units directing and implementing the rollout of JONEPS. This will help ensure the highest levels of integrity, transparency, and fair competition. We will expand the JONEPS coverage to include the Education and Health Ministries (*new proposed SB for end-December 2022*). During 2022, we will also start the process to implement the JONEPS procurement system at GAM, with full coverage of GAM expected by June 2023. We will also continue efforts to expand JONEPS coverage to municipalities by end-December 2022, starting with GAM.

(vi) **Fiscal transparency and fiscal risks management.** To signal our commitment to transparency in public finances, we have undertaken and published the results of a comprehensive Fiscal Transparency Evaluation (FTE). Consistent with the FTE's findings and recommendations, (a) the new macro-fiscal unit at MOF will prepare and publish a Fiscal Risk Statement with the 2023 budget, including a fiscal risk analysis of four major SOEs, namely Royal Jordanian, the Post Office, Al Mutakamela Public Transport, and NEPCO, (leveraging FAD's SOE Health Check Tool); (b) the Fiscal Commitments and Contingent Liabilities Unit (FCCL) will gather key financial and non-financial information on three major PPPs—namely, powerplants IPP3 and IPP4 , 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 the MOF website by June 2022 *(new proposed end-June 2022 SB)*. We will expand coverage of existing PPPs to an additional 3 of the largest PPPs by end-December 2022.

(vii) **Investment quality and predictability.** To fully implement the new Public-Private Partnerships (PPP) law, we issued Cabinet decisions to clarify that the law is binding for all new projects for which the tendering process had not started by April 2020. To ensure adequate coordination and information sharing between the entities, all ministries and government agencies have been required to supply the FCCL unit with the necessary documents and required information for all established and new PPPs. We issued secondary legislation that will require the adoption of PIM appraisal documents for all new public investment projects (PIPs) and PPP investment projects to ensure their proper management and selection (end-Oct 2021 SB). By end-2021, we will prepare the legislative basis and launch the National Registry of Investment Projects (NRIP), comprising of the Public Investment Project (PIP) Databank and the Public-Private Partnership (PPP) Project Databank, and will include in it all PIPs in the 2023 General Budget and all prepared PPP projects.

(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 will strengthen MOF's capacity to generate its own medium-term forecasts (including off and on budget grants and loans), assess and elucidate the dynamic and distributional impacts of alternative revenue and expenditure measures, monitor public balance sheet risks, and carry out debt management and debt sustainability analyses. To this end, we have significantly advanced on the recruitment of 4 new division heads and 4 staff for a new macro-fiscal unit at MOF (end-October 2021 SB, *reset end-January 2022 SB*). This unit should produce its first report on macro-fiscal outlook and risks by June 2022 (*new proposed SB*). Building on recent MCM TA, we will update and publish (by end-March 2022) a Medium-Term Debt Management Strategy (MTDS), which will assess the cost and risk trade-offs of the different sources of public funding.

Monetary and Financial Policies and Enhancing Access to Finance

15. Monetary policy will continue to be underpinned by our firm commitment to the exchange rate peg. The peg has served our economy well as it has provided a credible anchor of stability. At the onset of the crisis, the CBJ implemented a sizable package of measures, totaling about 8 percent of GDP, to support economic activity. As a result, credit growth (y-o-y) to the private sector held up well—at around 6 percent through early 2021, and 4.4 percent through Q3 2021—allowing firms, including SMEs, to remain in business and keep employees on the payroll. However, both credit growth and the uptake on CBJ's SME lending program has slowed down in recent months. To mitigate the impact of the pandemic on retail and corporate borrowers, the CBJ had also allowed banks to postpone the installments of affected customers without any commission or penalty interest until end-2021 and is currently evaluating whether to grant a further extension. The CBJ has been carefully monitoring the state of the economy and managing the liquidity in the banking system as needed, while remaining alert to global financial conditions and any attendant pressures that might arise. Our key objective continues to be to maintain international reserves above 100 percent of the Fund's Reserve Adequacy Metric.

16. The CBJ has provided support to businesses, with a focus on SMEs, through subsidized lending programs to protect employment. The CBJ created a JD 500 million SME lending program at the onset of the crisis in 2020 and adjusted the terms of an existing one. The two subsidized lending programs have been seen as crucial for Jordanian businesses to weather the ongoing pandemic, and to protect private sector jobs. In March this year, the CBJ increased the envelope of the JD 500 million SME scheme to JD 700 million, raised the borrowing limits under the scheme for especially hard-hit sectors by the pandemic, and extended the terms of the loans. We have just extended the scheme to June 2022 and raised borrowing limits for the tourism and trade sectors, to increase take-up.

17. Our banking system has remained liquid and well-capitalized. The system-wide capital adequacy ratio was 18.3 percent at end-June 2021, the same level as in 2019 and 2020, and well above the CBJ regulatory minimum of 12 percent. The CBJ's decision not to allow distribution of banks' 2019 profits and to put a 12 percent cap on the distribution of 2020 profits as a share of banks' paid-in capital has provided additional cushion. Non-performing loans appear manageable at 5.3 percent as of June 2021, though they are likely to rise slightly as the full impact of the COVID-19 pandemic unfolds and banks reassess their portfolios in light thereof. Meanwhile, the coverage ratio of the NPLs increased from 71.5 percent at end-2020 to 75.2 percent at end-June 2021.

18. We will 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 the case of a significant rise in NPLs and hit to profits. To ensure that asset quality problems are recognized and addressed in a timely manner, we have continued to require banks to follow strict provisioning requirements, in line with IFRS9's forward-looking expected loss approach, notwithstanding the temporary negative impact thereof on reported bank profits which also explains the large drop in bank profitability in 2020. As most of the provisioning already took place in 2020, profits as of end-June 2021 have recovered to historical levels. 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.

