INTERNATIONAL MONETARY FUND

IMF Country Report No. 24/345

# JORDAN

December 2024

## 2024 ARTICLE IV CONSULTATION, SECOND 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 Staff Report for the 2024 Article IV Consultation, Second Review Under the Extended Arrangement Under the Extended Fund Facility, and Request for Modification of Performance Criteria, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board and summarizing the views of the Executive Board as expressed during its December 12, 2024 consideration of the staff report on issues related to the Article IV Consultation and the IMF arrangement.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 12, 2024 , following discussions that ended on October 10, 2024, with the officials of Jordan on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 25, 2024.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the 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.**

# Jordan—IMF Executive Board Concludes 2024 Article IV Consultation and Second Review Under the Extended Fund Facility

**FOR IMMEDIATE RELEASE**

- Jordan's EFF-supported program, approved in January 2024, remains on track. The completion of the second program review makes another SDR 97.784 million (about US$131 million) available to Jordan, out of the previously approved program size of SDR 926.370 million (about US$1.2 billion).
- Jordan continues to show resilience and maintain macro-economic stability, despite the headwinds caused by the regional conflict. This resilience reflects the authorities' continued implementation of sound macro-economic policies and reform progress.
- Bringing the Jordanian economy onto a higher growth trajectory is essential to create more jobs and raise prosperity. This requires accelerating structural reforms, while maintaining macro-economic stability. Strong and timely international support also remains crucial to help Jordan navigate through the external headwinds, while shouldering the costs of hosting a large number of Syrian refugees.

**Washington, DC – December 13, 2024:** The Executive Board of the International Monetary Fund (IMF) completed the 2024 Article IV consultation[1] with Jordan and the second review under the arrangement under the Extended Fund Facility (EFF) (see Press Release No. 24/467). Jordan's four-year arrangement, amounting to SDR 926.37 million (about US$1.2 billion, equivalent to 270 percent of Jordan's quota in the IMF), was approved by the IMF's Board on January 10, 2024 (see Press Release No. 24/004). The completion of the second review makes another SDR 97.784 million (about US$130 million) available to Jordan, bringing total disbursements under this arrangement to SDR 339.67 million (about US$453 million).

Jordan continues to show resilience and maintain macro-economic stability, despite the headwinds caused by the regional conflict and the heightened uncertainty. Jordan's economy continues to grow, and inflation is low. This resilience is the result of the authorities' continued pursuit of sound macro-economic policies and reform progress over the past several years, as well as sizable international support. Reflecting the authorities' commitment to sound policies, performance under Jordan's IMF-supported program remains strong. All quantitative performance criteria and structural benchmarks for the second program review were met and steady progress is made toward achieving the program's overall objectives.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Nonetheless, as the conflict continues and has widened, it is having a larger impact on Jordan's economy than anticipated at the outset of the program, dampening economic growth and affecting government finances. Growth is projected to moderate to 2.3 percent in 2024, from 2.7 percent in 2023. While only slightly down from earlier projections, the composition of growth is changing, with stronger net exports offsetting weaker domestic demand. Growth is projected to continue to be held back in 2025, at 2.5 percent, but is projected to pick up in the following years, assuming a resolution of the conflict and on the back of continued sound macro-economic policies and further progress in reform implementation. Risks to the outlook remain high, however. With moderate growth rates, progress in reducing unemployment has been limited and the unemployment rate remains high at 21 percent.

Inflation is projected to remain low, at about 2 percent, reflecting the Central Bank of Jordan's firm commitment to monetary stability and the exchange rate peg. Jordan's external position remains relatively strong. The current account deficit is projected to widen slightly this year and next, to just under 5 percent of GDP, from under 4 percent of GDP in 2023, with lower tourism receipts and lower prices for key exports. The CBJ's international reserves remain at comfortable levels. The financial sector remains healthy and well-capitalized.

Government revenues have been adversely affected this year by the weaker domestic demand, as well as a sharper-than-expected drop in the prices of key export commodities. The authorities have taken strong actions to offset the revenue shortfall to contain this year's central government budget deficit and will continue with a gradual fiscal consolidation in 2025, to reduce public debt and ensure medium-term fiscal sustainability.

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

"Jordan's economy continues to show resilience in the face of the regional conflict, thanks to adept policy making and international support. Prudent fiscal and monetary policies have maintained macro-economic stability, strengthened reserve buffers, preserved financial stability, and maintained market confidence in a challenging global and regional environment.

"Solid progress has been made in the last few years in advancing a gradual fiscal consolidation and strengthening fiscal sustainability. With revenues impacted this year by the effects of the conflict on Jordan's economy, this year's budget deficit is contained by careful spending prioritization. Looking ahead, efforts should continue to further enhance revenue mobilization and spending efficiency to keep public debt on a steady downward path, while protecting priority social and capital spending. Efforts should also continue to improve the efficiency and viability of the public utilities to preserve the sustainability of public finances, while ensuring the delivery of better services.

"Monetary policy remains appropriately focused on safeguarding monetary and financial stability, and supporting the exchange rate peg that has served Jordan well and helped keeping inflation low. Jordan's banking sector remains healthy, and solid progress has been made in implementing the recommendations of the 2023 Financial System Stability Assessment.

"Sustained progress in implementing structural reforms to improve the business environment, promote competition, and attract private investment is crucial to create a dynamic private sector, foster job-rich growth, and achieve the objectives of Jordan's Economic Modernization Vision. In this regard, structural reforms should be accelerated to enhance competition, reduce red tape, and increase labor market flexibility. Strong and timely donor support remains essential to help Jordan navigate the challenging external environment, host the large number of refugees, and meet Jordan's development objectives, including to address the impact of climate change."

**Executive Board Assessment[2]**

Executive Directors agreed with the thrust of the staff appraisal. They commended the Jordanian authorities on the economy's resilience owing to the continued pursuit of sound macroeconomic policies and implementation of reforms despite increased challenges from the regional conflict. Noting the challenges arising from moderate growth and high unemployment, Directors encouraged the authorities to maintain the reform momentum to safeguard macroeconomic stability and foster stronger, more inclusive growth. They also underscored the importance of sustained donor support to help the country address financing needs from hosting a large number of refugees and to meet its development objectives.

Directors supported the recalibration of the fiscal adjustment path given the impact of the regional conflict on Jordan's economy. They welcomed the authorities' commitment to resume a gradual fiscal consolidation to place public debt on a steady downward path, while creating space for social and capital spending. Directors stressed the need for further broadening the revenue base and looked forward to the authorities' Medium Term Revenue Strategy. They also underscored the critical need to sustainably ensure the financial viability and efficiency of the public utilities, to ensure an adequate and affordable supply of energy and water, as well as to help reduce public debt and create fiscal space to meet other priority needs.

Directors commended the Central Bank of Jordan (CBJ) for its prudent policies that have safeguarded monetary and financial stability in a challenging external environment. They emphasized that the CBJ should continue to adjust its policy rates as needed to support the exchange rate peg and maintain an appropriate level of international reserves. While the banking system remains sound, the authorities should continue to monitor banks' financial health, while further strengthening financial sector oversight in line with the recommendations of the 2023 Financial System Stability Assessment.

Directors encouraged the authorities to accelerate structural reforms to foster a more dynamic private sector that can create more jobs and improve living standards. In this regard, they underscored the need for sustained efforts to reduce impediments to doing business, enhance competition and labor market flexibility, particularly to increase female labor force participation, while continuing to strengthen the social safety net. Directors noted the authorities' climate adaptation and mitigation efforts, as well as efforts to enhance Jordan's pandemic preparedness. In this regard, they noted the authorities' interest in support under the Resilience and Sustainability Facility.

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[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

### Jordan: Selected Economic Indicators, 2023–25

| | 2023 | 2024 | 2025 |
|---|---|---|---|
| | | Est. | Proj. |
| **Output and Prices** | | | |
| Real GDP growth | 2.7 | 2.3 | 2.5 |
| GDP deflator | 1.8 | 2.1 | 3.3 |
| Nominal GDP (JD billions) | 36.2 | 37.8 | 39.7 |
| Inflation 1/ | 2.1 | 1.7 | 2.2 |
| Unemployment | 22.0 | ... | ... |
| **Government Finances (in percent of GDP)** | | | |
| Central government fiscal operations | | | |
| Revenue and grants 2/ | 25.3 | 24.4 | 25.6 |
| *Of which:* grants | 2.0 | 1.9 | 1.9 |
| Expenditures 2/ | 30.4 | 31.0 | 31.3 |
| Overall central government balance | -5.1 | -6.5 | -5.7 |
| Central government primary balance (exc. grants, NEPCO and WAJ) | -2.7 | -2.9 | -2.0 |
| Electricity company (NEPCO) losses | | | |
| Combined public sector balance 3/ | -4.5 | -4.8 | -3.6 |
| Government gross debt 4/ | 113.8 | 115.0 | 116.1 |
| Government gross debt, net of SSC holdings of government debt 4/ | 89.2 | 90.5 | 89.9 |
| **Money and Credit** | | | |
| Broad money (percent change) | 2.3 | 4.4 | 4.9 |
| Credit to the private sector (percent change) | 1.7 | 3.4 | 4.8 |
| **Balance of payments** | | | |
| Current account (in percent of GDP) | -3.7 | -4.3 | -4.5 |
| FDI (in percent of GDP) | 1.5 | 1.5 | 2.0 |
| Gross reserves (in months of imports) | 7.2 | 7.2 | 6.8 |
| In percent of Reserve Adequacy Metric | 104 | 103 | 101 |

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

1/ Consumer Price Index (annual average).

2/ Includes the programmed amount of fiscal measures that are needed to meet fiscal targets.

3/ Sum of the primary central government balance (exc. grants and net transfers to NEPCO-electricity company and WAJ-water company) and the net loss of NEPCO, WAJ and water sector distribution companies.

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

INTERNATIONAL MONETARY FUND

# JORDAN

November 25, 2024

## STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION, SECOND REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA

## EXECUTIVE SUMMARY


**Context:** Jordan continues to show resilience and maintain macro-economic stability, thanks to the authorities' sound macro-economic policies and reforms. However, as the conflict in the region continues and widens, it is having a larger impact on Jordan's economy than anticipated at the outset of the program.

**Program implementation and policies:** Program performance continues to be strong. All quantitative performance criteria (PCs) and structural benchmarks (SBs) for the second review were met and the authorities are firmly committed to program objectives. This year's budget deficit will remain broadly unchanged on the back of revenue measures and some spending cuts. To strengthen sustainability, the authorities are committed to resuming a gradual fiscal consolidation with the 2025 budget and further improving the finances of public utilities. The Central Bank of Jordan (CBJ) will continue to safeguard the exchange rate peg and will take any policy actions necessary to maintain monetary and financial stability. Structural reforms are focused on enhancing the business environment and competition, and on increasing labor market flexibility and female labor participation.

**Article IV consultation:** Discussions focused on policies to maintain macro-economic stability, further strengthen resilience, and achieve stronger and inclusive growth. Fiscal policy needs to stay the course with a gradual fiscal consolidation to reduce public debt to below 80 percent of GDP by 2028, while creating space for priority social spending and investment. Similarly, further progress is needed to improve the efficiency of public utilities, reduce their burden on public finances, and improve services. Monetary policy should remain focused on preserving the peg, which remains appropriate, and maintaining low inflation. Structural reforms should be accelerated to foster a more dynamic private sector capable of generating more jobs.

**Second EFF review:** Staff supports the authorities' request for completion of the second review and modification of the PCs for the central government's primary deficit and the combined public deficit to reflect the impact of the conflict, and the CBJ's net international reserves to reflect the stronger performance to date. Upon completion of this review, a disbursement of SDR 97.784 million will be made available to Jordan.

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

The team consisted of Ron van Rooden (head), Fei Liu, Nora Neuteboom, Annalaura Sacco (all MCD), Yahia Said (Resident Representative), Rayah Al-Farah, Leen Aghabi (local economists), Lahcen Bounader, Christoph Freudenberg (both FAD), Alice Fan (SPR), and Lisbeth Rivas (STA). Maya Choueiri (OED) participated in the mission. Discussions were held in Amman during September 30–October 10, 2024. Staff met with Prime Minister Jafar Hassan, Minister of Finance Abdelhakim Shibli, Minister of Planning and International Cooperation Zeina Toukan, Minister for Economic Affairs Muhannad Shehadeh, Governor of the Central Bank of Jordan Adel Al-Sharkas, and other senior officials, as well as other development partners. Farid Ahmad provided research assistance, Cecilia Pineda provided document management, and Sana Almunizel provided logistical support.

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## APPENDIX

# RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

**1. Jordan continues to show resilience and maintain macro-economic stability, despite the headwinds caused by the ongoing and intensifying conflict in the region.** The conflict in Gaza and Israel that started in October 2023 and broadened to Lebanon in September this year is raising further the already heightened regional tensions and uncertainty. Together with the disruptions to trade routes, it is creating substantial headwinds for Jordan's economy.

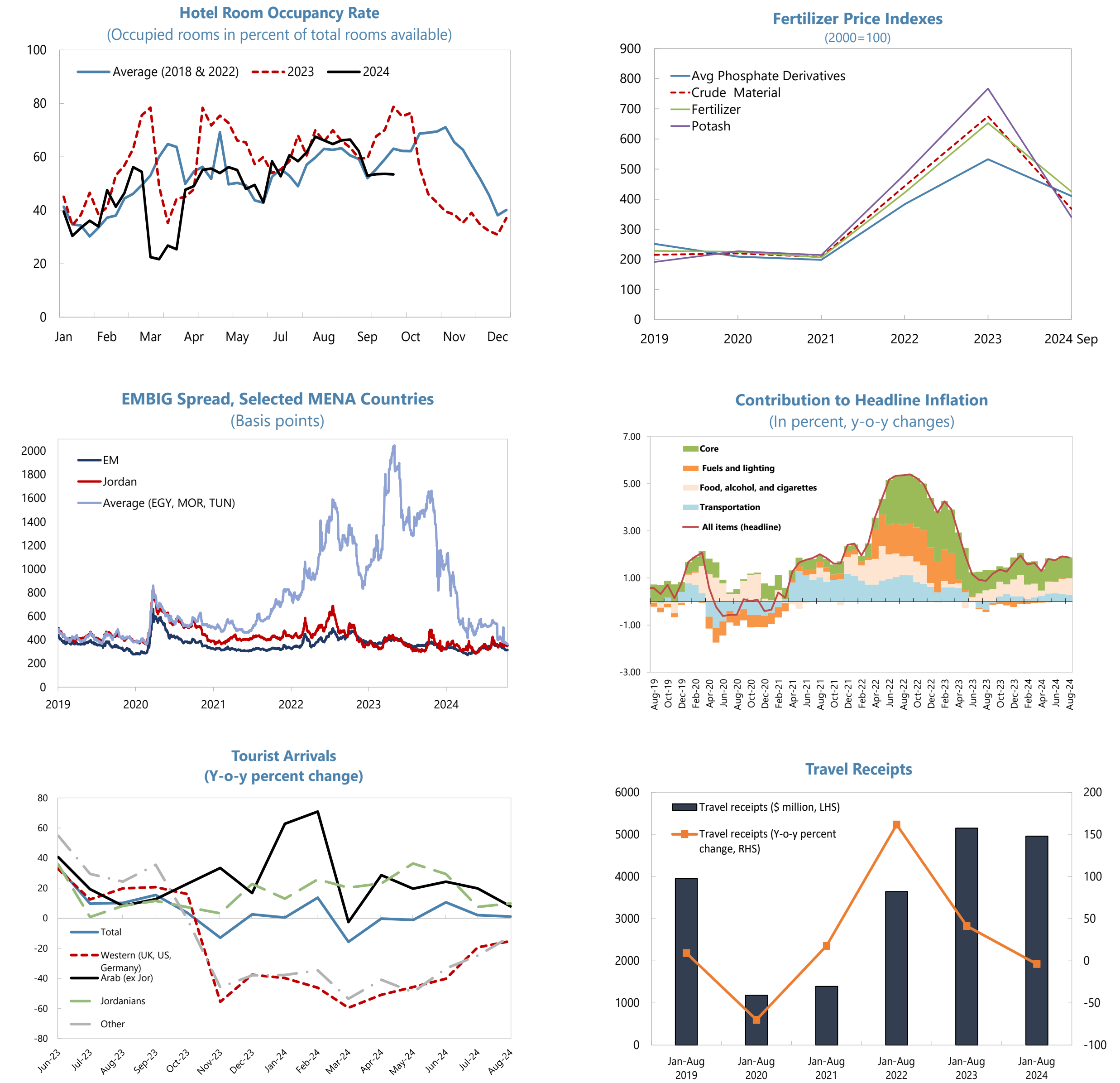
**2. These headwinds are having a larger impact on Jordan's economy than anticipated at the outset of the program**. While the economy continues to grow, thanks to the authorities' continued pursuit of sound macro-economic policies and reforms, growth is projected to moderate to 2.3 percent in 2024 from 2.7 percent in 2023, with its composition changing markedly. Domestic demand is more subdued, with both consumption and investment slowing, as witnessed also by declining activity in the retail trade, services, and construction sectors. Net exports have increased, with imports slowing in line with weaker domestic demand, while exports, notably of fertilizers and manufacturing, continue to grow in volume, albeit less so in value due to lower global fertilizer prices. Tourism receipts, while lower, have been holding up relatively well, with an increase in visitors from the region partly offsetting a sharp decline in visitors from the U.S. and Europe.

**3. Growth is projected to continue to be held back in 2025, at around 2.5 percent.** This assumes that the conflict continues through 2025 but does not escalate further. A projected further increase in exports of minerals and manufacturing would allow for a slight uptick in growth from 2024, while domestic demand is expected to remain subdued. Against moderate growth rates, progress in reducing unemployment has been limited and the unemployment rate remains high, currently at 21 percent. Youth and female unemployment rates remain particularly high, at 47.5 percent and 31 percent, respectively. Growth is projected to pick up in the following years, assuming a resolution of the conflict and on the back of continued sound macro-economic policies and further progress in reform implementation.

**4. Inflation is expected to remain low.** The Central Bank of Jordan (CBJ) is firmly committed to monetary stability and the exchange rate peg to the U.S. dollar. With low inflation and low inflation expectations, the CBJ has cut its policy rate in line with the U.S. Federal Reserve. Inflation is expected to be around 2 percent in 2025.

**5. Jordan's external position remains relatively strong.** The current account deficit is projected to widen slightly this year and next, to about 4½ percent of GDP, with lower tourism receipts and lower prices for key exports. Gross usable international reserves are projected to reach about US$18 billion by end-2024, with reserve adequacy remaining at just over 100 percent of the Fund's ARA metric. Sovereign spreads have narrowed to pre-conflict levels, and Jordan's credit rating was upgraded in 2024, the first upgrade in more than two decades.

## Jordan: Recent Economic Developments




Sources: Jordan country authorities; Haver Analytics; Bloomberg; World Bank; and IMF staff calculations.

**6. Risks remain high** (Annex II). A further escalation of the conflict could adversely affect Jordan's economic outlook and its external and fiscal balances, disrupting trade, tourism, investment, and consumption further, and resulting in higher energy and borrowing costs (Box 1). Similarly, deepening geoeconomic fragmentation, including weakened international cooperation, could result in a less efficient configuration of trade and investment, supply disruptions, financial instability, and lower global growth. A slowdown in global growth could lead to adverse spillovers through trade and financial channels. Commodity price volatility, caused by both supply and demand fluctuations (e.g., due to conflicts, export restrictions, OPEC+ decisions, and green transition) could exert inflationary

## Box 1. Downside Scenario

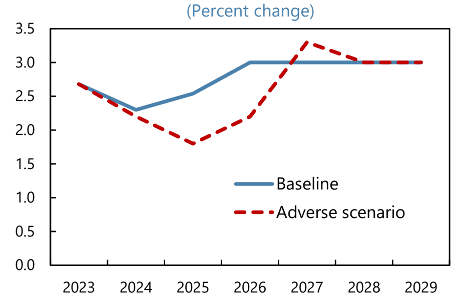
**In a downside scenario, the regional conflict is assumed to escalate further**. With a further intensification, the first half of 2025 would be severely impacted.

**Growth would be significantly lower.** An intensification would bring GDP growth in 2024 down to close to 2 percent (compared to 2.3 percent in the baseline) and further down to 1.8 percent in 2025 (compared to 2.5 percent in the baseline). While the baseline scenario anticipated a modest recovery in 2026 of 3 percent, the downside scenario anticipates lingering effects, with growth at just over 2 percent in 2026, and a recovery would only begin in 2027, with a rebound to slightly above 3 percent, albeit from a lower base.

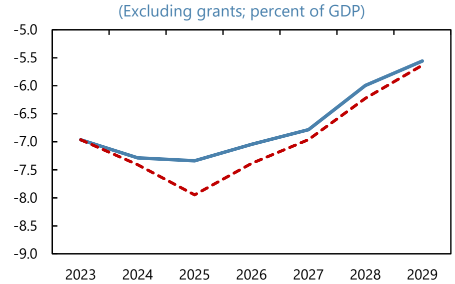
**Public finances would worsen under the downside scenario, and while debt sustainability could still be preserved, the debt target would take longer to achieve**. Revenues would weaken further, by about 1 percent of GDP in 2025–27 in the absence of policy changes. Additional spending needs for security and social assistance via the National Aid Fund are estimated at about 0.5 percent of GDP per year. With this, significant additional policy efforts would be needed to achieve program objectives, including continuing fiscal consolidation to place public debt on a steady downward path, while protecting social and capital spending (see also MEFP ¶7). To ensure medium-term fiscal sustainability, the adverse scenario assumes additional revenue measures in the amount of about 0.5 percent of GDP per year, by further broadening the tax base and closing tax gaps, and enhancing tax collection, as well as a slower pace of capital spending and curtailment of non-priority spending. Achieving the 80 percent debt-to-GDP target would be delayed to 2030. The lower growth path also underscores the need to accelerate structural reforms to achieve stronger growth over the medium term and to avoid permanent scarring.

**Financing needs would be larger by some 3 percent of GDP over 2025–27.** Given the more challenging external environment, the cost of external capital market access might increase to the extent that the authorities rely more on domestic financing, which could crowd out private investment. Hence, additional support from development partners would be needed.

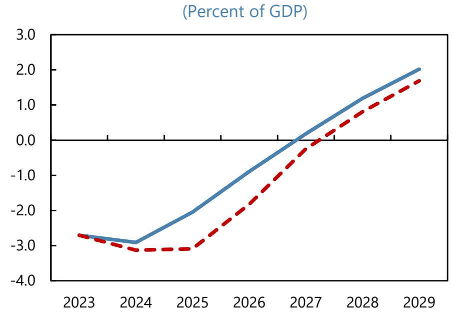
**Real Growth Rate**
(Percent change)



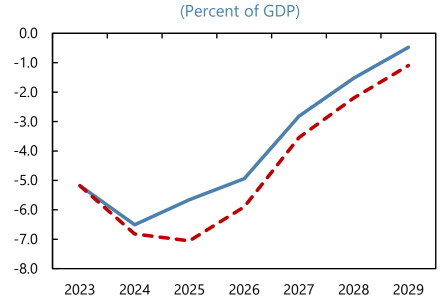

**Current Account Deficit**
(Excluding grants; percent of GDP)




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




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



pressures via higher food and fuel prices. Social tensions in Jordan have remained low but could rise if the conflict were to further escalate. Climate-change risks exacerbating Jordan's already dire water scarcity could hurt growth and add further pressures on government finances. On the upside, an early resolution of the conflict, a faster reduction in interest rates in advanced economies and stronger global growth all pose upside risks, as does an acceleration of reform implementation. The authorities' strong commitment to sound policies and maintaining stability mitigates these risks.

**7. A new government took office on September 15, following parliamentary elections.** The new government has stated its commitment to ensuring macro-economic stability and debt sustainability, while advancing and accelerating reforms to achieve the goals of Jordan's Economic Modernization Vision, including stronger and sustainable growth to create more jobs and improve living standards. The new government has firmly endorsed the IMF-supported program approved in January 2024, as reflected also in the attached Letter of Intent (LOI) and Memorandum of Economic and Financial Policies (MEFP). Program implementation has remained strong, with all PCs and SBs for the second review under the EFF arrangement met. Jordan has also made satisfactory progress in implementing the recommendations of the 2022 Article IV consultation (Annex I).

# POLICY DISCUSSIONS

*Discussions focused on policies to maintain macro-economic stability, further strengthen resilience, and achieve stronger and inclusive growth. More specifically, Article IV discussions focused on: (i) the pace and composition of fiscal consolidation and efforts to improve the financial health of the public utilities, to ensure debt sustainability, while protecting growth and the poor; (ii) the monetary policy response to the expected further easing of monetary policy by the U.S. Federal Reserve, while safeguarding monetary and financial stability; and (iii) structural reforms to foster private sector development and boost growth and job creation. Program discussions focused on measures needed to make steady progress toward these goals during the program period and on financing.*

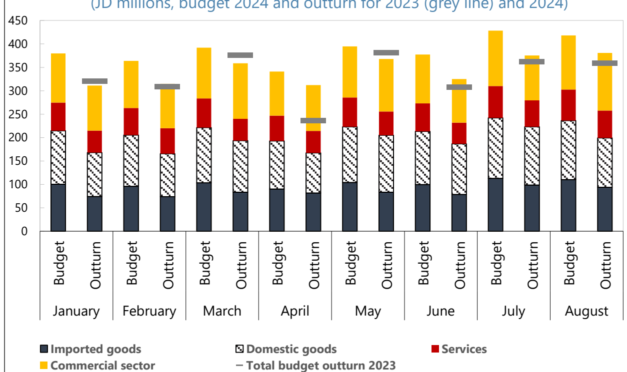
## A. Fiscal Policy: Ensuring Fiscal Sustainability While Supporting Growth and Protecting the Poor

**8. Since the pandemic, the authorities have made impressive progress in fiscal consolidation and in addressing fiscal pressures.** As a result of a series of external shocks and financial losses of public utilities, Jordan's public debt reached close to 90 percent of GDP at end-2023, from 74.3 percent of GDP in 2018. At the same time, high poverty and unemployment rates and hosting a large number of refugees continue to necessitate large social support, while large development and infrastructure needs, including to address the impact of climate change, require large public investment. Despite these pressures, and to ensure debt sustainability, the central government primary deficit was more than halved from 5.7 percent of GDP in 2020 to 2.7 percent of GDP in 2023. This was achieved through strong revenue mobilization, by broadening the tax base and strengthening tax administration, and containing current spending, by removing fuel subsidies and rationalizing food subsidies, while expanding the coverage of the social safety net. Similarly, the general government primary deficit (excluding grants) was reduced from 4.5 percent of GDP in 2020 to 1.4 percent of GDP in 2023, also reflecting efforts to improve the financial positions of public utility companies and benefitting from the sustained surpluses of the Social Security Corporation (SSC). With these efforts, and despite an unfavorable "r – g" differential in recent years, the authorities have been able to broadly stabilize public debt.

9. **Fiscal policy needs to stay the course with a gradual fiscal consolidation to reduce public debt and strengthen medium-term sustainability, while creating space for priority social spending and investment.** Despite the continued external headwinds, the authorities remain committed to reducing public debt to 80 percent of GDP by 2028, conscious also of the large debt service obligations in the coming years. In this regard, further efforts at revenue mobilization through high-quality and durable revenue measures and improving spending efficiency—including improving the efficiency of the public utilities—remain key to entrench fiscal consolidation, as the scope for curtailing current spending is limited in the near term and public administration reforms would require some time to yield savings. Also, social assistance needs are high in a context where donor support to shoulder the cost of hosting refugees has been declining (Box 2).

10. **In 2024, government revenues have been significantly impacted by the weaker domestic demand and a sharper-than-expected drop in the prices of key export commodities, requiring a recalibration of the fiscal targets.** While the authorities were able to meet the end-June and end-September 2024 fiscal targets by curtailing capital spending, revenues faced a shortfall of about 1½–1¾ percent of GDP. This reflected: (i) lower sales taxes and customs duties due to lower consumption (and imports) and tourist spending because of the longer duration and intensification of the conflict (about 0.8 percent of GDP); (ii) lower profit taxes and royalties due to a sharper decline in global fertilizer prices (about 0.5 percent of GDP); and (iii) lower sales and fuel taxes due to an accelerating shift to electric vehicles (about 0.5 percent of GDP). At the same time, the decline in activity and incomes necessitated additional social support, by expanding the number households covered by the National Aid Fund (NAF). To limit the impact on this year's budget deficit, the authorities have: (i) curtailed capital spending, by over 1 percent of GDP; and (ii) raised taxes on electric vehicles and e-cigarettes effective mid-September, expected to yield almost 0.2 percent of GDP this year. With these measures, the authorities are expected to be able to contain the primary deficit (excluding grants and transfers to public utilities) to 2.9 percent of GDP this year (MEFP ¶6), broadly unchanged from last year's deficit, but 0.8 percent of GDP higher than the deficit targeted under the program. Together with measures taken to limit the operational losses of the utility companies (see below) and continued surpluses of the SSC, the overall general government primary deficit (excluding grants) is expected to remain broadly unchanged this year, at 1.3 percent of GDP, compared to 1.4 percent in 2023, and public debt to be contained at just over 90 percent of GDP by end-2024.

**Jordan: Monthly GST Collection**
(JD millions, budget 2024 and outturn for 2023 (grey line) and 2024)




Sources: Jordanian Authorities and IMF staff calculations.

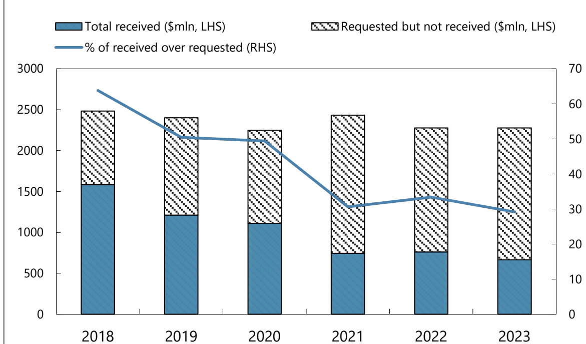
## Box 2. Refugees in Jordan—Recent Developments

**Jordan has been hosting a significant number of refugees for more than a decade, underscoring Jordan's crucial role in the region's humanitarian response.** As of September 2024, some 621,000 Syrians were registered with UNHCR. Refugees from Iraq, Yemen, Sudan, and Somalia bring the total registered refugee population to 689,000. Notably, over 82 percent of these refugees live within host communities, mostly in urban areas. Additionally, Jordan hosts 2.3 million Palestinian refugees under the UNRWA mandate. About half of the refugee population are working-age adults (aged 19-59) and the other half mostly children and youth, which presents both challenges and opportunities in accommodating the needs of refugees in terms of healthcare, education, and livelihoods. Approximately 5 percent are elderly, aged 60 and above, while the gender distribution is almost even (UNHCR, September 2024).

**Despite funding challenges, Jordan has been providing refugees with education and essential healthcare at an affordable cost.** Refugees have access to free primary and secondary education and access to higher education, with reduced tuition fees offered in five universities. Moreover, the Jordanian government has been making efforts to facilitate refugee employment and economic inclusion by providing work permits. The Jordan Compact, launched in 2016, enabled the issuance of work permits at a subsidized cost for refugees to work in sectors opened to foreign labor such as construction, services, trade, manufacturing, and agriculture. As of September 2024, nearly 447,000 work permits (ranging in duration from a few weeks to a year, depending on the nature of the job) have been issued to refugees, and more than 90,000 permits were issued in 2023 (MOPIC, September 2024). Refugees with work permits experience higher incomes, improved food security, and lower poverty rates. Despite positive gains, challenges remain. Since July 2024, the expiration of the work permit fee waiver resulted in a sharp decline in permit renewals, with only 1,227 work permits issued between July and September 2024, down from previous years (MOPIC, 2024).

**Jordan's ability to continue supporting a large refugee populations hinges on sustained international support.** In 2023, Jordan received only 29 percent of its budgetary needs for the Syrian response, resulting in a significant funding gap that jeopardizes progress in areas such as healthcare, education, and labor market access. As of end-2023, 67 percent of Syrian households were classified as poor, up from 57 percent in 2021, and 85 percent of Syrian households were in debt to cover basic needs (UNHCR, 2024). In April 2024, UNHCR reduced cash assistance by 20 percent due to lower-than-expected donor funding, which was reversed in July as some funding came in, and in July 2024 the World Food Program suspended assistance for about 100,000 refugees and reduced by 30 percent its assistance levels for the remaining 310,000 refugees, providing only US$21 per person per month. As of mid-October 2024, the Jordanian government only received less than 40 percent of the received amount in 2023. This can be expected to exacerbate poverty and food insecurity among the refugee population.

**Funding Trend for Refugees**




Sources: Jordan Response Plan; IMF staff calculations.

**The steady decline in donor support to help shoulder the cost of hosting the Syrian refugees and the resulting increase in poverty underscore the urgency of a renewed effort to mobilize sufficient donor support.** Over a decade into the protracted Syrian crisis, it is important to approach the refugee crisis response in the context of the development investments in the country, to ensure Jordan can continue to meet the challenges of hosting large numbers of refugees, which also directly contributes to regional stability. Following the pledge at the 2023 Global Refugee Forum, the newly established Higher Education Alliance—a coalition of 17 stakeholders—aims to enhance refugees' access to higher education, vocational training, and job opportunities, supporting their economic contribution in line with Jordan's Economic Modernization Vision and the Crown Prince's Youth Entrepreneurship initiative. Continued and stepped-up financial support is critical for sustaining delivery of essential assistance on medical services and subsistence living, and for investing in refugee education and vocational training, which is key to improve self-sufficiency that will ultimately reduce reliance on aid.

**11. The authorities are committed to resuming a gradual fiscal consolidation in the coming years** (MEFP ¶7). In this regard:

- **The authorities have submitted a central government budget for 2025 to parliament consistent with a reduction in the primary deficit (excluding grants and transfers to the utilities) by 0.9 percent of GDP.** The budget is based on conservative revenue projections, assuming that the conflict continues but does not further escalate, while incorporating 1 percent of GDP in revenue enhancing measures, including: (i) the increase in taxation of electric vehicles and e-cigarettes (0.8 percent of GDP); (ii) the deferral of a further reduction in customs tariffs (0.15 percent of GDP); and (iii) the collection of tax arrears (0.1 percent of GDP). Efforts to improve revenue collection will continue (MEFP ¶8), including through: (i) further digitalization (e-invoicing, *SB for March 2025*); (ii) expanding the application of new transfer pricing rules; (iii) combating smuggling with track-and-trace systems for alcohol and tobacco products, and biochemical markers for fuel products (*met SB for November 2024*); (iv) strengthening compliance management by shifting fully to a risk-based approach; (v) improved cooperation between tax and customs administration (*met SB for September 2024*); and (vi) streamlining customs clearing processes (*met SB for September 2024*). Capital spending has been set to fit within the overall envelope, while room has been created to further expand social assistance provided through the NAF. Together with efforts to improve the finances of the public utilities (see below) and continued surpluses of the SSC, the overall general government primary deficit (excluding grants) will be reduced by 1.1 percent of GDP to 0.2 percent of GDP and public debt will decline to just below 90 percent of GDP.

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

| | 2023 | 2024 | | | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|
| | | 1st rev. | Proj. | 1st rev. | Proj. | Proj. | Proj. | Proj. |
| Central government primary balance (ex grants) | -2.7 | -2.1 | -2.9 | -1.6 | -2.0 | -0.9 | 0.2 | 1.2 |
| Utilities overall balance | -1.8 | -1.9 | -1.9 | -1.5 | -1.6 | -1.4 | -1.2 | -1.1 |
| NEPCO | -1.1 | -1.3 | -1.3 | -1.0 | -1.1 | -1.0 | -0.9 | -0.8 |
| Water sector | -0.6 | -0.6 | -0.6 | -0.5 | -0.5 | -0.4 | -0.3 | -0.2 |
| SSC surplus (ex interest income from CG) | 2.5 | 2.8 | 2.8 | 2.8 | 2.8 | 2.7 | 2.6 | 2.5 |
| Add back, interest bill of NEPCO and WAJ | 0.5 | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 | 0.8 |
| General government primary balance (ex grants) | -1.4 | -0.5 | -1.3 | 0.3 | -0.2 | 1.2 | 2.3 | 3.4 |
| General government primary balance (inc grants) | 0.5 | 1.3 | 0.6 | 1.9 | 1.8 | 2.7 | 4.1 | 5.2 |
| Central government grants | 2.0 | 1.9 | 1.9 | 1.5 | 1.9 | 1.5 | 1.8 | 1.8 |
| General government interest bill | 4.2 | 4.7 | 4.9 | 4.8 | 5.0 | 4.9 | 4.1 | 3.8 |
| General government overall balance | -3.7 | -3.4 | -4.4 | -3.0 | -3.2 | -2.2 | 0.0 | 1.4 |
| ***Memorandum Items*** | | | | | | | | |
| Public debt-to-GDP | 89.2 | 89.2 | 90.5 | 88.3 | 89.9 | 88.1 | 84.2 | 79.6 |
| Nominal GDP in JD million | 36,187 | 37,793 | 37,797 | 39,784 | 39,665 | 41,877 | 44,211 | 46,676 |

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

- **The authorities will continue with a steady fiscal consolidation in 2026–28.** Placing public debt on a steady downward path will entail a continued annual fiscal adjustment by the central government of about 0.9–1 percent of GDP. With continued gradual improvements in the public utilities' finances, this will bring the general government primary balance (excluding grants) from a deficit of 0.2 percent of GDP in 2025 to a surplus of about 3 percent of GDP in 2028. The authorities intend to further increase revenues with credible and durable measures, by removing remaining distortions and addressing tax gaps, while continuing to improve tax and customs administration. To this end, they will design and adopt a Medium-Term Revenue Strategy (MTRS), with IMF technical support (*new SB for September 2025*). At the same time, the authorities will contain the growth of the civil service wage bill and advance their Public Sector Reform Roadmap to improve the efficiency of public administration.

**12. With the envisaged fiscal consolidation, public debt would remain sustainable.** The attached debt sustainability analysis (Annex III) indicates that public debt is assessed to be sustainable. While risks remain, including from future shocks, and with sizable gross financing needs, the authorities' commitment to sound macro-economic policies, as well as development partners' strong commitment to Jordan and continued market access constitute important safeguards.

**13. Structural fiscal reforms will need to continue to improve public service delivery within a constrained envelope** (MEFP ¶9). To avoid arrears accumulation: (i) budgetary spending units' electricity payments are made directly by the Ministry of Finance's treasury department; (ii) spending units are required to seek approval from the General Budget Department prior to issuing a commitment voucher to enter into new commitments; and (iii) the authority to grant healthcare exemptions has been centralized, while new pricing rules will be introduced for medical services provided to those covered by the exemptions (*new SB for May 2025*). Jordan's National E-Procurement System (JONEPS) will continue to be rolled out further, and linkages between JONEPS and the Government Financial Management Information System are being strengthened to better support resource planning. Public investment management also continues to be strengthened further, including by ensuring that all capital projects included in the 2025 budget were approved by Public Investment Management unit and registered in the National Registry of Investment Projects, in line with the recently adopted project management circular (*met SB for September 2024*). The Ministry of Finance's Macro-Fiscal Unit has prepared the 2024 Fiscal Risk Statement, building on the first statement produced in 2023 and expanding its coverage of contingent liabilities of the SOE sector. The authorities will also develop and adopt a State-Owned Enterprise (SOE) ownership policy by the Spring of 2026 (*new SB for March 2026*).

## B. Electricity and Water Sectors: Improving Financial Sustainability

**14. While public utilities' finances have stabilized, they continue to put considerable pressure on public finances.** In 2023, losses for the sector—including NEPCO, WAJ, and the water distribution companies—reached 1.8 percent of GDP. Addressing the financial and operational challenges within these sectors remains a priority for ensuring fiscal sustainability and creating fiscal space for additional social and capital spending.

**15. The power company's outlook remains challenging.** On the one hand, network reliability is high and energy sources for generation have become more diversified, resulting in improved resilience to price and supply shocks. However, opportunities for NEPCO's near-term financial improvement are constrained by its long-term contractual obligations, including costly power purchase agreements and guaranteed returns for distribution companies, while electricity tariffs are high compared to regional peers, particularly for commercial and industrial consumers. NEPCO also faces weakening demand for its electricity, driven by a shift to renewable energy and energy-saving technologies, as well as subdued economic growth. Thus, efforts to lower costs need to continue, to achieve a gradual reduction in losses and restore NEPCO's solvency.

**16. Strengthening NEPCO's financial position and enhancing the efficiency of the electricity sector will require sustained, multi-year reforms** (MEFP ¶16 and ¶17). Specifically:

- Several cost saving and revenue measures adopted in late 2022 (see IMF Country Report No. 23/49) have been generating results, including by facilitating higher bulk tariffs charged by NEPCO, while a legally and regulatory permissible additional levy on power generation becomes effective at the start of 2025.
- To reduce peak loads and thus save on generation costs, NEPCO has started to roll out time-of-use tariffs, starting in July of this year, capturing 15 percent of electricity consumption (*met SB for July 2024*) and steadily rolling it out further, to capture 30 percent of electricity consumption by January 2025 (*SB for January 2025*) and capturing all sectors, including the household sector, by September 2026 (*new SB for September 2026*). To this end, the installation of smart meters for the residential sector in planned to be completed by end-2025 (*new SB for June 2026*).
- The Renewable Energy Law was amended to enable the introduction, effective September 2024, of an economically efficient tariff structure for access to, usage of, and selling electricity to the power grid for new self-generators, by switching from net metering to net billing (*met SB for September 2024*).
- In line with the recently adopted action plan, based on a comprehensive review of the electricity sector (*met SB for October 2024*), the authorities will seek to optimize conventional and renewable power purchase agreements; and to reduce the technical losses of the distribution companies from currently 12 percent to 9 percent, as well as reduce their operational costs, thus allowing NEPCO to further raise its bulk tariffs.
- Steady progress is made by NEPCO in clearing a large part of its stock of arrears—with the ITs for NEPCO's domestic payment arrears for end-June and end-September 2024 met.

**17. The water sector's finances have been improving, but long-term challenges remain** (MEFP ¶18). Jordan is one of the most water scarce countries in the world, and resources are declining. A multi-year plan to raise water tariffs was adopted last year, aimed at covering operating and maintenance costs by 2030. The first tariff increase of 4.6 percent that came into effect in December 2023 has already contributed to improved revenues for WAJ. A second increase will be implemented in December 2024. Meanwhile, steady progress has been made in reducing non-revenue water (NRW), with a reduction by over 5 percent since mid-2022, to 47 percent. The authorities are committed to achieve an annual reduction by 2 percent, reducing NRW to 37 percent by 2030 and 25 percent by 2040. The sector's losses in the first half of 2024 were in line with projections and are expected to reach 0.6 percent of GDP this year, and to slowly decline to 0.2 percent of GDP by 2028. Progress is also being made in reducing the sector's arrears, including through timely cash transfers from the Ministry of Finance to WAJ, although the ITs for end-June and end-September 2024 for the distribution companies' arrears were missed.

**18. Efforts to ensure a sufficient and reliable supply of water are underway, notably via the Aqaba Amman Conveyance project to pump desalinated seawater to Amman.** Addressing Jordan's water needs will require substantial investments, including through improvements in the supply network, irrigation systems, and the reuse of wastewater. A preferred bidder for the Aqaba-Amman Conveyance project has been selected, and discussions are expected to be finalized by the end of 2025, with the project aimed to become online by the end of 2029.

## C. Monetary and Financial Policies: Maintaining Stability and Improving Access to Finance

**19. In a challenging external environment, the CBJ has successfully maintained monetary stability, safeguarding the peg with the U.S. dollar and maintaining adequate reserve buffers.** The peg has been an effective nominal anchor and has helped contain inflation, as well as bolster confidence in the national currency and the financial system, with deposit dollarization reaching its lowest level, at just under 18 percent, since 2017. With the increase in interest rates in recent years, following actions by the U.S. Federal Reserve, private sector credit growth has slowed, to just over 2 percent by mid-2024, but picking up to over 3 percent by September. With the U.S. Federal Reserve expected to continue to gradually lower its policy rate, credit growth is expected to continue to pick up gradually, supporting economic activity. Jordan's external position is strong and assessed as broadly in line with fundamentals (Annex IV), and reserve adequacy remains at around 100 percent of the Fund's ARA metric. Gross usable reserves exceeded US$18 billion by end-October 2024, supported by robust official inflows and net foreign exchange purchases by the CBJ, and the end-June and end-September 2024 targets for net international reserves (NIR) and net domestic assets were met with considerable margins.