19. The legislative and regulatory framework for the CBJ is being strengthened further. The CBJ approved the guidelines to implement the Emergency Liquidity Assistance framework in June (end-June 2021 SB). Continuing with the implementation of 2020 safeguards recommendations, the CBJ has also reexamined the extent to which certain provisions in the central bank law impede compliance with IFRS (specifically the treatment of unrealized gains/losses on foreign exchange valuations and measurement of development loans) and resolved to maintain its accounting policies unchanged; the resolution was endorsed by the CBJ Board's Audit Committee and agreed with the external auditors who also disclosed this treatment transparently in the audited financial statements for 2020.

20. We are continuing to strengthen the regime for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT). Since the issuance of Jordan's Mutual Evaluation Report (MER) in November 2019 we have put in place a comprehensive plan to address all recommended actions (RAs) in the report. An important step was the enactment in September 2021 of a new AML/CFT law (with the Fund's assistance) to better align with Financial Action Task Force (FATF) standards and addresses the MER recommendations and the practical issues faced by the AML/CFT Unit and other competent authorities. To ensure effective implementation of the plan:

- The AML/CTF National Committee has formed a national team headed by the Deputy Chairman of the Committee to ensure effective implementation of the RAs. In addition, an action plan has been set up for each concerned institution based on the MER's RAs. Given that the law was enacted after FATF's observation period and that some RAs either needs the enactment of the law to be implemented or needs time to show their results and the challenges created by COVID-19 restrictions, Jordan was placed on the FATF's grey list in October 2021 to address the remaining actions.

- We have committed to a comprehensive and time-bound action plan for resolving the remaining deficiencies by October 2023 with a view to exiting the grey list in October 2023. The CBJ, as chair of the national AML/CFT committee and the AMLU, is coordinating with other agencies to address remaining deficiencies. This process includes requiring lead agencies to develop their own action plans to deliver on the items in the FATF action plan. The national AML/CFT committee has also entered into capacity development/technical assistance engagements, including with the Fund, the European Union, and USA to help address the remaining deficiencies. In addition, the CBJ itself has created a separate AML/CFT supervision department to carry out AML/CFT supervision of regulated entities under the CBJ's responsibility.

- The CBJ has conducted outreach with banks to monitor whether the FATF grey listing is having any impact on correspondent banking relationships; thus far, indications are that there is no impact, but some banks are receiving enquiries about the situation from their counterparts. Furthermore, the government has signaled that hiring freezes in government agencies will not apply to initiatives related to the FATF action plan and financing will be made available to help implement that plan.

Overall, we are committed to implementing 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 (*new proposed SB for October 2023*). Nevertheless, we aim to complete some items in the FATF action plan earlier, specifically (i) assessment to identify non-profit organizations that are vulnerable to terrorist financing abuse; and (ii) addressing AML/CFT deficiencies such that Jordan would no longer qualify for referral to the FATF's ICRG process on the basis of its technical compliance ratings (*new proposed SB for June 2022*).

21. Initiatives to develop the nonbank financial sector will contribute to financial deepening. The Insurance Regulatory Law No. (12) of the Year 2021 entered into effect mid of June 2021. The Law transfers the supervision of the insurance sector to the CBJ. The statutory objectives of the Law are to protect the interests of policyholders and to ensure the safety and soundness of the insurance sector. The Law is consistent with international best practices and standards, including on corporate governance, and provides a framework to deal with troubled insurance companies. CBJ is working on modernizing and updating the regulatory and supervisory framework in accordance with the new law.

22. Reforms to facilitate access to finance are continuously progressing. 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 (2023–25), which is expected to be launched in Q3 2022. This new strategy will act as a roadmap for enhancing the financial inclusion of the entire population, notably the low-income segments, women, youth, refugees, and micro, small and medium-sized enterprises. It has been developed based on evidence and in a targeted and prudent manner to produce sustainable economic and social development outcomes in line with the UN SDGs.

- To support micro enterprises, the CBJ launched in Q3 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.

23. We have requested the IMF to conduct an update of the Financial Sector Assessment Program (FSAP) in late 2022 with preparatory work starting in early-2022. The Jordanian financial system has witnessed significant changes since the last FSAP update in 2008. In addition, the financial system has been subjected to three major external shocks since the last update and it is important to understand the longer-term structural impact of these shocks. Once the post-COVID-19 recovery takes hold, a systemic analysis would be important to ensure the continued resilience and health of the financial system going forward.

24. We have also requested additional IMF TA to further update our monetary policy, payment systems and banking supervision frameworks. The CBJ has greatly benefitted from continuous IMF TA. In continuing to support model-based quantitative analysis as input to policy decision-taking at the CBJ we requested IMF TA on setting up a comprehensive and state-of-the-art monetary and economic policy modeling framework. As a follow-on to the ongoing TA on liquidity forecasting, we have requested TA on analyzing the different components of excess liquidity in banks such as holdings for precautionary reasons. We have also requested TA on central bank digital currency (CBDC). In addition, as part of our effort to continuously keep abreast of international best practices, we have requested TA on risk-based banking supervision. Finally, as some nonbank financial corporations came under the supervisory umbrella of CBJ in mid-2021, we have requested TA to update our monetary statistics to allow for this expanded coverage.

Electricity and Water Sector Reforms

25. We are continuing our efforts to reduce NEPCO's losses and restore its financial sustainability. During the pandemic, NEPCO revenues declined as consumption shifted from the business sector to households (with the latter on average more heavily subsidized). At the same time, long-term natural gas contracts have helped shield NEPCO from the significant increase in oil and gas prices in international markets. Going forward, NEPCO losses are expected to widen from 0.3 percent of GDP in 2020 to 0.5 percent of GDP in 2021 and 1 percent of GDP in 2022 and outer years, on the back of slow growth in electricity demand and the coming on-stream of the oil shale project next year. In this context, we are pursuing a comprehensive strategy to restore NEPCO to financial viability over the medium term, which will encompass reforms to raise revenues and contain costs.