**20. The CBJ remains committed to make the necessary policy adjustments to safeguard monetary and financial stability** (MEFP ¶10). The CBJ will continue to follow the Federal Reserve's policy decisions, while remaining vigilant to changes in global financial conditions, and stands ready to undertake any policy adjustments necessary to safeguard monetary and financial stability, and to maintain adequate reserve buffers. NIR targets for the rest of 2024 and 2025 have been revised upwards to reflect the stronger outcomes through end-September, while leaving room to deal with the high level of uncertainty. To improve monetary transmission, the authorities aim to develop a secondary market for local government debt, starting with an assessment of the building blocks for an active local currency bond market (MEFP ¶15).

**21. The banking system remains healthy** (MEFP ¶11). The banking system's capital adequacy ratio (CAR) remains well above the regulatory minimum of 12 percent. Non-performing loans (NPL) remain broadly stable and relatively low, albeit with a slight uptick recently, reflecting the slowdown in economic activity due to the regional conflict and the reclassification of some loans. The CBJ has maintained prudent provisioning standards, in line with IFRS9's forward-looking expected loss approach and will continue to closely monitor banks financial health. Moreover, based on the latest stress test results, the Jordanian banking sector, both at the level of bank branches in Jordan and at the consolidated level (bank branches and subsidiaries inside and outside Jordan), is assessed to be broadly able to withstand shocks even under the most severe scenario.[1]

**22. Solid progress has been made in implementing the recommendations of the 2023 joint IMF-World Bank Financial System Stability Assessment** (FSSA; MEFP ¶12, and Annex V). The CBJ already aligned its prudential requirements on asset classification with Basel Core Principles (BCPs) (*met SB for June 2024*). The multi-agency crisis management committee, comprising the CBJ, Ministry of Finance, and JODIC, that had been established in 2023 to adequately operationalize the crisis management framework, meets twice per year and coordinates inter-institution crisis preparedness and management issues. The CBJ has strengthened the role of the Financial Stability Committee (FSC), including by expanding the membership of the committee, while refocusing the role of FSC on macroprudential policies and systemic risks, and has started monitoring the Liquidity Coverage Ratio (LCR) by significant currencies and analyzing FX liquidity separately from total liquidity. The CBJ has collected and will continue to collect additional data for more comprehensive and thorough financial stability analyses.

**23. Building on progress made, the CBJ will further strengthen financial sector resilience, including by enhancing systemic risk analysis, financial sector oversight, and crisis management** (MEFP ¶12). Specifically, the CBJ will: (i) introduce Pillar 2 risk assessment methodologies to make capital assessments more sensitive to individual banks' risk profiles (*SB for November 2025*); (ii) with technical assistance from the IMF's Monetary and Capital Markets Department, align prudential requirements for concentration risk and related party exposure with BCPs (*SB for November 2026*); and (iii) design and operationalize procedures for the compensation of depositors together with the Jordan Deposit Insurance Corporation (JODIC) (*SB for November 2026*). Moreover, following the removal from the FATF gray list in October 2023, the authorities will continue to enhance the effectiveness of the AML/CFT framework, including by strengthening risk-based AML/CFT supervision, and increasing international cooperation (MEFP ¶13).

**24. Efforts are also underway to improve access to finance for micro, small, and medium-sized enterprises (MSMEs)** (MEFP ¶14). MSMEs are mostly self-financed, limiting their ability to invest and expand (Annex VI), and banks mainly serve larger corporates, as well as the state. A comprehensive review of development finance initiatives is being conducted to rationalize the number of initiatives and strengthen their governance. The authorities have made corporate credit reports easily accessible to companies through digital channels, to facilitate access to information and speed up transactions, and will continue to enhance data collection by the Credit Bureau.

**25. The CBJ is gradually reducing the concessionality of its subsidized lending facility** (MEFP ¶10). With two lending schemes expired in 2023, the CBJ will gradually reduce the concessionality of its remaining scheme, initially with an increase of 50 basis points of the interest

[1] These tests are performed to evaluate the financial position of a bank under severe yet plausible scenarios, including scenarios with increased NPLs ratio, changes in interest rates, fluctuations of exchange rates, changes in stock prices, and macroeconomic shocks such as on GDP growth and inflation.

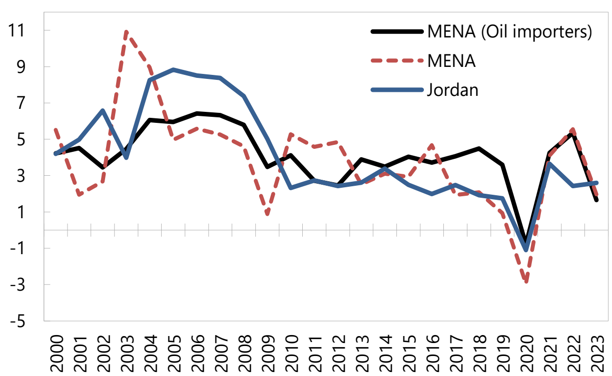
rate on new loans issued under the scheme as soon as the regional conflict subsides. The CBJ should aim to phase the scheme out, as it complicates monetary policy transmission.

## D. Structural Reforms: Unlocking Growth Potential to Support Inclusive Growth

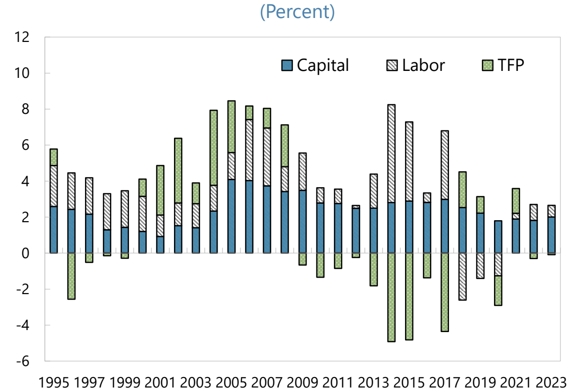
26. **Building a stronger and more dynamic private sector is critical to create more jobs and support higher growth, in line with the authorities' Economic Modernization Vision.** Jordan's economic growth slowed after the Global Financial Crisis and productivity growth has been limited. Stronger market competition, a more flexible labor market, and a more conducive business environment are key ingredients for lifting productivity and fostering a more dynamic private sector. To this end, the authorities have been implementing structural reforms to attract investment and create more jobs, as well as to increase international trade (Annexes VII and VIII). A new Investment Law was adopted in 2022, providing clarity to investors, including regarding taxation. Amendments to the Competition Law were enacted in 2023, curbing the prevalence of dominant firms, including by sharpening the definition for market concentration and increasing penalties for violations. Amendments to the Labor Law enhanced protections for women in the workplace, eased restrictions on female employment in certain occupations and permitted hours of work, while improving childcare provisions. A bylaw that allows for flexible work arrangements was recently adopted as well, and amendments to the Social Security Law lowered contribution rates for new workers under the age of 30, to help tackle youth unemployment.

### Jordan: Components of Economic Growth

**GDP Growth Comparison**
(Gross domestic product, constant prices, percent change)




**Contribution of Components of GDP Growth**
(Percent)




Sources: Penn World Table version 10.01, World Economic Outlook database and IMF staff calculations.

Notes: MENA comprises: Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Pakistan, Qatar, Saudi Arabia, The Islamic Republic of Iran, The United Arab Emirates, Tunisia, Yemen. MENA oil importers comprises: Djibouti, Egypt, Jordan, Lebanon, Mauritania, Morocco, Pakistan, Somalia, Sudan, and Tunisia.

27. **Continuing with and accelerating structural reforms is critical to boosting productivity and competitiveness and cultivating a dynamic private sector capable of generating more employment opportunities.** To this end, the authorities plan to:

- **Strengthen the business environment, enhance competition, and improve the investment climate** (MEFP ¶19), including by: (i) amending the competition law to strengthen the authority of the Competition Department by bringing it in line with international best practice and providing it with administrative and financial independence, as well as enhancing its executive capacity (*SB for October 2025*); (ii) continuing to streamline the process for, and reduce the costs of, registering and closing businesses; (iii) abolishing licensing requirements for libraries, cultural and sport activities, and streamlining licensing requirements for the food, childcare, and private education sectors (*met SB for September 2024*); (iv) easing restrictions and regulations in the transport and fuel sectors, based on recently completed studies; (v) digitalizing government services to improve service delivery and reduce costs for businesses and citizens (*SB for December 2025*); and (vi) further relaxing restrictions on foreign ownership by continuing to negotiate on a bilateral basis with other countries, and expediting the approval of applications for full foreign ownership.
- **Enhance labor market flexibility and female labor force participation** (MEFP ¶20), including by: (i) amending the Labor Law to increase labor market flexibility and simplify the hiring and firing processes, as well as to further improve childcare provisions and ensure that they do not create obstacles to formal employment (*SB for September 2025*); (ii) amending the Social Security Law to harmonize benefit rights for males and females in an actuarily neutral way, facilitate flexible work arrangements, and mutualize unemployment insurance by replacing the current program, which is based on individual accounts, with a program based on risk pooling (*SB for September 2025*); (iii) issuing bylaws to formalize social and care work, streamlining licensing procedures for regular nurseries, extending their working hours, and simplifying the registration process for home-based nurseries to enhance women's access to the labor market; (iv) reviewing the framework and regulations that govern work permits, including for high-skilled non-Jordanians; (v) harmonizing public sector pay scales for men and women; and (vi) improving public transport services.
- **Further improve governance and transparency** (MEFP ¶21), including by: (i) criminalizing illicit gains from public procurement; (ii) requiring companies to disclose beneficial ownership information in accordance with the new beneficial owner registry regulations; and (iii) continuing with the roll-out of the electronic system for public procurement.

**28. The authorities have started a comprehensive modernization project to improve national accounts and prices statistics** (Annex IX and MEFP ¶22). The Department of Statistics (DoS) has revised the national accounts statistics, benefitting from better source data on government services. DoS has increased the quality of primary statistics and is working to include improved estimates of the informal sector in GDP, rebase the national accounts, expand the coverage of the producer price index, and update the consumer price index. The CBJ has expanded the coverage of remittances and foreign investment data in the balance of payments statistics and will include the survey of other financial corporations in the monetary statistics. The authorities will continue to expand data sharing and enhancing coordination among institutions and are committed to further improve the timeliness and accuracy of economic data.

## E. Program Modalities

**29. The program remains fully financed.** External financing from international partners is firmly committed for the next 12 months, with good prospects for the remainder of the program, including financing from the World Bank, the EU, and bilateral donors (such as Germany, Japan, the U.S., and GCC countries). In addition, Jordan continues to have access to international capital markets with relatively low sovereign spreads. Purchases under the EFF arrangement will cover the remaining balance of payments needs and will continue to be used for budget financing.

**Jordan: External Financing Gap and Funding, 2024–27**
(In million of U.S. dollars)

| | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| **Financing Gap** | 2,599 | 2,193 | 2,023 | 1,656 |
| **Official Financing** | | | | |
| IMF EFF disbursement | 452 | 262 | 263 | 263 |
| Identified official public external financing | 2,146 | 1,931 | 1,204 | 733 |
| World Bank | 1,202 | 1,034 | 968 | 654 |
| European Union | 0 | 220 | 0 | 0 |
| EIB | 127 | 110 | 0 | 44 |
| Others 1/ | 818 | 567 | 236 | 35 |
| Unidentified official public external financing | 0 | 0 | 556 | 660 |
| ***Memorandum Item*** | | | | |
| Eurobond issuance or commercial borrowing | 0 | 1,000 | 1,000 | 1,000 |

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

**30. All PCs and SBs for the second review have been met, as were most ITs** (see Tables 1 and 2 of the attached MEFP). The authorities are requesting a modification of the end-December 2024 and end-June 2025 performance criteria for the central government's primary deficit, the combined public deficit, and the CBJ's net international reserves, to reflect the revised fiscal adjustment path and the stronger performance in accumulating international reserves, respectively. The end-March and end-June 2025 ITs on domestic payment arrears of NEPCO have been revised upward to reflect a more realistic path for arrears clearance.

**31. Jordan's capacity to repay the Fund remains adequate.** Risks stem mainly from a possible deterioration in the external environment and domestic resistance to key reform measures, as well as administrative capacity constraints, although risks are mitigated by Jordan's strong track record in implementing sound policies, while continued capacity development activities are helping to strengthen capacity in key institutions, including the Ministry of Finance, the CBJ, the Income and Sales Tax Department, and the Department of Statistics. The Fund's exposure to Jordan is projected to remain moderate, with outstanding Fund credit peaking at 3.9 percent of GDP and 9.2 percent of exports of goods and services in 2024, at 11.5 percent of gross reserves in 2025, and at 480 percent of quota in 2027, before gradually declining. Total debt service to the Fund will peak at 1.8 percent of exports of goods and services and 2.2 percent of gross reserves in 2024. As noted above, Jordan's public debt continues to be assessed as sustainable.

**32. The CBJ will continue to implement the safeguards assessment's recommendations in accordance with its legal framework.** An update safeguards assessment of the CBJ was completed in June 2024. The assessment found broadly robust controls and sound assurance functions and identified areas for improvement, such as on financial reporting.

**33. The new government expressed interest in an arrangement under the Resilience and Sustainability Facility to address Jordan's climate vulnerabilities and enhance pandemic preparedness.** Staff will continue discussions with the authorities in the coming period.

# STAFF APPRAISAL

**34. Jordan continues to maintain macro-economic stability, despite the headwinds caused by the intensifying conflict in the region.** This resilience is the result of the authorities' continued pursuit of sound macro-economic policies and reforms, and the full ownership of the program supported by the EFF arrangement. The recent upgrades to Jordan's credit ratings testify to the credibility of the authorities' economic policies. Inevitably, as the conflict continues, it has started to weigh on Jordan's economy. Growth rates have moderated, unemployment remains high, and government revenues have suffered. Despite these challenges, the authorities remain steadfast in their determination to continue to pursue sound policies to maintain stability, strengthen resilience, and achieve stronger and more inclusive growth, in line with the program and Jordan's Economic Modernization Vision.

**35. The recalibration of the fiscal adjustment path is appropriate given the impact of the intensifying regional conflict on Jordan's economy.** The measures taken to offset this year's revenue losses and the submission of the 2025 budget to parliament consistent with resuming a gradual fiscal consolidation demonstrate the authorities' commitment to maintaining and strengthening debt sustainability. Looking further ahead, strong efforts at broadening the revenue base will be critical to ensure sustained progress in boosting revenue collection.

**36. Continued progress is needed to ensure the financial viability and efficiency of the public utilities.** The financial losses of the power and water sectors continue to add to public debt, reducing fiscal space to meet other needs. Moreover, addressing the challenges posed by climate change will require substantial investments in both sectors. Putting them on a sustainable footing while ensuring an adequate and affordable supply of energy and water will require strong efforts to reduce costs, improve efficiency, and generate additional revenues.

**37. Monetary policy should continue to focus on safeguarding monetary and financial stability.** The CBJ should continue to adjust its policy rates as needed to support the exchange rate peg and maintain low inflation, while phasing out its remaining preferential lending scheme. The exchange rate peg has continued to serve Jordan well, providing an effective nominal anchor, and Jordan's external position is assessed to be in line with fundamentals. The CBJ should also continue to monitor banks' financial health, while further strengthening financial sector oversight in line with the FSSA recommendations.

**38. The continuing external headwinds highlight the need to accelerate structural reforms to foster a more dynamic private sector capable of generating more jobs.** Despite recent efforts, job creation has not kept pace with population growth, leaving unemployment rates at high levels. With the population growing at about 2 percent per year, Jordan will need stronger growth to meaningfully reduce unemployment and improve living standards. With limited fiscal space, attracting more investment, both domestic and foreign, and increasing productivity are key to achieving higher growth and stronger job creation. Efforts need to continue to reduce impediments to doing business, enhance competition, and increase labor market flexibility, while continuing to strengthen the social safety net.

**39. The adverse impact of the regional conflict on Jordan's economy also highlights the need for strong and timely international support to Jordan.** While Jordan continues to bear the consequences of regional conflicts, the authorities are particularly concerned about the decline in international support to help shoulder the cost of hosting a large number of refugees. Support is also needed to help Jordan face the external headwinds and to meet its development objectives, including to address the impact of climate change.

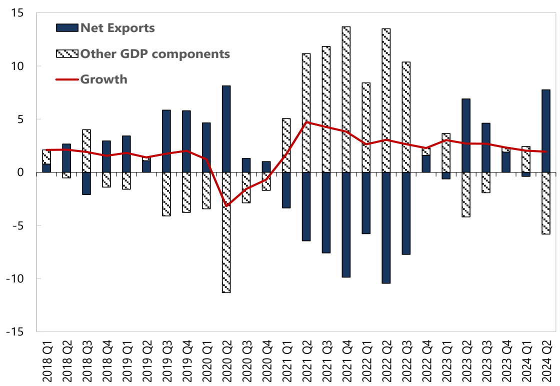
**40. Staff supports the authorities' request for the completion of the second review under the extended arrangement.** Staff also supports the proposed modification of the end-December 2024 and end-June 2025 performance criteria, to reflect the recalibrated fiscal adjustment path in the context of the challenging external environment. The EFF arrangement will continue to serve as an important anchor for the authorities' economic policies aimed at maintaining macro-stability, strengthening resilience, and accelerating growth, and provide a framework for international support.

**41. It is proposed that the next Article IV consultation with Jordan take place on a 24-month cycle**, in accordance with the Decision on Article IV Consultation Cycles (Decision No. 14747-(10/96), as amended).

## Figure 1. Jordan: Real Sector Developments

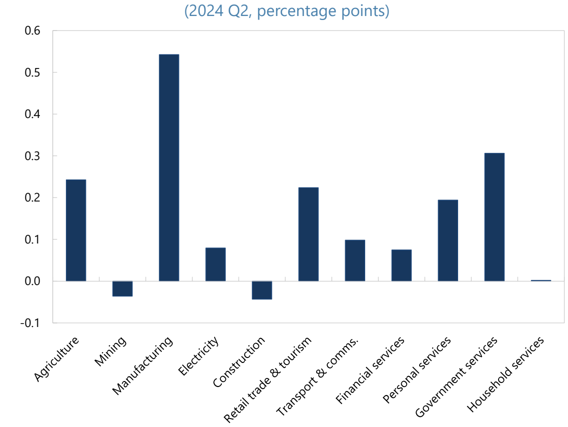
*Net exports are supporting growth.*

**Contribution to Growth**
(Percent, y-o-y)



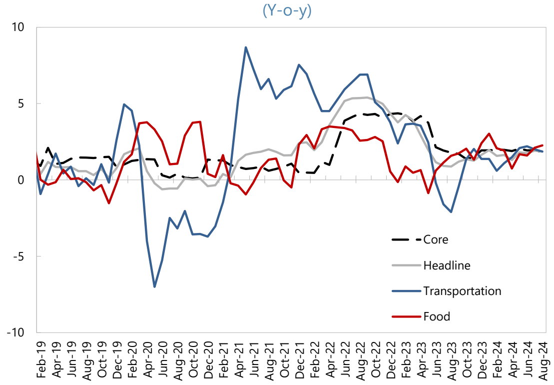

*The sectors that contributed most to growth in 2024 Q2 were manufacturing, government services and agriculture.*

**Sectoral Contribution to GDP Growth**
(2024 Q2, percentage points)



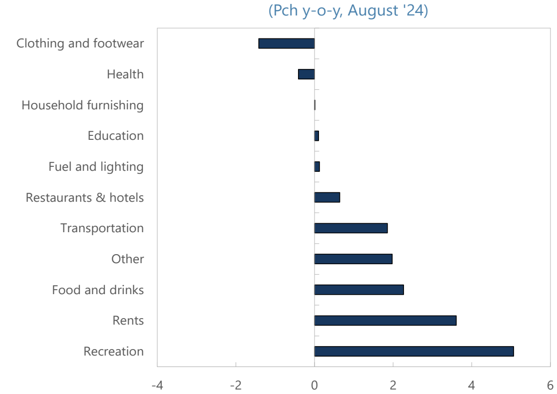

*Inflation remains low and stable...*

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



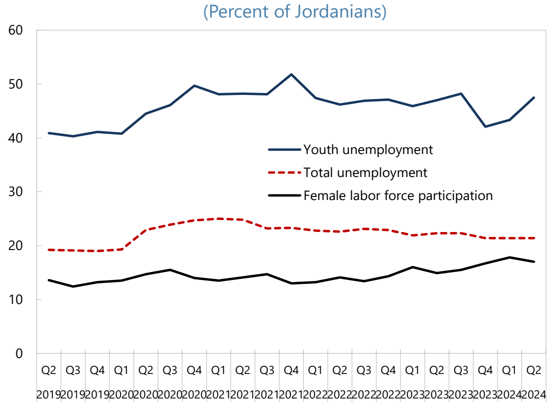

*...and is driven mainly by recreation and rent.*

**Inflation By Sector**
(Pch y-o-y, August '24)



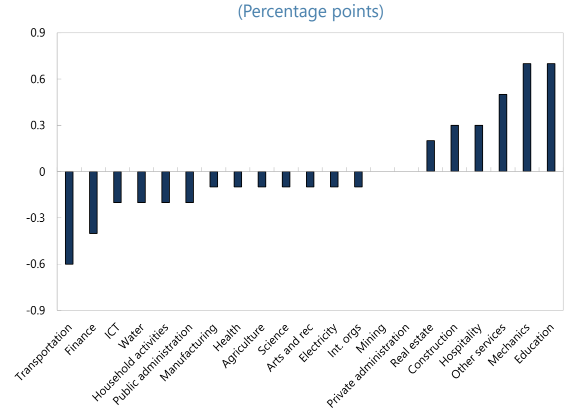

*Youth unemployment remains high and female labor force participation low.*

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




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

**Change in Employment of Jordanians by Sector**
**Q2 2023 - Q2 2024**
(Percentage points)

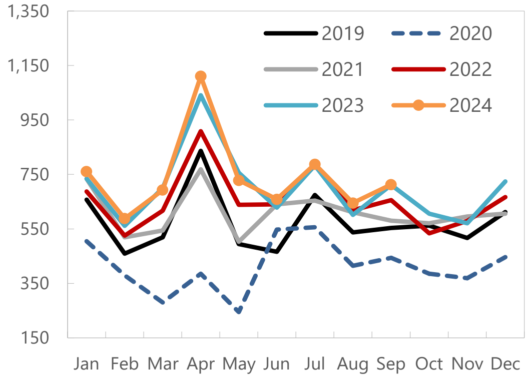



Sources: Jordanian authorities; Haver Analytics; and IMF staff calculations.

## Figure 2. Jordan: Fiscal Developments

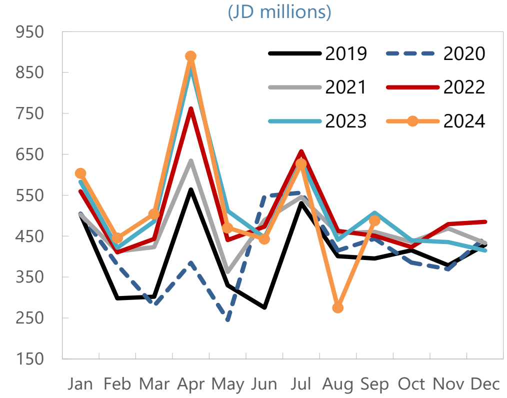
*Domestic revenues this year have stagnated at 2023 levels.*

**Domestic Revenues**
(JD millions)



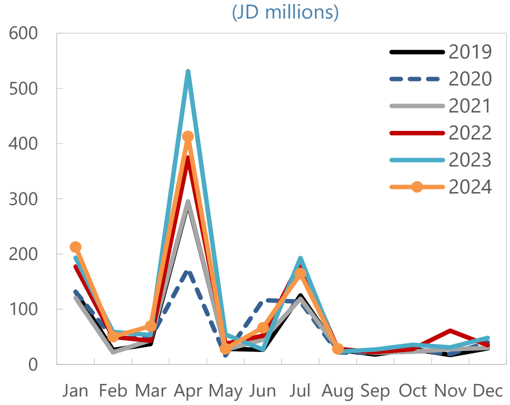

*Tax revenues saw a strong rebound in April 2024 but have slowed since.*

**Tax Revenues**
(JD millions)



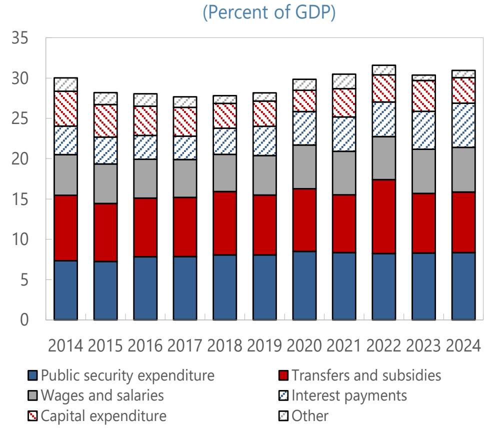

*Corporate income tax receipts slowed this year.*

**Corporate Income Tax**
(JD millions)



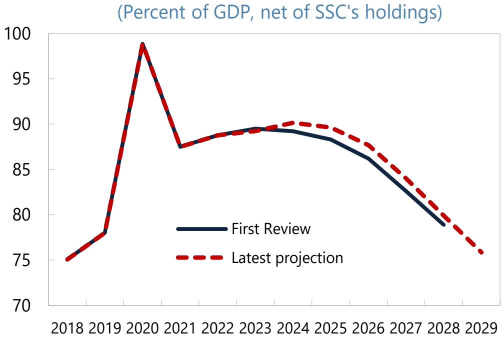

*Expenditures are estimated to remain flat in 2024.*

**Government Expenditure**
(Percent of GDP)



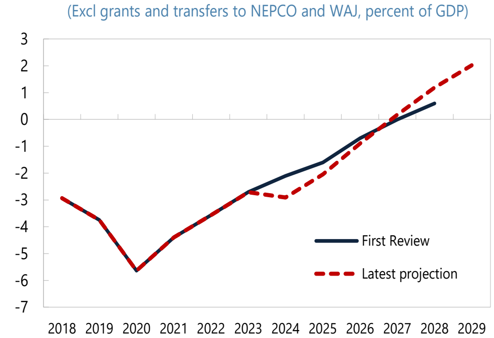

*Public debt is projected to gradually decline.*

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




*Despite new shocks, the fiscal path is projected to deliver the desired consolidation.*

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

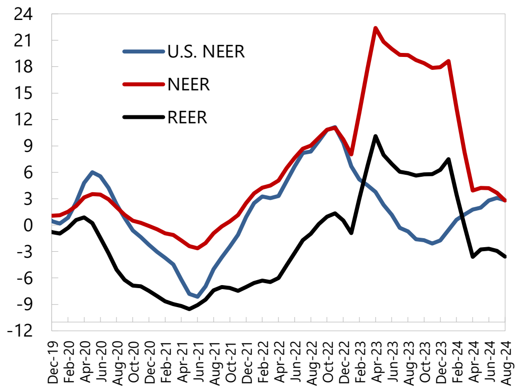



Sources: Jordanian authorities and IMF staff calculations.

## Figure 3. Jordan: External Sector Developments

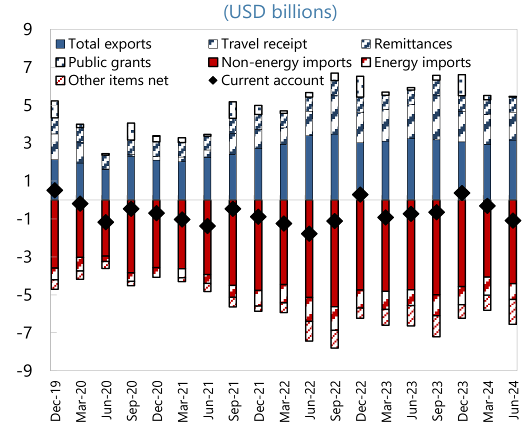
*The dollar peg and monetary tightening contributed to an appreciation of the real effective exchange rate.*

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



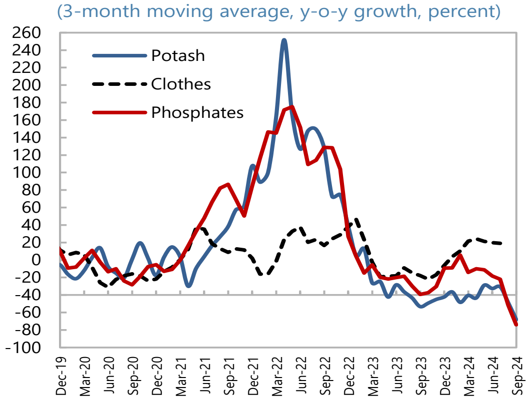

*Growth slowdown and trade disruptions have narrowed the current account deficit in early 2024.*

**Current Account, 2019-24**
(USD billions)



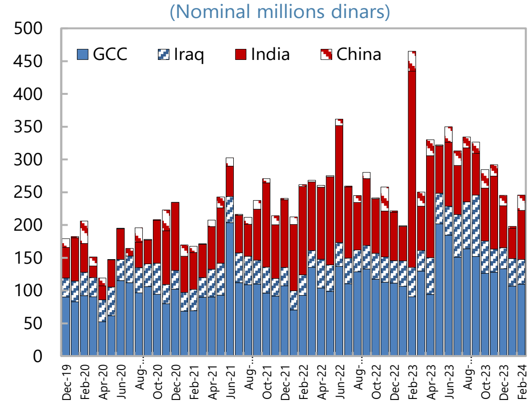

*After the surge in exports in 2022-23 driven by higher prices and volumes of fertilizers, export receipts have slowed as fertilizer prices have fallen sharply.*

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



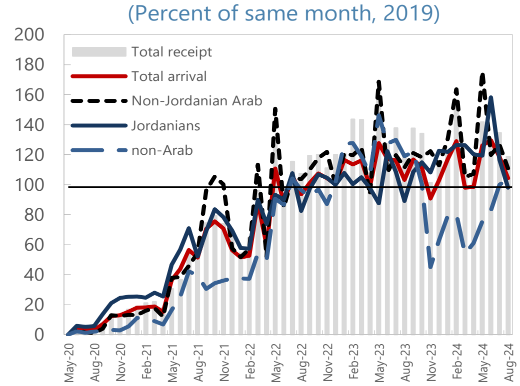

*Exports to GCC countries grew, marking deeper regional integration.*

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



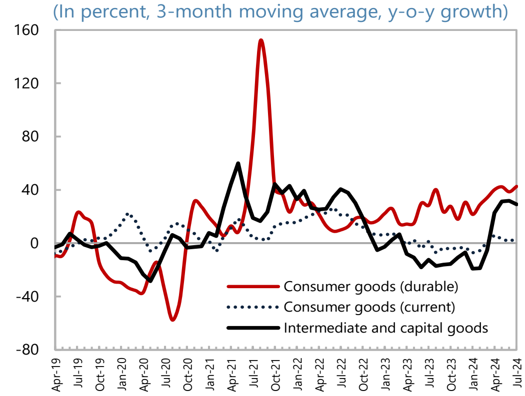

*Tourism receipts in 2023 surpassed pre-pandemic levels but are suffering in 2024 due to the conflict.*

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




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

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

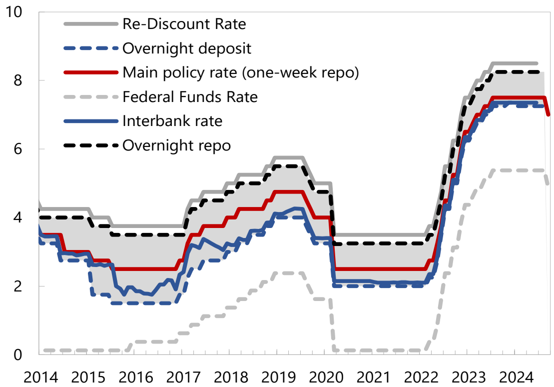



Sources: Jordanian authorities and IMF staff calculations.

## Figure 4. Jordan: Monetary and Financial Indicators

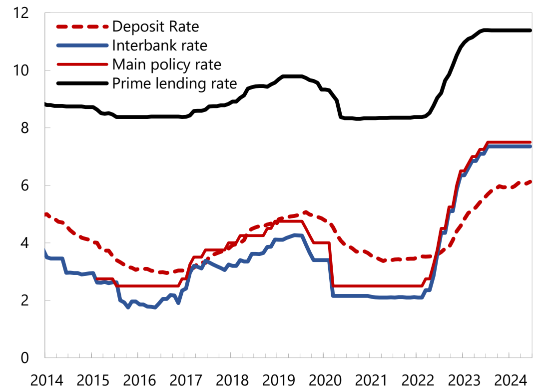
*Policy rates were adjusted in line with those of the U.S. Fed.*

**Interest Rates**
(In percent)



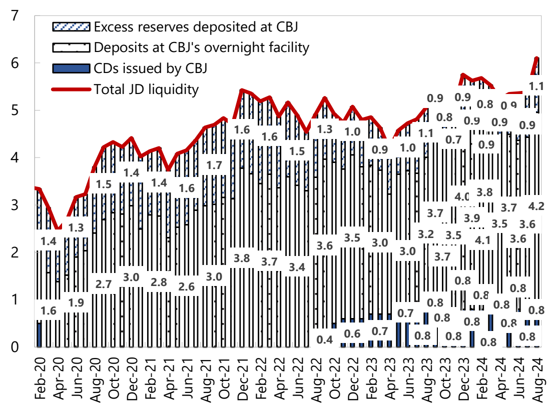

*Deposit and lending rates have also increased albeit more slowly and with margins narrowing.*

**Interest Rates**
(In percent)



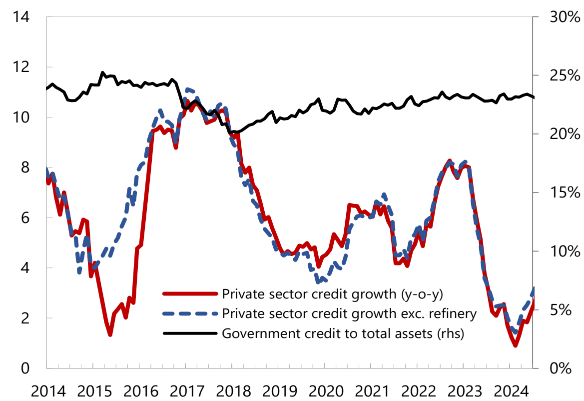

*Banks' liquidity conditions remain comfortable...*

**Banks' JD Liquidity**
(Billions)



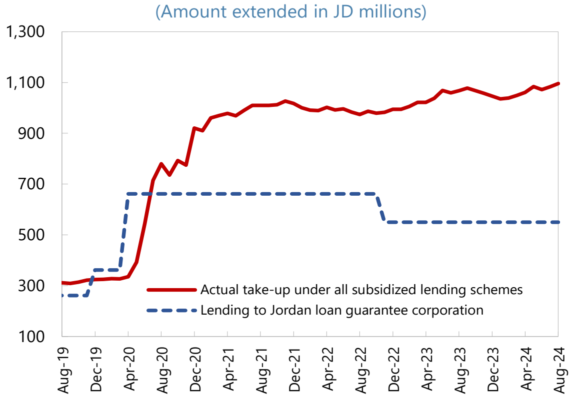

*...but private sector credit growth has slowed.*

**Domestic Credit of the Banking System**



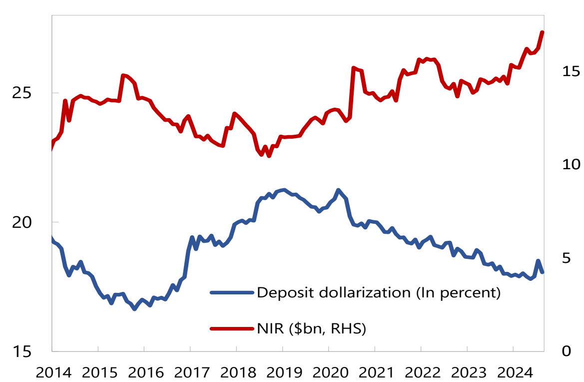

*CBJ's subsidized lending scheme remains stable.*

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




*Ample reserves continue to keep dollarization down.*

**Reserves and Dollarization**




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

## Table 1. Jordan: Selected Economic Indicators and Macroeconomic Outlook, 2022–29

| | 2022 | 2023 | 2024 | 2024 | 2025 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Act. | Prel. | First Review | Proj. | First Review | Proj. | Proj. | Proj. | Proj. | Proj. |
| | (Annual percentage change, unless otherwise noted) | | | | | | | | | |
| Output and prices | | | | | | | | | | |
| Real GDP at market prices | 2.6 | 2.7 | 2.4 | 2.3 | 2.9 | 2.5 | 3.0 | 3.0 | 3.0 | 3.0 |
| GDP deflator at market prices | 2.6 | 1.8 | 2.3 | 2.1 | 2.3 | 2.3 | 2.5 | 2.5 | 2.5 | 2.5 |
| Nominal GDP at market prices (JD billions) | 34.6 | 36.2 | 37.8 | 37.8 | 39.8 | 39.7 | 41.9 | 44.2 | 46.7 | 49.3 |
| Nominal GDP at market prices ($ billions) | 48.8 | 51.0 | 53.3 | 53.3 | 56.1 | 55.9 | 59.1 | 62.4 | 65.8 | 69.5 |
| Consumer price inflation (annual average) | 4.2 | 2.1 | 2.1 | 1.7 | 2.4 | 2.2 | 2.5 | 2.3 | 2.3 | 2.3 |
| Consumer price inflation (end of period) | 4.4 | 1.6 | 2.3 | 1.8 | 2.4 | 2.2 | 2.5 | 2.3 | 2.3 | 2.3 |
| Unemployment rate (period average, percent) 1/ | 22.9 | 22.0 | … | … | … | … | … | … | … | … |
| | (Percent of GDP, unless otherwise noted) | | | | | | | | | |
| Fiscal operations | | | | | | | | | | |
| Revenue and grants | 25.8 | 25.3 | 26.0 | 24.4 | 26.3 | 25.6 | 25.7 | 26.5 | 27.0 | 27.1 |
| *Of which:* grants | 2.3 | 2.0 | 1.9 | 1.9 | 1.5 | 1.9 | 1.5 | 1.8 | 1.8 | 1.8 |
| Expenditure 2/ | 31.6 | 30.4 | 31.5 | 31.0 | 31.8 | 31.3 | 30.6 | 29.4 | 28.6 | 27.6 |
| Overall central government balance 3/ | -5.8 | -5.1 | -5.6 | -6.5 | -5.5 | -5.7 | -4.9 | -2.8 | -1.5 | -0.5 |
| Central government balance excluding grants | -8.1 | -7.1 | -7.4 | -8.4 | -7.1 | -7.6 | -6.4 | -4.6 | -3.3 | -2.2 |
| Primary government balance (excluding grants) | -3.6 | -2.7 | -2.1 | -2.9 | -1.6 | -2.0 | -0.9 | 0.2 | 1.2 | 2.0 |
| NEPCO operating balance | -0.7 | -1.1 | -1.3 | -1.3 | -1.0 | -1.1 | -1.0 | -0.9 | -0.8 | -0.8 |
| Consolidated water sector balance | -0.6 | -0.6 | -0.6 | -0.6 | -0.5 | -0.5 | -0.4 | -0.3 | -0.2 | -0.5 |
| Combined public sector balance 4/ | -4.8 | -4.5 | -4.0 | -4.8 | -3.1 | -3.6 | -2.2 | -1.0 | 0.1 | 0.7 |
| Consolidated general government overall balance, excl. grants | -5.8 | -5.7 | -5.4 | -6.3 | -4.5 | -5.1 | -3.6 | -1.6 | -0.2 | 0.4 |
| Consolidated general government primary balance, excl. grants | -1.9 | -1.4 | -0.5 | -1.3 | 0.3 | -0.2 | 1.2 | 2.3 | 3.4 | 4.0 |
| Government and guaranteed gross debt 5/ | 111.3 | 113.8 | 113.7 | 115.0 | 114.3 | 116.1 | 115.6 | 113.0 | 109.6 | 105.7 |
| Government and guaranteed gross debt, net of SSC's holdings 5/ | 88.8 | 89.2 | 89.2 | 90.5 | 88.3 | 89.9 | 88.1 | 84.2 | 79.6 | 75.1 |
| *Of which:* external debt | 47.7 | 42.2 | 45.4 | 44.9 | 46.4 | 46.1 | 45.7 | 45.3 | 42.9 | 39.5 |
| External sector | | | | | | | | | | |
| Current account balance (including grants), *of which:* | -7.8 | -3.7 | -5.0 | -4.3 | -4.0 | -4.5 | -4.7 | -4.4 | -4.1 | -3.8 |
| Exports of goods, f.o.b. ($ billions) | 12.8 | 12.6 | 12.1 | 12.9 | 12.6 | 13.0 | 13.9 | 14.5 | 15.1 | 15.7 |
| Imports of goods, f.o.b. ($ billions) | 24.4 | 23.0 | 22.3 | 22.8 | 23.3 | 23.8 | 25.8 | 27.5 | 28.4 | 29.6 |
| Oil and oil products ($ billions) | 4.4 | 3.8 | 3.8 | 3.5 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | 3.8 |
| Current account balance (excluding grants) | -11.7 | -7.0 | -8.0 | -7.3 | -6.4 | -7.3 | -7.0 | -6.8 | -6.0 | -5.6 |
| Private capital inflows (net) | 2.4 | 1.4 | 1.5 | 1.6 | 2.0 | 2.1 | 3.0 | 3.3 | 3.6 | 3.6 |
| Public grants and identified budget loans (excl. IMF) | 6.5 | 5.8 | 7.6 | 7.1 | 5.2 | 6.3 | 4.4 | 3.6 | 2.3 | 1.8 |
| | (Annual percentage change) | | | | | | | | | |
| Monetary sector | | | | | | | | | | |
| Broad money | 5.5 | 2.3 | 4.8 | 4.4 | 5.3 | 4.9 | 5.6 | 5.6 | 5.6 | 5.6 |
| Net foreign assets | -7.5 | 11.8 | 11.0 | 12.3 | 10.7 | 8.7 | 7.1 | 9.6 | 4.7 | 2.4 |
| Net domestic assets | 8.5 | 0.4 | 3.4 | 2.7 | 4.0 | 4.0 | 5.2 | 4.5 | 5.8 | 6.4 |
| Credit to private sector | 8.0 | 1.7 | 4.1 | 3.4 | 6.0 | 4.8 | 6.0 | 6.5 | 6.5 | 6.5 |
| Credit to central government | 1.9 | 3.9 | -4.0 | 0.6 | 0.2 | 0.5 | 1.7 | -3.4 | -3.2 | -3.3 |
| **Memorandum items:** | | | | | | | | | | |
| Gross usable international reserves ($ millions) | 16,432 | 17,319 | 17,965 | 18,104 | 18,460 | 18,577 | 19,381 | 20,979 | 21,700 | 22,437 |
| In months of prospective imports | 6.8 | 7.2 | 7.3 | 7.2 | 7.1 | 6.8 | 6.7 | 7.0 | 7.0 | 7.0 |
| In percent of reserve adequacy metric | 103 | 104 | 102 | 103 | 99 | 101 | 100 | 104 | 105 | 105 |
| Net international reserves ($ millions) | 14,378 | 15,352 | 15,791 | 15,928 | 16,234 | 16,148 | 17,087 | 18,457 | 19,187 | 19,580 |
| Population (millions) 6/ | 11.3 | 11.3 | 11.4 | 11.4 | 11.4 | 11.4 | 11.6 | 11.7 | 11.8 | 11.9 |
| Nominal per capita GDP ($) | 4,327 | 4,502 | 4,682 | 4,682 | 4,904 | 4,889 | 5,090 | 5,328 | 5,573 | 5,824 |
| U.S. dollar per Jordanian dinar (period average) | 1.41 | 1.41 | 1.41 | 1.41 | 1.41 | 1.41 | 1.41 | 1.41 | 1.41 | 1.41 |
| Nominal exchange rate (peg to the US dollar) | 1.41 | 1.41 | 1.41 | 1.41 | 1.41 | 1.41 | 1.41 | 1.41 | 1.41 | 1.41 |
| Real effective exchange rate (end of period, 2010=100) 7/ | 105.5 | 113.0 | … | … | … | … | … | … | … | … |
| Percent change (+=appreciation; end of period) | -1.3 | 7.1 | … | … | … | … | … | … | … | … |

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

1/ The Department of Statistics changed the methodology of the Survey of Employment and Unemployment in 2017 following ILO recommendations. The variable now reports unemployment rates for Jordanians only (excluding foreigners).

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

3/ Includes statistical discrepancy.

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

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

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

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

## Table 2a. Jordan: Central Government: Summary of Fiscal Operations, 2022–29 1/
(In millions of Jordanian dinars)

| | 2022 | 2023 | 2024 | 2024 | 2025 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | First Review | Proj. | First Review | Proj. | Proj. | Proj. | Proj. | Proj. |
| Total revenue and grants | 8,914 | 9,144 | 9,813 | 9,238 | 10,457 | 10,155 | 10,748 | 11,737 | 12,622 | 13,368 |
| Domestic revenue | 8,122 | 8,432 | 9,106 | 8,531 | 9,841 | 9,395 | 10,123 | 10,952 | 11,793 | 12,494 |
| Tax revenue, *of which:* | 6,048 | 6,184 | 6,816 | 6,332 | 7,410 | 7,043 | 7,615 | 8,271 | 8,945 | 9,489 |
| Taxes on income and profits | 1,548 | 1,773 | 1,908 | 1,654 | 2,041 | 1,829 | 1,965 | 2,121 | 2,267 | 2,392 |
| Sales taxes | 4,168 | 4,068 | 4,503 | 4,320 | 4,862 | 4,838 | 5,251 | 5,681 | 6,132 | 6,517 |
| Taxes on foreign trade | 233 | 240 | 279 | 245 | 382 | 271 | 289 | 353 | 423 | 451 |
| Other taxes | 100 | 103 | 125 | 113 | 125 | 104 | 110 | 116 | 123 | 130 |
| Nontax revenue | 2,074 | 2,248 | 2,290 | 2,199 | 2,430 | 2,353 | 2,509 | 2,681 | 2,849 | 3,005 |
| Grants | 792 | 712 | 708 | 708 | 616 | 760 | 624 | 785 | 828 | 874 |
| | | | | | | | | | | |
| Total expenditures, inc. other use of cash | 10,914 | 11,004 | 11,912 | 11,699 | 12,651 | 12,397 | 12,817 | 12,984 | 13,335 | 13,603 |
| Current expenditure | 9,752 | 9,627 | 10,304 | 10,499 | 10,778 | 11,036 | 11,352 | 11,431 | 11,694 | 11,872 |
| Wages and salaries | 1,849 | 1,953 | 2,090 | 2,090 | 2,145 | 2,145 | 2,241 | 2,309 | 2,424 | 2,546 |
| Interest payments | 1,477 | 1,703 | 1,995 | 2,068 | 2,160 | 2,190 | 2,320 | 2,111 | 2,097 | 2,104 |
| Domestic | 979 | 1,068 | 1,195 | 1,168 | 1,214 | 1,214 | 1,283 | 1,471 | 1,559 | 1,652 |
| External | 498 | 635 | 800 | 900 | 946 | 976 | 1,037 | 641 | 538 | 452 |
| Public security expenditure | 2,846 | 2,999 | 3,132 | 3,153 | 3,281 | 3,262 | 3,384 | 3,515 | 3,546 | 3,759 |
| Subsidies | 808 | 157 | 287 | 287 | 259 | 258 | 228 | 240 | 251 | 62 |
| Transfers, *of which*: | 2,355 | 2,386 | 2,559 | 2,559 | 2,677 | 2,879 | 2,811 | 2,868 | 2,967 | 2,969 |
| Pensions | 1,638 | 1,660 | 1,711 | 1,711 | 1,801 | 1,796 | 1,896 | 2,008 | 2,118 | 2,235 |
| Cash transfers, NAF social assistance | 241 | 242 | 280 | 280 | 293 | 293 | 320 | 328 | 336 | 378 |
| Transfers to health fund, *of which:* | 130 | 120 | 156 | 156 | 177 | 177 | 176 | 175 | 175 | 204 |
| Health arrears clearance | 52 | 50 | 66 | 66 | 100 | 100 | 100 | 100 | 100 | 100 |
| Energy arrears clearance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers to public sector institutions | 197 | 364 | 235 | 235 | 247 | 246 | 260 | 275 | 291 | 307 |
| Purchases of goods & services | 417 | 428 | 240 | 341 | 257 | 302 | 367 | 389 | 410 | 432 |
| Capital expenditure | 1,162 | 1,378 | 1,608 | 1,200 | 1,873 | 1,361 | 1,466 | 1,553 | 1,641 | 1,731 |
| Net lending | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer to NEPCO | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | |
| Adjustment on receivables and payables (use of cash) | -83 | 111 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | |
| Total balance from above the line | -2,000 | -1,860 | -2,099 | -2,461 | -2,194 | -2,242 | -2,070 | -1,246 | -713 | -234 |
| Overall central government balance at current policies | -2,000 | -1,860 | -2,099 | -2,461 | -2,194 | -2,242 | -2,070 | -1,246 | -713 | -234 |
| | | | | | | | | | | |
| Overall central government balance | -2,000 | -1,860 | -2,099 | -2,461 | -2,194 | -2,242 | -2,070 | -1,246 | -713 | -234 |
| | | | | | | | | | | |
| Financing | 2,204 | 1,872 | 2,099 | 2,461 | 2,194 | 2,242 | 2,070 | 1,246 | 713 | 234 |
| Foreign financing (net) 2/ | 1,588 | 1,225 | 1,540 | 1,335 | 1,071 | 1,086 | 668 | 430 | 25 | -513 |
| Domestic financing (net) | 616 | 647 | 559 | 1,126 | 1,124 | 1,156 | 1,402 | 817 | 688 | 748 |
| Net IMF financing | | -20 | 174 | 176 | 72 | 73 | 82 | 44 | -165 | -165 |
| Other domestic bank financing | 158 | -644 | -655 | -90 | -38 | -6 | 181 | -417 | -387 | -387 |
| Domestic nonbank financing | 903 | 900 | 1,050 | 1,050 | 1,100 | 1,100 | 1,150 | 1,200 | 1,250 | 1,250 |
| Use of deposits | -445 | 411 | -10 | -10 | -10 | -10 | -10 | -10 | -10 | -10 |
| Sale of non-financial assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Memorandum items:*** | | | | | | | | | | |
| NEPCO operating balance | -233 | -409 | -497 | -497 | -412 | -439 | -407 | -385 | -386 | -388 |
| Water sector consolidated balance | -203 | -235 | -211 | -211 | -187 | -187 | -160 | -141 | -116 | -251 |
| Primary government balance, excluding grants and transfers to NEPCO and WAJ | -1,233 | -980 | -812 | -1,100 | -651 | -812 | -374 | 80 | 555 | 996 |
| Combined public balance 3/ | -1,669 | -1,625 | -1,520 | -1,808 | -1,250 | -1,438 | -941 | -446 | 53 | 358 |
| Overall public balance, including grants | -2,453 | -2,481 | -2,818 | -3,179 | -2,793 | -2,868 | -2,627 | -1,755 | -1,190 | -614 |
| Consolidated general government overall balance, excl. grants | -2,014 | -2,073 | -2,025 | -2,386 | -1,785 | -2,004 | -1,510 | -728 | -93 | 194 |
| Consolidated general government primary balance, excl. grants | -642 | -519 | -203 | -491 | 127 | -61 | 508 | 1,031 | 1,592 | 1,975 |
| Government and guaranteed gross debt | 38,432 | 41,181 | 42,978 | 43,460 | 45,490 | 46,046 | 48,401 | 49,955 | 51,144 | 52,078 |
| Government and guaranteed gross debt, net of SSC's holdings | 30,668 | 32,289 | 33,706 | 34,188 | 35,117 | 35,674 | 36,879 | 37,233 | 37,172 | 37,006 |
| *Of which:* External | 16,489 | 15,278 | 17,174 | 16,973 | 18,476 | 18,295 | 19,156 | 20,031 | 20,014 | 19,462 |
| GDP at market prices | 34,544 | 36,187 | 37,793 | 37,797 | 39,784 | 39,665 | 41,877 | 44,211 | 46,676 | 49,278 |

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

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

2/ Includes net issuance of domestic FX bonds.

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

## Table 2b. Jordan: Central Government: Summary of Fiscal Operations, 2022–29 1/
(In percent of GDP)

| | 2022 | 2023 | 2024 First Review | 2024 Proj. | 2025 First Review | 2025 Proj. | 2026 Proj. | 2027 Proj. | 2028 Proj. | 2029 Proj. |
|---|---|---|---|---|---|---|---|---|---|---|
| Total revenue and grants | 25.8 | 25.3 | 26.0 | 24.4 | 26.3 | 25.6 | 25.7 | 26.5 | 27.0 | 27.1 |
| Domestic revenue | 23.5 | 23.3 | 24.1 | 22.6 | 24.7 | 23.7 | 24.2 | 24.8 | 25.3 | 25.4 |
| Tax revenue, *of which*: | 17.5 | 17.1 | 18.0 | 16.8 | 18.6 | 17.8 | 18.2 | 18.7 | 19.2 | 19.3 |
| Taxes on income and profits | 4.5 | 4.9 | 5.0 | 4.4 | 5.1 | 4.6 | 4.7 | 4.8 | 4.9 | 4.9 |
| Sales taxes | 12.1 | 11.2 | 11.9 | 11.4 | 12.2 | 12.2 | 12.5 | 12.8 | 13.1 | 13.2 |
| Taxes on foreign trade | 0.7 | 0.7 | 0.7 | 0.6 | 1.0 | 0.7 | 0.7 | 0.8 | 0.9 | 0.9 |
| Other taxes | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Nontax revenue | 6.0 | 6.2 | 6.1 | 5.8 | 6.1 | 5.9 | 6.0 | 6.1 | 6.1 | 6.1 |
| Grants | 2.3 | 2.0 | 1.9 | 1.9 | 1.5 | 1.9 | 1.5 | 1.8 | 1.8 | 1.8 |
| Total expenditures, inc. other use of cash | 31.6 | 30.4 | 31.5 | 31.0 | 31.8 | 31.3 | 30.6 | 29.4 | 28.6 | 27.6 |
| Current expenditure | 28.2 | 26.6 | 27.3 | 27.8 | 27.1 | 27.8 | 27.1 | 25.9 | 25.1 | 24.1 |
| Wages and salaries | 5.4 | 5.4 | 5.5 | 5.5 | 5.4 | 5.4 | 5.4 | 5.2 | 5.2 | 5.2 |
| Interest payments | 4.3 | 4.7 | 5.3 | 5.5 | 5.4 | 5.5 | 5.5 | 4.8 | 4.5 | 4.3 |
| Domestic | 2.8 | 3.0 | 3.2 | 3.1 | 3.1 | 3.1 | 3.1 | 3.3 | 3.3 | 3.4 |
| External | 1.4 | 1.8 | 2.1 | 2.4 | 2.4 | 2.5 | 2.5 | 1.4 | 1.2 | 0.9 |
| Public security expenditure | 8.2 | 8.3 | 8.3 | 8.3 | 8.2 | 8.2 | 8.1 | 7.9 | 7.6 | 7.6 |
| Subsidies | 2.3 | 0.4 | 0.8 | 0.8 | 0.7 | 0.7 | 0.5 | 0.5 | 0.5 | 0.1 |
| Transfers, *of which*: | 6.8 | 6.6 | 6.8 | 6.8 | 6.7 | 7.3 | 6.7 | 6.5 | 6.4 | 6.0 |
| Pensions | 4.7 | 4.6 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 |
| Cash transfers, NAF social assistance | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.8 | 0.7 | 0.7 | 0.8 |
| Transfers to health fund, *of which:* | 0.4 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Health arrears clearance | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Energy arrears clearance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transfers to public sector institutions | 0.6 | 1.0 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Purchases of goods & services | 1.2 | 1.2 | 0.6 | 0.9 | 0.6 | 0.8 | 0.9 | 0.9 | 0.9 | 0.9 |
| Capital expenditure | 3.4 | 3.8 | 4.3 | 3.2 | 4.7 | 3.4 | 3.5 | 3.5 | 3.5 | 3.5 |
| Adjustment on receivables and payables (use of cash) | -0.2 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall central government balance after fiscal measures | -5.8 | -5.1 | -5.6 | -6.5 | -5.5 | -5.7 | -4.9 | -2.8 | -1.5 | -0.5 |
| Distribution companies | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | -0.1 | -0.1 | -0.2 | -0.2 | -0.4 |
| Financing | 6.4 | 5.2 | 5.6 | 6.5 | 5.5 | 5.7 | 4.9 | 2.8 | 1.5 | 0.5 |
| Foreign financing (net) 2/ | 4.6 | 3.4 | 4.1 | 3.5 | 2.7 | 2.7 | 1.6 | 1.0 | 0.1 | -1.0 |
| Domestic financing (net) | 1.8 | 1.8 | 1.5 | 3.0 | 2.8 | 2.9 | 3.3 | 1.8 | 1.5 | 1.5 |
| Net IMF financing | 0.0 | -0.1 | 0.5 | 0.5 | 0.2 | 0.2 | 0.2 | 0.1 | -0.4 | -0.3 |
| Other domestic bank financing | 0.5 | -1.8 | -1.7 | -0.2 | -0.1 | 0.0 | 0.4 | -0.9 | -0.8 | -0.8 |
| Domestic nonbank financing | 2.6 | 2.5 | 2.8 | 2.8 | 2.8 | 2.8 | 2.7 | 2.7 | 2.7 | 2.5 |
| Use of deposits | -1.3 | 1.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Sale of non-financial assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ***Memorandum items:*** | | | | | | | | | | |
| NEPCO operating balance | -0.7 | -1.1 | -1.3 | -1.3 | -1.0 | -1.1 | -1.0 | -0.9 | -0.8 | -0.8 |
| Water sector consolidated overall balance | -0.6 | -0.6 | -0.6 | -0.6 | -0.5 | -0.5 | -0.4 | -0.3 | -0.2 | -0.5 |
| Primary government balance, excluding grants and transfers to NEPCO and WAJ (PC) | -3.6 | -2.7 | -2.1 | -2.9 | -1.6 | -2.0 | -0.9 | 0.2 | 1.2 | 2.0 |
| Combined public balance (PC) 3/ | -4.8 | -4.5 | -4.0 | -4.8 | -3.1 | -3.6 | -2.2 | -1.0 | 0.1 | 0.7 |
| Overall public balance, including grants | -7.1 | -6.9 | -7.5 | -8.4 | -7.0 | -7.2 | -6.3 | -4.0 | -2.5 | -1.2 |
| Consolidated general government overall balance, excl. grants | -5.8 | -5.7 | -5.4 | -6.3 | -4.5 | -5.1 | -3.6 | -1.6 | -0.2 | 0.4 |
| Consolidated general government primary balance, excl. grants | -1.9 | -1.4 | -0.5 | -1.3 | 0.3 | -0.2 | 1.2 | 2.3 | 3.4 | 4.0 |
| Government and guaranteed gross debt | 111.3 | 113.8 | 113.7 | 115.0 | 114.3 | 116.1 | 115.6 | 113.0 | 109.6 | 105.7 |
| Government and guaranteed gross debt, net of SSC's holdings | 88.8 | 89.2 | 89.2 | 90.5 | 88.3 | 89.9 | 88.1 | 84.2 | 79.6 | 75.1 |
| *Of which:* External | 47.7 | 42.2 | 45.4 | 44.9 | 46.4 | 46.1 | 45.7 | 45.3 | 42.9 | 39.5 |
| GDP at market prices (JD millions) | 34,544 | 36,187 | 37,793 | 37,797 | 39,784 | 39,665 | 41,877 | 44,211 | 46,676 | 49,278 |

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

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

2/ Includes net issuance of domestic FX bonds.

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

## Table 2c. Jordan: General Government: Summary of Fiscal Operations, 2022–29 1/

(In millions of Jordanian dinars, unless otherwise noted)

| | 2022 | 2023 | 2024 | | 2025 | | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | First Review | Proj. | First Review | Proj. | Proj. | Proj. | Proj. | Proj. |
| A. Total general government revenues: | 13,096 | 13,574 | 14,684 | 14,109 | 15,676 | 15,374 | 16,328 | 17,675 | 18,905 | 20,095 |
| *(in percent of GDP)* | 37.9 | 37.5 | 38.9 | 37.3 | 39.4 | 38.8 | 39.0 | 40.0 | 40.5 | 40.8 |
| Central government revenues, excl. grants | 8,122 | 8,409 | 9,106 | 8,531 | 9,841 | 9,395 | 10,123 | 10,952 | 11,793 | 12,494 |
| Central government grants | 792 | 712 | 708 | 708 | 616 | 760 | 624 | 785 | 828 | 874 |
| NEPCO | 1,361 | 1,414 | 1,455 | 1,455 | 1,515 | 1,516 | 1,577 | 1,622 | 1,652 | 1,680 |
| WAJ | 50.6 | 54.2 | 46.4 | 46.4 | 48.3 | 48.3 | 50.0 | 51.9 | 53.8 | 55.0 |
| Water distribution companies | 249 | 248 | 279 | 279 | 351 | 351 | 394 | 428 | 465 | 583 |
| SSC (excluding interest revenues on gov debt holding) | 2,521 | 2,737 | 3,089 | 3,089 | 3,304 | 3,303 | 3,559 | 3,836 | 4,112 | 4,408 |
| B. Total general government expenditure, inc. use of cash: | 14,386 | 14,830 | 16,048 | 15,834 | 16,928 | 16,700 | 17,255 | 17,642 | 18,191 | 18,892 |
| *(in percent of GDP)* | 41.6 | 41.0 | 42.5 | 41.9 | 42.5 | 42.1 | 41.2 | 39.9 | 39.0 | 38.3 |
| Central government (excl. interest paid to SSC) | 10,607 | 10,638 | 11,468 | 11,255 | 12,151 | 11,897 | 12,257 | 12,362 | 12,648 | 12,848 |
| NEPCO | 1,594 | 1,823 | 1,952 | 1,952 | 1,957 | 1,984 | 2,014 | 2,037 | 2,068 | 2,097 |
| Water distribution companies | 304 | 254 | 320 | 320 | 328 | 328 | 340 | 351 | 361 | 374 |
| SSC | 1,639 | 1,834 | 2,014 | 2,014 | 2,202 | 2,202 | 2,414 | 2,688 | 2,927 | 3,173 |
| Wages and salaries | 20.1 | 20.6 | 21.5 | 21.5 | 22.6 | 22.6 | 23.6 | 24.8 | 25.9 | 27.2 |
| Social security payments | 1,612 | 1,773 | 1,951 | 1,951 | 2,136 | 2,136 | 2,344 | 2,615 | 2,851 | 3,093 |
| Goods and services | 6.7 | 39.7 | 41.5 | 41.5 | 43.6 | 43.5 | 45.6 | 47.8 | 50.0 | 52.4 |
| C. Interest expenditure: | 1,335 | 1,523 | 1,792 | 1,865 | 1,935 | 1,965 | 2,063 | 1,818 | 1,764 | 1,731 |
| Central government (excluding interest paid to SSC) | 1,190 | 1,337 | 1,551 | 1,624 | 1,659 | 1,689 | 1,760 | 1,489 | 1,410 | 1,350 |
| NEPCO | 116 | 164 | 212 | 212 | 240 | 240 | 267 | 292 | 316 | 343 |
| WAJ Interest Payments | 29.1 | 22.8 | 28.5 | 28.5 | 36.2 | 36.2 | 36.6 | 37.0 | 37.5 | 37.9 |
| *1. Central government primary balance (ex grants)* | -1,233 | -965 | -812 | -1,100 | -651 | -812 | -374 | 80 | 555 | 996 |
| *(in percent of GDP)* | -3.6 | -2.7 | -2.1 | -2.9 | -1.5 | -2.0 | -0.9 | 0.2 | 1.2 | 2.0 |
| *2. Central government primary balance (inc grants)* | -440.3 | -253.3 | -104.3 | -392.5 | -34.5 | -52.5 | 250.2 | 864.8 | 1,383.7 | 1,870.0 |
| *(in percent of GDP)* | -1.3 | -0.7 | -0.3 | -1.0 | -0.1 | -0.1 | 0.6 | 2.0 | 3.0 | 3.8 |
| *3. Balance of utilities (NEPCO, WAJ, water distribution companies)* | -436 | -644 | -708 | -708 | -599 | -626 | -567 | -526 | -502 | -638 |
| *(in percent of GDP)* | -1.3 | -1.8 | -1.9 | -1.9 | -1.5 | -1.6 | -1.4 | -1.2 | -1.1 | -1.3 |
| *4. Combined public balance (1+3)* | -1,669 | -1,609 | -1,520 | -1,808 | -1,250 | -1,438 | -941 | -446 | 53 | 358 |
| *(in percent of GDP)* | -4.8 | -4.4 | -4.0 | -4.8 | -3.1 | -3.6 | -2.2 | -1.0 | 0.1 | 0.7 |
| *5. SSC balance* | 882 | 903 | 1,076 | 1,076 | 1,101 | 1,101 | 1,146 | 1,148 | 1,186 | 1,236 |
| *(in percent of GDP)* | 2.6 | 2.5 | 2.8 | 2.8 | 2.8 | 2.8 | 2.7 | 2.6 | 2.5 | 2.5 |
| *6. General government primary balance (ex grants) (4+5) 1/* | -642 | -519 | -203 | -491 | 127 | -61 | 508 | 1,031 | 1,592 | 1,975 |
| *(in percent of GDP)* | -1.9 | -1.4 | -0.5 | -1.3 | 0.3 | -0.2 | 1.2 | 2.3 | 3.4 | 4.0 |
| *7. General government primary balance (inc grants)* | 150.5 | 192.3 | 504.5 | 216.3 | 743.3 | 698.5 | 1,132.6 | 1,816.2 | 2,420.6 | 2,848.8 |
| *(in percent of GDP)* | 0.4 | 0.5 | 1.3 | 0.6 | 1.9 | 1.8 | 2.7 | 4.1 | 5.2 | 5.8 |
| *8. General government overall balance* | -1,184 | -1,331 | -1,287 | -1,649 | -1,192 | -1,266 | -931 | -2 | 657 | 1,118 |
| *(in percent of GDP)* | -3.4 | -3.7 | -3.4 | -4.4 | -3.0 | -3.2 | -2.2 | 0.0 | 1.4 | 2.3 |
| *9. General government balance excluding grants* | -2,014 | -2,073 | -2,025 | -2,386 | -1,785 | -2,004 | -1,510 | -728 | -93 | 194 |
| *(in percent of GDP)* | -5.8 | -5.7 | -5.4 | -6.3 | -4.5 | -5.1 | -3.6 | -1.6 | -0.2 | 0.4 |
| Consolidated debt of general government = $Debt_{t-1}$ + Net borrowing need | 30,668 | 32,289 | 33,706 | 34,188 | 35,117 | 35,674 | 36,879 | 37,233 | 37,172 | 37,006 |
| *(in percent of GDP)* | 88.8 | 89.2 | 89.2 | 90.5 | 88.3 | 89.9 | 88.1 | 84.2 | 79.6 | 75.1 |
| Unconsolidated debt of general government | 38,490 | 41,181 | 42,978 | 43,460 | 45,490 | 46,046 | 48,401 | 49,955 | 51,144 | 52,078 |
| *(in percent of GDP)* | 111.4 | 113.8 | 113.7 | 115.0 | 114.3 | 116.1 | 115.6 | 113.0 | 109.6 | 105.7 |
| **Memorandum items:** | | | | | | | | | | |
| SSIF interest income government debt | 287 | 366 | 444 | 444 | 501 | 501 | 560 | 622 | 687 | 754 |
| SSIF government debt holding (% of total Assets) | 54 | 56 | 57 | 57 | 58 | 58 | 59 | 60 | 60 | 60 |
| NEPCO additional unallocated measures | 0 | 0 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| Nominal GDP at market prices | 34,544 | 36,187 | 37,793 | 37,797 | 39,784 | 39,665 | 41,877 | 44,211 | 46,676 | 49,278 |

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

1/Excluding NEPCO and the water sector interest expenditures.

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

| | 2022 | | 2023 | 2024 | 2024 | 2025 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Act. | First Review | | First Review | Proj. | First Review | Proj. | Proj. | Proj. | Proj. | Proj. |
| NEPCO Balance | | | | | | | | | | | |
| Revenues *of which* | 1,361 | 1,414 | 1,414 | 1,455 | 1,455 | 1,515 | 1,516 | 1,577 | 1,622 | 1,652 | 1,680 |
| Electricity sales | 1,334 | 1,385 | 1,385 | 1,408 | 1,408 | 1,468 | 1,469 | 1,525 | 1,566 | 1,593 | 1,620 |
| Expenses | 1,594 | 1,823 | 1,823 | 1,952 | 1,952 | 1,957 | 1,984 | 2,014 | 2,037 | 2,068 | 2,097 |
| Purchase of electricity | 1,458 | 1,610 | 1,610 | 1,655 | 1,655 | 1,645 | 1,672 | 1,675 | 1,673 | 1,680 | 1,682 |
| Depreciation | 32 | 32 | 32 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 |
| Interest payments 1/ | 116 | 164 | 164 | 212 | 212 | 240 | 240 | 267 | 292 | 316 | 343 |
| Other expenses | -12 | 17 | 17 | 51 | 51 | 39 | 39 | 39 | 39 | 39 | 39 |
| Additional measures | | | | 0 | 0 | 30 | 30 | 30 | 30 | 30 | 30 |
| Operating balance (QPC) | -233 | -409 | -409 | -497 | -497 | -412 | -439 | -407 | -385 | -386 | -388 |
| | | | | | | | | | | | |
| Total net domestic financing | 233 | 409 | 409 | 497 | 497 | 412 | 439 | 407 | 385 | 386 | 388 |
| Banks | 487 | 425 | 425 | 530 | 530 | 507 | 474 | 467 | 385 | 386 | 388 |
| Loans and bonds | 395 | 655 | 655 | 530 | 530 | 507 | 474 | 467 | 385 | 386 | 388 |
| Overdrafts | 92 | -118 | -118 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other items 2/ | -131 | 377 | 377 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase in payables | -123 | -393 | -393 | -33 | -33 | -95 | -35 | -60 | 0 | 0 | 0 |
| Direct transfer from central government | -250 | -221 | -221 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| To cover losses and repay arrears | -250 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| To repay loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Payables to the private sector | 127 | -173 | -173 | -33 | -33 | -95 | -35 | -60 | 0 | 0 | 0 |
| *Of which:* Increase in arrears | 44 | -16 | -16 | -33 | -33 | -95 | -35 | -60 | 0 | 0 | 0 |
| | | | | | | | | | | | |
| ***Memorandum items:*** | | | | | | | | | | | |
| Operating balance (percent of GDP) | -0.7 | -1.1 | -1.1 | -1.3 | -1.3 | -1.0 | -1.1 | -1.0 | -0.9 | -0.8 | -0.8 |
| Brent oil prices (USD per barrel) | 96 | 81 | 81 | 79 | 78.6 | 74 | 74 | 71 | 69 | 68 | 68 |
| Outstanding loans and bonds (stocks, end-of-period) | 3,124 | 3,779 | 3,779 | 4,341 | 4,341 | 4,943 | 4,850 | 5,377 | 5,762 | 6,149 | 6,536 |
| Overdrafts | 351 | 232 | 232 | 232 | 232 | 232 | 232 | 232 | 232 | 232 | 232 |
| Total payables | 2,834 | 2,441 | 2,441 | 2,408 | 2,408 | 2,313 | 2,373 | 2,313 | 2,313 | 2,313 | 2,313 |
| to government 3/ | 2,009 | 1,789 | 1,789 | 1,789 | 1,789 | 1,789 | 1,789 | 1,789 | 1,789 | 1,789 | 1,789 |
| to private sector | 824 | 652 | 652 | 619 | 619 | 524 | 584 | 524 | 524 | 524 | 524 |
| *Of which:* arrears (IT) | 144 | 128 | 128 | 95 | 95 | 0 | 60 | 0 | 0 | 0 | 0 |

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

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

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

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

## Table 2e. Jordan: Consolidated Water Sector Balance and Financing, 2022–29
(In millions of Jordanian dinars)

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

Sources: Jordanian authorities; and IMF staff estimates.

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

2/ Including other expenses such as pensions.

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

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

5/ Information from the Ministry of Finance.

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

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

8/ Arrears owed by Aqaba, Miyahuna and Yarmouk Distribution Companies. Excludes advances from Central Government for which Aqaba, Miyahuna and Yarmouk Distribution Companies do not pay interest.

## Table 3a. Jordan: Summary Balance of Payments, 2022–29
(In millions of U.S. dollars, unless otherwise indicated)

| | 2022 | 2023 | 2024 | | 2025 | | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | First Review | Proj. | First Review | Proj. | Proj. | Proj. | Proj. | Proj. |
| Current account (CA) | -3,820 | -1,913 | -2,657 | -2,268 | -2,217 | -2,514 | -2,759 | -2,713 | -2,704 | -2,621 |
| Trade balance | -11,578 | -10,380 | -10,208 | -9,905 | -10,674 | -10,781 | -11,934 | -12,976 | -13,232 | -13,840 |
| Exports f.o.b. | 12,798 | 12,570 | 12,103 | 12,907 | 12,578 | 12,982 | 13,852 | 14,495 | 15,138 | 15,727 |
| Imports f.o.b. | 24,376 | 22,950 | 22,311 | 22,812 | 23,252 | 23,762 | 25,787 | 27,470 | 28,370 | 29,567 |
| Energy | 4,422 | 3,843 | 3,809 | 3,451 | 3,664 | 3,684 | 3,651 | 3,652 | 3,703 | 3,790 |
| Non-energy | 19,954 | 19,107 | 18,502 | 19,361 | 19,587 | 20,078 | 22,135 | 23,818 | 24,667 | 25,777 |
| Services and income (net), *of which:* | 1,783 | 3,170 | 1,989 | 2,076 | 3,024 | 2,648 | 3,556 | 4,365 | 4,730 | 5,379 |
| Travel receipts | 5,816 | 7,410 | 7,207 | 7,041 | 8,031 | 7,390 | 8,243 | 8,748 | 9,335 | 9,885 |
| Current transfers (net), *of which:* | 5,974 | 5,297 | 5,562 | 5,562 | 5,433 | 5,618 | 5,619 | 5,897 | 5,798 | 5,840 |
| Public grants | 1,861 | 1,641 | 1,595 | 1,616 | 1,389 | 1,592 | 1,401 | 1,515 | 1,242 | 1,242 |
| Remittances | 3,107 | 3,151 | 3,212 | 3,252 | 3,284 | 3,324 | 3,503 | 3,658 | 3,822 | 3,856 |
| Capital and financial account 1/ | -8 | 1,635 | 1,008 | 1,047 | 1,098 | 1,153 | 1,938 | 2,690 | 3,159 | 3,012 |
| Public sector, *of which:* 2/ | -1,277 | 715 | -334 | -327 | -666 | -659 | -652 | -226 | -80 | -464 |
| Public commercial external borrowing | -618 | 1,250 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Eurobond or loans | 382 | 1,250 | 0 | 0 | 1,000 | 1,000 | 1,000 | 1,000 | 1,250 | 0 |
| Amortization | -1,000 | 0 | 0 | 0 | -1,000 | -1,000 | -1,000 | -1,000 | -1,250 | 0 |
| Public sector loans | -372 | -387 | 40 | 47 | -127 | -119 | -612 | -186 | -40 | -524 |
| Disbursement (xcl. program financing) | 439 | 646 | 517 | 522 | 487 | 492 | 419 | 812 | 412 | 412 |
| Amortization | -811 | -1,033 | -477 | -476 | -613 | -611 | -1,030 | -998 | -452 | -936 |
| GCC deposits at CBJ | -333 | 0 | -333 | -333 | -500 | -500 | 0 | 0 | 0 | 0 |
| SDR allocation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign direct investment | 1,269 | 780 | 770 | 821 | 1,014 | 1,115 | 1,672 | 1,838 | 2,052 | 2,281 |
| Portfolio flows (private) | -96 | -42 | 33 | 32 | 104 | 63 | 128 | 237 | 315 | 385 |
| Other capital flows | 95 | 182 | 539 | 521 | 647 | 634 | 790 | 842 | 873 | 810 |
| Errors and omissions | 878 | -480 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overall balance | -2,950 | -758 | -1,649 | -1,220 | -1,119 | -1,361 | -821 | -23 | 455 | 391 |
| Financing | 2,950 | 758 | 1,649 | 1,220 | 1,119 | 1,361 | 821 | 23 | -455 | -391 |
| Reserves (+ = decrease) | 744 | -434 | -636 | -775 | -495 | -273 | -1,004 | -1,398 | -471 | -137 |
| Commercial banks' NFA (+ = decrease) | 348 | -70 | -350 | -350 | -350 | -350 | 0 | 0 | 0 | 0 |
| Program financing (+ = increase) | 1,859 | 1,262 | 2,635 | 2,345 | 1,964 | 1,984 | 1,826 | 1,422 | 16 | -254 |
| Official budget support | 1,335 | 1,327 | 2,438 | 2,146 | 1,912 | 1,931 | 1,760 | 1,393 | 276 | 0 |
| World Bank | 468 | 579 | 1,310 | 1,202 | 640 | 1,034 | 968 | 654 | 232 | 0 |
| Emergency pandemic support | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bilateral and other multilateral loans | 866 | 748 | 1,128 | 945 | 865 | 897 | 236 | 79 | 44 | 0 |
| EU emergency pandemic support | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unsecured financing | 0 | 0 | 0 | 0 | 407 | 0 | 556 | 660 | 0 | 0 |
| Budget grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Budget loans | 0 | 0 | 0 | 0 | 407 | 0 | 556 | 660 | 0 | 0 |
| IMF (net), *of which:* | 525 | -65 | 197 | 198 | 52 | 53 | 65 | 29 | -260 | -254 |
| IMF disbursement | 525 | 32 | 451 | 453 | 260 | 262 | 263 | 263 | 0 | 0 |
| EFF | 525 | 32 | 450 | 452 | 260 | 262 | 263 | 263 | 0 | 0 |
| *Unidentified budget financing included* | 0 | 0 | 0 | 0 | 407 | 0 | 556 | 660 | 0 | 0 |
| ***Memorandum items:*** | | | | | | | | | | |
| Gross reserves | 18,190 | 19,081 | 19,716 | 19,855 | 20,211 | 20,128 | 21,132 | 22,531 | 23,001 | 23,138 |
| Gross usable reserves 3/ | 16,432 | 17,319 | 17,965 | 18,104 | 18,460 | 18,577 | 19,381 | 20,979 | 21,700 | 22,437 |
| In percent of the IMF Reserve Adequacy Metric | 103 | 104 | 102 | 103 | 99 | 101 | 100 | 104 | 105 | 105 |
| In months of next year's imports | 6.8 | 7.2 | 7.3 | 7.2 | 7.1 | 6.8 | 6.7 | 7.0 | 7.0 | 7.0 |
| Current account (percent of GDP) | -7.8 | -3.7 | -5.0 | -4.3 | -4.0 | -4.5 | -4.7 | -4.4 | -4.1 | -3.8 |
| Current account ex-grants (percent of GDP) | -11.7 | -7.0 | -8.0 | -7.3 | -6.4 | -7.3 | -7.0 | -6.8 | -6.0 | -5.6 |
| CA ex-grants and energy imports (percent of GDP) | -2.6 | 0.6 | -0.8 | -0.8 | 0.1 | -0.8 | -0.9 | -0.9 | -0.4 | -0.1 |
| Energy imports | 9.1 | 7.5 | 7.1 | 6.5 | 6.5 | 6.6 | 6.2 | 5.9 | 5.6 | 5.5 |
| Public grants | 3.8 | 3.2 | 3.0 | 3.0 | 2.5 | 2.8 | 2.4 | 2.4 | 1.9 | 1.8 |
| Merchandize export growth (percent) | 36.6 | -1.8 | -4.0 | 2.7 | 3.9 | 0.6 | 6.7 | 4.6 | 4.4 | 3.9 |
| Re-exports | 17.0 | -5.9 | -7.0 | 0.0 | 4.0 | 4.0 | 5.6 | 4.9 | 4.9 | 4.9 |
| Domestic exports | 38.5 | -1.4 | -3.8 | 2.9 | 3.9 | 0.3 | 6.8 | 4.6 | 4.4 | 3.8 |
| Merchandize import growth (percent) | 27.0 | -5.8 | -2.6 | -0.6 | 4.2 | 4.2 | 8.5 | 6.5 | 3.3 | 4.2 |
| Energy (percent) | 85.8 | -13.1 | -0.9 | -10.2 | -3.8 | 6.8 | -0.9 | 0.0 | 1.4 | 2.3 |
| Non-energy (percent) | 18.7 | -4.2 | -3.0 | 1.3 | 5.9 | 3.7 | 10.2 | 7.6 | 3.6 | 4.5 |
| Travel growth (percent) | 110.5 | 27.4 | -2.7 | -5.0 | 11.4 | 5.0 | 11.5 | 6.1 | 6.7 | 5.9 |
| Remittances growth (percent) | 1.5 | 1.4 | 1.9 | 3.2 | 2.2 | 2.2 | 5.4 | 4.4 | 4.5 | 0.9 |
| FDI (percent of GDP) | 2.6 | 1.5 | 1.4 | 1.5 | 1.8 | 2.0 | 2.8 | 2.9 | 3.1 | 3.3 |
| Total external debt (percent of GDP) | 83.3 | 84.2 | 86.2 | 85.8 | 86.0 | 85.8 | 83.8 | 82.1 | 78.4 | 73.7 |
| *Of which*, Public external debt (Percent of GDP) | 39.9 | 42.2 | 45.4 | 44.9 | 46.4 | 46.1 | 45.7 | 45.3 | 42.9 | 39.5 |
| Nominal GDP | 48,722 | 51,039 | 53,305 | 53,310 | 56,112 | 55,945 | 59,064 | 62,357 | 65,834 | 69,504 |

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

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

| | | 2022 | 2023 | | 2024 | | 2025 | | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | First Review | | First Review | Proj. | First Review | Proj. | Proj. | Proj. | Proj. | Proj. |
| **(1)** | **Gross financing requirements** | **7,826** | **4,515** | **4,684** | **5,316** | **4,947** | **5,927** | **6,427** | **6,388** | **6,460** | **5,908** | **5,053** |
| | Current account deficit (excl. grants) | 5,682 | 3,385 | 3,554 | 4,252 | 3,883 | 3,606 | 4,106 | 4,160 | 4,228 | 3,946 | 3,863 |
| | *of which:* Energy imports | 4,422 | 3,843 | 3,843 | 3,809 | 3,451 | 3,664 | 3,684 | 3,651 | 3,652 | 3,703 | 3,790 |
| | Amortization of public sector loans 1/ | 811 | 1,033 | 1,033 | 477 | 476 | 613 | 611 | 1,030 | 998 | 452 | 936 |
| | Amortization of sovereign bonds 2/ | 1,000 | 0 | 0 | 0 | 0 | 1,000 | 1,000 | 1,000 | 1,000 | 1,250 | 0 |
| | GCC deposits at the CBJ | 333 | 0 | 0 | 333 | 333 | 500 | 500 | 0 | 0 | 0 | 0 |
| | IMF repurchases | 0 | 97 | 97 | 254 | 255 | 208 | 210 | 198 | 234 | 260 | 254 |
| **(2)** | **Change in reserves (+ = increase) 3/** | **-744** | **434** | **434** | **635** | **774** | **495** | **273** | **1,004** | **1,398** | **471** | **137** |
| **(3)** | **Gross financing sources** | **4,345** | **4,158** | **4,239** | **3,063** | **3,122** | **4,250** | **4,506** | **5,369** | **6,202** | **6,103** | **5,190** |
| | FDI, net | 1,269 | 780 | 780 | 770 | 821 | 1,014 | 1,115 | 1,672 | 1,838 | 2,052 | 2,281 |
| | Public grants | 1,861 | 1,624 | 1,641 | 1,595 | 1,616 | 1,389 | 1,592 | 1,401 | 1,515 | 1,242 | 1,242 |
| | Public sector borrowing (excl. official budget support) 2/ | 641 | 646 | 646 | 517 | 522 | 487 | 492 | 419 | 812 | 412 | 412 |
| | Issuance of sovereign bonds 4/ | 650 | 1,250 | 1,250 | 0 | 0 | 1,000 | 1,000 | 1,000 | 1,000 | 1,250 | 0 |
| | GCC deposits at the CBJ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Non-resident purchases of local debt | -268 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | CBJ other financing (net) 5/ | -156 | -121 | -121 | -40 | -40 | -40 | -40 | -40 | -40 | -40 | 60 |
| | SDR allocation held at CBJ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Private capital flows, net 6/ | 347 | -21 | 43 | 222 | 203 | 401 | 347 | 918 | 1,078 | 1,187 | 1,196 |
| **(4)** | **Errors and omissions** | 878 | -569 | -480 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **(1)+(2)-(3)-(4)** | **Total financing needs** | **1,859** | **1,359** | **1,359** | **2,888** | **2,599** | **2,171** | **2,193** | **2,023** | **1,656** | **276** | **0** |
| | **Official public external financing** | **1,859** | **1,359** | **1,359** | **2,888** | **2,599** | **2,171** | **2,193** | **2,023** | **1,656** | **276** | **0** |
| | Identified official budget support | 1,335 | 1,327 | 1,327 | 2,438 | 2,146 | 1,504 | 1,931 | 1,204 | 733 | 276 | 0 |
| | IMF purchases, *of which* | 525 | 32 | 32 | 450 | 452 | 260 | 262 | 263 | 263 | 0 | 0 |
| | EFF | | 32 | 32 | 450 | 452 | 260 | 262 | 263 | 263 | 0 | 0 |
| | Unidentified public external financing | 0 | 0 | 0 | 0 | 0 | 407 | 0 | 556 | 660 | 0 | 0 |
| | **Memorandum Items:** | | | | | | | | | | | |
| | Gross financing requirements (in percent of GDP) | 32.0 | 17.6 | 18.3 | 19.8 | 18.5 | 21.0 | 22.9 | 21.5 | 20.6 | 17.9 | 14.5 |
| | Gross Usable Reserves | | 17,319 | 17,319 | 17,965 | 18,103 | 18,460 | 18,577 | 19,381 | 20,979 | 21,700 | 22,437 |
| | In percent of the IMF Reserve Adequacy Metric 7/ | 103 | 104 | 104 | 102 | 103 | 99 | 101 | 100 | 104 | 105 | 105 |
| | In months of next year's imports of GNFS | 6.8 | 7.3 | 7.2 | 7.3 | 7.2 | 7.1 | 6.8 | 6.7 | 7.0 | 7.0 | 7.0 |

Sources: Jordanian authorities; and IMF staff estimates and projections.
1/ Includes project loans and Arab Monetary Fund and loans on the books of CBJ, and excludes IMF repurchases.
2/ Includes loans on CBJ books.
3/ Excluding RSF disbursements
4/ Includes guaranteed and non-guaranteed bonds.
5/ Includes CBJ other accounts receivable/payable (net) minus deposit flows (net), excluding GCC deposits.
6/ Includes changes in commercial banks' NFA.
7/ The IMF reserve metric is calculated as a weighted sum of exports, broad money, short-term debt, and other portfolio liabilities.