- *Revenue-enhancing measures.* Given available generation capacity, our priority remains securing higher domestic and regional demand so that the average cost of electricity supply decreases. We plan to increase domestic revenues through incentivizing distribution companies to reduce administrative and technical losses, installing electricity meters for every house connected to the grid, and promoting the electrification of different end-users. Moreover, revenues from electricity exports to the West Bank are expected to increase to around JD 25 million in 2022, and electricity exports to Iraq, expected to start in 2024, will generate another JD 20 million in revenues. We have also signed an agreement to start electricity exports to Lebanon, and are coordinating with regional partners regarding upgrading and connecting the necessary infrastructure.

- *Cost-reducing measures*. We will continue efforts to reduce the costs of LNG storage and regasification, and to retire old power plants. Over the medium term, we will explore options to optimize costs related to PPA commitments and to ensure a more equitable distribution of risks therein.

- *Debt optimization.* The government and NEPCO have engaged with the World Bank to develop a new plan to reduce the costs associated with NEPCO's debt. This plan is expected to include transferring some of NEPCO's legacy debt to the central government in order to facilitate refinancing the debt maturing in 2022 and 2023 at slightly lower costs and longer maturities, while limiting pressure on the domestic banking system. This will also require strengthening corporate governance at NEPCO including in-train reforms supported by the EBRD.

- *Financial Sustainability Roadmap.* With support from the World Bank, we will update the Financial Sustainability Roadmap for the electricity sector, which will re-evaluate the challenges that the sector faces and will outline further efforts needed to improve financial sustainability prospects. We will adopt the updated version of the Roadmap in the first half of 2022.

26. We successfully cleared arrears accumulated by NEPCO in 2020. Between January and April 2021, NEPCO cleared JD 69.5 million in arrears to IPPs accumulated during the lockdown. However, NEPCO has incurred an additional JD 90 million in arrears with SAMRA as of end-September 2021. We will work with SAMRA to reach an agreement regarding a repayment schedule for these arrears.

27. We are preparing for the implementation of the electricity tariff reform adopted by cabinet earlier this year. The reform, which is revenue neutral for NEPCO, (a) reduces electricity tariffs for key business sectors; and (b) reforms the household tariff system to reduce distortions and generate savings in a progressive manner. The reform is expected to enhance private sector competitiveness and support job creation; in August, we announced the changes to business sector tariffs encompassed by the reform, which include several job-rich sectors (notably industry, commerce, and hotels). We are on track to begin implementation of the reform early next year (end-March 2022 SB), and will continue preparatory efforts in the coming months:

- *Developing a platform to process household subsidy applications.* We have selected a firm to design an online platform where households will apply to retain access to subsidies. The platform will collect the necessary data to assess eligibility of applicant households for subsidies according to the criteria set out in the reform approved by cabinet. We expect to carry out trial runs on the platform prior to the implementation of the new tariff regime, in order to identify any challenges early on.

- *Identifying refugee households eligible for subsidies.* We are committed to provide transitional subsidies for six months to the 35,000 most vulnerable Syrian refugee households, as specified in the plan. We have asked the UNHCR to identify these households.

- *Seeking donor assistance to support vulnerable groups potentially affected by the reform*. We have encouraged donors to help secure resources for vulnerable refugees affected by the reform going forward, particularly given the persistent and pressing burden that Jordan's host communities continue to shoulder.

28. We are committed to scale up reforms in the water sector in order to contain rising losses and to ensure a sustainable path for the supply of water, critical for both growth and macroeconomic stability. Jordan is one of the driest countries in the world; Jordan's low water resources are depleting at an alarmingly fast pace, leading to rising pumping and treatment costs, and increasing risks of water shortage crisis. Developing additional infrastructure to boost water supply has become more urgent and will increase capital and current expenditure of the water sector very substantially, making reforms in the water sector ever more critical. In this context, we are committed to:

- *Arresting the accumulation of 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: between January and September 2021, WAJ accumulated JD 17 million in arrears on electricity payments, and JD 28 million in arrears for other charges.

- *Adopting a Financial Sustainability Roadmap for the water sector*. Leveraging on the "Action Plan to Reduce Water Sector Losses", which has guided our recent reform efforts, we are conducting a comprehensive analysis of the sector's challenges and are preparing a Financial Sustainability Roadmap, in consultation with key stakeholders and with the support of our development partners, which is now expected to be completed by March 2022. The roadmap will provide a comprehensive analysis of the challenges that the sector faces in the aftermath of the pandemic and will outline a concrete set of actions needed to durably increase revenues and contain costs.

- *Addressing the water-electricity nexus*. We will design a joint electricity-water multi-year strategy to arrest the accumulation of arrears by the water sector to electricity distribution companies and enable the efficient purchase of electricity by the water sector. We will continue to engage MEMR in discussions on efficient energy use and implications on energy sector balance sheets when designing new infrastructure projects in the sector.

- *Subjecting all new projects to due process.* We will ensure that all new PPPs adhere to best practices consistent with the new PPP law in procurement decisions and granting of government guarantees. As regards the Aqaba-Amman National Conveyor Project, the tendering process for which started before the new PPP law came into effect, we will ensure that due process similar to the PPP law will take place throughout the remainder of the tendering process, including by: (a) using the FCCL framework to analyze fiscal commitments and contingent liabilities arising from the project prior to finalizing a contract; (b) involving PPP Unit staff in both the Technical and Special Tendering committees for the entire tendering process; and (c) preparing tender documents and draft contracts in coordination with the PPP unit. We will complete a competitive tender process in a manner that is consistent with international best practices, demonstrates the government's commitment to transparency, and commands the trust of stakeholders.