## Table 3c. Jordan: Foreign Exchange Needs and Sources, 2022–29
(In millions of U.S. dollars, unless otherwise indicated)

| | | 2022 | 2023 | | 2024 | | 2025 | | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | First Review | | First Review | Proj. | First Review | Proj. | Proj. | Proj. | Proj. | Proj. |
| **(1)** | **General Government Gross Needs** | **4,755** | **3,694** | **3,694** | **2,512** | **2,438** | **4,099** | **4,007** | **4,351** | **3,571** | **3,736** | **2,252** |
| | NEPCO energy imports | 987 | 841 | 841 | 791 | 821 | 745 | 778 | 773 | 764 | 765 | 761 |
| | Net interest payments | 390 | 397 | 397 | 656 | 552 | 749 | 625 | 605 | 221 | 309 | 300 |
| | Amortization of external debt 1/ | 2,478 | 1,130 | 1,130 | 1,064 | 1,064 | 2,321 | 2,321 | 2,228 | 2,232 | 1,962 | 1,190 |
| | Amortization of domestic debt in FX | 900 | 1,326 | 1,326 | 0 | 0 | 284 | 284 | 745 | 355 | 700 | 0 |
| **(2)** | **General Government Sources** | **4,327** | **4,850** | **4,868** | **2,562** | **2,591** | **3,418** | **3,629** | **3,827** | **3,944** | **3,604** | **1,654** |
| | Public grants | 1,861 | 1,624 | 1,641 | 1,595 | 1,616 | 1,389 | 1,592 | 1,401 | 1,515 | 1,242 | 1,242 |
| | Public sector borrowing 2/ | 1,166 | 651 | 651 | 967 | 976 | 746 | 754 | 682 | 1,075 | 412 | 412 |
| | Sovereign bonds 3/ | 650 | 1,250 | 1,250 | 0 | 0 | 1,000 | 1,000 | 1,000 | 1,000 | 1,250 | 0 |
| | Local bonds in FX | 650 | 1,326 | 1,326 | 0 | 0 | 284 | 284 | 745 | 355 | 700 | 0 |
| | GCC deposits at the CBJ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **(3)=(2)-(1)** | **General Government Balance** | **-427** | **1,157** | **1,174** | **50** | **154** | **-680** | **-378** | **-524** | **373** | **-133** | **-598** |
| **(4)** | **Financing under the EFF** | **1,335** | **1,327** | **1,327** | **2,438** | **2,146** | **1,912** | **1,931** | **1,760** | **1,393** | **276** | **0** |
| | Identified official budget support | 1,335 | 1,327 | 1,327 | 2,438 | 2,146 | 1,504 | 1,931 | 1,204 | 733 | 276 | 0 |
| | Unidentified external financing 4/ | 0 | 0 | 0 | 0 | 0 | 407 | 0 | 556 | 660 | 0 | 0 |
| **(5)=(3)+(4)** | **General Government Balance under the EFF** | **907** | **2,484** | **2,501** | **2,488** | **2,300** | **1,231** | **1,553** | **1,236** | **1,765** | **143** | **-598** |
| **(6)** | **CBJ Balance under the EFF**, of which | **476** | **-434** | **-434** | **-636** | **-775** | **-495** | **-273** | **-1,004** | **-1,398** | **-471** | **-137** |
| | Increase in gross reserves | -744 | 434 | 434 | 636 | 775 | 495 | 273 | 1,004 | 1,398 | 471 | 137 |
| **(7)=(5)+(6)** | **Public Sector Net Balance** | **1,383** | **2,050** | **2,067** | **1,853** | **1,526** | **736** | **1,281** | **232** | **367** | **-328** | **-735** |

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

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

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

3/ Includes guaranteed and non-guaranteed bonds.

4/ After IMF EFF augmentation.

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

| | 2022 | | 2023 | 2024 | | 2025 | | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | First Review | | First Review | Proj. | First Review | Proj. | Proj. | Proj. | Proj. | Proj. |
| **Budget grants** | **1,104** | **1,718** | **1,718** | **1,685** | **1,707** | **1,487** | **1,692** | **1,502** | **1,615** | **1,343** | **1,343** |
| EU | 105 | 54 | 54 | 57 | 62 | 75 | 83 | 66 | 55 | 0 | 0 |
| GCC | 105 | 88 | 88 | 128 | 128 | 71 | 100 | 93 | 218 | 0 | 0 |
| United States | 845 | 845 | 845 | 845 | 861 | 686 | 852 | 685 | 685 | 685 | 685 |
| Other 1/ | 48 | 732 | 732 | 655 | 656 | 655 | 658 | 658 | 658 | 658 | 658 |
| **GCC grants transferred from CBJ to MOF** | **58** | **77** | **77** | **77** | **77** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Loans** | **1,546** | **1,538** | **1,538** | **2,650** | **2,359** | **2,073** | **2,093** | **1,922** | **944** | **487** | **212** |
| **Multilateral** | **745** | **917** | **917** | **1,821** | **1,744** | **1,029** | **1,540** | **1,290** | **944** | **487** | **212** |
| Arab Monetary Fund | 212 | 212 | 212 | 212 | 212 | 212 | 212 | 212 | 212 | 212 | 212 |
| Asian Infrastructure Investment Bank | 65 | 59 | 59 | 89 | 74 | 70 | 159 | 80 | 0 | 0 | 0 |
| World Bank | 468 | 579 | 579 | 1,310 | 1,202 | 640 | 1,034 | 968 | 654 | 232 | 0 |
| EIB | | 0 | 0 | 129 | 127 | 107 | 110 | 0 | 44 | 44 | 0 |
| Other | 0 | 67 | 67 | 81 | 130 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Bilateral** | **801** | **622** | **622** | **828** | **614** | **637** | **553** | **76** | **0** | **0** | **0** |
| **Unidentified budget financing** | 0 | 0 | 0 | 0 | 0 | 407 | 0 | 556 | 660 | 0 | 0 |
| **IMF purchases** | **525** | **32** | **32** | **451** | **453** | **260** | **262** | **263** | **263** | **0** | **0** |
| **Sovereign issuance** | **650** | **1,250** | **1,250** | **0** | **0** | **1,000** | **1,000** | **1,000** | **1,000** | **1,250** | **0** |
| Guaranteed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-guaranteed | 650 | 1,250 | 1,250 | 0 | 0 | 1,000 | 1,000 | 1,000 | 1,000 | 1,250 | 0 |

Sources: Jordanian authorities; and IMF staff estimates and projections.
1/ Includes the grant component from the Concessional Financing Facility and in 2023-25 expected disbursements under new MOUs.

## Table 4a. Jordan: Monetary Survey, 2022–29

| | 2022 | 2023 | | 2024 | | 2025 | | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | First Review | | First Review | Proj. | First Review | Proj. | Proj. | Proj. | Proj. | Proj. |
| | (Stocks, in millions of Jordanian dinars) | | | | | | | | | | |
| Net foreign assets | 6,910 | 7,723 | 7,723 | 8,574 | 8,671 | 9,491 | 9,430 | 10,096 | 11,067 | 11,585 | 11,862 |
| Central bank | 11,433 | 12,152 | 12,152 | 12,754 | 12,851 | 13,423 | 13,362 | 14,028 | 14,999 | 15,517 | 15,794 |
| Commercial banks | -4,523 | -4,428 | -4,428 | -4,180 | -4,180 | -3,932 | -3,932 | -3,932 | -3,932 | -3,932 | -3,932 |
| Net domestic assets | 34,762 | 34,912 | 34,912 | 36,088 | 35,860 | 37,524 | 37,303 | 39,243 | 41,023 | 43,408 | 46,197 |
| Net claims on general government | 15,437 | 16,478 | 16,478 | 16,568 | 17,135 | 16,992 | 17,620 | 18,043 | 17,656 | 17,300 | 16,943 |
| Net claims on central budgetary government 1/ | 11,917 | 12,378 | 12,378 | 11,886 | 12,453 | 11,909 | 12,510 | 12,726 | 12,299 | 11,902 | 11,505 |
| Net claims on NEPCO | 2,969 | 3,506 | 3,506 | 3,869 | 3,868 | 4,270 | 4,297 | 4,504 | 4,544 | 4,584 | 4,624 |
| Net claims on other own budget agencies 2/ | -926 | -1,230 | -1,230 | -1,012 | -1,012 | -1,012 | -1,012 | -1,012 | -1,012 | -1,012 | -1,012 |
| Claims on other public entities | 1,477 | 1,825 | 1,825 | 1,825 | 1,825 | 1,825 | 1,825 | 1,825 | 1,825 | 1,825 | 1,825 |
| Claims on financial institutions | 1,197 | 1,035 | 1,035 | 1,035 | 1,035 | 1,035 | 1,035 | 1,035 | 1,035 | 1,035 | 1,035 |
| Claims on the private sector | 29,760 | 30,270 | 30,270 | 31,508 | 31,292 | 33,399 | 32,780 | 34,737 | 36,994 | 39,396 | 41,941 |
| Other items (net) | -11,633 | -12,872 | -12,872 | -13,022 | -13,602 | -13,902 | -14,132 | -14,572 | -14,662 | -14,322 | -13,722 |
| Broad money | 41,672 | 42,635 | 42,635 | 44,662 | 44,531 | 47,015 | 46,733 | 49,338 | 52,089 | 54,993 | 58,059 |
| Currency in circulation | 6,037 | 5,808 | 5,808 | 6,017 | 5,999 | 6,263 | 6,226 | 6,499 | 6,783 | 7,078 | 7,386 |
| Jordanian dinar deposits | 28,985 | 30,230 | 30,230 | 31,609 | 31,517 | 33,212 | 33,014 | 34,914 | 36,925 | 39,050 | 41,298 |
| Foreign currency deposits | 6,649 | 6,597 | 6,597 | 7,036 | 7,016 | 7,539 | 7,494 | 7,925 | 8,382 | 8,864 | 9,374 |
| | (Flows, in millions of Jordanian dinars) | | | | | | | | | | |
| Net foreign assets | -557 | 814 | 814 | 850 | 948 | 917 | 759 | 666 | 971 | 518 | 277 |
| Net domestic assets | 2,733 | 150 | 150 | 1,177 | 949 | 1,436 | 1,443 | 1,940 | 1,780 | 2,386 | 2,789 |
| Net claims on general government | 918 | 1,041 | 1,041 | 90 | 657 | 424 | 485 | 423 | -387 | -357 | -357 |
| Net claims on central budgetary government | 217 | 461 | 461 | -492 | 75 | 23 | 57 | 216 | -427 | -397 | -397 |
| Net claims on NEPCO | 487 | 537 | 537 | 363 | 363 | 402 | 429 | 207 | 40 | 40 | 40 |
| Net claims on other own budget agencies | -205 | -305 | -305 | 218 | 218 | 0 | 0 | 0 | 0 | 0 | 0 |
| Claims on financial institutions | -131 | -162 | -162 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Claims on the private sector | 2,201 | 510 | 510 | 1,237 | 1,022 | 1,891 | 1,488 | 1,957 | 2,257 | 2,403 | 2,545 |
| Other items (net) | -255 | -1,239 | -1,239 | -150 | -730 | -880 | -530 | -440 | -90 | 340 | 600 |
| Broad money | 2,176 | 963 | 963 | 2,027 | 1,897 | 2,352 | 2,202 | 2,605 | 2,751 | 2,904 | 3,066 |
| Currency in circulation | -188 | -230 | -230 | 209 | 192 | 246 | 226 | 273 | 284 | 296 | 308 |
| Jordanian dinar deposits | 2,041 | 1,245 | 1,245 | 1,379 | 1,287 | 1,603 | 1,497 | 1,901 | 2,010 | 2,126 | 2,248 |
| Foreign currency deposits | 323 | -52 | -52 | 439 | 418 | 503 | 478 | 431 | 456 | 483 | 510 |
| ***Memorandum items:*** | | | | | | | | | | | |
| Year-on-year broad money growth (percent) | 5.5 | 2.3 | 2.3 | 4.8 | 4.4 | 5.3 | 4.9 | 5.6 | 5.6 | 5.6 | 5.6 |
| Year-on-year private sector credit growth (percent) | 8.0 | 1.7 | 1.7 | 4.1 | 3.4 | 6.0 | 4.8 | 6.0 | 6.5 | 6.5 | 6.5 |
| Foreign currency/total deposits (percent) | 18.7 | 17.9 | 17.9 | 18.2 | 18.2 | 18.5 | 18.5 | 18.5 | 18.5 | 18.5 | 18.5 |
| Private sector credit/total deposits (percent) | 83.5 | 82.2 | 82.2 | 81.5 | 81.2 | 82.0 | 80.9 | 81.1 | 81.7 | 82.2 | 82.8 |
| Currency in circulation/JD deposits (percent) | 20.8 | 19.2 | 19.2 | 19.0 | 19.0 | 18.9 | 18.9 | 18.6 | 18.4 | 18.1 | 17.9 |
| Money multiplier (for JD liquidity) | 3.8 | 4.1 | 4.1 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 |
| Velocity (GDP/M) | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |

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

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

2/ Includes WAJ.

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

| | 2022 | 2023 | | 2024 | | 2025 | | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | First Review | | First Review | Proj. | First Review | Proj. | Proj. | Proj. | Proj. | Proj. |
| | (Stocks, in millions of Jordanian dinars) | | | | | | | | | | |
| Net foreign assets 1/ | 11,433 | 12,152 | 12,152 | 12,754 | 12,851 | 13,423 | 13,362 | 14,028 | 14,999 | 15,517 | 15,794 |
| Foreign assets | 13,663 | 14,288 | 14,288 | 14,738 | 14,837 | 15,089 | 15,030 | 15,742 | 16,734 | 17,067 | 17,164 |
| *Of which:* Bilateral accounts | 767 | 767 | 767 | 767 | 767 | 767 | 767 | 767 | 767 | 767 | 767 |
| *Of which:* encumbered due to forwards or swaps | 658 | 638 | 638 | 638 | 638 | 638 | 638 | 638 | 638 | 638 | 638 |
| Foreign liabilities | 2,230 | 2,136 | 2,136 | 1,984 | 1,985 | 1,667 | 1,668 | 1,715 | 1,735 | 1,551 | 1,370 |
| *Of which:* Net Fund Position | 1,388 | 1,327 | 1,327 | 1,467 | 1,468 | 1,504 | 1,505 | 1,551 | 1,572 | 1,388 | 1,207 |
| *Of which:* GCC grants-related | 840 | 809 | 809 | 518 | 518 | 163 | 163 | 163 | 163 | 163 | 163 |
| Net domestic assets | -2,281 | -3,292 | -3,292 | -2,585 | -2,712 | -2,811 | -2,814 | -2,955 | -3,312 | -3,183 | -2,777 |
| Net claims on central budgetary government 2/ | 1,336 | 1,710 | 1,710 | 1,874 | 1,875 | 1,935 | 1,938 | 1,974 | 1,964 | 1,954 | 1,944 |
| Net claims on own budget agencies and other public entities | -331 | -237 | -237 | -237 | -237 | -237 | -237 | -237 | -237 | -237 | -237 |
| Net claims on financial institutions | 676 | 666 | 666 | 666 | 666 | 666 | 666 | 666 | 666 | 666 | 666 |
| Net claims on private sector | 26 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 |
| Net claims on commercial banks | -3,112 | -3,666 | -3,666 | -3,522 | -3,651 | -4,009 | -4,016 | -4,192 | -4,540 | -4,400 | -3,985 |
| *Of which:* FX deposits of commercial banks | 654 | 672 | 672 | 672 | 672 | 672 | 672 | 672 | 672 | 672 | 672 |
| CDs | -600 | -800 | -800 | -400 | -400 | -200 | -200 | -200 | -200 | -200 | -199 |
| Other items, net (asset: +) | -276 | -994 | -994 | -994 | -994 | -994 | -994 | -994 | -994 | -994 | -994 |
| Jordanian dinar reserve money | 9,152 | 8,860 | 8,860 | 10,169 | 10,139 | 10,612 | 10,548 | 11,073 | 11,686 | 12,334 | 13,017 |
| Currency | 6,678 | 6,441 | 6,441 | 6,650 | 6,633 | 6,897 | 6,859 | 7,132 | 7,417 | 7,712 | 8,020 |
| Commercial bank reserves | 2,474 | 2,419 | 2,419 | 3,519 | 3,507 | 3,715 | 3,689 | 3,941 | 4,270 | 4,622 | 4,998 |
| *Of which:* required reserves | 1,457 | 1,508 | 1,508 | 1,589 | 1,584 | 1,670 | 1,660 | 1,755 | 1,856 | 1,963 | 2,076 |
| | (Flows, in millions of Jordanian dinars) | | | | | | | | | | |
| Net foreign assets | -302 | 718 | 718 | 602 | 700 | 668 | 511 | 666 | 971 | 518 | 277 |
| Foreign assets | -606 | 624 | 624 | 451 | 549 | 351 | 193 | 712 | 991 | 334 | 97 |
| Foreign liabilities | -304 | -94 | -94 | -152 | -151 | -317 | -317 | 46 | 20 | -184 | -180 |
| Net domestic assets | -361 | -1,011 | -1,011 | 707 | 580 | -226 | -102 | -141 | -357 | 129 | 406 |
| Net claims on central budgetary government | -17 | 374 | 374 | 164 | 165 | 61 | 63 | 35 | -10 | -10 | -10 |
| Net claims on commercial banks | 349 | -553 | -553 | 143 | 14 | -487 | -365 | -176 | -347 | 139 | 415 |
| Other items, net (asset: +) | 167 | -718 | -718 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Jordanian dinar reserve money | -664 | -292 | -292 | 1,309 | 1,279 | 442 | 409 | 525 | 613 | 647 | 683 |
| Currency | -157 | -237 | -237 | 209 | 192 | 246 | 226 | 273 | 284 | 296 | 308 |
| Commercial banks' reserves | -507 | -55 | -55 | 1,100 | 1,088 | 196 | 182 | 252 | 329 | 352 | 376 |
| ***Memorandum items:*** | | | | | | | | | | | |
| Gross international reserves ($ millions) | 18,190 | 19,081 | 19,081 | 19,716 | 19,855 | 20,211 | 20,128 | 21,132 | 22,531 | 23,001 | 23,138 |
| Gross usable international reserves ($ millions) | 16,432 | 17,319 | 17,319 | 17,965 | 18,104 | 18,460 | 18,577 | 19,381 | 20,979 | 21,700 | 22,437 |
| As a ratio to JD broad money (in percent) | 33 | 34 | 34 | 34 | 34 | 33 | 34 | 33 | 34 | 33 | 33 |
| As a ratio of JD reserve money (in percent) | 127 | 139 | 139 | 125 | 127 | 123 | 125 | 124 | 127 | 125 | 122 |
| Net international reserves (millions of JD) | 10,194 | 10,884 | 10,884 | 11,196 | 11,293 | 11,510 | 11,449 | 12,115 | 13,086 | 13,604 | 13,882 |
| Net international reserves (millions of U.S. dollars) | 14,378 | 15,352 | 15,352 | 15,791 | 15,928 | 16,234 | 16,148 | 17,087 | 18,457 | 19,187 | 19,580 |
| Money multiplier (for JD liquidity) | 3.8 | 4.1 | 4.1 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 |

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

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

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

## Table 5. Jordan: Financial Soundness Indicators, 2015–24

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024H1 |
|---|---|---|---|---|---|---|---|---|---|---|
| Nonperforming Loans/Total Loans | 4.3 | 4.2 | 4.9 | 5.0 | 5.5 | 5.0 | 4.5 | 5.1 | 5.1 | 5.6 |
| Coverage Ratio | 77.9 | 75.4 | 79.3 | 69.5 | 71.5 | 79.9 | 81.5 | 75.6 | 75.6 | 73.1 |
| NPLs net of provisions/Equity | 3.6 | 4.1 | 4.2 | 6.3 | 6.4 | 4.2 | 3.8 | 5.4 | 5.4 | 6.7 |
| Capital Adequacy Ratio | 18.5 | 17.8 | 16.9 | 18.3 | 18.3 | 18.0 | 17.3 | 17.9 | 17.9 | 17.6 |
| Leverage Ratio | 12.9 | 13.2 | 12.6 | 12.4 | 12.2 | 11.7 | 11.4 | 11.8 | 11.8 | 11.7 |
| Return on equity | 8.9 | 9.1 | 9.6 | 9.4 | 5.1 | 8.3 | 8.8 | 9.3 | 9.3 | 9.8 |
| Return on assets | 1.1 | 1.2 | 1.2 | 1.2 | 0.6 | 1.0 | 1.0 | 1.1 | 1.1 | 1.2 |
| Interest Margin/gross income | 79.0 | 75.8 | 78.5 | 77.6 | 80.6 | 79.1 | 77.9 | 79.3 | 79.3 | 77.7 |
| Liquidity Ratio | 137.8 | 130.1 | 131.9 | 133.8 | 136.5 | 141.5 | 138.0 | 142.5 | 142.5 | 138.8 |
| Growth Rate of Total Assets | 2.6 | 1.6 | 3.0 | 5.4 | 5.6 | 7.9 | 4.9 | 3.7 | 3.7 | 2.3 |
| Growth Rate of Customer Deposits | 1.1 | 0.9 | 2.0 | 4.4 | 4.2 | 8.4 | 6.6 | 4.4 | 4.4 | 2.8 |
| Growth Rate of Credit Facilities | 8.9 | 8.0 | 5.3 | 3.1 | 5.9 | 5.9 | 8.9 | 2.7 | 2.7 | 2.4 |

Source: Central Bank of Jordan.

## Table 6. Jordan: Access and Phasing Under the 2024 Extended Fund Facility Arrangement

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

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

## Table 7. Jordan: Indicators of Fund Credit, 2024–38

(In millions of SDR unless stated otherwise)

| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Proj | Proj | Proj | Proj | Proj | Proj | Proj | Proj | Proj | Proj | Proj | Proj | Proj | Proj | Proj |
| **Existing and prospective Fund credit (SDR million)** | | | | | | | | | | | | | | | |
| Disbursements | 340 | 196 | 196 | 196 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFF | 340 | 196 | 196 | 196 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| RFI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Stock of existing and prospective Fund credit 1/ | 1,541 | 1,581 | 1,641 | 1,648 | 1,448 | 1,205 | 948 | 696 | 464 | 314 | 171 | 81 | 24 | 0 | 0 |
| EFF | 1,468 | 1,581 | 1,641 | 1,648 | 1,448 | 1,205 | 948 | 696 | 464 | 314 | 171 | 81 | 24 | 0 | 0 |
| RFI | 73 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Obligations 2/ | 304 | 249 | 235 | 291 | 297 | 325 | 322 | 304 | 274 | 184 | 170 | 112 | 76 | 42 | 17 |
| Principal (repayments/repurchases) | 192 | 156 | 136 | 188 | 200 | 243 | 257 | 252 | 232 | 150 | 142 | 90 | 57 | 24 | 0 |
| EFF | 46 | 83 | 136 | 188 | 200 | 243 | 257 | 252 | 232 | 150 | 142 | 90 | 57 | 24 | 0 |
| RFI | 146 | 73 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Charges and interest 3/ | 113 | 92 | 99 | 102 | 97 | 82 | 65 | 52 | 42 | 33 | 27 | 22 | 19 | 17 | 17 |
| SDR charges | 19 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| Interest | 94 | 76 | 82 | 86 | 81 | 65 | 49 | 35 | 25 | 17 | 10 | 6 | 2 | 1 | 0 |
| **Fund obligations (repurchases and charges) in percent of: 4/** | | | | | | | | | | | | | | | |
| Quota | 88.7 | 72.5 | 68.4 | 84.7 | 86.7 | 94.7 | 93.9 | 88.5 | 79.9 | 53.5 | 49.4 | 32.6 | 22.2 | 12.2 | 4.9 |
| GDP | 0.8 | 0.6 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 0.5 | 0.4 | 0.3 | 0.3 | 0.2 | 0.1 | 0.1 | 0.0 |
| Exports of goods and services | 1.8 | 1.4 | 1.3 | 1.5 | 1.4 | 1.5 | 1.4 | 1.3 | 1.1 | 0.7 | 0.6 | 0.4 | 0.2 | 0.1 | 0.0 |
| Gross international reserves | 2.2 | 1.8 | 1.6 | 1.8 | 1.8 | 2.0 | 1.9 | 1.3 | 0.9 | 0.4 | 0.3 | 0.1 | 0.1 | 0.0 | 0.0 |
| Government revenue | 3.1 | 2.3 | 2.1 | 2.3 | 2.2 | 2.3 | 2.2 | 1.9 | 1.6 | 1.0 | 0.9 | 0.6 | 0.4 | 0.2 | 0.1 |
| External debt service, public | 22.4 | 11.2 | 9.2 | 12.7 | 13.8 | 20.7 | 14.2 | 20.2 | 13.1 | 7.1 | 10.5 | 7.0 | 4.8 | 2.6 | 1.1 |
| **Fund credit outstanding in percent of: 1/ 4/** | | | | | | | | | | | | | | | |
| Quota | 449 | 461 | 478 | 480 | 422 | 351 | 276 | 203 | 135 | 91 | 50 | 24 | 7 | 0 | 0 |
| EFF | 428 | 461 | 478 | 480 | 422 | 351 | 276 | 203 | 135 | 91 | 50 | 24 | 7 | 0 | 0 |
| RFI | 21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| GDP | 3.9 | 3.8 | 3.7 | 3.5 | 2.9 | 2.3 | 1.7 | 1.2 | 0.8 | 0.5 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 |
| Exports of goods and services | 9.2 | 9.2 | 8.8 | 8.4 | 7.0 | 5.6 | 4.2 | 2.9 | 1.8 | 1.1 | 0.6 | 0.3 | 0.1 | 0.0 | 0.0 |
| Gross international reserves | 11.4 | 11.5 | 11.1 | 10.5 | 9.0 | 7.4 | 5.7 | 3.0 | 1.5 | 0.7 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 |
| Government revenue | 15.8 | 14.7 | 14.4 | 13.3 | 10.8 | 8.5 | 6.3 | 4.4 | 2.8 | 1.8 | 0.9 | 0.4 | 0.1 | 0.0 | 0.0 |
| External debt, public | 8.6 | 8.2 | 8.1 | 7.8 | 6.8 | 5.9 | 4.7 | 3.5 | 2.5 | 1.9 | 1.1 | 0.5 | 0.2 | 0.0 | 0.0 |
| **Memorandum items:** | | | | | | | | | | | | | | | |
| Quota (SDR million) | 343.1 | 343.1 | 343.1 | 343.1 | 343.1 | 343.1 | 343.1 | 343.1 | 343.1 | 343.1 | 343.1 | 343.1 | 343.1 | 343.1 | 343.1 |
| Gross domestic product (USD million) | 53,310 | 55,945 | 59,064 | 62,357 | 65,834 | 69,504 | 73,379 | 77,469 | 81,788 | 81,509 | 81,232 | 80,955 | 80,679 | 80,403 | 80,129 |
| Exports of goods and services (USD million) | 22,359 | 22,899 | 24,872 | 26,181 | 27,596 | 28,913 | 29,923 | 32,360 | 34,194 | 36,382 | 38,769 | 41,312 | 44,022 | 46,909 | 49,986 |
| Gross international reserves (USD million) | 18,092 | 18,366 | 19,669 | 20,986 | 21,552 | 21,830 | 22,354 | 30,681 | 42,111 | 57,798 | 79,329 | 108,881 | 149,442 | 205,114 | 281,524 |
| Government revenue (USD million) | 13,030 | 14,323 | 15,159 | 16,555 | 17,803 | 18,855 | 19,982 | 21,180 | 22,451 | 23,805 | 25,242 | 26,766 | 28,382 | 30,096 | 31,914 |
| External debt service, public (USD million) | 1,810 | 2,973 | 3,392 | 3,059 | 2,876 | 2,096 | 3,036 | 2,002 | 2,792 | 3,462 | 2,151 | 2,143 | 2,136 | 2,129 | 2,122 |
| Total external debt, public (USD million) | 23,939 | 25,804 | 27,018 | 28,253 | 28,229 | 27,450 | 26,963 | 26,249 | 24,711 | 22,422 | 21,385 | 21,312 | 21,239 | 21,167 | 21,095 |

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 4.027 as of November 7, 2024.

4/ Using the end-2023:Q4 rate of the SDR/USD rate in 2024-2047 forecasts.

# Table 8. Jordan: Selected Macro-Critical Gender-Related Indicators, 2018–23

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Middle East and Central Asia 1/ | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Latest year available | 25th Percentile | 75th Percentile | Median | Average |
| **Composite Gender Indices** | | | | | | | | | | | |
| Female Human Capital Index (HCI) 2/ | 0.58 | ... | 0.58 | ... | ... | ... | 2020 | 0.47 | 0.62 | 0.59 | 0.55 |
| Gender Development Index (GDI) | 0.88 | 0.88 | 0.89 | 0.88 | 0.86 | ... | 2022 | 0.85 | 0.98 | 0.92 | 0.89 |
| Gender Inequality Index (GII) 3/ | 0.44 | 0.45 | 0.46 | 0.46 | 0.45 | ... | 2022 | 0.24 | 0.49 | 0.35 | 0.38 |
| Global Gender Gap Index 2/ | 0.61 | ... | 0.62 | 0.64 | 0.64 | ... | 2022 | 0.62 | 0.69 | 0.64 | 0.64 |
| Women Business and the Law Index (WBL) 4/ | 31.88 | 40.63 | 46.88 | 46.88 | 46.88 | 59.38 | 2023 | 46.25 | 75.63 | 58.75 | 59.04 |
| **Labor and Income** | | | | | | | | | | | |
| Gender Gap (F-M) in Employment-to-Population Ratio, Modeled ILO Estimate (15+ yrs) | -39.82 | -42.44 | -40.30 | -39.60 | -41.32 | -41.21 | 2023 | -41.81 | -27.26 | -38.41 | -47.32 |
| Gender Wage Gap 5/ | -6.62 | -13.74 | -30.01 | -23.32 | -18.20 | ... | ... | ... | ... | ... | ... |
| Gender Gap (F-M) in Informal Employment Rate | -21.01 | -26.20 | -21.16 | -22.64 | -23.36 | ... | ... | ... | ... | ... | ... |
| Gender Gap (F-M) in Labor Force Participation Rate, Modeled ILO Estimate (15+ yrs) | -46.72 | -48.76 | -47.72 | -47.30 | -49.08 | -48.72 | 2023 | -45.51 | -28.29 | -42.17 | -49.66 |
| Gender Gap (F-M) in Unemployment Rate, Modeled ILO Estimate (15+ yrs) | 7.11 | 8.63 | 7.48 | 7.67 | 10.53 | 10.42 | 2023 | 1.86 | 11.81 | 4.93 | 5.20 |
| Gender Gap in Gross Pension Replacement Rate (as share of average worker earnings) | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| **Leadership and Social** | | | | | | | | | | | |
| Proportion of Seats Held By Women in National Parliaments | 15.38 | 15.38 | 11.54 | 11.54 | 12.31 | 12.31 | 2023 | 10.80 | 25.60 | 19.71 | 18.64 |
| Proportion of Women in Managerial Positions | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Prevalence of Intimate Partner Violence among Ever-partnered Women (in percent) 3/ | 24.00 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| **Access to Finance** | | | | | | | | | | | |
| Gender Ratio: Number of Household Loan Accounts with Commercial Banks (Females' Accounts for 1,000 Female Adults / Males' Accounts per 1,000 Male Adults) | 0.28 | 0.30 | 0.25 | 0.25 | 0.28 | ... | ... | ... | ... | ... | ... |
| Gender Ratio: Number of Household Deposit Accounts with Commercial Banks (Females' Accounts per 1,000 Female Adults/ Males' Accounts per 1,000 Male Adults) | 0.58 | 0.65 | 0.60 | 0.61 | 0.62 | ... | ... | ... | ... | ... | ... |
| Gender Gap in Adults Who Borrowed From a Financial Institution (Share of Female - Share of Male, percentage points) | ... | ... | ... | -7.34 | ... | ... | 2021 | -1.99 | -3.01 | -4.62 | -3.58 |
| Gender Gap in Adults Who Own a Financial Institution Account (Share of Female - Share of Male, percentage points) | ... | ... | ... | -21.43 | ... | ... | 2021 | -6.16 | -6.76 | -18.29 | -11.76 |
| Gender Gap in Adults with Mobile Money Account (Share of Female - Share of Male, percentage points) | ... | ... | ... | -9.54 | ... | ... | ... | ... | ... | ... | ... |
| Gender Gap in Adults Who Made or Received Digital Payments in the Past Year (Share of Female - Share of Male, percentage points) | ... | ... | ... | -22.89 | ... | ... | 2021 | -9.20 | 2.64 | -16.75 | -12.90 |
| **Education** | | | | | | | | | | | |
| Gender Gap (F-M) in Adult Literacy Rate | ... | ... | ... | -0.58 | ... | ... | ... | ... | ... | ... | ... |
| Gender Gap (F-M) in Mean Years of Schooling | -0.69 | -0.73 | -0.77 | -0.77 | -0.77 | ... | ... | ... | ... | ... | ... |
| Gender Gap (F-M) in Primary Gross Enrollment Rate | ... | ... | ... | ... | ... | ... | 2022 | -0.25 | -1.60 | -1.01 | -0.84 |
| Gender Gap (F-M) in Secondary Gross Enrollment Rate | 2.70 | 1.98 | 2.11 | 1.09 | 0.06 | ... | 2020 | -3.72 | -0.69 | 3.34 | -1.45 |
| Gender Gap (F-M) in Tertiary Gross Enrollment Rate | 7.41 | 6.52 | 7.43 | 9.35 | 10.47 | ... | 2022 | 10.47 | 16.66 | 16.86 | 2.63 |
| **Health** | | | | | | | | | | | |
| Gender Gap (F-M) in Adult Mortality Rate per 1,000 Adults | -39.45 | -39.45 | -43.19 | -46.61 | -45.99 | ... | 2022 | -48.24 | -116.70 | -94.24 | -74.64 |
| Gender Gap (F-M) in Life Expectancy at Birth | 4.49 | 4.61 | 4.79 | 4.65 | 4.55 | ... | 2022 | 6.40 | 5.64 | 6.72 | 5.23 |
| Maternal Mortality Ratio per 100,000 Live Births, Modeled Estimate (15-49 yrs) /3 | 42.00 | 41.00 | 41.00 | ... | ... | ... | 2020 | 17.00 | 77.00 | 30.00 | 103.63 |
| Total Fertility Rate (Births Per Woman) | 2.97 | 2.92 | 2.87 | 2.83 | 2.79 | ... | 2022 | 2.07 | 3.36 | 2.73 | 3.07 |

Sources: IMF Gender Data Hub metadata.

1/ Group aggregates are calculated where data are available for at least 50 percent of countries for a given indicator, and for weighted averages, where the relevant weights are also available. Data are reported for the latest year for which aggregates are available. Detailed metadata, including weights used for averages, are available on the Gender Data Hub.

2/ This index is scored on a scale of 0-1, with a higher score corresponding to better outcomes for women.

3/ A higher value on this indicator corresponds to worse outcomes for women. For example, the Gender Inequality Index is scored on a scale of 0-1, where a higher score indicates higher inequality.

4/ The Women, Business, and the Law Index is reported on a scale of 0-100, with a higher score corresponding to better outcomes for women.

5/ The Gender Wage Gap is the difference between average earnings of men and average earnings of women expressed as a percentage of average earnings of men (as calculated by the International Labor Organization). The gap listed here is for Occupation = "Total" under the ICSO 08 Classification.

# Annex I. Implementation of the Main 2022 Article IV Recommendations

| Recommendations | Status |
|---|---|
| **Fiscal Policy** | |
| Broadening the tax base, including rationalizing new GST incentives, reduced smuggling following the recent customs reform; and closing key tax loopholes by implementing legislation bringing ASEZA within the national tax and customs systems. | Significant progress has been made in broadening the tax base and enhancing tax compliance, including by introducing place of taxation rules; rationalizing new GST exemptions via the new investment law; reducing smuggling following customs reform; adopting AI-based auditing on all submitted tax returns to strengthen ISTD's audit function; launching an e-invoicing system to reinforce the monitoring of economic transactions and contain under-invoicing; closuring tax loopholes as a result of bringing ASEZA within the national tax and customs systems; fully implementing the track-and-trace system for alcohol while better tackling cigarette smuggling through stronger inter-agency border control, and better compliance enforcement efforts. |
| Containing expenditure and enhancing spending efficiency, including by rolling out e-procurement (JONEPS) to the Education and Health Ministries and then to the broader public sector, containing the growth of the public wage bill, and improving the efficiency of health care spending. | The e-procurement system (JONEPS) has been rolled out to the Education and Health Ministries and to the broader public sector. The authorities continue to contain the growth of the civil service wage bill to below nominal GDP growth, and are implementing the Public Sector Modernization Roadmap, including to improve the efficiency of the public administration. Steps have been taken to ensure that health exemptions are targeted and do not exceed budget allocations. |
| Strengthening fiscal risks monitoring. | The Ministry of Finance's Macro-Fiscal Unit has published a 2023 Fiscal Risk Statement, outlining key macroeconomic and contingent liability risks, and will continue to deepen the analysis in subsequent risks statements. |
| **Electricity and Water Sectors** | |
| Strengthening NEPCO's financial sustainability. | The Cabinet has adopted an implementation roadmap for electricity sector cost reduction and efficiency improvement to ensure NEPCO's long-term financial viability. Specifically, revenue-enhancing and cost-reducing measures, such as introducing Time of Use tariffs, installing smart meters, and increasing electricity exports to neighboring countries, reducing the costs of LNG storage and regasification, and improving electricity storage, optimizing costs related to PPA commitments, are progressing. |
| Addressing water scarcity and improving the financial sustainability of the water sector. | The Aqaba-Amman Conveyance project is progressing and will desalinize and transport water from the port of Aqaba to Amman's main metropolitan area. Solid progress has been made under the National Water Strategy, which is in line with the Cabinet-approved Financial Sustainability Roadmap, to reduce non-revenue water and optimizing operating and maintenance costs of the water sector. |
| **Monetary and Financial Sector Policies** | |
| Preserving monetary and financial stability. | The CBJ has been firmly committed to the exchange rate peg to the U.S. dollar and adjusted its policy rates in line with the U.S. Federal Reserve. The CBJ is strengthening the resilience of the financial sector in line with the recommendations of the FSSA, including having |

| Recommendations | Status |
|---|---|
| | established a multi-agency crisis management committee and issuing regulations on prudential requirements on asset classification with Basel Core Principles and guidance. |
| Enhancing the regime for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT). | Significant progress has been made in strengthening the AML/CFT framework, resulting in the removal of Jordan from the FATF gray list in October 2023. All action items in Jordan's FATF action plan have been implemented. |
| Unwinding the CBJ subsidized lending schemes. | Two lending schemes expired in 2023, and the CBJ will gradually reduce the concessionality of its remaining scheme once the conflict subsides. |
| **Structural Reforms** | |
| Addressing impediments to female participation and youth employment and reducing labor market segmentation are critical for enhancing inclusive growth. | Solid progress has been made, including by amending the Labor Law and Social Security Law to enhance protections for women from harassment and violence in the workplace and remove restrictions on female employment in certain professions and industries, and to expand protections for pregnant women and persons with disabilities to enhance decent and safe workplace conditions; and by having repealed all Defense Orders that were introduced at the start of the pandemic, including those prohibiting employers from terminating worker contracts. |
| Enabling the private sector to enhance its contribution to the economy. | Solid progress has been made, including by reducing and streamlining licensing requirements, submitting to parliament the necessary legislation to abolish licenses in the tourism sector, and amending the Competition Law to curb the prevalence of dominant firms and increasing penalties for violations. |
| Entrenching the progress on governance reforms. | Significant governance and transparency reforms have advanced, including by implementing the amendments to the Illicit Gains Law passed in August 2021 and the IACC law enacted in 2022; amending the Companies Law in 2022 for the purpose of requiring the submission of the beneficial owners and the establishment of the Beneficial Owner Registry system, and continuing to ensure that the Integrity and Anti-Corruption Commission (IACC) is adequately resourced. |

# Annex II. Risk Assessment Matrix[1]

| Risks and Likelihood | Economic Impact | Policy Responses |
|---|---|---|
| **Global Risks** | | |
| **High** | **High** | |
| **Intensification of regional conflicts.** Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows. | • Disruptions to energy, food, tourism and remittances, would worsen the fiscal and current account balances, increasing external financing needs.<br>• Inflation pressure could rise due to higher import prices. | • Provide targeted fiscal measures to ensure delivery of essential public services, including security, and to support vulnerable households, including refugees.<br>• Strengthen social safety nets. |
| **High** | **High** | |
| **Commodity price volatility.** Supply and demand fluctuations (e.g., due to conflicts, export restrictions, OPEC+ decisions, and green transition) cause recurrent commodity price volatility, external and fiscal pressures and food insecurity in EMDEs, cross-border spillovers, and social and economic instability. | • An increase in fuel and/or food prices would significantly increase fuel and/or wheat import bill; current account deficit and external financing needs. | • Provide targeted fiscal measures to support vulnerable households, including refugees.<br>• Strengthen social safety nets. |
| **Medium** | **High** | |
| **Global growth surprises:**<br>• **Slowdown.** Growth slowdown in major economies, including due to supply disruptions, tight monetary policy, rising corporate bankruptcies, or a deeper-than-envisaged real estate sector contraction, with adverse spillovers through trade and financial channels, triggering sudden stops in some EMDEs. | • The global slowdown could reduce remittances and tourism inflows and thus affect economic activity and dampen domestic growth outlook, while worsening the fiscal and current account balances.<br>• An increase in global risk premia and still high Fed rates could result in a negative feedback loop between sovereign and banks and worsening bank balance sheets. It would also result in higher funding costs for corporates and the sovereign, as well as an asset quality deterioration for banks. | • Provide targeted support to vulnerable groups.<br>• Monitor banks' buffers to withstand shocks, introduce measures recommended by the FSSA as appropriate.<br>• Accelerate structural measures that foster private investment and private sector development that creates jobs and promotes more sustainable and inclusive growth. |

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

| Risks and Likelihood | Economic Impact | Policy Responses |
|---|---|---|
| **Low** | **Medium** | |
| **Global growth surprises:**<br>• **Acceleration.** Positive supply-side surprises, monetary easing, productivity gains from AI, and/or stronger EMDE performance raise global demand and trade, and ease global financing conditions. | • The global growth acceleration could improve remittances and tourism inflows and help strengthen domestic growth outlook. All these will improve the fiscal and current account balances. | • Continue fiscal and structural reforms to entrench the gains from global growth acceleration. |
| **Medium** | **Medium** | |
| **Monetary policy calibration.** Amid high uncertainty and data surprises, major central banks' stances turn out to be too loose, hindering disinflation, or too tight for longer than warranted, which stifles growth and triggers increased capital-flow and exchange-rate volatility in EMDEs. | • A sharp tightening of global financial conditions and spiking risk premia could increase vulnerabilities of the sovereign, banks, and households. | • CBJ to follow the U.S. Fed on policy rates conditional on domestic conditions.<br>• Provide targeted support to vulnerable groups.<br>• Monitor banks' buffers to withstand shocks, introduce measures recommended by the FSSA as appropriate. |
| **Medium** | **Medium** | |
| **Systemic financial instability.** High interest rates and risk premia and asset repricing amid economic slowdowns and elevated policy uncertainty (including from elections) trigger market dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting weak banks and NBFIs. | • An increase in global risk premia and still high Fed rates could result in a negative feedback loop between sovereign and banks and worsening bank balance sheets. It could also result in higher funding costs for corporates and the sovereign, as well as asset quality deterioration for banks. | • CBJ to follow the U.S. Fed and raise policy rates conditional on domestic conditions.<br>• Monitor banks' buffers to withstand shocks, introduce measures recommended by the FSSA as appropriate. |
| **Medium** | **High** | |
| **Sovereign debt distress.** Domino effects from high global interest rates, deteriorating debt sustainability in some AEs, unfunded fiscal spending, and/or disorderly debt events in some EMDEs spillover to other highly indebted countries, amplified by sovereign-bank feedback, resulting in capital outflows, rising risk premia, loss of market access, and contraction of growth and social spending. | • Higher risk premia would result in higher funding costs for corporates and the sovereign. Bank asset quality could deteriorate.<br>• Capital outflows could materialize. | • If market conditions become disorderly, consider capital flow measures as part of a broader macroeconomic package to address the root causes in accordance with the IMF Institutional View.<br>• Maintain prudent macroeconomic policies.<br>• Continue fiscal consolidation to ensure debt sustainability. |

<table>
<tr><th>Risks and Likelihood</th><th>Economic Impact</th><th>Policy Responses</th></tr>
<tr><td>High</td><td>Medium</td><td></td></tr>
<tr><td>Deepening geoeconomic fragmentation. Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower growth.</td><td>• FDI inflows could slowdown and higher import costs would worsen the fiscal and current account balances. Such development could affect potential growth if persists.</td><td>• Accelerate structural reforms that promote economic diversification and foster greater private sector development that creates jobs and promotes inclusive growth.<br>• Monitor banks' buffers to withstand shocks, introduce measures recommended by the FSAP as appropriate.</td></tr>
<tr><td colspan="3">Domestic Risks</td></tr>
<tr><td>Medium</td><td>High</td><td></td></tr>
<tr><td>Increase in water scarcity due to climate change</td><td>• Water shortages would affect daily life and disrupt economic activity. It could also trigger social discontent.</td><td>• Prioritize securing sustainable water supplies.<br>• Targeted fiscal measures to support vulnerable households.<br>• Adopt measures to improve efficiency and ensure financial sustainability of the water sector.</td></tr>
<tr><td>Medium</td><td>High</td><td></td></tr>
<tr><td>Persistently high unemployment amplifies poverty and inequality</td><td>• Persistently high unemployment, especially among youth, could amplify poverty and inequality and heighten social pressure.<br>• Weaken recent reform momentum.<br>• Damage investor perceptions of business environment.<br>• Slow growth, calling debt sustainability into question.</td><td>• Accelerate structural reforms that promote economic diversification and foster greater private sector development that creates jobs and promotes inclusive growth.<br>• Strengthen social safety nets.</td></tr>
</table>

# Annex III. Sovereign Risk and Debt Sustainability Assessment

## Annex III. Table 1. Jordan: Risk of Sovereign Stress

| Horizon | Mechanical signal | Final assessment | Comments |
|---|---|---|---|
| **Overall** | ... | **Moderate** | This follows directly from the "moderate" medium-term risk assessement. |
| **Near term 1/** | n.a. | n.a. | Not applicable |
| **Medium term** | **Moderate** | **Moderate** | In line with the mechanical signals, medium term risks are assessed as moderate, reflecting a declining debt/GDP ratio and manageable financing risks, based on the assumed fiscal consolidation over 2024-28. |
| Fanchart | **Moderate** | ... | |
| GFN | **Moderate** | ... | |
| Stress test | ... | ... | |
| **Long term** | ... | **Moderate** | Jordan's social security fund provides a useful buffer reflecting favorable demographic composition, which might change in the next decade. Therefore, pension reforms and other structural reforms are paramount to prevent a rundown of the pension assets and to ensure the pension fund sustainablility. Elevated gross financing needs are also a risk, if fiscal consolidation and debt reduction are further delayed by additional spending pressures from regional tensions, water scarcity, inefficient energy companies or climate related costs. On balance, staff assesses long-term risks to be moderate. |
| **Sustainability assessment 2/** | | Sustainable | The debt/GDP ratio is projected to decline to just below 80 percent by 2028, and financing risks, in line with a relatively long effective debt maturity of 6 years and robust development partner support, remain manageable. The baseline fiscal consolidation is gradual and backed by identified measures. Accordingly, debt is assessed as sustainable. However, further tightening of global financial conditions, persistence of regional conlicts, commodity prices shocks, failure to reverse water and electricity sectors deficits, weaker global growth, and higher EM risk premia present downside risks to this baseline. |
| **Debt stabilization in the baseline** | | | Yes |

**DSA Summary Assessment**

Jordan’s public debt is assessed as sustainable. The medium-term baseline delivers a downward path for the debt/GDP ratio, driven mainly by fiscal consolidation and growth. Public debt peaked at 89.2 percent of GDP in 2023, and is expected to increase further in 2024 before strting to decline in 2025 to reach just below 80 percent by 2028. Jordan’s high public debt renders it vulnerable to a tightening in financial conditions, but the large share of concessional debt provides an important cushion. Moreover, Jordan has significant buffers: FX reserves at 7 months of imports; and assets of the Social Security Investment Fund reached 40 percent of GDP. Continued fiscal consolidation and accelerated structural reforms, including decisive actions to address NEPCO's deficits and address the water scarcity challenge in a fiscally prudent manner, as well as reforms to improve long-term pension sustainability and address climate change remain essential to maintain debt sustainability and enhance inclusive growth and competitiveness.