Structural Policies to Promote Jobs and Growth

29. We are committed to sustained job creation through broad-based labor market reforms, with a focus on measures to increase labor force participation and encourage formal, female, and youth employment. Unemployment levels were already elevated prior to the pandemic, due to structural impediments in the labor market and stagnating growth linked to exogenous regional shocks; the COVID pandemic has pushed unemployment rates to critical levels. The unemployment rate for Jordanians remains close to record levels, at 24.8 percent in 2021Q2 (with even higher levels for youth and young females, at 53 and 64 percent respectively), given slower than anticipated recovery in labor-intensive sectors. The labor force participation rate remains subdued at 34 percent, with female labor force participation (14 percent) being one of the lowest in the world. In this context, we are working aggressively to:

i) Boost female labor force participation and enhance gender equality:

- The Ministry of Social Development will conduct a comprehensive legal and institutional review of the nursery licensing process and design a revised regulatory and institutional model by March 2022.
- We have submitted to Parliament an amended Labor law that enhances protection for women in the labor market especially in relation to harassment and violence in the workplace. The amended law also removes restrictions on female employment in certain professions and industries.
- The government will revise the social security survivor benefits legislation to ensure that there is no gender discrimination with respect to survivor benefits; gender discrimination in this area could act as an impediment for female participation in the social security system.

ii) 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. The Technical and Vocational Skills Development Commission (TVSDC) has adopted a national criterion for the accreditation of training curriculums and provide qualifications of training service providers.
- In line with our commitments under Pillar II (Enhancing Competition and Increasing Employment) of the Government Economic Priorities Plan for 2021-2023, we will amend the Social Security Law in order to lower social security contribution rates for new workers being hired under the age of 30 for a period of 10 years in all sectors.

- We will launch a new National Employment Scheme by the first quarter of 2022 that provides support for private sector employment and the training of new hires, potentially creating 100 thousand new job opportunities.

iii) Encourage formality:

- The Ministry of Labor has issued approximately 22,000 flexible working permits for Syrian refugees since January 2021, 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. A total of 49,868 work permits were issued between January 1 and October 31, 2021.

- The Ministry of Labor has issued instructions on specifying acceptable working conditions in the agriculture sector, which will address barriers to formality, such as low wages, lack of employment benefits, long working hours, and absence of appropriate occupational safety and health measures on farms.

- We will issue new instructions that simplify work permit procedures for non-Jordanian skilled labor based on the ISCO-8 profession classification by March 2022.

30. A key pillar of our growth strategy is improving the business environment to foster investment and enhancing competition and export competitiveness:

- Given the limited fiscal space, public investment policies will focus on **better alignment of new investment projects with the Government Economic Priorities Plan for 2021–23**, 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 plan 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; this will be done in a manner that avoids excessive risk build-up on the public balance sheet.

- **Streamlining permits, licenses, registration, and other transactions**:

    - We will implement the new **Property Values** Estimation Bylaw (No. 4 of 2019) to have pre-estimated values for land in Jordan, with the goal of reducing the time required for property valuation. Property value estimations are on track to be completed for the Amman Directorates by the end of 2021

    - We have **fully automated the income and sales tax registration** process for new companies (including obtaining tax identification number and the VAT certificate).

- We have operationalized the new **insolvency framework** and continue to train licensed insolvency practitioners and judges in best practices. Going forward, our priorities in this area include continuing the capacity building support to all relevant stakeholders, the establishment of the Insolvency Committee and the launch of an electronic insolvency registry by end of 2022.

- In line with Pillars I and II in our Economic Priorities Plan, we are working to strengthen our **competition regulatory and legal framework** and build the capacity of the Competition Directorate at the Ministry of Industry and Trade. To this end, we will submit to Parliament draft legislation to strengthen competition framework, including empowering the relevant regulatory body and strengthening antitrust legislation, in line with the UNCTAD Model Law on Competition (*new proposed SB for end-June 2022*). We will also conduct a market analysis to identify the sectors and sub-sectors that demonstrate signs of unfair practices, as well as assess government policies that may inadvertently hinder competition in certain sectors or present a barrier to entry for SMEs. Based on the findings of this study, we will provide recommendations on how to tackle these issues.

- **Trade and transport facilitation.** We will continue to take measures to ensure efficient, timely and smooth governmental procedures, and comply with Jordan's commitments under the WTO Trade Facilitation Agreement, such as pre-arrival procedures, advance ruling, acceptance of copies, and removing red tape and bureaucratic complications. To this end, we issued a new bylaw for implementation of the "Advanced Ruling" mechanism and will launch a new electronic portal by end of 2021, which will allow importers to apply and get approval for Advanced Ruling status for their goods. 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 launching a trade and trade related permit issuance system at Jordan Customs connected to the four licensing GoJ agencies.

31. Strengthening governance and increasing transparency remains a key pillar of our growth strategy. In line with the RFI commitments, we are continuously updating the dedicated government website for COVID-related procurements, including beneficial ownership of entities that have been awarded contracts. We have also published an ex-post audit (end-August 2021 SB) of all COVID-related spending in 2020, which included an assessment of the transparency of the procurement process as well as beneficial ownership information provided by firms. Moreover, we are working to ensure that the Integrity and Anti-Corruption Commission (IACC) is adequately resourced, including to implement the amendments to the Illicit Gains Law recently passed in August 2021. We are supporting the IACC's communications strategy and capacity to help raise public awareness on good governance and strengthen public trust in the anti-corruption framework.