Source: Fund staff.

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

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

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

## Annex III. Table 2. Jordan: Debt Coverage and Disclosures

| | | | | | | Comments |
|---|---|---|---|---|---|---|
| **1. Debt coverage in the DSA: 1/** | CG | GG | NFPS | CPS | Other | |
| **1a. If central government, are non-central government entities insignificant?** | | | | | n.a. | |

**2. Subsectors included in the chosen coverage in (1) above:**

| | Subsectors captured in the baseline | Inclusion | Comments |
|---|---|---|---|
| 1 | Budgetary central government | Yes | |
| 2 | Extra budgetary funds (EBFs) | No | Not applicable |
| 3 | Social security funds (SSFs) | Yes | |
| 4 | State governments | No | |
| 5 | Local governments | No | |
| 6 | Public nonfinancial corporations | Yes | Water and electricity only |
| 7 | Central bank | No | |
| 8 | Other public financial corporations | No | |

(Row labels: CPS, NFPS, GG: expected, CG)

| | | | | | |
|---|---|---|---|---|---|
| **3. Instrument coverage:** | Currency & deposits | Loans | Debt securities | Oth acct. payable 2/ | IPSGSs 3/ |

| | Basis of recording | | Valuation of debt stock | | |
|---|---|---|---|---|---|
| **4. Accounting principles:** | Non-cash basis 4/ | Cash basis | Nominal value 5/ | Face value 6/ | Market value 7/ |

| | | |
|---|---|---|
| **5. Debt consolidation across sectors:** | Consolidated | Non-consolidated |

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

**Reporting on Intra-government Debt Holdings**

| | Issuer \ Holder | Budget. central govt | Extra-budget. funds (EBFs) | Social security funds (SSFs) | State govt. | Local govt. | Nonfin. pub. corp. | Central bank | Oth. pub. fin corp | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Budget. central govt. | | | | | | | | | 0 |
| 2 | Extra-budget. funds | | | | | | | | | 0 |
| 3 | Social security funds | 8.9 | | | | | | | | 8.9 |
| 4 | State govt. | | | | | | | | | 0 |
| 5 | Local govt. | | | | | | | | | 0 |
| 6 | Nonfin pub. corp. | | | | | | | | | 0 |
| 7 | Central bank | | | | | | | | | 0 |
| 8 | Oth. pub. fin. corp | | | | | | | | | 0 |
| | Total | 8.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8.9 |

(Row labels: CPS, NFPS, GG: expected, CG)

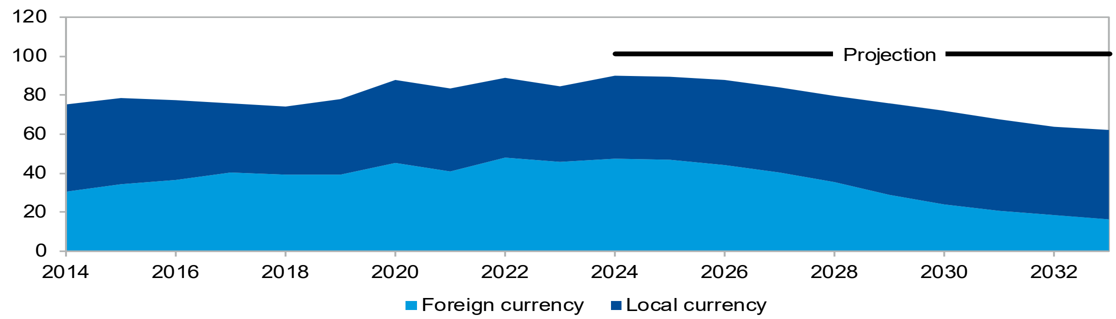
1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee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

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

## Annex III. Figure 1. Jordan: Public Debt Structure Indicators

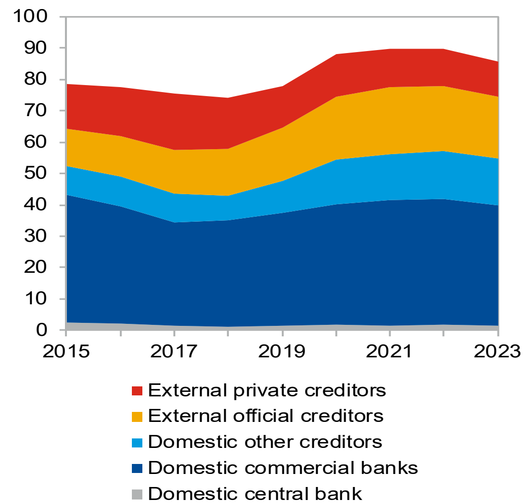
### Jordan: Public Debt Structure Indicators

**Debt by Currency (Percent of GDP)**



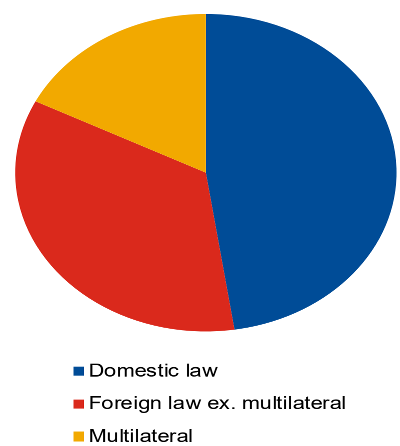

Note: The perimeter shown is general government.

**Public Debt by Holder (Percent of GDP)**



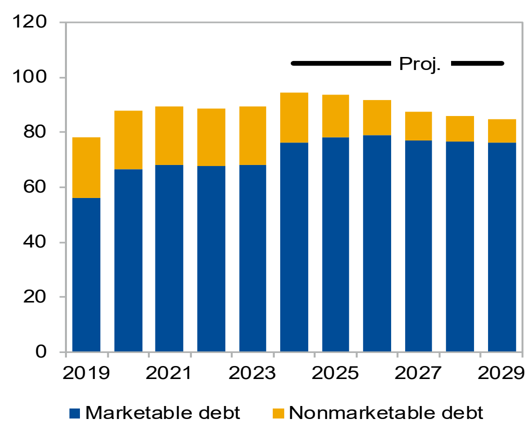

Note: The perimeter shown is general government.

**Public Debt by Governing Law, 2023 (Percent)**



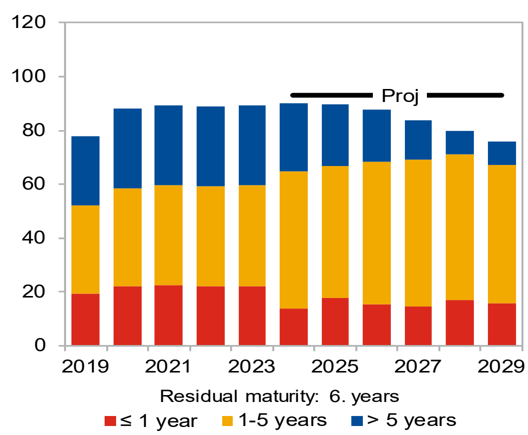

Note: The perimeter shown is general government.

**Debt by Instruments (Percent of GDP)**




Note: The perimeter shown is general government.

**Public Debt by Maturity (Percent of GDP)**



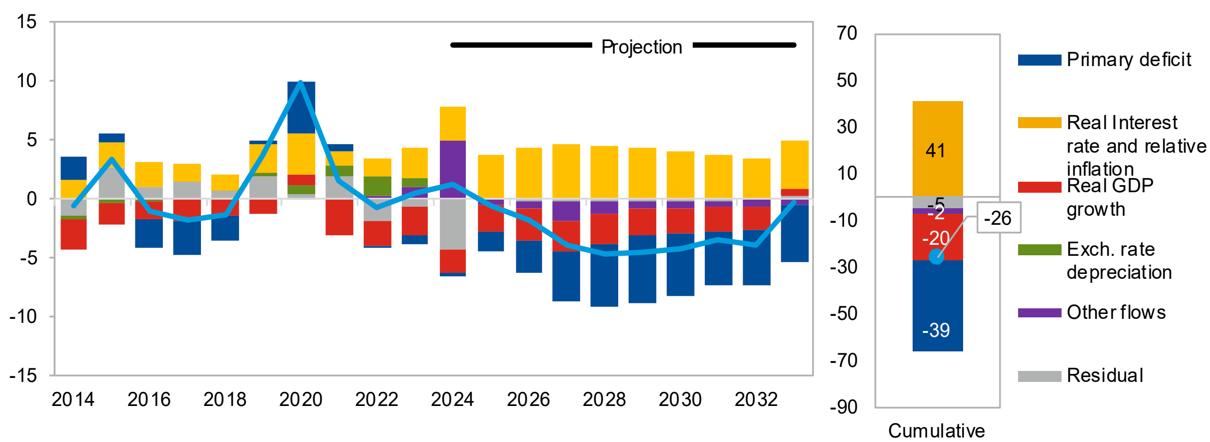

Note: The perimeter shown is general government.

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

## Annex III. Table 3. Jordan: Baseline Scenario
(Percent of GDP unless indicated otherwise)

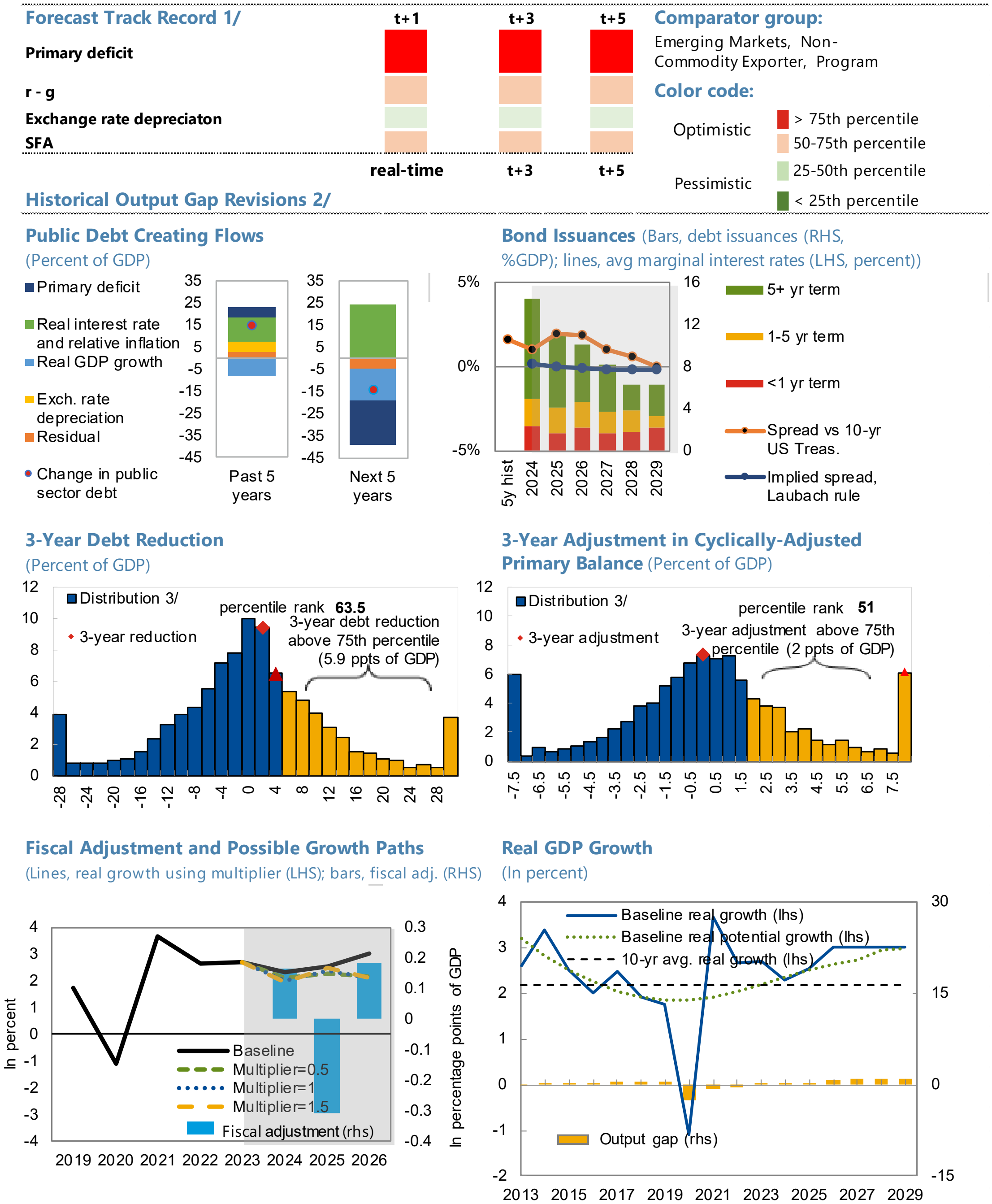
| | Actual | Medium-term projection | | | | | | Extended projection | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 |
| Public debt | 89.2 | 90.5 | 89.9 | 88.1 | 84.2 | 79.6 | 75.1 | 70.9 | 67.4 | 63.5 | 63.2 |
| Change in public debt | 0.4 | 1.3 | -0.6 | -1.8 | -3.9 | -4.6 | -4.5 | -4.2 | -3.5 | -3.9 | -0.3 |
| Contribution of identified flows | 1.0 | 5.5 | -0.5 | -1.6 | -3.7 | -4.4 | -4.3 | -4.0 | -3.4 | -3.8 | -0.5 |
| Primary deficit | -0.7 | -0.4 | -1.6 | -2.7 | -4.2 | -5.3 | -5.8 | -5.2 | -4.5 | -4.7 | -4.7 |
| Noninterest revenues | 37.5 | 37.3 | 38.8 | 39.0 | 40.0 | 40.5 | 39.8 | 39.9 | 40.1 | 40.2 | 40.4 |
| Noninterest expenditures | 36.8 | 37.0 | 37.1 | 36.3 | 35.8 | 35.2 | 34.0 | 34.7 | 35.6 | 35.5 | 35.6 |
| Automatic debt dynamics | 0.8 | 0.9 | 1.5 | 1.8 | 2.1 | 2.0 | 2.0 | 1.8 | 1.7 | 1.5 | 4.8 |
| Real interest rate and relative inflation | 2.4 | 2.9 | 3.8 | 4.4 | 4.7 | 4.5 | 4.3 | 4.0 | 3.8 | 3.5 | 4.1 |
| Real interest rate | 2.7 | 3.0 | 3.7 | 4.2 | 4.5 | 4.3 | 4.2 | 3.9 | 3.7 | 3.4 | 4.4 |
| Relative inflation | -0.3 | -0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | -0.2 |
| Real growth rate | -2.5 | -2.0 | -2.2 | -2.6 | -2.6 | -2.5 | -2.3 | -2.2 | -2.1 | -2.0 | 0.6 |
| Real exchange rate | 0.8 | … | … | … | … | … | … | … | … | … | … |
| Other identified flows | 1.0 | 4.9 | -0.5 | -0.7 | -1.6 | -1.1 | -0.6 | -0.6 | -0.6 | -0.6 | -0.6 |
| Contingent liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other transactions | 1.0 | 4.9 | -0.5 | -0.7 | -1.6 | -1.1 | -0.6 | -0.6 | -0.6 | -0.6 | -0.6 |
| Contribution of residual | -0.6 | -4.2 | -0.1 | -0.2 | -0.2 | -0.2 | -0.2 | -0.1 | -0.1 | -0.1 | 0.2 |
| | | | | | | | | | | | |
| Gross financing needs | 21.8 | 17.9 | 17.2 | 20.4 | 17.1 | 15.0 | 16.5 | 15.5 | 18.4 | 16.7 | 17.7 |
| of which: debt service | 22.6 | 18.3 | 18.8 | 23.2 | 21.3 | 20.3 | 22.3 | 20.7 | 22.9 | 21.4 | 22.4 |
| Local currency | 13.9 | 12.8 | 12.3 | 16.1 | 13.7 | 13.9 | 15.4 | 14.7 | 18.2 | 18.2 | 18.6 |
| Foreign currency | 8.6 | 5.5 | 6.5 | 7.1 | 7.7 | 6.4 | 6.9 | 6.0 | 4.8 | 3.1 | 3.9 |
| Memo: | | | | | | | | | | | |
| Real GDP growth (percent) | 2.9 | 2.3 | 2.5 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | -1.0 |
| Inflation (GDP deflator; percent) | 1.8 | 2.1 | 2.3 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 0.6 |
| Nominal GDP growth (percent) | 4.8 | 4.4 | 4.9 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | -0.3 |
| Effective interest rate (percent) | 5.0 | 5.6 | 6.6 | 7.4 | 7.9 | 7.9 | 8.0 | 7.9 | 8.0 | 7.8 | 7.5 |

### Contribution to Change in Public Debt
(Percent of GDP)




Debt/GDP is expected to decline in the medium term, driven mainly by fiscal adjustment and real growth. On the other hand, the real effective interest rate does exert a significant upward pressure on debt/GDP. However, the effects of interest revenue, some use of deposits, and reduction of stock of guarentees (e.g. comfort letters offset these other flows) act to counterbalance these other flows. The provided table and the accompanying charts are based on general government debt and balances (the latter include Social Security surpluses).

## Annex III. Figure 2. Jordan: Realism of Baseline Assumptions




Source: IMF Staff.

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

2/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis. The realism tools do not raise any significant red flags. While the forecast errors for the primary deficit projection flags red, this reflects the repeated revisions to the fiscal path in the context of repeated shocks . On contribution of debt-creating flows: (i) growth was held back during the past 5 years on account of several shocks, including the ISIS shock, COVID, and regional tensions; whereas the 2024-29 period will feature the post-conflict recovery, with positive output gaps, as well as fruits from structural reforms implemented in the context of the new EFF, including the new legislations on labor and competition which will deliver a level-playing field for the private sector; (ii) large fiscal deficits (and SFAs from issuance of “comfort letters”) during 2019-23, which included the two COVID years, are also set to tighten, in line with the programmed fiscal consolidation. Separately, on the interest bill/GDP ratio, marginal interest rates have been raised significantly, in light of thenormalization of monetary policy and related tightening, but this is partially offset by the fiscal drag from higher inflation, given a relatively long maturity of debt.

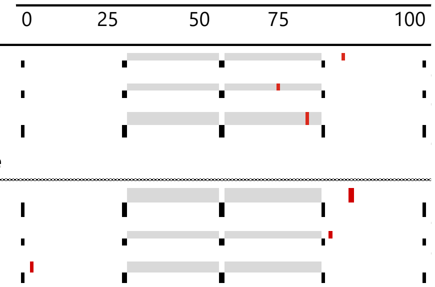
3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

## Annex III. Table 4. Jordan: Medium-Term Risk Analysis

### Debt Fanchart and GFN Financeability Indexes

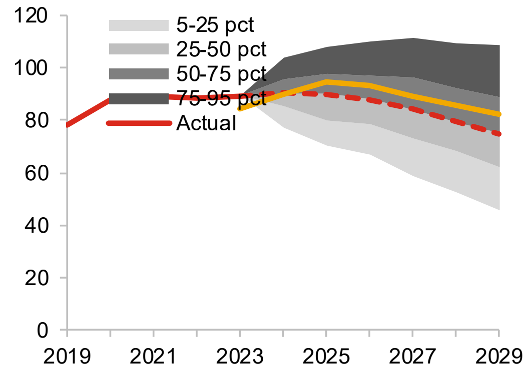
| Module | Indicator | Value | Risk index | Risk signal |
|---|---|---|---|---|
| Debt fanchart module | Fanchart width | 63.3 | 0.9 | ... |
| | Probability of debt not stabilizing (pct) | 6.4 | 0.1 | ... |
| | Terminal debt level x institutions index | 40.9 | 0.9 | ... |
| | **Debt fanchart index** | **...** | **1.9** | **Moderate** |
| GFN finance-ability module | Average GFN in baseline | 17.4 | 5.9 | ... |
| | Bank claims on government (pct bank assets) | 22.8 | 7.4 | ... |
| | Chg. in claims on govt. in stress (pct bank asse | 3.0 | 1.0 | ... |
| | **GFN financeability index** | **...** | **14.3** | **Moderate** |

Ems., Non-Com. Exp, Program

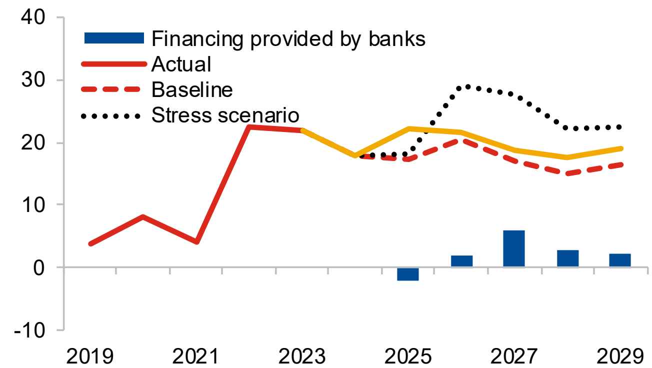



Legend: Interquartile range | Jordan

### Final Fanchart (pct of GDP)




### Gross Financing Needs (pct of GDP)

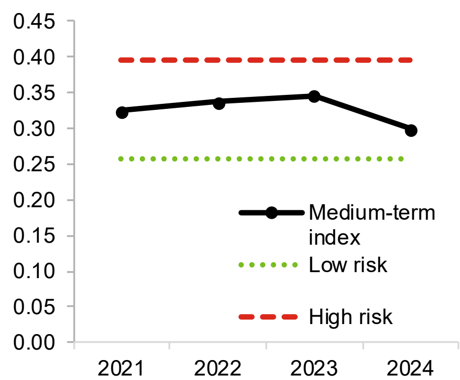



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

### Medium-term Index

(index number)




### Medium-term Risk Analysis

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

Prob. of missed crisis, 2024-2029 (if stress not predicted): 18.2 pct.

Prob. of false alarm, 2024-2029 (if stress predicted): 21.6 pct.

While the debt-to-GDP ratio is high, the risk of non-stabilization is in line with the median, given the fiscal adjustment under the program. Even under stress, financing risks are considered manageable. The SSC holds assets outside the general government sector worth about 19% of GDP, with 70% being liquid (deposits or stocks). These investments generate reasonable interest income for the government, reducing Gross Financing Needs (GFNs). GFNs are sensitive to changes in bank claims on the government, but the strong position of the banking sector makes this scenario unlikely. Overall, the medium-term risk is assessed as moderate.

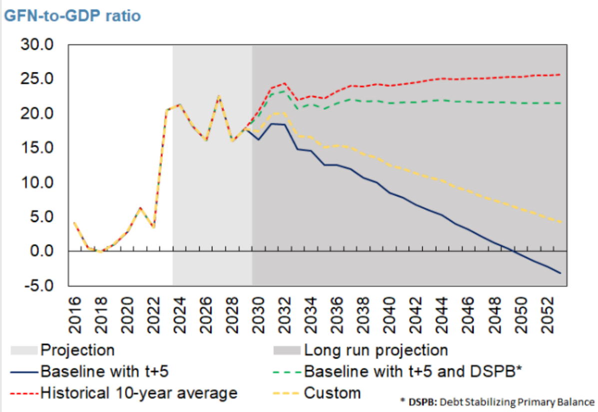
## Annex III. Figure 3. Jordan: Long-Term Risk Module

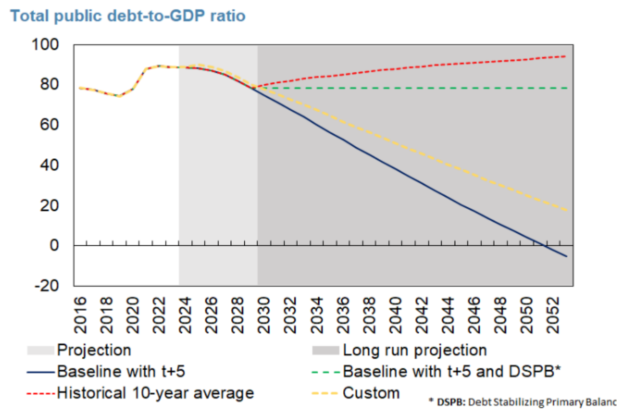
### Large Amortization Trigger

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

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

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



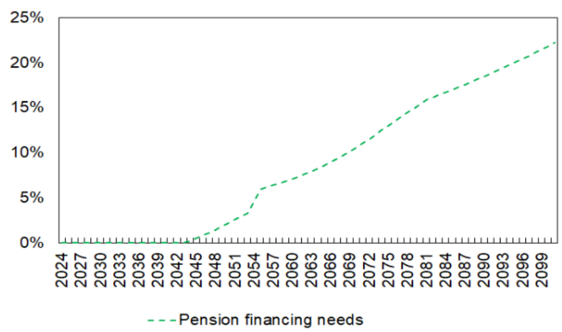

**Commentary:** The default large amortization module calculates gross financing needs (GFNs) and debt based on amortization from existing debt under three scenarios. The substantial GFNs in peak years indicate comparatively high risks. The tailored scenario uses a more prudent baseline, maintaining a primary balance averaging 2.5 percent of GDP over the extended term, while other macroeconomic variables remain consistent with the Baseline with t+5. Debt is forecast to consistently decrease, falling below 60 percent of GDP by 2036. Nevertheless, GFNs persist at elevated levels of 15-20 percent of GDP in this more cautious scenario, eventually declining to under 10 percent in 2044. In the Baseline with t+5 scenario, which sustains a higher primary balance of 3.7 percent of GDP, debt will reduce to 60 percent of GDP sooner (2033), and the GFNs will progressively diminish to 10 percent of GDP by 2039.

## Annex III. Figure 3. Jordan: Long-Term Risk Module (concluded)

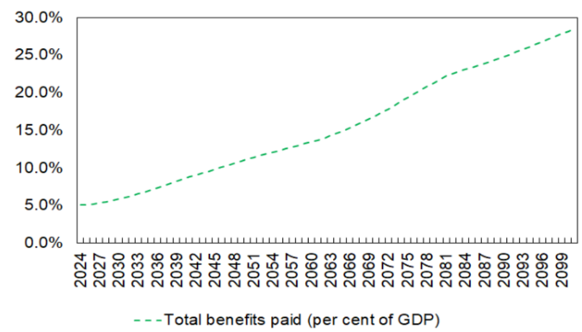
### Demographics: Pension

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

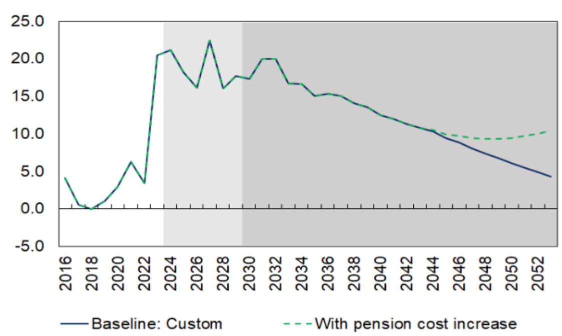
**Pension Financing Needs**



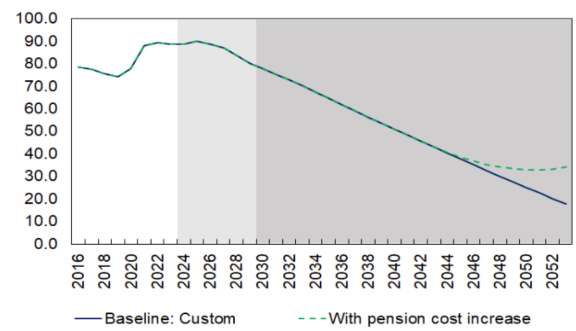

**Total benefits paid**




**GFN-to-GDP ratio**



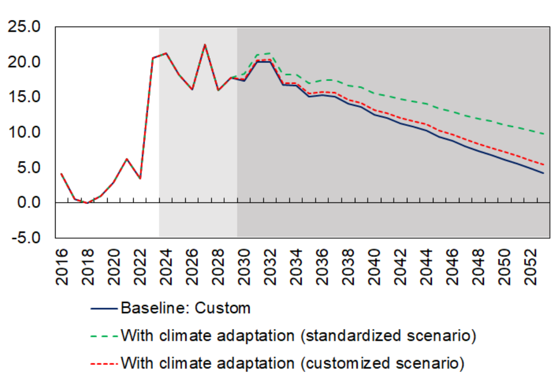

**Total public debt-to-GDP ratio**



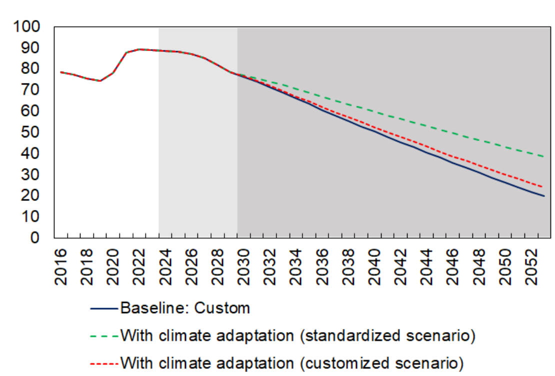

**Commentary:** Jordan's SSIF assets amounted to JD 15.5 billion (41 percent of GDP) by Q2 2024. Although the SSC operates with a surplus owing to favorable demographic factors, starting in the 2030s, disbursements will surpass contributions, necessitating asset liquidation to bridge the shortfall. In the 2040s, budgetary financing will become essential, elevating annual GFNs and destabilizing debt levels. Continuing pension reforms and structural adjustments aimed at enhancing labor market engagement and stimulating employment could further bolster its viability, particularly over an extended timeframe.

### Climate Change: Adaptation

**GFN-to-GDP ratio**




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




**Commentary:** The standard adaptation module incorporates 0.9 percent of GDP in additional costs over the medium term, reflecting average adaptation expenses associated with investments, existing assets, and coastal protection. The customized module adds 0.2 percent of GDP in costs, as coastal protection expenses are comparatively modest relative to standard adaptation assumptions. With these additional adaptation costs, debt is projected to decrease to approximately 70 percent of GDP by 2033 and further to 60 percent of GDP by 2037. GFNs could potentially rise to 20 percent of GDP. Nevertheless, adaptation-related investments are anticipated to generate long-term fiscal savings and mitigate fiscal vulnerabilities, particularly in the energy and water sectors, which incur substantial fiscal costs and present significant fiscal risks in the medium to long term. The scenarios indicate that these supplementary investments do not pose a substantial threat to the debt trajectory, although GFNs might be marginally higher.

## A. External Sector DSA

**1. The coverage of external debt in this Debt Sustainability Analysis (DSA) encompasses** (i) public and publicly guaranteed external debt, and (ii) external liabilities of the banking sector and private corporations. Due to data limitations, the estimation of private sector external debt, particularly for the non-banking sector, maybe incomplete. External debt is defined according to the residency criterion.

**2. Jordan's public external debt is moderate but is projected to increase slightly over the medium term.** Public external debt is anticipated to rise from 42.2 percent of GDP in 2023 to 44.9 percent in 2024, before gradually declining to around 39.5 percent of GDP in 2029. The increase is primarily driven by elevated external financing needs, reflecting the impact of food and energy shocks from Russia's war in Ukraine and the prolonged regional conflict. Despite the increase, the debt profile remains favorable, supported by a high proportion of concessional borrowing, including commitments under the Jordan Compact, the 2019 Initiative, and the recently approved program.

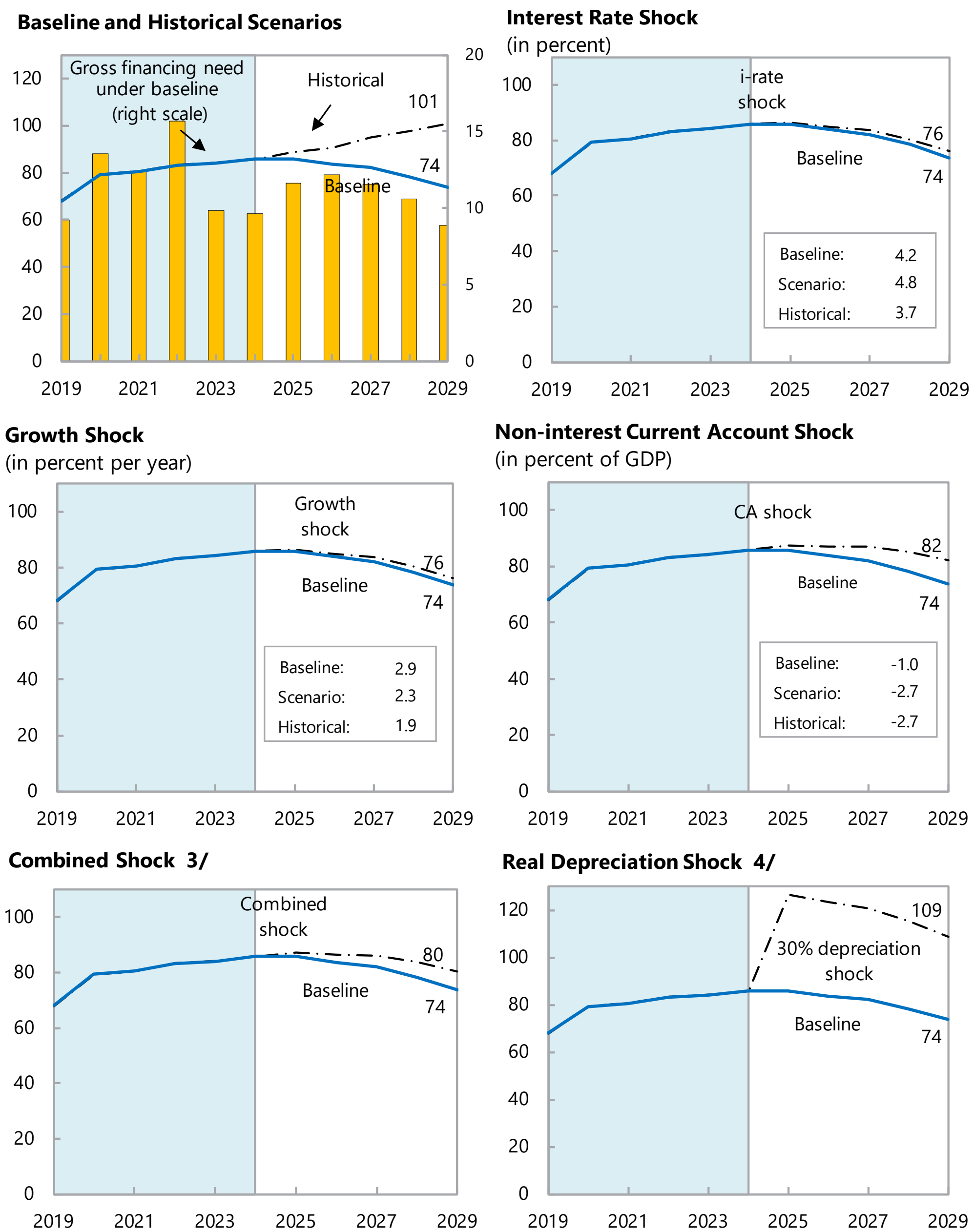
**3. Private external debt is expected to remain moderate within the range of 34 to 41 percent of GDP.** As of end-2023, banks accounted for 78 percent of total external debt, primarily in the form of non-resident deposits, with the remainder held by non-financial corporations. The projections assume that banks will maintain their exposure to non-residents and that the non-bank corporate sector will continue to finance its needs through debt-creating flows. Over the medium term, firms' external debt as a share of total private external debt is expected to gradually increase from roughly a quarter to two-fifth. Given the moderate size of the private external debt and local banks' strong balance sheet, contingent liability risks to the public sector are expected to remain contained.

**4. External financing requirements are expected to remain sizable during the program period but are projected to gradually decline thereafter.** The still elevated financing needs reflect the protracted adjustment of the post-COVID-19 current account deficit, which was delayed by high food and energy imports due to Russia's war in Ukraine and the ongoing regional conflict, as well as increased amortization needs, including from the Eurobonds coming due during 2025–29.

**5. The external debt trajectory appears resilient to shocks.** Standardized stress-test scenarios indicate that external debt is relatively insensitive to current account and combined shocks, while interest rate and real growth shocks appear to have only a marginal impact on the external debt burden. The moderate risks to external debt sustainability are based upon the assumption that FDI inflows will strengthen due to the Aqaba-Amman Conveyer project starting in 2026 and ongoing structural adjustments, and that program-supported external buffers will help mitigate external shocks and anchor private expectations. However, a substantial and permanent real depreciation shock would significantly elevate the external debt-to-GDP ratio beyond baseline projections, emphasizing the importance of safeguarding the peg through prudent policies.