32. The abruptness and severity of the COVID-19 shock has underscored the importance of timely and accurate economic data in calibrating our policy response. In this regard, we will continue 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 continued efforts to compile annual GDP estimates using primary annual statistics. DOS finalized the development of an annual compilation system based on a supply-use framework at end-August and expects to publish 2017–18 annual GDP and revised quarterly GDP estimates by end-December 2021. Going forward, DOS will adhere to a regular publication and revision schedule that includes revisions to quarterly GDP based on annual GDP estimates.

PROGRAM MONITORING

33. 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 2021 and June 2022 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.

Table 1. Jordan: Proposed Quantitative Performance Criteria and Indicative Targes, June 2021–December 2022 1/

	Jun-21				Sep-21				Dec-21		Mar-22		Jun-22		Sep-22	Dec-22
	PC	Adjusted	Actual	Note	IT	Adjusted	Actual		PC	Proposed Revised PC	IT	Proposed Revised IT	PC	Proposed Revised PC	Proposed IT	Proposed PC
	(in JD millions, unless specified otherwise)															
Performance Criteria																
Primary fiscal deficit of central government, excluding grants and net transfers to NEPCO and WAJ (flow, cumulative ceiling)	813	895	445	Met	1,241	1,602	745	Met	1,400		110	182	369	425	572	1,066
Combined public deficit (flow, cumulative ceiling)	1,175	1,257	667	Met	1,744	2,105	1,120	Met	2,132		237	347	650	764	1,079	1,745
Net International Reserves of the Central Bank of Jordan in USD million (stock, floor)	11,211	10,820	13,095	Met	11,097	11,253	14,323	Met	12,477	12,938	11,762	12,100	11,878	11,678	11,294	13,252
Ceiling on accumulation of external debt service arrears 2/	0	0	0	Met	0	0	0	Met	0		0	0	0		0	0
Indicative Targets																
Social spending by the central government (flow, cumulative floor)	308	308	439	Met	691		710	Met	943		127	121	259	361	584	793
Public debt (stock, ceiling) 3/	28,557	28,557	27,988	Met	28,915		28,111	Met	29,289	29,631	29,839	30,383	30,737	31,082	31,223	31,844
Domestic payment arrears of NEPCO (stock, ceiling) 4/	0	0	90	Not met	0		90	Not met	0		0		0		0	0
Domestic payment arrears of WAJ (stock, ceiling) 5/	0	0	44	Not met	0		45	Not met	0		0		0		0	0
Domestic payment arrears of Aqaba, Miyahuna and Yarmouk Distribution Companies (stock, ceiling) 6/	0	0	122	Not met	0		138	Not met	0		0		0		0	0
Net Domestic Assets of the Central Bank of Jordan (stock, ceiling)	797	1,188	510	Met	876	720	-286	Met	591	343	1,131	600	1,159	670	1,011	80
SSC net financing to the central government (flow, ceiling)	328	328	460	Not met	450		463	Not met	772		216	337	381	879	821	917
Memorandum items for adjustors																
Foreign budgetary grants received by the central government (flow)	78		77		105		571		836	763	15	53	38	125	240	1,027
Foreign budgetary grants and loans received by the Central Bank of Jordan (USD millions, flow, cumulative from beginning of year)	687		296		975		1,631		3,123	2,708	50	109	248	332	427	2,587
Programmed stock of the combined health and energy arrears	422		420		407		397		326		316	218	306	206	176	68
Unbudgeted COVID-related spending (flow)			82				128									
Stock of checks issued by the central government but not yet cashed by the beneficiary ...	...		75.1		...		50		...		...		...			

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

2/ Continuous.

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

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

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

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

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

No.	Measure	Time Frame (by end period)	Status	Macroeconomic Rationale	Proposed Action
I. Prior Action					
1	Submit to Parliament a budget consistent with a JD1066 million (3.1 percent of GDP) primary deficit central government (excluding grants and transfers to NEPCO and WAJ).	Dec-21	Met	Safeguarding macroeconomic sustainability	
II. Proposed New Structural Benchmarks					
1	Submit to Parliament a new draft law titled "Regulating the Investment Environment and Doing Business Law", which will include a chapter on investment that (i) sets out the incentives framework– for the granting of all fiscal incentives to investors – including clear principles to be administered by a fiscal incentives ministerial committee including MOF that takes full account of the benefits and costs, especially foregone government revenues, associated with the incentives; (ii) consolidates the governance of new and existing fiscal incentives under MOF apparatus; and (iii) stipulates that all new fiscal incentives will be granted by the fiscal incentives ministerial committee.	May-22		Protect against tax base erosion	
2	Submit to Parliament draft legislation to strengthen the competition framework, including empowering the relevant regulatory body and strengthening antitrust legislation, in line with the UNCTAD Model Law on Competition.	Jun-22		Strengthening competition	
3	Expand coverage of the e-Government Procurement system (JONEPS) to Education and Health Ministries.	Dec-22		Governance and fiscal transparency	
4	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	Jun-22		Managing fiscal risks and fiscal transparency	
5	Undertake ex-post audits of all COVID-related spending in 2021, and publish the results.	Jun-22		Governance and fiscal transparency	
6	The new macro-fiscal unit in MOF to produce, and share with Fund staff, its first report on the macro-fiscal outlook and risks	Jun-22		Strengthen fiscal policy analysis capacity	