## Annex III. Figure 4. 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.

## Annex III. Table 5. Jordan: External Debt Sustainability Framework, 2019–29
(In percent of GDP, unless otherwise indicated

| | Actual | | | | | | | | Projections | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | | | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | Debt-stabilizing |
| | | | | | | | | | 40.9 | 39.6 | 38.0 | 36.8 | 35.5 | 34.2 | non-interest |
| | | | | | | | | | | | | | | | current account 7/ |
| 1 **Baseline: External debt 1/** | 68.0 | 79.3 | 80.5 | 83.3 | 84.2 | 85.8 | | | **85.8** | **85.8** | **83.8** | **82.1** | **78.4** | **73.7** | **-7.4** |
| *Of which* : Public and Publicly Guaranteed External Debt | 35.0 | 40.9 | 40.7 | 39.9 | 42.2 | 44.9 | | | 44.9 | 46.1 | 45.7 | 45.3 | 42.9 | 39.5 | |
| | | | | | | | | | | | | | | | |
| 2 Change in external debt | 0.8 | 11.3 | 1.2 | 2.8 | 0.9 | 1.6 | | | 1.6 | 0.0 | -2.0 | -1.7 | -3.6 | -4.7 | |
| 3 Identified external debt-creating flows (4+8+9) | -1.5 | 5.3 | 2.3 | 1.3 | -1.6 | 0.9 | | | 0.9 | 0.4 | -0.6 | -2.6 | -2.9 | -4.6 | |
| 4 Current account deficit, excluding interest payments | -0.3 | 3.7 | 6.0 | 4.8 | -0.7 | -0.4 | | | -0.4 | 0.4 | 1.0 | 1.4 | 1.2 | 1.0 | |
| 5 Deficit in balance of goods and services | 13.0 | 18.3 | 20.4 | 19.1 | 13.2 | 12.4 | | | 12.4 | 13.1 | 13.2 | 13.5 | 12.5 | 11.7 | |
| 6 Exports | 36.3 | 23.9 | 30.0 | 42.6 | 43.5 | 42.5 | | | 42.5 | 41.5 | 42.7 | 42.5 | 42.5 | 42.2 | |
| 7 Imports | 49.4 | 42.2 | 50.4 | 61.7 | 56.7 | 54.9 | | | 54.9 | 54.5 | 55.9 | 56.0 | 54.9 | 53.9 | |
| 8 Net non-debt creating capital inflows (negative) | -1.5 | -1.7 | -1.3 | -2.6 | -1.5 | -1.5 | | | -1.5 | -2.0 | -2.8 | -4.6 | -4.6 | -6.2 | |
| 9 Automatic debt dynamics 2/ | 0.3 | 3.3 | -2.4 | -0.9 | 0.7 | 2.8 | | | 2.8 | 2.1 | 1.2 | 0.5 | 0.6 | 0.6 | |
| 10 Contribution from nominal interest rate | 2.0 | 2.1 | 2.0 | 3.0 | 4.4 | 4.6 | | | 4.6 | 4.1 | 3.7 | 2.9 | 2.9 | 2.8 | |
| 11 Contribution from real GDP growth | -1.1 | 0.8 | -2.7 | -1.9 | -2.3 | -1.9 | | | -1.9 | -2.1 | -2.4 | -2.4 | -2.3 | -2.2 | |
| 12 Contribution from price and exchange rate changes 3/ | -0.6 | 0.5 | -1.7 | -2.0 | -1.5 | -1.7 | | | ... | ... | ... | ... | ... | ... | |
| 13 Residual, incl. change in gross foreign assets (2-3) 4/ | 2.3 | 6.0 | -1.0 | 1.4 | 2.5 | 0.8 | | | 0.8 | -0.5 | -1.4 | 0.9 | -0.8 | -0.1 | |
| | | | | | | | | | | | | | | | |
| External debt-to-exports ratio (in percent) | 187.2 | 331.7 | 268.8 | 195.3 | 193.4 | 193.4 | | | 201.8 | 206.7 | 196.3 | 192.9 | 184.6 | 174.9 | |
| | | | | | | | | | | | | | | | |
| **Gross external financing need (in billions of U.S. dollars) 5/** | 4.1 | 5.9 | 5.7 | 7.6 | 5.0 | 5.1 | | | 5.1 | 6.5 | 7.2 | 7.2 | 7.0 | 6.2 | |
| in percent of GDP | 9.2 | 13.5 | 12.4 | 15.7 | 9.8 | 9.6444 | | | 9.6444 | 11.6 | 12.2 | 11.5 | 10.6 | 8.8 | |
| | | | | | | | | | | | | | | | |
| **Scenario with key variables at their historical averages 6/** | | | | | | | 5-Year | 10-Year | **85.8** | **88.6** | **90.6** | **95.0** | **97.6** | **101.0** | **-1.4** |
| | | | | | | | Historical | Standard | | | | | | | |
| **Key Macroeconomic Assumptions Underlying Baseline** | | | | | | | Average | Deviation | | | | | | | |
| | | | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 1.8 | -1.1 | 3.7 | 2.4 | 2.9 | 2.3 | 1.9 | 1.3 | 2.3 | 2.5 | 3.0 | 3.0 | 3.0 | 3.0 | |
| GDP deflator in U.S. dollars (change in percent) | 0.8 | -0.7 | 2.2 | 2.6 | 1.8 | 2.1 | 1.3 | 1.1 | 2.1 | 2.3 | 2.5 | 2.5 | 2.5 | 2.5 | |
| Nominal external interest rate (in percent) | 3.1 | 3.0 | 2.7 | 4.0 | 5.6 | 5.8 | 3.7 | 1.3 | 5.8 | 5.1 | 4.5 | 3.7 | 3.8 | 3.8 | |
| Growth of exports (U.S. dollar terms, in percent) | 7.1 | -35.4 | 32.8 | 49.6 | 7.0 | 2.0 | 12.2 | 22.8 | 2.0 | 2.4 | 8.6 | 5.3 | 5.4 | 4.8 | |
| Growth of imports (U.S. dollar terms, in percent) | -4.2 | -16.1 | 26.6 | 28.7 | -3.7 | 1.1 | 6.3 | 14.5 | 1.1 | 4.2 | 8.2 | 5.8 | 3.5 | 3.5 | |
| Current account balance, excluding interest payments | 0.3 | -3.7 | -6.0 | -4.8 | 0.7 | 0.4 | -2.7 | 3.4 | 0.4 | -0.4 | -1.0 | -1.4 | -1.2 | -1.0 | |
| Net non-debt creating capital inflows | 1.5 | 1.7 | 1.3 | 2.6 | 1.5 | 1.5 | 1.7 | 1.6 | 1.5 | 2.0 | 2.8 | 4.6 | 4.6 | 6.2 | |

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

2/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate,

e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

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

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

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

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

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

# Annex IV. External Sector Assessment

***Overall Assessment:*** *The external position of Jordan in 2023 is assessed to be broadly consistent with the level implied by fundamentals and desirable policies. The current account deficit is expected to widen from 3.7 percent of GDP in 2023 to about 4.3 percent of GDP in 2024, on the back of the continued conflict in the region and lower fertilizer prices. Reserve levels remain adequate.*

***Potential Policy Responses:*** *Jordan's external stability depends on sound macro-economic policies and continued structural reforms to maintain macro-economic stability, strengthen debt sustainability, and improve the business environment. Maintaining reserves at above 100 percent of the IMF ARA metric is crucial for having adequate buffers to be able to withstand external shocks and maintain external stability.*

## Foreign Assets and Liabilities: Position and Trajectory

**Background.** The Net International Investment Position (NIIP) stood at -104 percent of GDP in 2024H1, similar to its end-2023 level (-103.7 percent of GDP). Gross assets and gross liabilities both remained stable, while gross assets stood at 60 percent of GDP and gross liabilities 166 percent. Apart from reserves, which accounted for over 62 percent of total gross assets and 37 percent of GDP, the majority is accounted for by commercial banks in the form of foreign deposits and loans (14 percent of GDP). Gross liabilities reached 166 percent of GDP, of which FDI representing about half at 78 percent of GDP, followed by loans and deposits of commercial bank (30 percent of GDP) and government (20.8 percent of GDP). The NIIP has deteriorated during the last decade due to widening current account deficits caused by various external shocks (e.g., disruption of gas supply from Egypt, ISIS attacks in Iraq and Syria, etc.), but is projected to improve in the medium as exports and tourism continue to strengthen.

**Assessment.** The large share of FDI mitigated the risks from gross external liabilities, as it is less volatile than other funding sources. The banking sector liabilities in the form of loans and deposit are partly offset by the counterpart of banks' external assets. While reserve buffers declined in 2022, they held steady in 2023 and grew in the first half of 2024. However, the ongoing regional conflict could weaken the reserve buffers due to disruptions in the tourism sector and broader economic activities. With sound economic policies and solid reform progress under successive EFF arrangements, the NIIP is projected to improve over the medium term with narrowing current account deficits.

| | | | | | |
|---|---|---|---|---|---|
| ***2023H2 (% GDP)*** | ***NIIP: -105*** | ***Gross Assets: 60*** | ***Debt Assets: 50*** | ***Gross Liabilities: 166*** | ***Debt Liabilities: 84*** |

## Current Account

**Background.** The current account deficit narrowed from 7.8 percent of GDP in 2022 to 3.7 percent of GDP in 2023, driven by recovery in exports and tourism, along with a decline in food and fuel prices. However, the ongoing regional conflict is likely to slow the growth momentum of the tourism receipts and put additional pressure to current account deficit. In the first quarter of 2024, external uncertainties and a sharp drop in fertilizer prices led to a 7.4 percent year-on-year increase in the trade deficit, resulting in a current account deficit of 8.8 percent of GDP for the quarter. By the end of 2024, the current account deficit is expected to be 4.3 percent of GDP reflecting the resilience in exports despite the escalating regional conflict. Energy imports are

**Jordan: EBA-lite Model Results, 2023**

| | **CA model** 1/ | **REER model** 1/ |
|---|---|---|
| | (in percent of GDP) | |
| **CA-Actual** | **-3.7** | |
| Cyclical contributions (from model) (-) | -0.3 | |
| Additional temporary/statistical factors (-) 2/ | 1.5 | |
| Natural disasters and conflicts (-) | -0.1 | |
| **Adjusted CA** | **-4.8** | |
| **CA Norm** (from model) 3/ | **-4.5** | |
| Adjustments to the norm (+) | 0.0 | |
| **Adjusted CA Norm** | **-4.5** | |
| **CA Gap** | **-0.3** | **4.3** |
| o/w Relative policy gap | 2.2 | |
| Elasticity | -0.3 | |
| **REER Gap** (in percent) | **1.0** | **-14.6** |

1/ Based on the EBA-lite 3.0 methodology
2/ Additional adjustment to account for the temporary impact of the Israel-Gaza conflict on tourism (14 percent of GDP) and largte statistical errors and omission. 50 percent of the shock to tourism is assumed temporary.
3/ Cyclically adjusted, including multilateral consistency adjustments.

projected to decrease slightly from 7.5 percent of GDP in 2023 to 6.5 percent in 2024. Over the medium term, as exports and tourism continue to strengthen, the current account deficit is expected to gradually narrow to around 3 ½–4 percent of GDP.

**Assessment.** The EBA CA model estimates a 2023 current account norm of -4.5 percent of GDP. After accounting for cyclical factors, conflict related, and statistical factors adjustments, the CA balance is adjusted to -4.5 percent of GDP. This leads to a current account gap of -0.3 percent of GDP, including a policy gap of 2.2 percent of GDP, which reflects a tighter fiscal position than in equilibrium to bring down debt to sustainable levels. Policy adjustments alone are unlikely to eliminate the CA gap and need to be complemented by structural reforms to enhance competitiveness.

**Real Exchange Rate**

**Background.** Following a 7.4 percent appreciation in 2023, the real effective exchange rate (REER) depreciated in 2024H1, with a depreciation of 2.9 percent by end-June as compared to the same time in 2023. The nominal effective exchange rate (NEER) continued to appreciate by 18 percent for the first 10 months in 2023 as compared to the same period in 2022. Despite at a slower rate, the NEER appreciation continues in 2024, by 3.4 percent on average for the first half of the year.

**Assessment.** The EBA-lite CA model implies a REER overvaluation of 1.0 percent in 2023, based on the CA gap of 1.2 and a REER elasticity of -0.3. Since Jordan dinar is pegged to the U.S. dollar, results may also reflect external economic conditions, and therefore, the results from the CA model are more reliable. Overall, staff assesses the 2023 REER gap was in the range of 1.0 to -15 percent.

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

**Background.** After more than doubling in 2022, net FDI decreased by 38.5 percent in 2023. The net FDI is projected to continue to decrease in 2024 due to the prolonged regional conflict. Official budget support from official donors is expected to exceed that of 2023. The errors and emissions remain large in 2023.

**Assessment.** Over the medium term, the current account deficit is projected to further narrow and FDI is expected to pick up. However, structural impediments to attract FDI and a potential decline of official donor support could impose pressures on financing the current account deficit and maintaining an adequate reserve buffer. Continued structural reforms to improve competitiveness and the business environment is important to boost investor confidence and sustain donor support.

**FX Intervention and Reserves Level**

**Background.** The Jordanian dinar is pegged to U.S. dollar and FX intervention is implemented as a supplementary policy to maintain the peg (the main policy instrument is the policy rate, which is adjusted 1-to-1 with changes in the U.S. Federal Reserve policy rate). Gross usable reserves were 33 percent of GDP at end-2023, and they are projected to remain broadly stable in the coming years. Reserve coverage as measured by the IMF ARA metric stayed at 104 percent, or 7.4 months of imports in 2023, and it is expected to stay at a similar level in 2024.

**Assessment.** Reserves have stayed above program targets and provided important support for the peg. Gross usable reserves at or above the 100 percent of the IMF reserve adequacy metric should be maintained. Continued fiscal consolidation and implementation of structural reforms will strengthen the external sector and contribute to further reserve accumulation.

# Annex V. Implementation of 2023 FSAP Recommendations

| Recommendations | Status |
| --- | --- |
| **Systemic Risk Analysis and Macroprudential Policy Framework** | |
| Fill data gaps to (i) further incorporate cross-border dimensions and interconnectedness in systemic risk monitoring; (ii) enable top-down bank stress testing on a globally consolidated basis; (iii) model probabilities of default (PDs), including on more granular loan portfolios.; (iv) expand the analysis of nonfinancial corporate vulnerabilities to a broader set of firms; (v) analyze household vulnerabilities at a more granular level. | The CBJ has collected and will continue to collect additional data for more comprehensive and thorough financial stability analyses. The CBJ has requested IMF TA to help address data gaps related to cross-border dimensions and interconnectedness in systemic risk monitoring. The CBJ has implemented top-down bank stress testing on a globally consolidated basis. |
| Enhance readiness to implement borrower-based macroprudential tools. | In progress. |
| Monitor closely and analyze the intensity of sovereign-bank linkages and consider implementing prudential policies to enhance system resilience, if warranted. | In progress. |
| Continue to monitor closely concentration risk on large nonfinancial corporate exposures in the banking sector. | The Banking Supervision Department monitors banks' exposures to major clients in the sector, including non-financial corporations, to ensure that their credit limits remain within the thresholds established by the Instructions of Large Exposures Limits and Credit Granting Controls no (2/2019) dated 4/3/2019. |
| Monitor the LCR by significant currency; analyze FX liquidity separately from total liquidity. | Implemented. |
| Strengthen and revamp the role of the Financial Stability Committee. | Implemented. |
| **Financial Sector Oversight** | |
| Continue to update the bank supervisory framework to ensure it is more risk-based, forward looking, undertaken on more adequate solo and consolidated bases. | In progress. |
| Develop Pillar 2 risks assessment methodologies to make capital assessments more sensitive to individual banks' risk profiles. | In progress. |
| Review and further closely align prudential requirements on asset classification, concentration risk and related party exposures with Basel Core Principles and guidance; strengthen supervision in these areas. | The CBJ has issued regulations that align prudential requirements on asset classification with Basel Core Principles and guidance in June 2024. As for the recommendation of aligning prudential requirements on concentration risk and related party exposures with Basel Core Principles and guidance, it is still under process. |
| Implement enforceable regulations in key risk areas (market, operational, IRRBB, country and transfer risk), review and revise outdated or misaligned guidance/regulations (credit risk management, FX liquidity risk management); strengthen supervision in these areas. | In progress. |

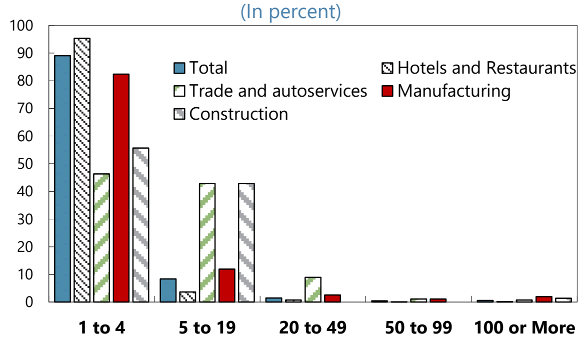
| Recommendations | Status |
|---|---|
| Ensure adequate banking supervision staff resources. | A significant number of appointments have been made since the end of October 2023 up to the present date to strengthen the banking supervision staff resources. |
| Continue to progress in implementing the FATF action plan through strengthening risk-based AML/CFT supervision; continue to ensure that D-SIBs' cross-border operations adhere to AML/CFT requirements that are at least as conservative as CBJ's requirements. | Implemented. All action items in Jordan's FATF action plan have been implemented (met SB for October 2023). |
| Enhance identification and verification of Ultimate Beneficial Ownership of legal persons/ arrangements. | Implemented, with cooperation with Companies Control Department and Anti Money Laundering and Counter Terrorist Financing Unit by issuing the Beneficial Ownership guidance and bylaw. |
| Complete the risk assessment of virtual asset activities and implement a framework for mitigating AML/CFT risks from virtual assets. | Implemented. The assessment was completed and published on Feb-2023. |
| Establish a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks of RTGS-JO. | An Internal Committee with the participation of relevant departments has been formed to prepare a comprehensive risk framework for the RTGS-JO. Accordingly, the committee will submit its mandate by the end of the first quarter of 2025. |
| **Financial Safety Net and Crisis Management** | |
| Set up a multi-agency crisis management committee (based on an MoU) to adequately operationalize the crisis management framework. | Implemented. A multi-agency crisis management committee has already been established that comprises the CBJ, Ministry of Finance, and JODIC, to adequately operationalize the crisis management framework. |
| Develop procedures for resolution planning and draft resolution plans for D-SIBs, starting with the major cross-border D-SIB, leveraging MoUs for cross-border cooperation. | In progress. |
| Design and operationalize a process for the compensation of depositors. | In progress. |
| To prepare for a depositor payout, come to an agreement on a borrowing source or make arrangements for issuing debentures. | In progress. |
| **Financial Development Issues** | |
| Reassess the subsidized funding schemes to specific sectors and stay on track with planned phasing-out and better targeting. | The assessment of the Medium-Term Advances to Licensed Banks Program is under progress, while the CBJ is committed to gradually reduce the concessionality of this program as agreed with the IMF. |
| Assess the appropriateness of introducing a late payments law for B2B and G2B transactions. | In progress. |

# Annex VI. Access to Finance for MSMEs

**1. Small- and medium-sized enterprises[1] are major players in the Jordanian economy.** In 2021, firms with more than 100 employees account for less than one percent of total firms and about 40 percent of total employees, based on data from Department of Statistics of Jordan. Jordan's economy is dominated by the service sector which contributes almost 60 percent of GDP and the presence of micro, small and medium enterprises (MSMEs) is substantial in this sector.

**Firm Size Distribution**

(In percent)




Sources: Department of Statistics of Jordan; IMF staff calculations.

**Firm Size and Employees**

(Share of total; in percent)


Sources: Department of Statistics of Jordan; IMF staff calculations.

**2. Jordan has made substantive progress in promoting financial inclusion.** Based on the Global Findex data, financial inclusion in Jordan has been rising, from 25 percent of account ownership in 2014 to 47.1 percent in 2021. Nonetheless, according to the 2019 Enterprise Survey, while some 85 percent of MSMEs are reported to have bank accounts, only some 15 percent have received bank financing. Lack of access to (or use of) credit reflects both demand and supply side challenges, such as the high level of informality of MSMEs, low levels of financial literacy, shortcomings in financial management and financial reporting by MSMEs, dominance of cash as a preferred mean of payment, and lack of competition for the MSME market, both by banks who rely more on larger corporate clients and the sovereign, and by the non-banks, which lack capacity and resources.

**3. The authorities have dedicated great efforts to improving financial literacy over the past decades.[2]** Nonetheless, more need to be done to facilitate financing for MSMEs, including providing affordable funding to non-banks, especially microfinance institutions (MFIs). MFIs play an

[1] The term "small- and medium-sized enterprises" is used in a loose manner, referring to firms based on numbers of employees due to limited data.

[2] In 2017, Jordan adopted its first National Financial Inclusion Strategy, with financial education as a principal priority, and financial education has been integrated into school curricula for grades 7-12. The CBJ's financial literacy activities also reach beyond schools. Youth, women, the elderly, persons with disabilities, and refugees are all prioritized through financial literacy campaigns. More recently, CBJ utilized digital tools like videos and animation to further promote financial literacy. In March 2024, the CBJ has launched the National Financial Inclusion Strategy (2023–28), aiming to achieve 65 percent financial inclusion, reducing the gender gap to 12 percent, and increasing account ownership by MSMEs to 75 percent.

important role in providing finance to small businesses.[3] Since MFIs are prohibited from taking deposits due to associated risks, and in the absence of functioning capital markets, they need to borrow from banks at relatively high cost resulting in expensive credit offers.[4] Therefore, consideration can be given to granting access to wholesale facilities that offer less expensive funding source for MFIs. The authorities could assess and consider establishment of an arm's-length wholesale fund to provide funding for on-lending to MFIs. Such a fund should be based on principles of sustainability, good governance, and no market distortion. In addition, enhancing credit infrastructure, notably the operations of the credit bureau to improve the credit scoring services for borrowers without formal credit history including by collecting and analyzing of big data, would be useful to banks and non-banks to extend loans to small businesses who often lack credit risk assessment and real-estate collateral.

[3] About 60 percent of existing MFIs focus a great part of their operations on serving micro and small enterprises, based on CBJ data.

[4] The CBJ and the MOPIC launched a JD 21 million program to finance small companies and micro-projects through licensed microfinance companies. The government will subsidize part of the financing costs. The first JD 9 million has been allocated to four microfinance companies. Interest rates are capped at 9 percent, with borrowers paying up to 5 percent. The Jordan Loan Guarantee Corporation will guarantee 85 percent of the loans, limited to JD 25 thousand for companies and JD 5 thousand for professionals.

# Annex VII. Private Sector Competition in Jordan

*Under the Economic Modernization Vision, Jordan has made important progress on structural reforms, demonstrating the government's commitment to fostering a more vibrant private sector. Notably, in 2023, Jordan advanced critical amendments to the Competition Law aimed at fostering a more competitive market environment. These amendments introduced refined criteria for assessing market concentration and increased penalties for anticompetitive behavior, thus helping to mitigate the influence of dominant firms. These actions, together with other ongoing reforms, signal Jordan's determination and demonstrate its sustained efforts to establish a more inclusive and competitive economic framework. This Annex examines Jordan's business environment and competitive landscape and conducts an empirical analysis on the key factors relates to the new business density using a panel dataset. Although the data used in this research may not fully reflect recent developments—since structural reform indicators often lag—the results offer valuable insights into the directions of reform needed to foster new business growth in the private sector.*

## A. Business Environment

1. **Jordan scores well on business environment indicators including on property rights, administration, and governance.**[1] Particularly, Jordan's record on intellectual property rights enforcement continues to advance, with the government demonstrating a strong commitment to enhancing the effectiveness of its enforcement mechanisms.[2] Moreover, all registered companies must maintain accurate accounting records and present annual audited financial statements in line with internationally recognized accounting and auditing standards. Public companies are mandated to adhere to International Financial Reporting Standards (IFRS). Governance indicators are generally robust, with Jordan outperforming the regional average. Jordan also made substantial progress in improving the transparency of its legal, regulatory, and accounting policies.[3]

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[1] This is based on data from 2019.

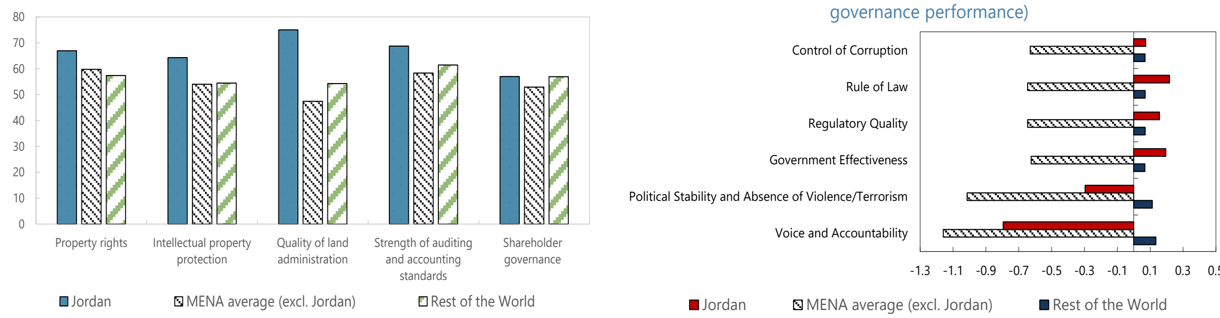
[2] In recent years, Jordan has enacted several laws to align with its international obligations: Jordan ratified The Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement, designed to protect trade secrets, plant varieties, and semiconductor chip designs. In 2023, Jordan introduced a new Cybercrimes Law aimed at strengthening digital security, safeguarding companies and institutions from electronic threats, and fostering a secure digital environment for investment. Additionally, Jordan is a signatory to World Intellectual Property Organization (WIPO) treaties on copyrights and on performances and phonograms, and is actively working on updating laws related to copyrights, trademark standards, and customs regulations to meet international standards (see: https://www.state.gov/reports/2024-investment-climate-statements/jordan/ )

[3] Jordan has ratified the United Nations Convention against Corruption (UNCAC) and implemented various anti-corruption measures, including the Anti-Corruption Law, Illicit Gains Law, and a public sector code of conduct. The Audit Bureau Law aims to align audit practices with international standards, supported by other laws such as the Penal Code and Anti-Money Laundering Law, though Jordan is not a signatory to the OECD Convention on Combatting Bribery. While businesses are not required to adopt anti-corruption codes, whistleblower protections are in place, and NGOs report no significant barriers in addressing corruption. (see: https://www.state.gov/reports/2024-investment-climate-statements/jordan/; https://www.transparency.org/en/countries/jordan; https://www.unodc.org/corruption/en/uncac/index.html ; https://legalinstruments.oecd.org/public/doc/205/205.en.pdf; https://www.jiacc.gov.jo/Default/en )

## Annex VII. Figure 1. Jordan: Business Environment

**Strength of Property Rights and Administration**
(Score of 0–100, where 100 is best)

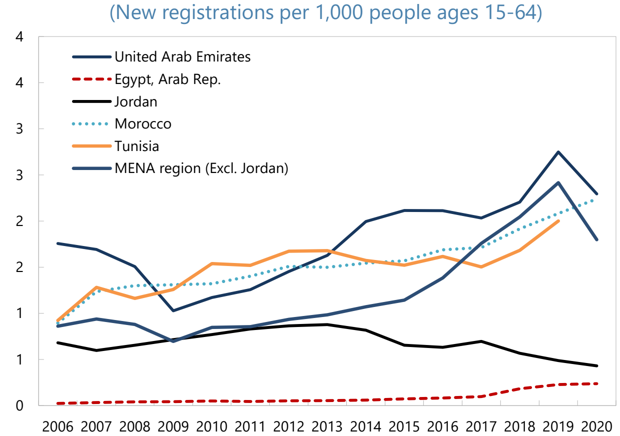
**Governance Indicators, 2022**
(Estimate ranges from approx. -2.5 (weak) to 2.5 (strong) governance performance)




Sources: The World Bank (WB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB). *Enterprise Survey 2019: Jordan.*, Worldwide Governance Indicators and IMF staff calculations.

**2. Jordan has also been fostering a conducive business environment for the start-ups.** According to the 2019 Business Environment Survey, Jordan outperforms the MENA average for most indicators, including the growth of innovative companies and the embrace of disruptive ideas. In the 2023 Government Artificial Intelligence (AI) Readiness Index, Jordan excels in foundational IT and internet infrastructure, and in general the government is supportive in investment in emerging technologies.[4] According to data from Startup Blink, as of 2024, Jordan's startup ecosystem is ranked 5th in the Middle East and 68th globally.[5] However, the new business density ratio, which measures the number of newly registered firms per 1,000 working-age people, underperforms compared to most of its regional peers and has experienced a slight downward trend in recent years.

**New Business Density Ratio**
(New registrations per 1,000 people ages 15-64)




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

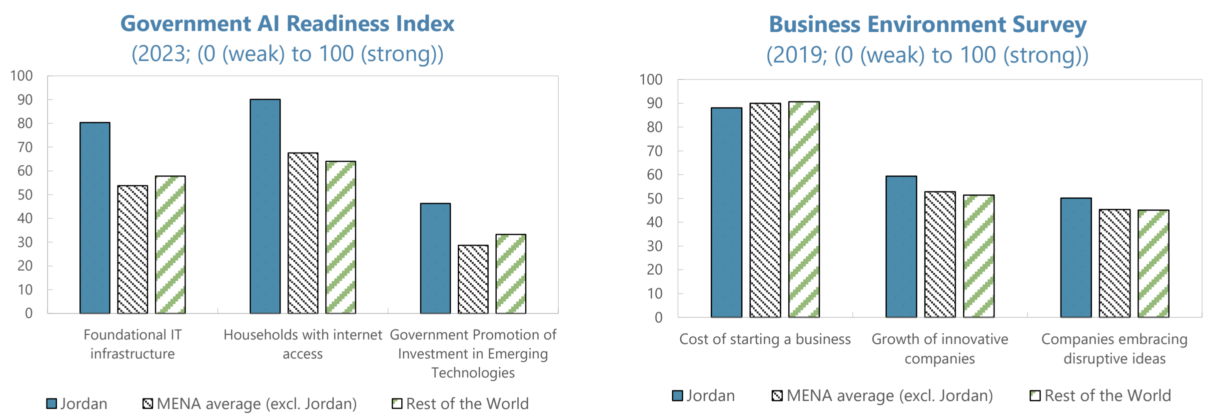
**3. Given the broadly conducive business environment, firms' financial performance overall could be better.** Jordan's economic growth has been lackluster since the Global Financial Crisis. Total Factor Productivity (TFP) has been weak over the past 15 years but has begun to improve in recent years, driven by the progress of reforms implemented by the authorities. Firms have been experiencing declines in sales and productivity in recent years, and they are also showing signs of

[4] The country has seen substantial investment in startups and SMEs through initiatives like the Innovative Startups and SMEs Fund (ISSF), which has leveraged $98 million to support entrepreneurial activities.

[5] See link: https://www.startupblink.com/startup-ecosystem/jordan

under-utilization of their production capacities.[6] While large firms in Jordan show relatively better performance in capacity utilization, high-frequency data from listed firms reveals a troubling picture of their overall financial health. Since 2010, ROA in Jordan has stayed relatively flat, around 2 percent, substantially lower than the MENA region averages of 4 percent. ROE has come down from higher levels in the period 2007–12, to around 2.5 percent the period 2012–23, well-below the peers in the region. Despite the low performance, debt levels (in comparison to equity) are generally high in Jordan, in comparison with other EMs.[7]

**Annex VII. Figure 2. Jordan: Start-Up Environment**




Sources: The World Bank (WB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB). *Enterprise Survey 2019: Jordan*, Oxford Insights, World Bank's Entrepreneurship Database, and IMF staff calculations.

4. **There is also room to strengthen private firms' innovation capabilities.** Measured by indicators such as patent applications, R&D expenditures, and the quality of research institutions, Jordan firms' innovation capabilities lag the MENA region and more broadly, global average. This weak performance is also reflected in the firm survey data, where Jordanian firms exhibit notably lower percentages of process innovations and R&D spending compared to their counterparts in the MENA region and globally. These indexes have been widely used in literature and studies as critical indicators for a firm's future productivity, and the overall limited innovation capabilities within Jordanian firms could constrain economic growth and undermine the reform efforts. However, the Jordanian government's Economic Modernization Vision aims to address these challenges by fostering innovation and enhancing the country's competitiveness, which, if successful, could bolster productivity and drive sustainable growth.

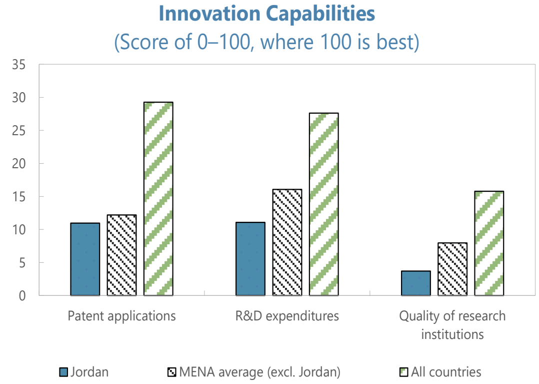
[6] Capacity utilization refers to the extent to which a firm or economy is using its installed productive capacity.

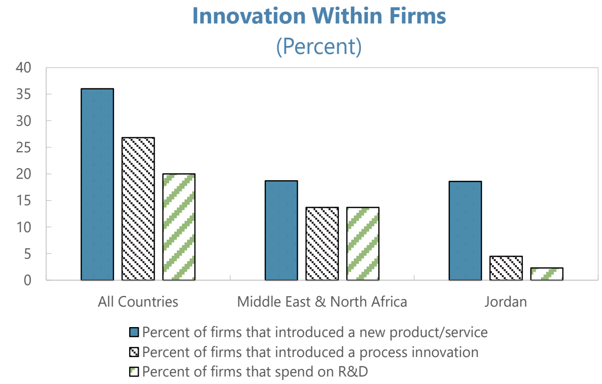
[7] Capital IQ data, provided by S&P Global, is a comprehensive financial and market data platform offering insights into companies, industries, and markets. The analysis included 138 listed companies from Jordan.

## Annex VII. Figure 3. Jordan: Productivity


Sources: The World Bank (WB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB). *Enterprise Survey 2019: Jordan*, S&P Capital IQ database, and IMF staff calculations.

**Annex VII. Figure 4. Jordan: Innovation**




Sources: World Economic Forum Global Competitiveness Indicator 2023, The World Bank (WB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB). *Enterprise Survey 2019: Jordan*.

## B. Competition Environment in Jordan

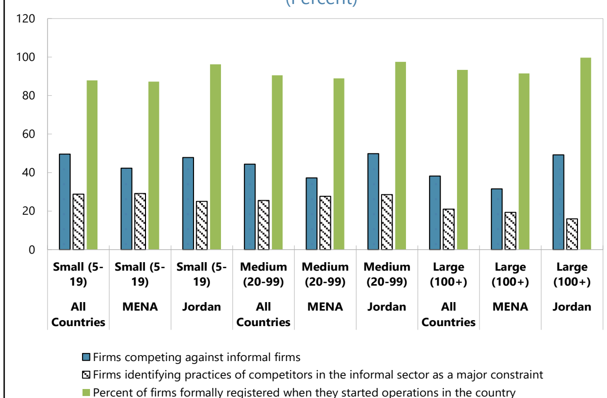
**5. Jordan has been making solid progress in enhancing market competition, but more needs to be done.** Competitive markets are essential for driving innovation and performance; without them, firms may become complacent, further hindering economic growth (Aghion, P and others, 2001; Aghion, P and others, 2005). While regional instability, high energy costs, and global trade fluctuations have strained the development of these private firms, these factors only tell a partial story. Private firms' weak innovation and a limited influx of new businesses highlights the need for market competition pressures, which can foster innovation and stimulate firms' incentives to improve and invest in R&D (Furman and others, 2000).

**6. Licensing requirements, if too restrictive or cumbersome, could affect market competition and entry of new firms.** Licensing requirements are often reported to increase the risk of administrative discretion, which can act as a barrier to entry, particularly for small businesses (Klapper and others, 2006). Jordan has made notable progress in reforming its licensing regimes to enhance the business environment and encourage entrepreneurship, with significant strides in abolishing licensing requirements for libraries, cultural and sports activities, and streamlining processes for private schools, kindergartens, and the food sector. The government has submitted legislation to parliament aimed at abolishing licenses in the tourism sector and is working to address the remaining licensing requirements over the coming years. The goal is to either fully eliminate or significantly streamline these processes, with the possibility of extending the duration of certain licenses beyond one year. However, sectors like transport and energy are still encumbered by complex licensing regimes, which continue to impede competition in these industries.

**7. In Jordan, the regulation of prices can be enforced under Article 4(B) of the Jordanian Competition Law, allowing the Council of Ministers to temporarily control prices in response to exceptional situations.** These measures are subject to review every six months to determine if the conditions justifying price controls still exist. While these guidelines are in place, the government has also adopted the practice of setting minimum prices in some sectors for many years, including cargo, oil derivatives and LPG, retail margins for gas stations, staple goods, and non-prescription medications. The implementation of minimum indicative prices helps to prevent excessively low pricing that could undermine quality standards and market stability, particularly in industries with high regulatory or social importance. While these prices provide n ecessary safeguards, they may also affect competition and innovation in some sectors. By establishing a fixed price that all companies must adhere to, it may simplify the environment for both implicit and explicit coordination among firms. With reduced opportunities for price competition, companies might be less incentivized to improve their products or services, potentially leading to a slower pace of market development (Schmutzler, A., 2013; Nickell, S. J., 1996). This scenario could not only limit the scope for innovation but might also result in higher costs for consumers.

**8. While informality is present, it is not perceived to be a major threat to competition**. Based on the World Bank Enterprise survey, nearly 100 percent of firms in Jordan were formally registered when they began operations, regardless of firm size. This number, however, can underestimate the true size of the informal sector in Jordan, due to various technical challenges in measuring and collecting data from the informal sector.[8] The survey results showed that 80 percent of small and medium-sized firms report facing competition from informal firms, with a slightly lower percentage observed among larger firms. Despite the presence of informal competition, businesses in Jordan do not overwhelmingly view it as a significant constraint. However, bringing the informal economy into the formal sector can be beneficial for increasing tax revenues and GDP, as well as providing businesses with better access to financing and more support from the government.

**Competition by Informal Firms**
(Percent)




Sources: The World Bank (WB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB). *Enterprise Survey 2019: Jordan.*

## C. Competition Institutions

**9. Jordan has made big strides in building capacity in competition enforcement.** A new Competition Directorate was established to under the Competition Law and the 2023 amendments further strengthened its mandates (Annex VII. Box 1). Its duties encompass promoting a culture of competition, implementing relevant policies, investigating anti-competition behavior, managing complaints, and handling requests related to economic concentration and exemptions.

[8] It is estimated that more than 55 percent of private sector Jordanian workers work in the informal sector (Winkler and others, 2019).

### Annex VII. Box 1. Competition Laws in Jordan and MENA

**Jordan's Competition Law, introduced as a provisional law in 2002 and made permanent in 2004, is a cornerstone of the country's economic policy.** It prohibits unfair practices and monopolistic behavior to protect lawful competition and foster economic growth. The Law promotes free market competition, allowing prices to be determined by market forces, except for basic commodities like bread and fuel, which are regulated by other laws. It applies to all business activities and transactions involving products and services in Jordan, as well as international economic activities that could affect the Jordanian market.

**Since its adoption, Jordan's Competition Law has been amended twice.** In the 2011 amendments, penalties for violations were increased, and excessive pricing was added as an abuse of dominant position. The 2023 amendments further strengthened the law by revising provisions related to unfair competition, curbing the prevalence of dominant firms, sharpening the definition for market concentration and increasing penalties for anti-competitive practices. The Competition Directorate at MoITS is tasked to promote a culture of competition, implementing relevant policies, investigating anti-competition behavior, managing complaints, and handling requests related to economic concentration and exemptions. Currently, the law is undergoing further revisions to enhance the independence of the Competition Directorate in line with international best practice.

**Competition laws in the MENA region mostly aim to prevent monopolies and regulate mergers.** Their effectiveness varies due to differing legal frameworks, enforcement autonomy, and alignment with international standards. Saudi Arabia, Morocco, and Tunisia have established independent competition authorities.

- Saudi Arabia's Competition Law, revised in 2019, grants the General Authority for Competition (GAC) considerable autonomy. The GAC operates independently of other government ministries and reports directly to the Prime Minister, which supports its ability to enforce the law effectively. The GAC has powers to investigate, impose fines, and ensure compliance without external approval. Additionally, the GAC's detailed merger guidelines and emphasis on impartiality reflect a proactive regulatory environment.
- The Moroccan Competition Council (MCC) can autonomously impose fines and make binding decisions, positioning it as one of the most powerful competition authorities in the region. The Moroccan Competition Law allows for exemptions for agreements that aid SMEs or agricultural marketing, but include restrictions to maintain fair competition. However, the law's lack of specific definitions for competition concepts like collusion and cartel means that practical application relies on broader principles rather than precise legal definitions.

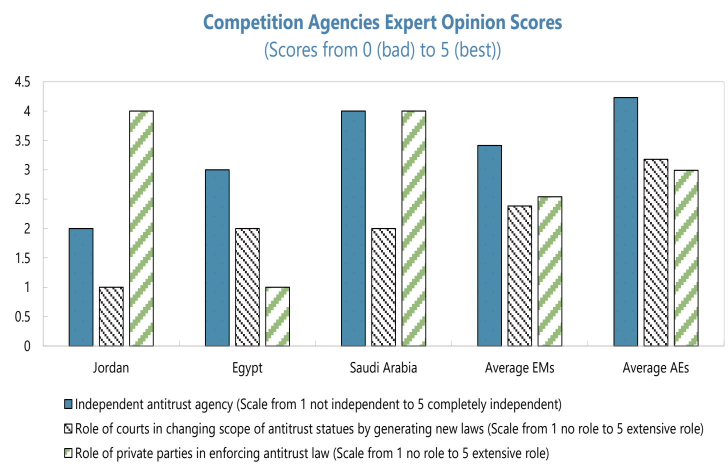
**10. This reform was timely and well-founded, as 2019 data suggest limited institutional independence.** Figure 5 shows that the country scores relatively low on the independence of its competition directorate, indicating that the agency might not have complete autonomy and could be subject to external influences. The role of courts in changing the scope of antitrust statutes is also limited, suggesting that judicial intervention in antitrust matters is minimal.[9] Jordan's strong private

[9] Jordan's judicial system features a specialized unit at the Amman First Instance Court and Amman Magistrate Court, staffed by judges who focus exclusively on commercial cases. The courts operate independently of the executive branch. While allegations of discrimination and lack of transparency are uncommon, some parties occasionally express concerns about the judiciary's expertise, particularly in technically complex areas of law like intellectual property.

enforcement of competition laws shows active participation from the private sector, which is positive for deterring anti-competitive behavior. However, this reliance on private litigation may suggest some gaps in public enforcement, as private parties may sometimes lack the resources or prioritize larger cases, potentially leaving smaller issues overlooked.

**11. There is broad consensus that independent regulators are essential in the regulatory governance of liberalized market economies.** According to UNCTAD, the most effective administrative authority for enforcing competition law is one that is "quasi-autonomous or independent of the government, with strong judicial and administrative powers for conducting investigations and applying sanctions" (United Nations Conference on Trade and Development (UNCTAD), 2008) The independence of a competition authority is particularly valuable for ensuring effective antitrust enforcement, especially when one of the parties involved has political connections and the executive might attempt to influence the authority's decisions in favor of an ally. Research by various authors (Dutz, M. A., & Vagliasindi, M, 1999; Borrell, J. R., & Jimenez, J. L., 2007) supports the positive relationship between a competition authority's independence and its effectiveness in antitrust enforcement.

**Annex VII. Figure 5. Jordan: Anti-Trust Institutions**




Sources: The World Bank (WB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB). Enterprise Survey 2019: Jordan and IMF staff calculations.

**12. Model results show that judicial independence and impartiality are imperative for enhancing market competition in Jordan.** To examine the importance of independent institutions on competitiveness, we estimate a fixed effects regression for a panel dataset with 128 countries for the years 2000 until 2020.[10] In the fixed effect regression model, judicial independence and impartial courts are used as proxies for institutional independence, given the lack of cross-country data on the independence of competition directorates. The dependent variable, New Business Density Ratio, serves as a proxy for competition. Main findings (see Table 1 and Table 2 in Technical Note: Model

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

and Estimation) consistently show that both target variables are highly significant across all specifications, emphasizing the crucial role of institutional independence in fostering competition. While it could be argued that other factors correlated with independent institutions, such as better regulatory quality or reduced corruption, might also drive new business formation, the model controls for these variables. The consistent significance of the target variables, even with additional controls, suggests that judicial independence and impartiality are the primary mediating channel through which institutions influence competition.[11]

## D. Policy Recommendations

**13. A strong competition enforcement regime comprising independent institutions that have operational, administrative, and financial autonomy from customarily vertically integrated ministries is critical for a competitive environment.** To enhance the effectiveness of the competition institution, the following considerations can be taken into account:

- **Strengthen the independence of the competition directorate,** by (i) establishing a clear legal framework to ensure that the legal framework explicitly guarantees the independence of the competition authority from political and commercial influences. This can be achieved by setting up the authority as an autonomous entity with its own budget and governance structures. This could involve establishing the competition authority as a statutory body, distinct from any government ministry, with a clear mandate to enforce competition law impartially; (ii) securing funding independent of the political cycle by allocating sufficient and stable funding directly from the national budget to ensure the authority can operate independently and effectively without external pressures; (iii) making the appointment processes more transparent, including by implementing a transparent and merit-based process for appointing the leadership of the authority to avoid conflicts of interest and ensure the selection of highly qualified individuals.
- **Enhance enforcement capabilities,** by (i) providing the competition authority with the adequate human, technical, and financial resources to conduct thorough investigations and enforce competition laws effectively; (ii) investing in training and capacity building for the staff of the competition authority to keep them updated on best practices and emerging trends in competition law and economics.

[11] FE estimation is performed by *time demeaning* the data. Demeaning addresses unobservable factors by removing any component that is constant over time and across entities. However, a traditional FE model assumes strict exogeneity, which may be violated in cases of reverse causality. In our context, a competitive business environment could influence judicial systems to become more independent and impartial. To address this, we also apply the same equation using a ML-SEM specification introduced by Allison (2017). This method, a cross-lagged panel model with FE, includes lags of both dependent and independent variables. The model outcomes were similar to our standard FE model, indicating no evidence of reverse causality.

## Technical Note: Model and Estimation

### *Data*

| Target Variables | Description | Source |
|---|---|---|
| **Judicial Independence (Rating)** | Measures the level of judicial independence. | Economic Freedom, Fraser Institute |
| **Impartial Courts (Rating)** | Measures the level of impartiality of courts. | Economic Freedom, Fraser Institute |
| **Control Variables** | **Description** | **Source** |
| **Unemployment Rate** | Percentage of the labor force that is unemployed. | World Economic Outlook (IMF) |
| **Real GDP per Capita** | Adjusted GDP per capita in constant prices. | World Economic Outlook (IMF) |
| **Gross Fixed Capital Formation** | Investment in fixed assets, in national currency billions. | World Economic Outlook (IMF) |
| **Economic Complexity Index** | Reflects the diversity and complexity of a country's export structure. | The Observatory of Economic Complexity (OEC) |
| **Informality Index** | Measures the size of the informal economy. | ILO (International Labour Organization) |
| **Dummy for MENA** | Binary variable indicating if a country is in the MENA region. | World Economic Outlook (IMF) |
| **Regulatory Quality** | Estimates of the ability of the government to formulate and implement sound policies. | World Bank (Worldwide Governance Indicators) |
| **Tariffs (Rating)** | Measures the level of tariffs imposed. | World Bank, World Trade Organization (WTO) |
| **Fixed Broadband Subscription** | Number of fixed broadband subscriptions per 100 people. | World Bank and International Telecommunication Union (ITU) |

### *Model and Estimation*

**Fixed Effects Regression**

Fixed effects regression is a statistical method used to analyze panel data, which consists of multiple observations over time for the same entities (such as individuals, firms, or countries). This method controls for unobserved heterogeneity by allowing each entity to have its own intercept, effectively accounting for any time-invariant characteristics that could bias the estimates if not properly controlled.

$$y_{i,t} = \alpha_i + \beta X_{i,t} + \epsilon_{i,t}$$

*where:*

- $y_{i,t}$: Dependent variable; New business density (new registrations per 1,000 people ages 15-64)
- $\alpha_i$ : Entity-specific intercept, which captures the fixed effect of each entity (e.g., country, firm). This term controls for any unobserved, time-invariant characteristics of the entities that could influence the dependent variable.
- $\beta X_{i,t}$: Coefficients for the independent variables, indicating the effect of these variables on the dependent variable after accounting for the fixed effects.
- $\epsilon_{i,t}$: Error term, capturing the random variation not explained by the model.

**Time Frame**

This analysis spans the years from **2000 to 2021**, providing a comprehensive view of the impact of the independent variables on the dependent variables over this period. The use of fixed effects regression is particularly advantageous in this context, as it ensures that the effects of time-invariant factors are adequately controlled for, allowing for a more accurate estimation of the true relationships between the variables.

**Results**

**Table 1. Jordan: Fixed Effects Regressions I**

| | (1) NBDR | (2) NBDR | (3) NBDR | (4) NBDR |
|---|---|---|---|---|
| Impartial courts (Rating) | 0.795*** | 0.435** | 0.534*** | 0.510*** |
| | (0.108) | (0.132) | (0.136) | (0.138) |
| Unemployment rate | 0.0641*** | 0.0722*** | 0.0766*** | 0.0832*** |
| | (0.0172) | (0.0169) | (0.0169) | (0.0173) |
| ln(GDP per capita) | -0.0201 | -0.191* | -0.252** | -0.294** |
| | (0.0865) | (0.0924) | (0.0947) | (0.0966) |
| ln(GFCF) | -0.0984 | 0.0462 | 0.112 | 0.162* |
| | (0.0643) | (0.0703) | (0.0743) | (0.0772) |
| Economic Complexity Index | -0.487** | -0.715*** | -0.649*** | -0.812*** |
| | (0.161) | (0.164) | (0.165) | (0.183) |
| Informality index | -0.0781*** | -0.0794*** | -0.0725*** | -0.0665*** |
| | (0.0118) | (0.0116) | (0.0118) | (0.0122) |
| Dummy for MENA | -2.871*** | -2.546*** | -2.306*** | -2.133*** |
| | (0.319) | (0.319) | (0.330) | (0.337) |
| Regulatory Quality | | 1.501*** | 1.207*** | 1.205*** |
| | | (0.327) | (0.344) | (0.346) |
| Tariffs (Rating) | | | 0.333** | 0.348** |
| | | | (0.128) | (0.129) |
| Fixed broadband subscription | | | | 0.0446* |
| | | | | (0.0192) |
| Observations | 436 | 436 | 436 | 429 |
| $R^2$ | 0.362 | 0.392 | 0.402 | 0.410 |
| Adjusted $R^2$ | 0.333 | 0.363 | 0.372 | 0.379 |
| F | 29.46 | 29.79 | 27.86 | 25.70 |

Standard errors in parentheses
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

**Table 2. Jordan: Fixed Effects Regressions II**

| | (1) NBDR | (2) NBDR | (3) NBDR | (4) NBDR |
|---|---|---|---|---|
| Judicial independence (Rating) | 0.611*** | 0.341** | 0.334** | 0.330** |
| | (0.0934) | (0.107) | (0.121) | (0.122) |
| Unemployment rate | 0.0680*** | 0.0702*** | 0.0800*** | 0.0871*** |
| | (0.0171) | (0.0167) | (0.0170) | (0.0174) |
| ln(GDP per capita) | 0.00827 | -0.132 | -0.258** | -0.301** |
| | (0.0862) | (0.0892) | (0.0956) | (0.0975) |
| ln(GFCF) | -0.121 | -0.00441 | 0.124 | 0.177* |
| | (0.0631) | (0.0663) | (0.0749) | (0.0779) |
| Economic Complexity Index | -0.251 | -0.505*** | -0.605*** | -0.789*** |
| | (0.143) | (0.149) | (0.169) | (0.187) |
| Informality index | -0.0966*** | -0.0876*** | -0.0846*** | -0.0774*** |
| | (0.0112) | (0.0111) | (0.0113) | (0.0118) |
| Dummy for MENA | -2.487*** | -2.416*** | -2.054*** | -1.901*** |
| | (0.313) | (0.305) | (0.329) | (0.336) |
| Regulatory Quality | | 1.148*** | 1.351*** | 1.284*** |
| | | (0.241) | (0.318) | (0.321) |
| Tariffs (Rating) | | | 0.318* | 0.337* |
| | | | (0.130) | (0.131) |
| Fixed broadband subscription | | | | 0.0485* |
| | | | | (0.0193) |
| Observations | 450 | 450 | 436 | 429 |
| $R^2$ | 0.340 | 0.373 | 0.389 | 0.398 |
| Adjusted $R^2$ | 0.313 | 0.346 | 0.360 | 0.367 |
| F | 31.77 | 32.02 | 29.38 | 26.96 |

Standard errors in parentheses
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

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# Annex VIII. Unlocking the Benefits of Trade and FDI in Jordan

*Fostering stronger international trade and attracting foreign investment have been identified as growth drivers under the government's Economic Modernization Vision. To fully unlock the benefits of trade and foreign direct investment (FDI) for stronger and sustainable growth, in addition to continuing strengthening the business environment, reform measures that help enable the private sector to meet trade conformity requirements, improve trade logistics, and further reduce the restrictions on FDI, are of essence. These reforms can also promote further integration into value chains and bolster competitiveness of Jordanian products.*

## A. Introduction

**1. Trade and FDI are important drivers of economic growth.** Trade allows countries to access larger markets and boost productivity, which in turn enhances national income and economic growth. To create sustainable growth, a country needs to produce new goods and adopt and develop new technologies (Lucas 1993). Introducing new goods and tasks would allow active learning and moving up the quality ladder, which would make investment and labor more productive and increase overall productivity. Furthermore, by integrating into global value chains, countries can become more resilient to economic shocks. FDI can introduce new forms of capital and technology, fostering innovation and infrastructure development.

**2. Enhancing trade and increasing investments are key pillars of Jordan's Economic Modernization Vision (EMV).** Jordan aims to strengthen its position in the global economy, enhance the quality of its exports, attract more significant investments, and ultimately improve living standards across the country. Under the EMV, the government seeks to improve trade facilitation by streamlining regulatory procedures and assisting the private sector in meeting international conformity requirements, making it easier for businesses to access global markets. Attracting FDI is another priority for Jordan, with efforts centered on creating a more favorable investment climate through regulatory reforms, infrastructure development, and incentives targeted at high-potential sectors where Jordan has a competitive advantage. Integration into global value chains is also emphasized in the EMV, with initiatives to boost the competitiveness of Jordanian products and expand market access through trade agreements and partnerships. These efforts are part of a broader structural reform agenda aimed at lifting productivity, enhancing competitiveness, and securing sustainable economic growth.

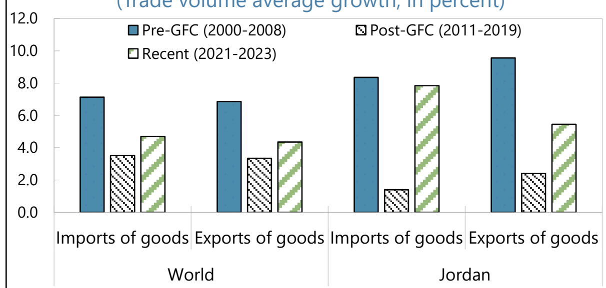
**3. This annex examines the development of trade and FDI in Jordan and analyzes key policies measures that play crucial roles in promoting trade and FDI.** Section B looks into the challenges and opportunities of trade, and section C focuses on factors relate to stronger FDI flows. Section D concludes.

## B. International Trade—Challenges and Opportunities

### Trade Challenges and Opportunities

4. **Jordan's growth of international goods trade has slowed down over the past decades in the context of a challenging external environment.**[1] Global trade growth has been slowing down in the past decade, reflecting multiple factors including the waning pace of trade liberalization and general weakness in investment (IMF 2016). Jordan is no exception to this global phenomenon and the average growth rates of goods trade, measured in volume, had reduced post the Global Financial Crisis (GFC). Nonetheless, growth of goods exports and imports volumes have recovered substantially since the COVID-19 pandemic (2021–23). The deceleration of trade in the past few years reflects the impacts of the challenging external environment including the recurring regional tensions and conflicts and disruptions to shipping routes. Moreover, the geoeconomic fragmentation has further added to this challenge (IMF April 2024).

**Annual Growth in Goods Trade**
(Trade volume average growth, in percent)




Sources: IMF WEO; IMF staff calculations.
Note: 2020, the onset of the COVID-19 pandemic, is excluded from the calculation due to the unprecedented nature of this external shock.

5. **Moreover, the share of high-tech exports is relatively low, and the complexity of economic outputs has declined.** High-technology exports are products with high Research and Development intensity, such as in aerospace, computers, pharmaceuticals, scientific instruments, and electrical machinery, which often associate with greater innovation and productivity. The share of high-tech exports needs to enhance further. Moreover, research has found a robust correlation between the ECI and GDP per capita, and that the ECI predicts economic growth after statistically controlling for other country characteristics (Hidalgo and Hausmann 2009). Looking ahead, it is critical to turn the declining ECI curve upward to support stronger and more sustainable growth for Jordan—given Jordan's relatively small domestic market, its future growth hinges crucially on its ability to compete in the international market (IMF, 2022).

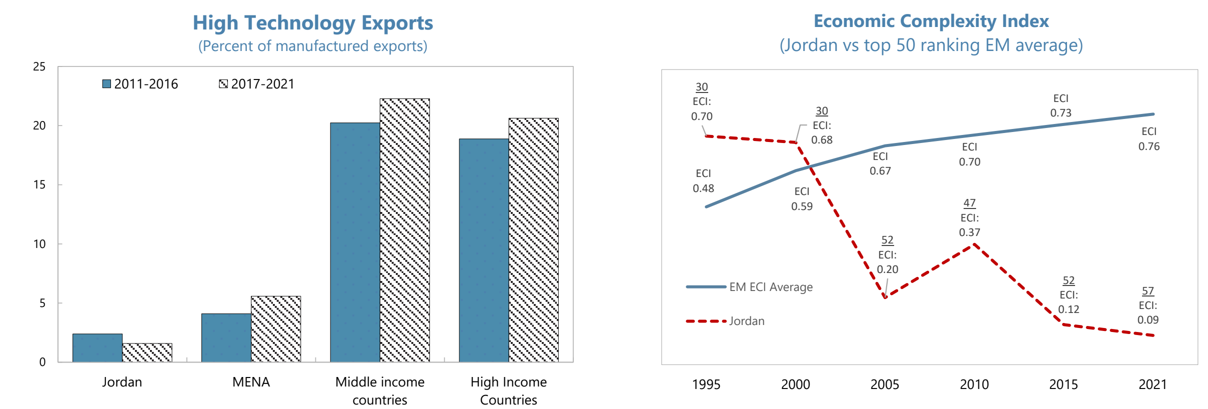
6. **Jordan's participation in global value chains (GVC)—share of exports that is part of a multistage trade process—is limited.**[2] In developed economies, GVCs provide access to more competitively priced inputs, higher variety, and the economies of scale (Baldwin and Lopez-Gonzalez 2015). For emerging economies, participations in the GVCs removes the need to gain comparative advantage in a broad range of production stages domestically and can help fast track the process of industrialization. Studies have found multiple channels of productivity gains associated with deeper

[1] This analysis focuses on goods trade. For trade on services, see previous analysis on tourism in Jordan (IMF Country Report No. 22/222).

[2] The participation index is calculated as backward linkages plus forward linkages. A country's "backward linkages" capture the country's use of foreign value added in its exports. "Forward linkages" capture the use of its own value added in foreign countries' exports.

participation in GVCs, including finer division of labor (Grossman and Rossi-Hansberg 2008), availability of greater input varieties (Halpern and others 2015), increased competition, learning externalities, and technology spillovers (Kee 2015). Nonetheless, Jordan's participation in GVC as of 2022 remains largely unchanged relative to its participation in 2016, and the progress of deepening of GVC participation is small.

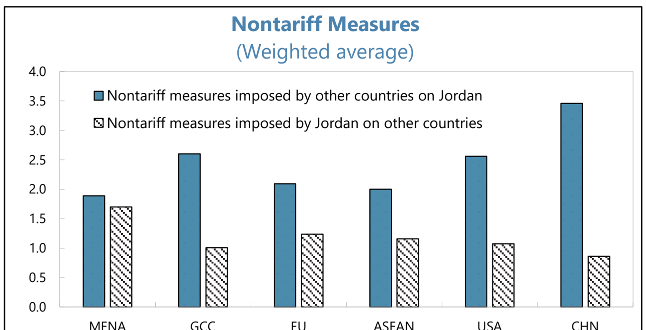
**Annex VIII. Figure 1. Jordan: High-Technology Exports and Economic Complexity Index**




Sources: World Development Indicators, World Bank; Harvard Economic Complexity Index; and IMF staff calculations.

## Trade Policies and Environment

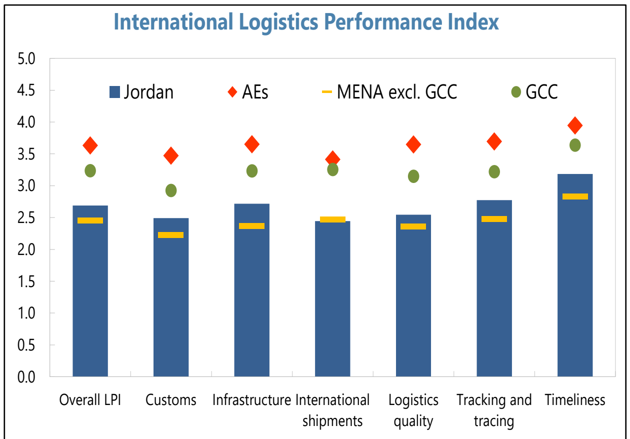
**7. Conducive trade policies play an important role in promoting international trade.** Thanks to the trade agreements with the EU, GCC, and U.S., import tariffs imposed by these countries on goods from Jordan are zero or near zero. Moreover, the government's decision of reducing and unifying customs tariffs in 2022 has resulted in a further decrease in tariffs. When considering the broader context of trade facilitation, Jordan imposes relatively low non-tariff measures on goods from other countries. However, Jordanian exporters encounter significant challenges due to the substantial non-tariff measures imposed by other countries, which create obstacles for both exporting and importing.[3]




Sources: UNCTAD TRAINS, 2019; IMF staff calculations.
Note: Nontariff measures are at-the-border policy barriers to trade other than tariffs, including price and quantity controls, import and export licenses, sanitary and phytosanitary measures, and technical barriers to trade. NTMs are a subset of broader "nontariff barriers" (NTBs), which also include transportation and logistics costs, etc. The chart shows log of (1+number of NTMs).

[3] See International Trade Center publication (2020) "Jordan: Company Perspectives - An ITC Series on Non-Tariff Measures." Jordan: Company Perspectives - An ITC Series on Non-Tariff Measures (Arabic) | ITC (intracen.org). Based on the same UNCTAD TRAINS data and IMF staff calculations, the average number of non-tariff measures imposed by other countries on Jordan and on the rest of the world are at about the same level.

**8. Challenging trade environment is another factor that weighs on trade.** Trade environment generally comprises factors such as transport infrastructure (including trans-border road, rail, port and air transport networks), efficiency of border and customs procedures, timeliness of shipping, logistics quality, and other institutional and regulatory environment. As proxied by International Logistics Performance index, Jordan's trade environment performs better than other MENA countries,[4] with more room for further enhancement. Studies have found that improving logistics performance could provide a substantial boost to trade (Hausman and others 2013), which will directly contribute to higher growth rates and employment. Moreover, the positive spillover effects, including via increased competition and learning externalities, would help lift growth potential over the medium term.



Sources: World Bank, Logistics Performance Index; IMF staff calculations.

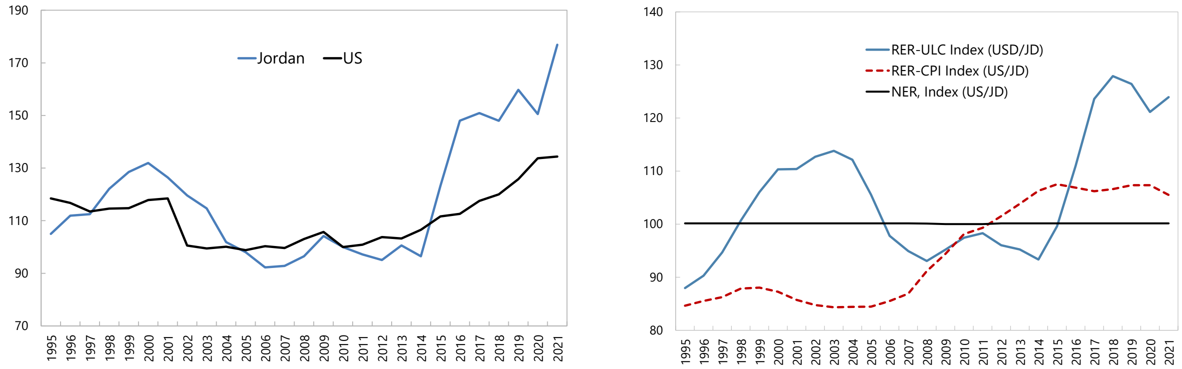
**9. Furthermore, price competitiveness is a key factor behind promoting trade and gaining market shares.** the unit labor cost (ULC) based real exchange rate (RER-ULC) provides a simplified indicator on international price competitiveness.[5] As the text figure reveals, ULC based real exchange rate appreciated substantially in the past decade, indicating a decline in competitiveness in the international market owing to the divergence between wage and price inflation rates. The increase in ULC over the past decades broadly coincided with the lower external demand for tradable goods, which could have slowed the process of transitioning to technology-intensive production and export diversification. Therefore, to promote international trade, bolstering price competitiveness is key, and it would require lowering unit labor costs by increasing productivity and/or containing the growth of wages.

[4] Includes Algeria, Djibouti, Egypt, Iran, Iraq, Lebanon, Libya, Mauritania, Morocco, Somalia, Sudan, Syria, Tunisia, Yemen.

[5] Unit labor costs are often used as a broad measure of international price competitiveness. They are defined as the average cost of labor (measured by total wages and salaries paid to employees in the chart) per unit of output produced. They can also be expressed as the ratio of total labor compensation per hour worked to output per hour worked (labor productivity).

**Annex VIII. Figure 2. Jordan: Manufacturing Sector Competitiveness**

**Unit Labor Cost** (Manufacturing industry; Index, 2010=100) | **Nominal and Real Exchange Rates** (Manufacturing industry; Index, 2010=100)



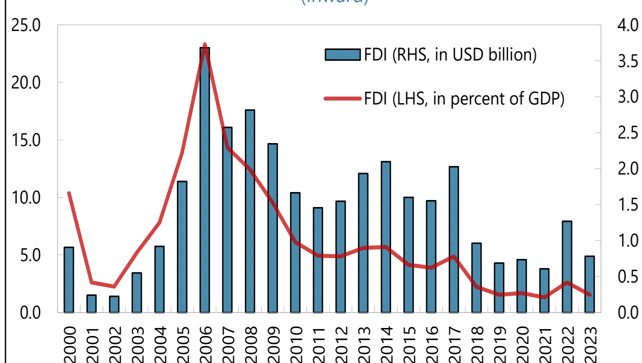

Sources: UNIDO data, manufacuting sector; Federal Reserve Bank of St. Louis; and IMF staff calculations.

## C. FDI—Factors Related to Stronger Inflows

### FDI Characteristics

**10. FDI inflows in Jordan, increased significantly from 2003 to 2006, reaching roughly 23 percent of GDP, but has since tapered to below 5 percent.** The rise in FDI—from about 5 percent of GDP in 2003 to 23 percent in 2006—was driven by the privatization program that was implemented by the government, the influx of investment in real estate from Iraq after the war, as well as rising oil prices and therefore excess savings in GCC countries. However, FDI began to decline drastically after the onset of the GFC in 2008, followed by multiple regional episodes of conflicts including the Arab Spring in 2011 and the Syria Refugee Crisis in 2014. FDI as a percent of GDP dropped from 12.4 in 2008 to 4.1 in 2015. Global headwinds such as the COVID-19 pandemic and the Russia-Ukraine war caused FDI to decline further to an average of 1.5 percent of GDP for 2019-21. Since then, FDI has bounced back slightly to 2.5 percent of GDP 2022 reaching around $US1.3 billion.

**Foreign Direct Investment** (Inward)

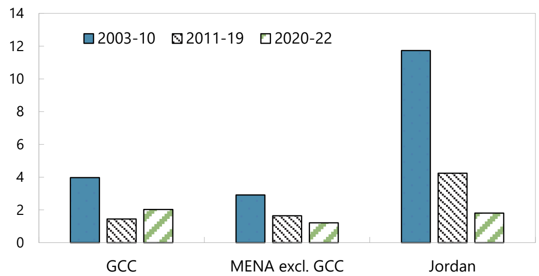



Sources: Central Bank of Jordan; UNCTAD; World Economic Outlook; and IMF staff calculations.

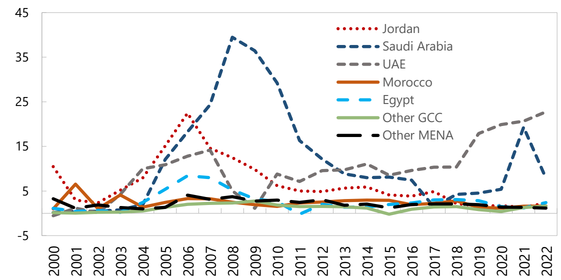
**11. On average, FDI inflows to Jordan surpass most peers in the MENA region except for Saudi Arabia and the United Arab Emirates (UAE).** During 2003-10, FDI inflows to Jordan averaged at roughly 12 percent of GDP compared to 4 percent and 3 percent in the Gulf Cooperation Council and MENA (excluding GCC) countries respectively. FDI inflows to Jordan in recent years however have become comparable with others in the region at approximately 2 percent of GDP. FDI inflows in across all countries in the MENA region have witnessed a decline over the past two decades, apart from the UAE due to recent policy measures taken to ease restrictions on foreign ownership of businesses (Annex VIII. Box 1).

### Annex VIII. Figure 3. Jordan: Foreign Direct Investment in the MENA Region

**FDI Inflows, 2003-2022**
(In percent of GDP)




**FDI Inflows**
(In percent of GDP)




Source: IMF World Economic Outlook; Haver Analytics; UNCTAD; Central Bank of Jordan; and IMF Staff calculations.

### Annex VIII. Box 1. Foreign Direct Investment in the United Arab Emirates

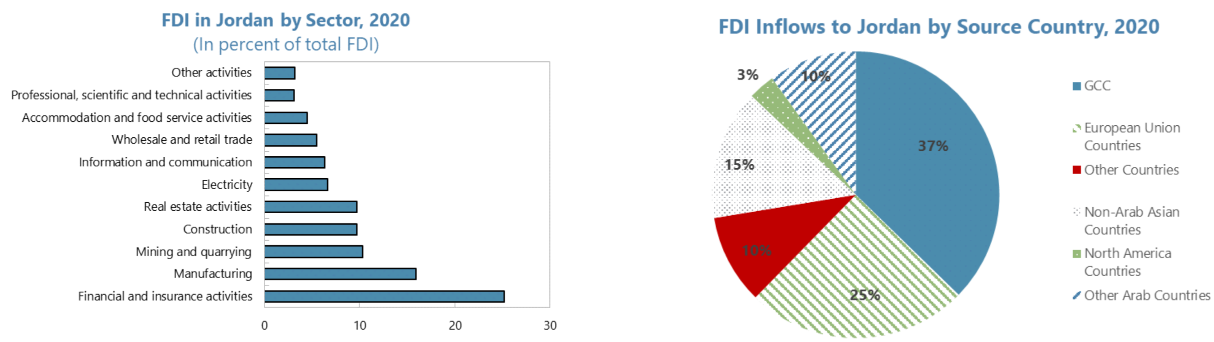
**FDI flows to the UAE have increased rapidly in recent years.** FDI averaged at around 9 percent of GDP for the period of 2003–18 but have picked up to reach around 20 percent of GDP annually since 2019. This near doubling of FDI inflows likely reflecting several factors such as implementation of policy measures to reduce restrictions on foreign ownership of businesses and undertaking reforms to enhance the general business environment.

**The UAE has reduced restrictions on FDI through a series of legislative reforms, especially those relate to foreign ownership.** The UAE revised its FDI Law in 2018 to open certain sectors and allow foreign investors to own 100 percent of their businesses through an approval process. This change was particularly significant in sectors such as manufacturing, agriculture, and renewable energy, as it eliminated the need for a local partner or sponsor. Ownership laws were also significantly relaxed with changes to the Commercial Companies Law in 2020, which removed a longstanding requirement for onshore companies to be 51 percent owned by UAE nationals. In 2021, the UAE took further steps towards FDI liberalization by introducing a new commercial companies' law that codified past changes to foreign investment and ownership requirements (see IMF Country Report No. 23/224 for more details).

**The UAE coupled the legislative changes with reforms to improve its business environment.** This includes enhancing the efficiency of processes for setting up and operating businesses. The introduction of long-term residency visas (Golden Visa) for investors has made the UAE more attractive for foreign investors looking for stability. The legal framework was also revamped to provide a clearer and more investor-friendly regulations especially with regards to intellectual property protections, commercial laws, and dispute resolution mechanisms.

**12. FDI has been concentrated in some specific sectors in Jordan, and predominately comes from countries in the GCC as well as the United Kingdom and France.** According to the 2019-20 FDI Survey by the Central Bank of Jordan, the majority of FDI in Jordan is concentrated in the financial and insurance sector at around 25.2 percent of total FDI value, followed by manufacturing at 15.9 percent, mining and quarrying at 10.3 percent, and construction activities at 9.7 percent. In 2020, the biggest source country of inward FDI was the UAE at 14 percent of total FDI stock, followed by the United Kingdom at 8.2 percent, Kuwait at 7.2 percent, Bahrain at 7 percent, and France at 6.2 percent. Combined, these countries represent more than 42 percent of total FDI stock in Jordan.

**Annex VIII. Figure 4. Jordan: FDI Composition**




Sources: Central Bank of Jordan, FDI Survey 2019-20; and IMF Staff calculations.

**13. Restrictions on FDI in Jordan have declined over the years, thanks to the authorities' steadfast implementation of structural reforms.** In sectors such as manufacturing, telecommunications, and financial services, the barriers to FDI have been reduced over time, making it easier for foreign investors to enter the market. More recently, the new Investment Environment Law for 2022 and the Investment Environment Regulation by-law No. 7 of 2023 have further removed restrictions and allowed almost all sectors for full foreign ownership, except a few specific types of businesses that require cabinet approval to exceed the 49 percent ownership limit.

### Factors Relate to Stronger FDI

**14. A wide range of factors could affect investment decisions.** According to the World Bank Global Investment Competitiveness survey 2019-20, the top three factors influencing investment decisions are political stability, macroeconomic stability, and a country's legal and regulatory environment; nearly 9 in 10 businesses consider them to be "important" or "critically important. Other literature also supports the same conclusion. Higher uncertainty could cause firms to temporarily pause their investment and hiring (Bloom 2009). Alfaro and others (2008) highlight that low institutional quality—a significant source of uncertainty—deters foreign capital flows into low-income nations. Additional studies underscore the impact of institutional quality components, such as corruption (Wei 2000), government transparency (Gelos and Wei 2005), predictability of laws, regulations, and policies (Daude and Stein 2007), and the protection of property rights (Papaioannou 2009). Asongu and others (2018) demonstrated that market size, infrastructure availability, and trade openness play the most significant roles in attracting FDI to BRICS and MINT[6] countries as opposed to the availability of natural resources and institutional quality. Investors are also impacted by other structural variables including the availability of skills and talent via an educated workforce, physical infrastructure, and the ability to export and trade. Trade disputes and increased tariffs have led to an increase in uncertainty surrounding trade and investment policy (Baker and others 2019).

**15. The empirical analysis found that lower public debt, and limited government footprints in an economy—measured by smaller government consumption and investment—are associated with higher FDI inflows.** The analysis was performed to a panel dataset of emerging market economies that run from 2001 to 2020, to analyze the impact of various economic and institutional factors on FDI inflows. The regressions controlled for an extensive list of potentially confounding macroeconomic indicators including debt levels, trade openness, governance and regulatory environment measures. The fixed effects model finds that lagged growth and trade openness significantly contribute to higher FDI inflows, while higher public sector debt (as a share of GDP) is associated with lower FDI inflows. Higher government consumption (as a share of total consumption) is associated with lower FDI inflows (see technical note for estimation results).

**16. These empirical results should be interpreted with caution.** Given the technological challenges including the lack of data for MENA countries, one should be cautious when generalizing the results. Moreover, other variables, such as geographical distances, common language and legal framework, and more recently geoeconomic fragmentation (IMF 2023) can be important in determining foreign investment decisions. However, these factors would best be controlled in a gravity model setting, which is beyond the scope of this note. Additionally, given the limited observations for MENA countries in this dataset, a MENA-specific empirical analysis could not be done and is subject to future research.[7]

## D. Conclusion and Policy Recommendations

**17. Despite Jordan's location in a conflict-prone region, it has successfully sustained stability and maintained investor confidence[8].** Recent trade route disruptions through Bab Al-Mandab impacted exports and imports, and thanks to prompt government actions to develop alternative trade routes, the impacts have been mitigated and trade volumes have started to recover. Despite the regional conflicts, Jordan continues to implement prudent macroeconomic policies. Inflation rates have remained low and stable, and volatility of sovereign spreads have remained contained.

[6] The acronym BRIC refers to the economies of Brazil, Russia, India, and China (South Africa was added later, making the term BRICS), whereas MINT is an acronym for Mexico, Indonesia, Nigeria, and Turkey.

[7] A MENA subsample was experimented on, but the results were either insignificant or became volatile due to limited observations in the subsample. The number of MENA countries with sufficient observations for a fixed effect regression was less than 10 in all specifications.

[8] In May 2024, Fitch affirmed Jordan’s rating at 'BB-' with a Stable Outlook. In the same month, Moody's upgraded Jordan's credit rating to Ba3 from B1, reflecting improvements in Jordan’s fiscal policies, government debt management, and economic reform initiatives. S&P maintained Jordan's sovereign credit rating at B+/B with a Stable Outlook in 2024.

**18. A more conducive trade and investment environment is needed in Jordan to create a dynamic private sector for stronger and job-rich growth.** The government recently introduced a series of reforms, including via the amendments to the Investment Law, Companies Law, and Competition Law to ease business procedures, enhance competition, and attract investment. Fostering stronger trade and attracting foreign investment are important pillars that support the nation's vision toward economic modernization. For this, reforms can be further strengthened in the following areas:

- In the near term, facilitating the private sector in meeting the trade conformity assessment requirements.[9] Policies that address infrastructure bottlenecks and improve logistics performance, including by streamlining regulatory procedures relating to export and import, developing other trade routes and facilitating regional linkages and connectivity, can help promote trade and further integration into global value chains.

- Over the medium term, reforms to the institutional environment and continuing improving governance are vital for attracting FDI. Strong governance ensures transparency, stability, and predictability in policy making, which in turn can reduce perceived risks for investors. Reforms that enhance institutional quality and improve the regulatory environment should be accelerated to create a more favorable business climate.

- Overall, the reforms that promote trade are also found to be positively associated with greater economic diversification. Specifically, Jordan can consider leveraging its well-educated labor force to produce higher quality of existing products before diversifying into new areas, which typically requires more technological breakthroughs and more investment. While GVC integration could help bolster competitiveness, it is critical to lift productivity via structural reforms to produce high quality tradable goods at relatively low cost, which is key to gaining competitiveness under a pegged exchange rate regime. These reforms should be an integral part of the bigger structural reform agenda to lift productivity and secure stronger and more sustainable growth for higher living standards for all.

[9] The process of conformity assessment demonstrates whether a product, service, process, claim, system or person meets the relevant requirements. Such requirements are stated in standards, regulations, contracts, programs, or other normative documents (ISO - Conformity assessment ). WTO members' use of conformity assessment procedures (CAPs) is a key area of work for the Technical Barriers to Trade Committee. CAPs are used to determine whether products fulfil the requirements established by relevant technical regulations or standards. CAPs are vital for international trade as they enable authorities and consumers to have confidence that products in the marketplace meet the safety or quality specifications set out in technical regulations or standards (WTO | Conformity assessment procedures).

**Technical Notes:**

*A. Model Specifications*

- Fixed effects regressions were used to assess determinants of FDI across a panel dataset of 84 countries.

  - $FDI_{it} = \beta_0 + \beta_1 Macroeconomic\ variable_{it} + \beta_2 Structural\ Indicators_{it} + \epsilon_{it}$

  *where:*

    - $FDI_{it}$ is measured as a share of GDP in country $i$ in time period $t$.
    - Macroeconomic variables include GDP, debt levels, and trade openness (import and export of goods and services as a share of GDP), Nominal Effective Exchange Rate (NEER), Real Effective Exchange Rate (REER), CPI inflation rate.
    - Structural indicators include World Bank Worldwide Governance Indicators (WGI) indices on political stability, control of corruption and rule of law, as well as Fraser Institute Economic Freedom Data on regulation and a crisis dummy that indicates a year where conflict has occurred either globally or regionally in the MENA.
    - They also include variables from Fraser Institute Economic Freedom Data on the role of government in an economy. Specifically:
      - Government consumption as a share of total consumption.
      - Transfers and subsidies as a share of GDP.

- Other variables, such as inflation, intellectual property, WGI indicator on perceptions of the likelihood of political instability were used in the different specifications of the regressions but were insignificant and thus were dropped from the final specification.

## B. *Regression Results*

| | (1) | (2) | (3) | (4) |
|---|---|---|---|---|
| Lagged GDP Growth (rate; WEO) | 0.081* | 0.066 | 0.064 | 0.057 |
| | (0.045) | (0.047) | (0.047) | (0.044) |
| Debt-to-GDP (%; WEO) | -0.015** | -0.020*** | -0.023*** | -0.021*** |
| | (0.006) | (0.006) | (0.007) | (0.007) |
| Trade Openness (WEO) | 4.268** | 4.601* | 4.674* | 4.593* |
| | (1.988) | (2.511) | (2.462) | (2.413) |
| Crisis (Dummy, Crisis Year = 1) | 0.122 | 0.180 | 0.214 | 0.241 |
| | (0.179) | (0.187) | (0.204) | (0.176) |
| NEER (index, IMF IFS data) | -0.007* | | | |
| | (0.004) | | | |
| REER (index, IMF IFS data) | | -0.021** | -0.022** | -0.026** |
| | | (0.009) | (0.010) | (0.010) |
| Inflation (rate, WEO) | 0.081* | 0.065 | 0.058 | |
| | (0.041) | (0.042) | (0.043) | |
| Political Stability (WGI Index) | 0.390 | 0.384 | | 0.400 |
| | (0.350) | (0.370) | | (0.369) |
| Regulation (Fraser index) | 0.458 | 0.590 | | 0.599 |
| | (0.382) | (0.378) | | (0.374) |
| Control of Corruption (WGI Index) | 0.022 | 0.389 | 0.450 | |
| | (0.753) | (0.854) | (0.827) | |
| Rule of Law (WGI Index) | 0.514 | 0.525 | 0.960 | |
| | (0.844) | (0.908) | (0.887) | |
| Government consumption (% of total consumption; Fraser) | -0.164*** | -0.164*** | -0.167*** | -0.176*** |
| | (0.039) | (0.046) | (0.046) | (0.045) |
| Transfers and subsidies (% of GDP; Fraser) | 0.112** | 0.100* | 0.092* | 0.099* |
| | (0.048) | (0.051) | (0.053) | (0.053) |
| Constant | 0.401 | 1.316 | 5.633** | 2.155 |
| | (3.349) | (3.876) | (2.208) | (4.110) |
| Observations | 788 | 748 | 748 | 748 |
| R-squared | 0.141 | 0.154 | 0.144 | 0.152 |
| Number of countries | 42 | 40 | 40 | 40 |

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1
Sample: Emerging Markets from 2001 to 2020, unbalanced panel dataset.

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# Annex IX. Data Issues

## 1. Jordan: Data Adequacy Assessment for Surveillance

### Data Adequacy Assessment Rating 1/

B

Questionnaire Results 2/

| Assessment | National Accounts | Prices | Government Finance Statistics | External Sector Statistics | Monetary and Financial Statistics | Inter-sectoral Consistency | Median Rating |
|---|---|---|---|---|---|---|---|
| | B | A | A | B | B | A | B |

Detailed Questionnaire Results

| Data Quality Characteristics | | | | | | |
|---|---|---|---|---|---|---|
| Coverage | A | A | A | A | A | |
| Granularity 3/ | B | | B | B | A | |
| | | | A | | B | |
| Consistency | | | A | A | | A |
| Frequency and Timeliness | B | A | A | B | B | |

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

| | |
|---|---|
| A | The data provided to the Fund are adequate for surveillance. |
| B | The data provided to the Fund have some shortcomings but are broadly adequate for surveillance. |
| C | The data provided to the Fund have some shortcomings that somewhat hamper surveillance. |
| D | The data provided to the Fund have serious shortcomings that significantly hamper surveillance. |

**Rationale for staff assessment**. The data provided to the Fund have some shortcomings but are broadly adequate for surveillance. More granularity on fiscal, national account, external sector, and financial data would be useful for more thorough analysis in these respective sectors. Progress has been made over the last few years in improving quarterly estimates of the national accounts from the production approach. Jordan is yet to release quarterly national accounts from the expenditure approach. The DoS has already compiled annual supply and use tables at current prices for the period 2017-2021. Further efforts are needed to ensure that the compilation of the national accounts is compliant with the System of National Accounts 2008 (2008 SNA).

**Changes since the last Article IV consultation**. No changes observed.

**Corrective actions and capacity development priorities**. The authorities have received CDs from METAC and IMF and are working on improving the national account data, and will continue to improve the coverage of national account data. They should continue to work on the expenditure-side GDP decomposition and publish the data in a timely manner. The authorities have embarked in a modernization project that includes the rebasing of the national accounts, expanding the coverage of the producer price index, and updating the consumer price index. Jordan also received technical assistance from the IMF to include the informal sector in GDP data and to expand the coverage of remittances and foreign investment to reduce errors and omissions in the external sector statistics, as well as to expand the monetary and financial statistics by compiling data on other financial corporations.

**Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff.** Staff used the official statistics available to staff.

**Other data gaps**. No major data gaps. Household or business surveys can be updated every few years, depending on authorities' capacity, for national accounts benchmarking. It will be useful to continue working with the IMF and other development partners to enhance data collection on the informal sector. The authorities are working to enhance data collection to further strengthen analysis to financial risks.

## 2. Jordan: Data Standards Initiatives

Jordan subscribes to the Special Data Dissemination Standard (SDDS) since January 2010 and publishes the data on its National Summary Data Page. The latest SDDS Annual Observance Report is available on the Dissemination Standards Bulletin Board (https://dsbb.imf.org/).

## 3. Jordan: Table of Common Indicators Required for Surveillance

As of November 8, 2024

| | Data Provision to the Fund | | | | Publication under the Data Standards Initiatives through the National Summary Data Page | | | |
|---|---|---|---|---|---|---|---|---|
| | Date of Latest Observation | Date Received | Frequency of Data[6] | Frequency of Reporting[6] | Expected Frequency[6,7] | Jordan[8] | Expected Timeliness[6,7] | Jordan[8] |
| Exchange Rates | Sep-24 | Oct-24 | M | M | D | … | … | 1 |
| International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1] | Sep-24 | Oct-24 | M | M | M | 30 | 1W | 30 |
| Reserve/Base Money | Sep-24 | Oct-24 | M | M | M | 30 | 2W | 14 |
| Broad Money | Sep-24 | Oct-24 | M | M | M | 30 | 1M | 30 |
| Central Bank Balance Sheet | Sep-24 | Oct-24 | M | M | M | 30 | 2W | 14 |
| Consolidated Balance Sheet of the Banking System | Sep-24 | Oct-24 | M | M | M | 30 | 1M | 30 |
| Interest Rates[2] | Sep-24 | Oct-24 | M | M | D | … | … | 1 |
| Consumer Price Index | Sep-24 | Nov-24 | M | M | M | 30 | 1M | 14 |
| Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4] | 2023 | May-24 | A | A | A | 365 | 2Q | 180 |
| Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government | Jul-24 | Aug-24 | M | M | M | 30 | 1M | 30 |
| Stocks of Central Government and Central Government-Guaranteed Debt[5] | 2023 | May-24 | A | A | Q | 30 | 1Q | 30 |
| External Current Account Balance | Q1 2024 | Aug-24 | Q | Q | Q | 90 | 1Q | 90 |
| Exports and Imports of Goods and Services | Q1 2024 | Aug-24 | Q | Q | M | 30 | 8W | 56 |
| GDP/GNP | Q2 2024 | Oct-24 | Q | Q | Q | 90 | 1Q | 90 |
| Gross External Debt | Mar-24 | May-24 | M | M | Q | 90 | 1Q | 90 |
| International Investment Position | Q1 2024 | Aug-24 | Q | Q | Q | 90 | 1Q | 90 |

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "…"

# Appendix I. Letter of Intent

Amman, Jordan
November 24, 2024

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

Dear Ms. Georgieva:

In January 2024, the International Monetary Fund approved an arrangement under its Extended Fund Facility (EFF) for Jordan, to support our economic policies, strengthen Jordan's resilience in the face of worsening global and regional challenges, and to alleviate structural impediments to growth and job creation. The first review under this extended arrangement was successfully completed in June 2024.

Since the completion of the first review, the external environment has not improved as we had hoped. Instead, the war in Gaza continues, creating immense suffering for the Palestinian people. Moreover, it has expanded into a wider regional conflict, inflicting an even heavier human toll. Uncertainty has reached new highs, and the continuing and escalating conflict is having a marked adverse effect also on regional economic activity, including in Jordan.

Despite this challenging external environment, our economy has continued to show resilience and stability, owing to our sound macro-economic policies and progress in reforms. Thus, we expect our economy to grow by 2.3 percent this year, mainly reflecting a strong performance in net exports, offsetting weaker domestic demand. With stronger exports and remittances and lower imports more than compensating for lower tourism receipts, the current account deficit is projected to narrow relative to earlier projections, to 4.3 percent of GDP this year, helping to build international reserve buffers. Inflation remains low, at below 2 percent, owing to the Central Bank of Jordan's (CBJ) firm commitment to monetary stability, by adjusting its policy rates in tandem with those of the U.S. Federal Reserve to safeguard the exchange rate peg. The financial sector remains healthy and well capitalized.

With the conflict lasting longer and widening, the resulting weaker domestic demand, together with a sharper-than-expected drop in the prices of key export commodities, have had a marked adverse effect on government revenues. This resulted in a need to revise this year's fiscal targets. We have taken strong measures to offset this revenue shortfall, including by adopting a set of tax measures and reducing capital spending, to avoid a widening of this year's central government budget deficit. Thus, we expect to be able to contain this year's central government's primary deficit (excluding grants and transfers to public utilities) to 2.9 percent of GDP, up slightly from 2.7 percent of GDP in 2023. Similarly, reflecting the measures taken to limit the operational losses of our utility companies, the combined public sector primary deficit is expected to be contained at 4.8 percent of GDP, compared to 4.5 percent of GDP in 2023. Together with continued surpluses of our social security system, this will allow us to still achieve a modest improvement in the overall general government primary surplus (including grants) to 0.6 percent of GDP, from 0.5 percent of GDP in 2023, and to contain public debt at 90.5 percent of GDP by end-2024.