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

No.	Measure	Time Frame (by end period)	Status	Macroeconomic Rationale	Proposed Action
7	Complete an assessment to identify non-profit organizations that are vulnerable to terrorist financing abuse; and address AML/CFT deficiencies such that Jordan would no longer qualify for referral to the FATF's ICRG process on the basis of its technical compliance ratings.	Jun-22		Strengthening the effectiveness of AML/CFT	
8	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.	Oct-23		Strengthening the effectiveness of AML/CFT	
III. Existing Structural Benchmarks (with due dates after second review)					
1	MOF to complete, and share with Fund staff, an FAD-supported plan, encompassing both tax policy and administration, to implement recent and ongoing legislative reforms aimed at streamlining tax incentives, introducing place-of-taxation rules for GST, establishing economic substance requirements for special zones, enhancing transfer pricing rules, and brining ASEZA into a single tax administration and a single customs service.	Nov-21	Met	Domestic revenue mobilization	
2	Minister of Finance to (i) issue a circular setting out timetable for elimination of the end-2020 stock of central government domestic arrears during 2021–22; and (ii) issue decision committing all central government entities to new procedures for purchases from the Jordan Petroleum Refinery Company to eliminate the incurrence of energy arrears in the future.	Jul-21	Met	Eliminating domestic arrears	
3	Implement the Digital Volume Verification System (track-and-trace system) to monitor tobacco production and reduce cigarette smuggling.	Jul-21	Met	Revenue mobilization	
4	Issuance of secondary legislation requiring the adoption of PIM appraisal documents for all new public investments and private-public partnership projects to ensure their proper management and selection.	Oct-21	Met	Managing fiscal risks	

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

No.	Measure	Time Frame (by end period)	Status	Macroeconomic Rationale	Proposed Action
5	MOF to complete, and share with Fund staff, a study of the drivers of the public sector wage bill with recommendations on enhancing civil service efficiency and better aligning remuneration with that of market comparators.	Oct-21	Met	Efficiency of public expenditure; reducing public-private wage premium	
6	Recruitment of four new division heads and four staff for new macro-fiscal unit at MOF.	Oct-21	Not met	Strengthen fiscal policy analysis capacity	Proposed to be reset to Jan-22
7	Cabinet approval of the amended Procurement Bylaw and related Instructions based on one year of implementation.	Dec-21		Transparency	
8	Roll out of new electricity tariffs for subsidized and unsubsidized households and for business sectors.	Mar-22		NEPCO's financial viability and cost of doing business	
9	Approval by the CBJ Board of guidelines for implementation of the Emergency Liquidity Assistance (ELA) framework provided for in the CBJ Law.	Jun-21	Met	Strengthen lender of last resort function of the CBJ	
10	Undertake ex-post audits of all crisis-mitigating inflows and spending, which will also assess the transparency of the procurement process and take stock of the publication of beneficial ownership of entities awarded such contracts since end-June 2020 and publish the results.	Aug-21	Met	Governance and fiscal transparency	
11	Introduce into the GST Law "place-of-taxation" rules for GST in line with international best practices.	Jul-21	Not met. Impleme nted with delay in Oct.	Increase efficiency of GST and improve tax compliance	
12	Pass legislation to impose a single tax administration and a single customs service for Jordan, bringing ASEZA participants under ISTD and Customs national control.	Sep-21	Not met	Strengthen tax compliance management	Proposed to be reset to Mar-22

Attachment II. Technical Memorandum of Understanding (TMU)

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 December 8, 2021. 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 some time 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

(continued…)

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

A. Quantitative Performance Criteria and Indicative Targets

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

2. 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");

3. 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");

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

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

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

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

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

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

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

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

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

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those payments that cover the operation, repair or maintenance of the property. (b) Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

13. The performance criteria on the central government's primary fiscal deficit and the combined public deficit, as well as the indicative targets on social spending by the central government are monitored semi-annually (with indicative targets for the other quarters) on a cumulative basis from the beginning of the calendar year. The performance criterion on the NIR and the indicative targets on public debt, short-term public debt, domestic payment arrears of NEPCO, WAJ, and Aqaba, Miyahuna, and Yarmouk Water Companies, and NDA of the CBJ are monitored semi-annually (with indicative targets for the other quarters) in terms of stock levels. The performance criterion on the accumulation of external debt service arrears is monitored on a continuous basis.

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

14. 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.

15. 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.

16. **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.

17. **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.

18. **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.

19. **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.

20. 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).

21. 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:

22. 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.

23. 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).

24. 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).

25. 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.

26. 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

27. 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.

28. 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.

29. 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.

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

31. 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.

32. 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).

33. 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).

34. 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.

35. 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

36. 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.

37. **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.

38. **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.

39. The stock of foreign assets and liabilities of the CBJ shall be valued at program exchange rates. As of September 30, 2021, the stock of NIR amounted to USD 14,323 million (at program exchange rates).

40. **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 second quarter of 2022 for a minimum of US$1 billion, the floor of the NIR for end-June 2022 will be adjusted downward by the programmed amount (which is $1.5 billion), if the issuance is delayed to the third quarter of 2022. 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

41. **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

42. **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

43. **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.

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

45. 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

46. **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

47. **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

48. **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.

49. 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.

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

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

52. 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

53. 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.

54. 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:

55. 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.

56. 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).

57. 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).

58. Related to central government arrears:

59. 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.

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

61. Related to the combined public sector deficit:

62. All the information specified in paragraph 28.

63. 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.

64. 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.

65. 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.

66. 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.

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

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

69. 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).

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

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

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

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

74. Monetary statistics (monthly).

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

76. Banking FSI (quarterly; starting 2021 Q1)

77. Related to the continuous performance criteria:

78. 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.

79. Related to the floors on public debt:

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

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

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

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

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

85. Other economic data

86. 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).

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

88. 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).

89. National accounts statistics (quarterly).

90. 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

91. 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 Mahmoud Mohieldin, Executive Director for Jordan, Ali Alhosani, Alternate Executive Director for Jordan, and Maya Choueiri, Senior Advisor for Jordan
December 20, 2021

1. The Jordanian authorities deeply appreciate the continued support of the Executive Board, management, and staff. They particularly value staff's candid and constructive engagement, the extensive and high-quality capacity development support, alongside significant financial support, and the general allocation of SDRs. They are also grateful to the successive recalibrations to the Extended Fund Facility (EFF) program that have enabled them to meet vital health, social protection, and job support needs, while maintaining macroeconomic stability and market access.

Recent Developments

2. **As a small, open economy, Jordan continues to experience unprecedented social and economic challenges due to the COVID-19 pandemic, after a decade of deep exogenous shocks**. Nonetheless, preventive actions and a strong vaccination campaign mitigated the effects of COVID-19 variants. Supported by targeted fiscal and monetary measures, a nascent recovery is underway. However, unemployment, which is concentrated in the services sector that is most affected by the pandemic, remains high, particularly among youth and women, and over half of young job seekers are out of work. International reserves are comfortable and are expected to remain above 100 percent of the ARA metric through end-year. The financial sector remains resilient, dollarization is at the lowest point since 2018, and the EMBIG spreads remain among the lowest in the region.

3. **The Government of Jordan and the Central Bank of Jordan (CBJ) continue to fully own their EFF-supported reform program and remain committed to its objectives**. The authorities remain determined to achieve debt sustainability and preserve external buffers, maintain monetary and financial sector stability, and advance structural reforms to achieve higher, private-sector-led, and more inclusive growth. The recently announced Government Priorities Plan 2021–23 will guide Jordan's policy efforts to improve the business climate and enhance competitiveness.

4. **Jordan continues to host 1.3 million Syrian refugees, a very large share of the country's population**. The country is doing its utmost to prevent the pandemic from adding to the refugees' difficulties and has given equitable access to its vaccination program to both citizens and refugees. Adequate and timely support by the international community is critical for Jordan to continue shouldering the burden of hosting the Syrian refugees.

Performance under the EFF

5. **Notwithstanding a continuously challenging pandemic environment, Jordan's performance under the Extended Fund Facility-supported program remains strong.** All end-June 2021 quantitative performance criteria (QPC) and several key indicative targets were met, as well as most indicative targets for end-September. The authorities have also delivered on several critically important structural benchmarks (SBs). To help stem revenue leakages, they have submitted to parliament amendments introducing "place-of-taxation" rules in line with international best practices into the GST law, and implemented the digital track-and-trace system for the three largest cigarette companies. Demonstrating their commitment to good governance and transparency, they have completed and published ex-post audits of all COVID-related spending, including beneficial ownership information. Moreover, Jordan was only the second country in the MENA region to have undertaken a Fiscal Transparency Evaluation. The government is continuing a robust anti-tax evasion policy and has further enhanced tax administration capacity as part of its efforts to strengthen tax compliance. It has also issued, ahead of schedule, by-laws requiring the adoption of appraisal documents for all new public investments and PPPs to ensure their proper selection and management.

6. **Despite the support of several Board members at the time of the second review for our call to streamline and prioritize conditionality in the current difficult times, the number of SBs under the third review remained large at ten**. This is burdensome, particularly in the midst of a pandemic, at a time when the Government's and CBJ's efforts continue to be focused on addressing the health, social and economic implications of the pandemic. The authorities hope that future conditionality will be more evenhanded and streamlined.

Fiscal Policy and Reforms

7. **The Ministry of Finance's (MOF) fiscal strategy demonstrates its firm commitment to the program's macroeconomic stability and debt sustainability objectives**. Tax revenue collections exceeded budgetary targets while spending was in line with the supplemental 2021 budget approved by the Cabinet and Parliament, as well as with the fiscal consolidation path envisioned in the program. As a result, Jordan is on track to meet the end-December 2021 fiscal QPCs, following a similarly strong performance in the past two reviews. This is a testament to the authorities' commitment to the program and to prudent fiscal management.

8. **Fiscal policy in 2022 and over the medium-term will need to strike a delicate balance between supporting the nascent recovery and maintaining debt on a downward path**. For 2022, the primary deficit target of 3.1 percent of GDP entails a 0.7 ppt of GDP relaxation relative to the target envisaged at the time of the second review. The additional fiscal space will allow for a more gradual withdrawal of fiscal

support measures, notably health, social and job protection measures, in an effort to limit the scarring effects of the pandemic. The more gradual fiscal consolidation path is nonetheless consistent with debt sustainability. The revised targets for 2022 will still imply a significant y-o-y primary balance improvement (1.6 ppts of GDP), sufficient to put public debt/GDP on a downward path. The MOF's response to the pandemic continues to target the poorest segments of the population and the vulnerable. In this regard, the fiscal strategy remained anchored in equitable tax reforms aimed at closing tax loopholes and combating tax evasion to create fiscal space for higher social protection spending. In this connection, the revenue momentum observed in 2021 is expected to continue and a revenue effort of 0.5 percent of GDP will come from measures to broaden the tax base, strengthen tax compliance, close existing tax loopholes, and aggressively fight tax evasion. The MOF also expects significant savings in non-priority current expenditures, including to allow space for the budgeted increase in capital expenditures.

9. **Despite the pandemic, the authorities will continue to pursue important fiscal structural reforms as detailed in the Memorandum of Economic and Financial Policies (MEFP)**. These reforms will aim to strengthen investment incentives, administration capacity, the adequacy and efficiency of the social safety net, civil service efficiency, fiscal transparency and fiscal risks management, investment quality and predictability, as well as fiscal policy and debt management capacity.

Monetary and Exchange Rate Policies and Reforms

10. **Since our last meeting, the CBJ continued its strong track record of prudent management of monetary policy, which has been anchored by the peg to the US dollar**. The peg has served the Jordanian economy well and helped to maintain market confidence. Balancing monetary and financial stability and growth objectives, the CBJ kept an accommodative monetary stance to support credit growth and has, at the same time, maintained a comfortable level of international reserves.

11. **Through two subsidized lending programs, the CBJ provided crucial support measures for Jordanian businesses, including SMEs, in protecting employment and production operations.** At the onset of the pandemic, the CBJ provided sizeable and timely liquidity, of about 8 percent of GDP, to the market and support to heavily impacted sectors. These measures were successful in supporting credit growth to the private sector, thus allowing firms, including small and medium-sized enterprises (SMEs), to remain in business and keep employees on the payroll. To mitigate the impact of the pandemic on retail and corporate borrowers, the CBJ also allowed banks to postpone the installments of affected customers without any commission or penalty interest until end-2021; it is currently evaluating whether to grant a further extension. The CBJ has also provided support to businesses, with a focus on SMEs, through subsidized lending programs to protect employment. It has just extended the scheme to June 2022 and raised borrowing limits for the tourism and trade sectors, to increase take-up. These

measures will continue to help keep workers employed, businesses afloat, and credit flowing. At the same time, the CBJ maintained a comfortable level of international reserves and will continue to target a reserve coverage that exceeds 100 percent of the Fund's ARA Metric.

12. **The CBJ has a strong and effective prudential and supervisory framework, which has helped to maintain the system's financial soundness and resilience**. Since our last discussion, Jordan's banking system remained liquid and well-capitalized. While providing needed support to the economy, the CBJ was also keen to limit the erosion of key financial buffers. Although non-performing loans are low and the coverage ratio increased at end-2020, the CBJ remains vigilant. In this connection, it continuously conducts stress tests to ensure that all banks have sufficient buffers in the case of a significant rise in NPLs. To ensure that asset quality problems are recognized and addressed in a timely manner, the CBJ has continued to require banks to follow strict provisioning requirements, 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. The CBJ has requested the Fund to conduct an update of the FSAP in late 2022, with preparatory work starting in early-2022.

13. **Strengthening the regime for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) is a priority for Jordan**. Since the issuance of the Jordan's Mutual Evaluation Report (MER) in November 2019, Jordan put in place a comprehensive plan to address all recommended actions (RAs) in the report. An important step was the enactment of the AML/CFT law in line with international best practices in September 2021. Given that the law was enacted after FATF's observation period and that some RAs either needed the enactment of the law to be implemented or needed time to show their results, and given the challenges created by the COVID-19 restrictions, Jordan was placed on the Financial Action Task Force (FATF)'s list of countries under increased monitoring in October 2021. In response, the authorities put in place a comprehensive plan to address all the remaining RAs and to facilitate exit from the FATF list by October 2023. The authorities have also committed to intermediate steps, such as an assessment to identify non-profit organizations that are vulnerable to terrorist financing abuse and addressing AML/CFT deficiencies such that Jordan would no longer qualify for referral to the FATF's International Co-operation Review Group process on the basis of its technical compliance ratings.

Other Structural Reforms

14. The Jordanian authorities are keenly aware that the speed of Jordan's economic recovery in the medium-term depends on continued implementation of structural reforms given their importance for boosting growth and employment.

15. **In the electricity sector, the authorities are continuing their efforts to reduce NEPCO's losses and restore its financial sustainability**. They have cleared the arrears accumulated by NEPCO in 2020, signed electricity export agreements with neighboring countries, and plan to continue efforts to optimize costs related to power purchase agreement commitments. Moreover, they are preparing, with World Bank support, an update of NEPCO's Roadmap for Financial Sustainability, to be adopted in the first half of 2022; the roadmap will consider options to migrate NEPCO's legacy debt to MOF with a view to reducing its cost. The authorities are also preparing for the rollout of the electricity tariff reform, which was adopted in the context of the second review and will reduce cross-subsidization and support private sector competitiveness.

16. **In the water sector, the authorities are committed to scale up reforms to contain rising losses and to ensure a sustainable path for the supply of water, critical for both growth and macroeconomic stability**. Developing additional infrastructure to boost water supply has become more urgent as Jordan's low water resources are depleting at a fast pace. In this context, the authorities are committed to stopping the accumulation of arrears and to adopting a Financial Sustainability Roadmap for the water sector by March 2022. The roadmap will outline a concrete set of actions, as detailed in the MEFP.

17. **The authorities are committed to sustained job creation through broad-based labor market reforms, with a focus on measures to increase labor force participation and encourage formal, female, and youth employment.** The government is working on addressing obstacles to female employment, including by removing gender-biased articles from labor legislation, tightening sexual harassment and workplace violence protection, and improving access to safe and affordable transportation. It also continues to give special attention to promoting youth employment. The authorities lowered social security contributions in the agricultural and IT sectors and are considering extending these reduced rates for new workers under the age of 30 for a period of 10 years in all sectors. To address skills mismatch, the authorities are strengthening vocational training and internship/employment programs targeted at the youth.

18. **A key pillar of Jordan's growth strategy is improving the business environment to foster investment and enhancing competition and export competitiveness.** In this connection, the authorities are streamlining licensing requirements, lowering electricity tariffs for businesses, and strengthening the competition and insolvency framework. They plan to submit to Parliament by end-June 2022 a draft legislation aimed at strengthening the competition framework, in line with the UNCTAD Model Law on Competition. Building on recent reforms, the authorities are also strengthening the anti-corruption legal framework and the capacity of the Integrity and Anti-Corruption Commission.

Conclusion

19. The Jordanian authorities value the strong partnership with the Fund. They have shown strong ownership and commitment to the EFF-supported program, and program implementation continues to be strong. They remain fully committed to the EFF program's objectives, notably to maintain macroeconomic stability and persevere with economic reforms, while protecting the most vulnerable segments of the population.