As a reflection of our commitment to sound policies and despite the deteriorating external environment, we have met all commitments for the second review under the extended arrangement. We met all end-June 2024 performance criteria and all but one end-June 2024 indicative targets, as well as most indicative targets for end-September 2024, as detailed in Table 1 of the attached Memorandum of Economic and Financial Policies (MEFP). We have also met all structural benchmarks that had been set for the second review, as described in more detail in the attached MEFP and reflected also in Table 2.

Going forward, we remain determined to continue with sound fiscal and monetary policies to safeguard macro-economic stability, and to continue with, and accelerate, structural reforms to further strengthen Jordan's resilience, as detailed in the attached MEFP. We are convinced that this is the best way to confront the external shocks, and to achieve the objectives of our Economic Modernization Vision and improve the living standards of the Jordanian people. Importantly, Jordan's population and businesses have been and are adapting to the challenges posed by the ongoing and escalating conflict and the heightened uncertainty. Thus, we expect that our economy will continue to grow in 2025, by 2.5 percent, and that the current account deficit will widen slightly, to 4.5 percent of GDP, as imports are expected to pick up with a recovery in domestic demand. Inflation is projected to remain stable at close to 2 percent, as the CBJ's policies will continue to be aimed at preserving monetary and financial stability. The CBJ's monetary policy will continue to be underpinned by its firm commitment to the exchange rate peg to the US dollar, and the CBJ will remain vigilant to changes in global financial conditions and stands ready to undertake policy adjustments as needed to safeguard monetary and financial stability.

Moreover, we will resume with the gradual fiscal consolidation that we had started in 2021 in a progressive and equitable manner and will continue to improve the financial sustainability of our public utilities. Our goal remains to reduce public debt to below 80 percent of GDP by 2028. We have submitted a central government budget for 2025 to parliament, consistent with reducing the central government primary deficit (excluding grants and transfers to the public utilities) by 0.9 percent of GDP to 2.0 percent of GDP, while making room for targeted support for vulnerable households and public investment. Moreover, as reform measures to improve the financial position of our utility companies continue to yield results, we expect to achieve a reduction in the combined public sector primary deficit by 1.2 percent of GDP to 3.6 percent of GDP, and to realize an overall general government primary surplus (including grants) of 1.8 percent of GDP, thus reducing public debt to around 90 percent of GDP by end-2025. We are committed to further increase revenue mobilization in the coming years to ensure fiscal sustainability and to achieve our debt reduction target, while continuing to make further room to support growth and vulnerable households.

Meanwhile, we are stepping up our efforts to create a more dynamic private sector that can generate more jobs. Importantly, in consultation with the IMF and other relevant development partners, notably the ILO and the World Bank, we have made progress in developing amendments to several key laws, also to ensure sufficient time for consultation with our social partners and timely submission of the amendments to parliament. These laws include the labor law, with the amendments aimed at enhancing labor market flexibility and female labor participation; the social security law, to strengthen unemployment insurance and harmonizing benefits between men and women; and the competition law, to improve the independence and effectiveness of our competition authority. Furthermore, we will continue to improve the business environment by enhancing competition and further streamlining regulations and licensing requirements.

To help us address Jordan's financing needs, strong and timely international support remains of critical importance. Support is also needed to help us shoulder the cost of hosting a large number of refugees, including to provide them with essential services, especially as we have witnessed a further decline in support for Syrian refugees and host communities.

In view of our continued strong program performance and policy commitments as outlined in the attached MEFP, we request the completion of the second review under the extended arrangement and approval to make a purchase in the amount of SDR 97.784 million. We also request modification of the end-December 2024 and end-June 2025 performance criteria on the CBJ's net international reserves, to reflect the stronger balance of payments, and on the central government's primary balance (excluding grants and transfers to the public utilities) and the combined public balance, to reflect the revised fiscal path, as presented in Table 1 of the attached MEFP. We believe that the policies as set forth in the attached MEFP remain adequate to achieve the objectives of our program, but we stand ready to take further measures that may become necessary for this purpose. We will consult with the IMF on the adoption of these measures, and in advance of revisions to the policies contained in the MEFP and this Letter, in accordance with the IMF's policies on such consultations. The implementation of our program will continue to be monitored through semi-annual quantitative performance criteria, structural benchmarks, and quarterly indicative targets as attached to the MEFP. We expect the third review under the extended arrangement to be completed on or after April 1, 2025, and the fourth review on or after October 1, 2025.

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

Sincerely,

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

Attachments:

I. Memorandum of Economic and Financial Policies

II. Technical Memorandum of Understanding

# Attachment I. Memorandum of Economic and Financial Policies

## CONTEXT

**1. Jordan continues to show resilience and maintain macro-economic stability, despite the war in Gaza continuing and spreading into a wider conflict, and heightened uncertainty.** The war, rising regional tensions, and continued disruptions to trade routes in the Red Sea present substantial headwinds to Jordan's economy. This adds to the challenges of hosting a large number of Syrian refugees. Nonetheless, thanks to continued sound macro-economic policies and international support, Jordan continues to maintain macro-stability and the economy continues to grow. The recent upgrades to Jordan's credit rating by leading credit rating agencies, the first in over 20 years, testify to Jordan's resilience and the credibility of our economic policies.

**2. However, as the conflict is lasting longer than expected earlier and is widening, it is having a larger impact on Jordan's economy than anticipated at the outset of the program.** The economy is still projected to grow by 2.3 percent in 2024. While only slightly down from previous projections, the composition of growth is changing. Domestic demand is weaker, with both consumption and investment slowing. The contribution of net exports to growth has increased, with imports slowing in line with domestic demand, while exports, notably of fertilizer commodities, continue to grow in volume, albeit not in value due to lower global prices. Combined, this is having a marked adverse effect on government revenues. The current account is on balance projected to record a deficit of 4.3 percent of GDP this year and to widen slightly in 2025. Inflation remains low and is expected to end 2024 at close to 2 percent. With the conflict continuing, growth in 2025 is expected to reach at 2.5 percent, before picking up pace in following years, benefiting from continued macro-economic stability and reform implementation in line with our Economic Modernization Vision.

**3. We will continue to pursue sound macro-economic policies and advance structural reforms, as envisaged in our Economic Modernization Vision, to safeguard macro-economic stability and to set the stage for stronger and sustainable growth, needed to create more jobs and improve living standards.** While the unemployment rate fell by almost one percentage point over the last year, it remains high at just over 21 percent. Youth and female unemployment are particularly high, at 42 percent and 31 percent respectively. Thus, we will continue to pursue structural reforms aimed at accelerating the pace of growth to 3 percent over the medium term, while ensuring continued macro-economic stability. We will continue to rebuild fiscal buffers, while creating room to support growth and vulnerable households, and improve public service delivery, and further build reserve buffers, while maintaining monetary and financial stability.

**4. Our performance under the IMF-supported program remains strong, despite the challenging external environment, and all key commitments for the second review have been met.** We met all end-June 2024 quantitative performance criteria (QPCs), for the primary fiscal deficit of the central government, the combined public deficit, the CBJ's net international reserves (NIR), and the non-incurrence of external debt service arrears (Table 1). Similarly, all but one indicative targets (IT) for end-June 2024 were also observed, while most ITs for end-September 2024 were also met. We have also met all structural benchmarks (SBs) due by November 2024, and are making progress towards implementing future SBs (Table 2).

# POLICIES FOR SAFEGUARDING MACROECONOMIC STABILITY AND BOOSTING GROWTH

## Fiscal Policy and Structural Fiscal Reforms

**5. We remain committed to our fiscal policy anchor of placing public debt on steady downward path, to below 80 percent of GDP by 2028**. To achieve this, and to cement the progress made in the last few years, we are committed to further efforts at revenue mobilization and improving spending efficiency, and to ensure the financial viability and efficiency of our public utilities and the social security corporation (SSC).

**6. While we met the end-June 2024 fiscal targets, end-year targets need to be adjusted due to the shortfalls in revenues.** The approved 2024 central government budget targeted a primary deficit (excluding grants) of 2.1 percent of GDP. However, revenues are now projected to fall short by around 1½ percent of GDP, exceeding the shortfall projected at the time of the first review. The lower revenues reflect: (i) lower sales taxes due to lower consumption (and imports) and tourist spending because of the longer-lasting conflict and increased regional tensions (about 0.6 percent of GDP); (ii) lower profit taxes and royalties due to a decline in global fertilizer prices (about 0.6 percent of GDP); and (iii) lower sales, fuel and tobacco taxes due to an accelerating shift to electric vehicles and e-cigarettes (about 0.5 percent of GDP). To limit the impact on the deficit, we have: (i) reduced capital spending by over 1 percent of GDP; and (ii) raised special taxes on electric vehicles and e-cigarettes effective September, which is expected to already yield almost 0.2 percent of GDP this year. With this, the primary deficit (excluding grants and transfers to the public utilities) is projected to be contained at JD 1,100 million, or 2.9 percent of GDP, slightly up from last year's 2.7 percent of GDP. Combined with the losses of our public utilities, this would result in a combined public deficit of JD 1,808 million, or 4.8 percent of GDP.

**7. To ensure steady progress toward meeting our debt-reduction target, we have recalibrated our fiscal adjustment path for the coming years.** To this end:

- We have submitted to parliament a 2025 central government budget, consistent with a reduction in the primary deficit (excluding grants and transfer to the public utilities) to JD 812 million, equivalent to 2.0 percent of GDP. This can be achieved by revenue measures that together generate 1 percent of GDP, including: (i) the recent decision to raise special taxes on electric vehicles and e-cigarettes, estimated to yield about 0.8 percent of GDP; (ii) deferring a further reduction in customs tariffs; (iii) accelerating the collection of tax arrears; and (iv) further improving revenue administration, including through further digitalization and strengthening compliance management (see below). This creates room for capital spending to recover from this year's compressed level, as well as additional social support (see below). With the losses of our utilities companies to narrow to 1.1 percent of GDP, due to the implementation of cost saving and revenue generating measures (see below), this would reduce the combined public deficit to JD 1,438 million, or 3.6 percent of GDP in 2025.

- We are committed to a continued steady fiscal consolidation in 2026–28. This will entail an annual fiscal adjustment of about 0.9–1 percent of GDP, bringing the general government primary balance (excluding grants) from a deficit of 1.3 percent of GDP this year to a surplus of 3.4 percent of GDP in 2028. We will take further measures to broaden the revenue base, including: (i) harmonizing various license and registration fees to remove distortions; (ii) addressing tax gaps, based on IMF technical assistance; and (iii) continuing to improve tax and customs administration (see below). To this end, we will conduct a revenue diagnostic study with support from the IMF's Fiscal Affairs Department to identify gaps in our revenue framework. Based on this, we will develop and adopt a Medium-Term Revenue Strategy (MTRS) consistent with meeting our fiscal objectives (*SB for September 2025*), to be designed with the assistance of the IMF's Fiscal Affairs Department.

- We will continue to refrain from reallocating capital spending to current spending. We will use any overperformance in revenue collection to pay off more expensive debt or increase capital spending and will use additional grants to replace more expensive sources of financing. In case any risks to the budget materialize, we will take the necessary contingency measures to ensure that fiscal targets will be met, by reducing non-priority spending or taking additional revenue measures. We will continue to ensure that prices of fuel derivatives are adjusted in line with international market prices.

- As part of our fiscal strategy, we will contain the growth of the civil service wage bill to the rate of inflation. Moreover, we are implementing our Public Sector Reform Roadmap, to improve the efficiency of our public administration. As part of this, we have operationalized the newly established Service and Public Administration Commission (SPAC), which replaced the Civil Service Bureau, and the SPAC council approved the Commission's strategic plan for 2024–27. In addition, we launched an automated HR management information system (HRMIS) to support the roles and functions of SPAC. This HRMIS includes a database with up-to-date civil service data. Since the start of 2024, all hiring and promotion decisions for all senior positions are based on position qualifications, competencies, and merit (*met SB for March 2024*), and we will implement a job description and performance-based salary-setting mechanism for all Category 1 civil service employees that is based on position qualifications, competencies, and merit (*SB for December 2024*).

- We will also maintain a minimum threshold for social spending (IT), consisting of: (i) non-wage components of the education and health sectors' current expenditure envelope; (ii) the National Aid Fund's (NAF) and other entities' social protection programs; and (iii) the school feeding program. The number of families covered through the NAF has reached almost 200,000 households in 2024, an increase of about 15,000 households from last year, but as there remain unmet needs for social protection, we have increased the allocation to NAF in the 2025 budget to cover an additional 15,000 households. NAF will continue to improve the accuracy and effectiveness of its targeting formula, with support of the World Bank, to further improve the targeting of its support, and upgrade and expand the National Unified Registry (NUR) as the sole government gateway for social assistance. We are finalizing establishing a voluntary unified platform for social assistance, open to CSOs that provide financial or in-kind support to vulnerable households, to enhance coordination and help to improve the targeting of assistance. To contain the cost of health care exemptions, we have centralized the process for granting health care exemptions, while establishing rules for setting prices for medical services provided to people covered by the exemptions consistent with the prices charged to people with medical insurance (*SB for May 2025*).

- We are conducting an actuarial review of the Social Security Corporation (SSC), with support from the ILO and the World Bank. Based on this review, we will develop a set of parametric reforms, with assistance from the IMF, the World Bank, and the ILO, to ensure the SSC's long-term financial viability, while ensuring adequate retirement benefits, including by strengthening incentives for contributing to the system.

8. **Further improving revenue administration continues to be an important pillar of our fiscal consolidation strategy.** Building on the substantial progress made in recent years to broaden the revenue base, we aim to continue to increase revenue collection by further broadening the revenue base and improving compliance in line with our revenue administration reform plan, notably by increased digitalization of taxpayer services and data capture and analysis. Specifically:

- We are upgrading the Income and Sales Tax Department's (ISTD) IT infrastructure, including by implementing a new Integrated Tax Administration System (ITAS). Currently, procurement of ITAS is in the pre-qualification process, and we expect to finalize the process by September 2025.

- The ISTD is expanding the application of the new transfer pricing rules. The ISTD has already applied the new rules to multinationals and related parties, as part of Phase I of the overall roll-out, and to mid-sized companies, including family-owned companies, as Phase II of the roll-out. For this purpose, the administrative setup has been put in place within relevant Directorates and work is ongoing for full implementation. Phase III, to be completed by September 2025, will extend to related parties. To help with the implementation of the transfer pricing rules, the ISTD is conducting information campaigns and has posted guidelines, while also providing training.

- To curb smuggling, the ISTD has already introduced digital track-and-trace systems for tobacco products, and for alcohol (*met SB for March 2024*). Similarly, biochemical markers have been introduced to kerosene, to reduce diesel smuggling and counterfeiting (*met SB for November 2024*), with full implementation by March 2025.

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

- The ISTD has launched an e-invoicing system for all sales transactions subject to GST, covering already 95 percent of all sales transaction by value by mid-2024. This allows for enhanced monitoring of economic activities, addresses under-invoicing, and strengthens the audit function of the sales-tax framework. The ISTD is on track to mandate coverage of 100 percent of sales transactions, also by issuing regulations requiring e-invoices for all expenses reported in tax declarations (*SB for March 2025*). This will also enable increased synergy between e-invoicing and e-audits, and improved analytics for improved compliance risks management.

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

- The restructuring in customs tariffs, combined with the inclusion of the ASEZA zone in the broader customs administration, has already resulted in a significant increase in revenues, notably in GST collection. The Custom Administration will continue to enhance the National Single Window, which already encompasses 11 government entities (out of 55 entities but covering more than 90 percent of clearance activity), and by 2026 will also encompass 5 agencies under the Ministry of Interior. Additionally, the establishment of the single border authority will be instrumental in facilitating expedited and predictable goods clearance for both exports and imports, including through the mandatory use of the digital licensing hub platform for the 5 largest control entities (JSMO, Ministry of Environment, JFDA, Ministry of Agriculture, Customs) (*met SB for September 2024*), allowing companies to obtain licenses ahead of arrival of goods. We will also submit to Parliament draft amendments to the Customs Law to strengthen the implementation of a new Post-Clearance Audit (PCA) regime by end-September 2025. To further improve valuation control, the Customs Administration has initiated data exchanges with seven countries and has created a database for declarations to ensure more precise custom duties and prevent under-invoicing. We will also introduce electronic certificates of origin. We will implement the last phase of Unification of Border Management Initiative by December 2025 for the above-mentioned entities, which will establish Jordan Customs as the only authorized border clearance entity for physical inspections and risk management.

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

- In the area of fiscal transparency and fiscal risks management, the Ministry of Finance's Macro-Fiscal Unit (MFU) has prepared the 2024 Fiscal Risk Statement, which builds on the first fiscal risk statement produced in 2023 and expanded the coverage of contingent liabilities from the SOE sector. Acknowledging the fiscal risks that SOEs can present to public finances and reflecting the recommendations of the IMF's Fiscal Affairs Department, we will adopt and publish an SOE ownership policy and assign monitoring and overseeing performance and risks in the SOE portfolio to the Fiscal Commitments and Contingent Liabilities (FCCL) unit in the Ministry of Finance (*SB for March 2026*). We will require the submission of annual audited statements to the SOE Monitoring Unit and the publication of these statements. Furthermore, we will establish a centralized database of all PPP contracts concluded since the 2020 PPP law came into effect, with analytical tools, to enhance our fiscal risk analysis by identifying critical risk factors and generating actionable insights.

- We will continue to strengthen our public investment management processes, drawing on recommendations from the 2017 Public Investment Management Assessment (PIMA), the 2020 PIMA follow-up, and, more recently, the 2023 Climate PIMA. We have amended PPP legislation to streamline the execution of the framework, while maintaining robust safeguards and due diligence and will ensure that all new PPP projects proceed through the NRIP process. We will ensure the implementation of the project management circular requiring that all capital projects included in the 2025 budget are approved by PIM and registered in the NRIP (*met SB for September 2024*).

- To improve cash management and avoid arrears accumulation: (i) budgetary spending units' electricity payments are made by the Ministry of Finance's treasury department, deducting the payments from spending units' spending allocations; (ii) spending units are required to seek approval from its General Budget Department prior to issuing a commitment voucher, only upon which Spending Units will be allowed to enter into new commitments; (iii) the Ministry of Finance will adjust allocations based on quarterly updated cash forecasts and already approved commitments, while taking the updated cash forecasts also into account for procurement approvals; and (iv) the Ministry of Finance has adopted a new definition of spending arrears, in line with good international practice, setting a time limit on overdue payments (60 days) and with an appropriate coverage (Central Government Spending Units). We will also seek IMF assistance to improve the medium-term expenditure framework, with a focus on improving the accuracy of capital expenditure budget projections and utilization of our medium-term budget framework for costing of policy initiatives and tracking our multi-year commitments. We have started to draw on the Jordan National E-Procurement System (JONEPS) data to prepare an annual procurement and commitment plan that considers multi-year commitments, ensures control of budget implementation, and minimizes arrears accumulation due to unanticipated commitments.

- We will continue to strengthen public procurement, by further rolling out JONEPS for ministries and government entities, and we will implement it for all government entities by end-December 2025. The Government Procurement Department have worked closely with municipalities, including GAM, to start the implementation of JONEPS through the Ministry of Local Administration since 2024, including by training key users that will work with various municipalities.

## Monetary and Financial Policies

**10. The CBJ's policies will continue to be aimed at preserving monetary and financial stability.** Monetary policy will continue to be underpinned by the CBJ's firm commitment to the exchange rate peg to the US dollar. The peg has served our economy well by providing a credible nominal anchor of monetary and financial stability. With inflation below two percent, this approach has shielded our citizens from the large costs of living increases experienced elsewhere. Confidence in the national currency is strong, with deposit dollarization at just under 18 percent and reserves are comfortably above 100 percent of the IMF Reserve Adequacy metric. As the US Federal Reserve moves to relax the policy rate, the CBJ is following suit as it did during the tightening cycle to maintain monetary stability. The gradual easing will create space for an increase in credit. The CBJ will gradually reduce the concessionality of its remaining preferential lending scheme, initially with an increase of 50 basis points of the interest rate on new loans issued under the scheme as soon as the regional conflict subsides. The CBJ will remain vigilant to changes in global financial conditions and stands ready to undertake the policy adjustments necessary to credibly safeguard monetary and financial stability, as well as to further bolster its international reserves buffers, including by managing banking system liquidity. We will not introduce or intensify restrictions on payments and transfers for current international transactions, introduce or modify multiple currency practices, enter into bilateral payment agreements that are inconsistent with Article VIII of the IMF Articles of Agreement, and/or introduce or intensify import restrictions for balance of payments purposes.

**11. Jordan's banking system remains liquid and well-capitalized.** The joint IMF-World Bank Financial Sector Assessment Program (FSAP), completed in March 2023, found that the banking sector appeared broadly resilient, and that Jordan's financial sector had withstood a series of large external shocks well. Moreover, banks were assessed to be well-placed to withstand further shocks, given high levels of systemwide regulatory capital and robust earnings. The system-wide capital adequacy ratio stood at 17.6 percent at end-June 2024, well above the CBJ regulatory minimum of 12 percent. Non-performing loans increased slightly by half a percentage point to 5.6 percent, reflecting the reclassification of some loans, as well as the impact of the conflict. The provisions for non-performing loans (coverage ratio) stood at 73.1 as of end-June 2024, compared to 75.6 percent at end-2023. The CBJ has maintained stringent provisioning standards, in line with IFRS9's forward-looking expected loss approach and continues to strengthen its prudential regulations in line with the FSSA's recommendations.

**12. We will further strengthen the resilience of the financial sector in line with the recommendations of the FSSA, by continuing to strengthen systemic risk analysis, financial sector oversight, and crisis management.** Specifically:

- The multi-agency crisis management committee, comprising the CBJ, Ministry of Finance, and JODIC, that had been established last year to adequately operationalize the crisis management framework meets twice per year and coordinates inter-institution crisis preparedness and management issues.

- The CBJ has aligned its prudential requirements on asset classification with Basel Core Principles (BCPs) and guidance (*met SB for June 2024*). It will continue to strengthen financial oversight by: (i) introducing Pillar 2 risk assessment methodologies to make capital assessments more sensitive to individual banks' risk profiles (*SB for November 2025*); (ii) with technical assistance from the IMF's Monetary and Capital Markets Department, align prudential requirements for concentration risk and related party exposure with BCPs (*SB for November 2026*); and (iii) designing and operationalizing procedures for the compensation of depositors together with JODIC (*SB for November 2026*);

- The CBJ has collected and will continue to collect additional data for more comprehensive and thorough financial stability analyses, including on: (i) top-down bank stress testing on a globally consolidated basis; (ii) probabilities of default, including on more granular loan portfolios; (iii) the analysis of nonfinancial corporate vulnerabilities to a broader set of firms; and (iv) household vulnerabilities at a more granular level. The CBJ will address remaining data gaps by March 2027 to further incorporate cross border dimensions and interconnectedness in systemic risk monitoring, with technical assistance from the IMF's Monetary and Capital Markets Development.

- The CBJ has started monitoring the Liquidity Coverage Ratio (LCR) by significant currency and analyze FX liquidity separately from total liquidity. The CBJ has also strengthened the role of the Financial Stability Committee (FSC), including by expanding the membership of the committee to include the Finance Companies and Credit Bureaus Supervision Department and the Insurance Supervision Department and conducting semi-annual meetings, while refocusing the role of FSC on macroprudential policies and systemic risks. The CBJ is in the process of establishing a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks of the Real Time Gross Settlements system-Jordan (RTGS-JO) by March 2026.

13. **We have made significant progress in strengthening our regime for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), resulting in the removal of Jordan from the FATF gray list in October 2023.** We have implemented all action items in Jordan's FATF action plan, and we will continue to enhance the effectiveness of the AML/CFT framework, including by strengthening risk-based AML/CFT supervision, and increasing international cooperation.

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

- The Ministry of Finance and MOPIC, in consultation with the CBJ, are working with our development partners to assess designing a well-governed, arm's length wholesale funding facility to support Micro Finance Institutions (MFIs) and other regulated non-bank credit institutions in providing financing to MSMEs. In this context, we are conducting a comprehensive review of development finance initiatives with the aim to rationalize the number of initiatives and strengthen their governance.

- We have made corporate credit reports easily accessible to companies through digital channels to facilitate access to information and speed up transactions, and we will continue to enhance data collection by the Credit Bureau.

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

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

## Electricity and Water Sector Reforms

**16. Good progress has been made to improve service delivery and reduce losses in the electricity sector.** Network reliability is high and energy sources for generation have become more diversified, resulting in improved resilience to price and supply shocks. Good progress has been made in implementing a set of measures, based on Phase 1 of the Government Program for Electricity Sector Efficiency, Supply Reliability, and Financial Sustainability for 2023–30 (the Government Program) and adopted in 2022–24, to reduce NEPCO's costs and increase its revenues. This has been showing good results so far this year, with targets met. In addition:

- We have rolled out time-of-use tariffs for the electric vehicles and industrial sectors in July 2024, capturing over 15 percent of total electricity consumption (*met SB met for July 2024*). We will further roll out the application of time-of-use tariffs to capture at least 30 percent of total electricity consumption, effective January 1, 2025 (*SB for January 2025*). We will complete the installation of smart meters for the residential sector by end-2025 (*SB for June 2026*) and apply time-of-use tariffs to all sectors, including the residential sector, by September 2026 (*SB for September 2026*). We are also strengthening enforcement to reduce non-technical losses due to tampering with electricity meters.
- We have amended the Renewable Energy Law that allowed us to introduce, effective September 2024, an economically efficient tariff structure for access to, usage of, and selling electricity to the power grid for new self-generators by switching from net metering to net billing (*met SB for September 2024*).
- We have continued to review the distribution companies' licenses with a view to achieve higher bulk supply tariffs charged by NEPCO, increasing NEPCO's revenues.
- We have introduced a legally and regulatorily permissible levy, effective January 2025, on electricity generation companies (*met SB for April 2024*).
- We have spun off the gas infrastructure into a separate entity in March 2024, thus reducing NEPCO's gas costs.
- We have increased electricity grid interconnections with neighboring countries, including Egypt and Iraq.
- We are exploring the possibility of NEPCO leasing its fiber optics infrastructure to generate an additional revenue stream.

**17. We are committed to implement further measures to durably reduce NEPCO's operational losses to below 0.8 percent of GDP by 2028.** We are also committed to arrest and reduce NEPCO's arrears to power plants, as well as government entities' electricity arrears, and have been able to reduce these arrears in line with program targets so far this year. A reputable international consulting firm conducted a comprehensive review of the electricity system (generation, transmission, distribution), proposing actions to achieve NEPCO's financial sustainability. Based on this review, we have adopted an implementation roadmap for electricity sector cost reduction and efficiency improvement to ensure NEPCO's long-term financial viability, while also facilitating a further shift to renewable energy sources and an increase in competition (*met SB for October 2024*). Key measures included in the roadmap include:

- Expanding the time-of-use tariff scheme to capture all sectors of the economy.
- Defining and implementing approaches to optimize conventional and renewable power purchase agreements (PPAs).
- Reducing technical losses in the distribution companies until we achieve a target of 9 percent losses, thus allowing NEPCO to adjust its bulk tariffs accordingly.
- Reducing operational costs for the distribution companies, similarly allowing NEPCO to adjust its bulk tariffs accordingly.

**18. We are advancing reforms in the water sector, to meet Jordan's demand for water in a financial and environmentally sustainable manner.** We have made solid progress in the implementation of our National Water Strategy (NWS), which is in line with the Cabinet-approved Financial Sustainability Roadmap (FSR) and supported by the Memorandum of Understanding (MoU) signed with the US. We continue to optimize operating and maintenance costs and are increasing the energy efficiency of the water sector, and we have taken steps to help ensure that revenues will be sufficient to achieve full cost recovery of water and wastewater services' operations and maintenance (including operations and maintenance of build-operate-and-transfer projects) by 2030, and also all costs, including capital costs of build-operate-and-transfer projects by 2040. Specifically:

- We have reduced non-revenue water (NRW) cumulatively by 5.2 percent by mid-2024, since mid-2022, well above target, and we will continue to reduce NRW by 2 percent per year, to 37 percent and 25 percent by 2030 and 2040, respectively.
- The second increase in water tariffs will be implemented in December 2024, in line with the Cabinet resolution adopted in 2023, and we have shifted from quarterly billing to monthly billing.
- We are improving the operational efficiency of water distribution companies, including by testing performance-based contracts.
- We are implementing an agricultural water reduction strategy aimed at increasing treated wastewater use, reducing unauthorized freshwater use, highland and desert groundwater conservation, and rotational fallowing in highland and desert areas.
- We remain committed to arresting the accumulation of water sector arrears, including through timely cash transfers from MOF to WAJ.
- We have selected a preferred bidder for the Aqaba Amman Conveyor project and are in the process of further discussions with the aim to reducing project costs and securing financing. We

aim to finalize negotiations by the end of 2025 and for the project to come online by the end of 2029.

## Structural Policies to Promote Jobs and Growth

**19. A key element of our strategy is to create a more dynamic private sector that can generate more jobs, by improving the business environment to attract higher levels of investment, both foreign and domestic.** Job creation has not kept pace with population growth, resulting in persistent high unemployment rates, while skills mismatches persist. Specifically:

- To improve the investment climate, and particularly encourage foreign direct investment, we will continue negotiate on a bilateral basis with other countries to relax restrictions on foreign ownership, and will continue to expedite applications for full foreign ownership, consistent with Regulation No.7 of 2023: Regulating the Investment Environment Regulation Issued pursuant to paragraph (A) of Article (51) of the Investment Environment Law, except for those sectors and activities that are to be excluded for national security and/or public safety considerations, or that are controlled by other laws. We have also launched an online platform that serves as a one-stop-shop for all investment-related applications to facilitate investors' access to information and will further enhance its functionality and the investor experience.

- We have requested a legal interpretation of Article 157 and any other related articles of the Companies Law related to the liability of owners of limited liability companies in the case of errors in management from the Special Bureau for Interpreting Laws to clarify provisions, such that their liability is in line with international best practices (*met SB for May 2024*). We expect that the interpretation will be issued by February 2025.

- We have further reduced and streamlined licensing requirements and submitted to parliament the necessary legislation to abolish licenses in the tourism sector (*met SB for March 2024*). Additionally, we abolished licensing requirements for libraries, cultural and sport activities, and streamlined licensing requirements for the food, childcare, and private education sectors (*met SB for September 2024*), while ensuring that the application process, via the Investment Platform, for those activities for which licenses are required are aligned with the Investment Law time boundaries and are completed within 15 days. We will adopt a plan for further abolishing and simplifying other sectoral licensing requirements by February 2025. We will also ensure that the approval time for license applications will not exceed 30 days.

- We will adopt by February 2025 a roadmap to implement a set of measures to enhance competition in the hydrocarbon derivative and transport sectors, based on the recent reviews conducted by the Competition Directorate, with support from the World Bank. We will continue to consult all relevant stakeholders and we are considering a range of measures, including those related to: (i) the licensing regime applicable to all types of transport providers in road freight transportation and logistics services; (ii) the limitations on the operators that can provide transportation and on the amount of load which can be transported; and (iii) the minimum indicative prices. In addition, the Land Transportation Regulatory Commission (LTRC) and the

Competition Directorate will sign an MoU by February 2025 to improve coordination and clarify the Directorate's authority regarding practices.

- To strengthen our competition regulatory and legal framework, we have drafted amendments to the Competition Law to strengthen the authority of the Competition Directorate by bringing its authority in line with international best practices. The draft amendments endow the agency with significant administrative and financial independence and enhances its executive capacity. We will continue to work with the IMF and the World Bank to further refine the draft law with the aim of submitting the legislation to Parliament by October 2025 *(SB for October 2025)*. We will work in parallel to develop the by-laws and regulations consistent with the above objective.

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

- More broadly, we aim to complete the digitalization of all automatable government services by end-2025 (*SB for December 2025*). A unified gateway to the digitized government services was launched in 2022. In parallel, we will operationalize a centralized system that will streamline and manage government billing processes to enable digital payment of government bills and fees through all available payment channels in Jordan (i.e., CliQ/JoMoPay, Card, and eFAWATEERcom).

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

- Parliament has passed amendments to the Labor Law and we have issued instructions and guidelines to companies to: (i) enhance protections for women from harassment and violence in the workplace; (ii) removing restrictions on female employment in certain professions and industries; and (iii) expand protections for pregnant women and persons with disabilities to enhance decent and safe workplace conditions.

- We have drafted amendments to the Labor Law to increase labor market flexibility and allow for flexible work arrangements, in consultation with the IMF, World Bank and ILO, which we plan to submit to Parliament in September 2025 (*SB for September 2025*). These amendments also aim to ensure that childcare provisions do not create obstacles to formal employment.

- In parallel, we have drafted amendments to the Social Security Law, which we will submit to Parliament in September 2025, to: (i) convert the unemployment benefit provisions from individual accounts to pooled insurance; (ii) to better facilitate flexible work arrangements; and (iii) to harmonize benefit rights for males and females in an actuarily neutral way (*SB for September 2025*). Similarly, we will review pay structures within the civil service to ensure that pay scales are harmonized between male and female employees.

- We have issued by-laws to formalize and professionalize social and care work. The new regulation will help improve the services and competitiveness of these businesses, leading to more job opportunities, particularly for women, and better care. Similarly, we have issued a by-law that streamlined licensing procedures for regular nurseries, extended their working hours, and facilitated the registration of home-based nurseries by reducing requirements and adopting a post audit procedure.

- We will conduct a comprehensive review of the framework and regulations that govern work permits, including those for high-skilled non-Jordanians, aiming to streamline the procedures for issuing work permits, extending their duration, and reducing their cost. In this context, we will amend work permit regulations for skilled non-Jordanians by limiting the approval time to a maximum of 15 working days and allowing the applicant to receive a two-year work permit and reducing the fees to JD 1,500 per year, by February 2025.

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

**21. We will continue to strengthen governance and increase transparency.** We will ensure that the Integrity and Anti-Corruption Commission (IACC) is adequately resourced, including by implementing the amendments to the Illicit Gains Law passed in August 2021 and the IACC law enacted in 2022. We will aim to strengthen this further to ensure the effectiveness of the new legislation, particularly with a view to criminalize illicit gains from public procurement. The Companies Control Department (CCD) has amended the Companies Law in 2022 for the purpose of requiring the submission of the beneficial owners and the establishment of the Beneficial Owner Registry system. Furthermore, the CCD has instructed all companies to disclose the beneficial owners in accordance with the obligations imposed by the Beneficial Owner Registry regulation (bylaw No. 62 of 2022, which came into effect in February 2023), in coordination with experts from the European Union and in compliance with FATF standards, and to ensure that this information is kept up to date.

**22. Timely and accurate economic data is critical for analysis and policy design.** The Department of Statistics (DoS) has updated our national accounts statistics, benefitting from better information especially in the producers of the government services sector and implementing the expenditure approach to GDP aggregation through the compilation of supply and use tables at current prices. DoS is continuing its efforts to increase the quality of primary statistics derived from annual industry surveys and ensure their consistency with the data compiled from quarterly surveys, and to include estimates on the informal sector in GDP data with technical assistance from METAC. DoS will adhere to a regular publication and revision schedule that includes revisions to quarterly GDP based on annual GDP estimates and will update the base year of the national accounts to 2023. DoS aims to compile and disseminate the annual expenditure approach of GDP at constant prices by December 2026 and the quarterly approach at current and constant prices by December 2027. We have established MoUs to allow DoS to gain regular and timely access to the latest and legally permissible government (MOF, ISTD, CCD) and CBJ data sources, with a clear schedule for data dissemination. In this context, ISTD will also share monthly sales data from the general and special sales taxes with DoS at 4-digit level of the International Standard Industrial Classification of All Economic Activities (ISIC), starting December 2024, to improve the coverage of GDP. The CBJ has improved the coverage of remittances and foreign direct investment data of the Balance of Payments statistics. In addition, the survey of Other Financial Corporations will be incorporated into the CBJ's monetary statistics, starting from December 2024. The CBJ will furthermore compile a high frequency indicator (monthly index) of economic activity by December 2025, with IMF technical assistance.

## PROGRAM MONITORING

**23. Progress in the implementation of our policies that are supported by the EFF arrangement will be monitored through semi-annual reviews, quantitative performance criteria (QPCs), indicative targets (ITs), and structural benchmarks (SBs).** These are detailed in Tables 1 and 2, with definitions and data requirements provided in the attached Technical Memorandum of Understanding (TMU). IMF disbursements will be used for budget support during the program period. We signed a Memorandum of Understanding between the CBJ and the Ministry of Finance on responsibilities for servicing financial obligations to the IMF. Timely data provision is key to the success of the programs. To strengthen our monitoring of the cost of subsidies, the Ministry of Finance will also provide IMF staff with monthly data on wheat and barley purchases together with tender details and proceeds from sales to the mills (TMU ¶58). In addition, we will produce and share quarterly and annual financial results of the electricity sector (NEPCO and the three distribution companies), and the water sector without delay, to allow for timely program monitoring.

## Table 1. Jordan: Quantitative Performance Criteria and Indicative Targets Under the 2024 EFF Arrangement

| | Jun-24 | | | | Sep-24 | | | | Dec-24 | | Mar-25 | | Jun-25 | | Sep-25 | Dec-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | PC | Adjusted | Actual | | IT | Adjusted | Actual | | PC | Proposed revised PC | IT | Proposed revised IT | PC | Proposed revised PC | Proposed IT | Proposed PC |
| **Performance Criteria** | | | | | | | | | | | | | | | | |
| Primary fiscal deficit of central government, excluding grants and net transfers to NEPCO and WAJ (flow, cumulative ceiling) | 470 | 469 | 238 | Met | 625 | 621 | 564 | Met | 812 | 1,100 | 200 | 300 | 375 | 450 | 560 | 812 |
| Combined public deficit (flow, cumulative ceiling) | 900 | 899 | 665 | Met | 1,120 | 1,116 | 1,016 | Met | 1,566 | 1,808 | 360 | 410 | 680 | 715 | 1,010 | 1,438 |
| Net International Reserves of the Central Bank of Jordan in USD million (stock, floor) | 14,029 | 13,826 | 14,877 | Met | 13,687 | 13,897 | 15,587 | Met | 14,200 | 14,800 | 14,000 | 14,600 | 14,200 | 14,400 | 14,100 | 14,900 |
| Ceiling on accumulation of external debt service arrears 1/ | 0 | | 0 | Met | 0 | | 0 | Met | 0 | | 0 | | 0 | | 0 | 0 |
| **Indicative Targets** | | | | | | | | | | | | | | | | |
| Social spending by the central government (flow, cumulative floor) | 500 | | 543 | Met | 770 | | 778 | Met | 1,038 | | 240 | | 530 | | 820 | 1,142 |
| Public debt (stock, ceiling) 2/ | 33,150 | | 32,989 | Met | 33,350 | | 33,617 | Not Met | 33,900 | 34,188 | 34,300 | 34,550 | 34,890 | 35,200 | 35,200 | 35,800 |
| Domestic payment arrears of NEPCO (stock, ceiling) 3/ | 110 | | 108 | Met | 100 | | 100 | Met | 95 | | 0 | 90 | 0 | 80 | 70 | 60 |
| Domestic payment arrears of WAJ (stock, ceiling) 4/ | 12 | | 12 | Met | 8 | | 8 | Met | 6 | | 0 | | 0 | | 0 | 0 |
| Domestic payment arrears of Aqaba, Miyahuna and Yarmouk Distribution Companies (stock, ceiling) 5/ | 35 | | 64 | Not Met | 25 | | 88 | Not Met | 20 | | 0 | | 0 | | 0 | 0 |
| Net Domestic Assets of the Central Bank of Jordan (stock, ceiling) | 2,264 | 2,408 | -1,258 | Met | 2,042 | 1,893 | -1,644 | Met | 688 | 425 | 2,340 | 2,270 | 1,597 | 1,456 | 1,850 | 400 |
| **Memorandum items for adjustors** | | | | | | | | | | | | | | | | |
| Foreign budgetary grants received by the central government (flow) | 80 | | 78 | | 100 | | 93 | | 732 | 708 | 40 | | 180 | 70 | 350 | 735 |
| Foreign budgetary grants and loans received by the Central Bank of Jordan (USD millions, flow, cumulative from beginning of year) | 612 | | 409 | | 1,068 | | 1,278 | | 2,759 | | 50 | | 420 | | 541 | 2,585 |
| Programmed stock of the combined health and energy arrears | 80 | | 80 | | 75 | | 74 | | 70 | | 65 | | 60 | | 55 | 50 |
| Domestic payment arrears of WAJ and water distribution companies | 47 | | 76 | | 33 | | 96 | | 26 | | 0 | | 0 | | 0 | 0 |

1/ Continuous performance criterion.

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

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

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

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

**Table 2. Jordan: Status of Structural Conditionality for the EFF Arrangement**

| No. | Measure | Time Frame (by end-period) | Status | Macroeconomic Rationale |
|---|---|---|---|---|
| **I. Structural Benchmarks for the First Review** | | | | |
| 1 | ISTD to introduce a digital track-and-trace system for alcohol. | March 2024 | Met | Improving tax compliance |
| 2 | Effective January 1, 2024, all hiring and promotion decisions for all senior civil service positions will be based on professional qualifications and performance, in line with the Public Sector Modernization Roadmap. | March 2024 | Met | Improving public service efficiency and delivery |
| 3 | Submit to parliament legislation to abolish licenses in the tourism sector as identified in the 2019 cabinet decision. | March 2024 | Met | Improving the business environment |
| 4 | Based on the legislative and contractual analysis, cabinet to adopt a plan to reduce the cost of electricity generation born by NEPCO. | April 2024 | Met | Improving financial viability of the electricity sector |
| 5 | Based on a legislative and contractual analysis, introduce a legally and regulatory permissible levy on electricity generation companies. | April 2024 | Met | Improving financial viability of the electricity sector |
| 6 | Request a legal interpretation of Article 157 and any other related articles of the Companies Law related to the liability of owners of limited liability companies in the case of errors in management from the Special Bureau for Interpreting Laws to clarify the provisions related to the liability of owners of limited liability companies. | May 2024 | Met | Improving the business environment |
| **II. Structural Benchmarks for the Second Review** | | | | |
| 7 | The CBJ to align prudential requirements on asset classification with Basel Core Principles and guidance. | June 2024 | Met | Safeguarding financial stability |
| 8 | Apply time-of-use tariffs to capture at least 15 percent of total electricity consumption. | July 2024 | Met | Improving financial viability of the electricity sector |
| 9 | ISTD and Customs Administration to enter into a data sharing agreement. | September 2024 | Met | Improving tax compliance |
| 10 | Facilitate expedited and predictable goods clearance for both exports and imports, including through the mandatory use of the digital licensing hub platform for the 5 largest control entities (JSMO, Ministry of Environment, JFDA, Ministry of Agriculture, Customs). | September 2024 | Met | Improving tax compliance and the business environment |
| 11 | Issue a project management circular to ensure that all capital projects included in the 2025 budget are approved by PIM and registered in the NRIP. | September 2024 | Met | Strengthening public investment management |

| Table 2. Jordan: Status of Structural Conditionality for the EFF Arrangement (continued) | | | | |
|---|---|---|---|---|
| **No.** | **Measure** | **Time Frame (by end-period)** | **Status** | **Macroeconomic Rationale** |
| 12 | Introduce and apply an economically efficient tariff design for access to, usage of, and selling electricity to the power grid for new self-generators, by switching from net metering to net billing. | September 2024 | Met | Improving financial viability of the electricity sector |
| 13 | Abolish licensing requirements for libraries, cultural and sport activities, and streamline licensing requirements for private schools, kindergartens, and the food sector. | September 2024 | Met | Improving the business environment |
| 14 | Cabinet to adopt an implementation roadmap for electricity sector cost reduction and efficiency improvement to ensure NEPCO's long-term financial viability, while also facilitating a further shift to renewable energy sources and an increase in competition. | October 2024 | Met | Improving financial viability of the electricity sector |
| 15 | Introduce biochemical markers to diesel. | November 2024 | Met | Improving tax compliance |
| **III. Structural Benchmarks with due dates after the Second Review** | | | | |
| 16 | Implement a performance-based salary-setting mechanism for all Category 1 civil service employees that will be based on position qualifications, competencies, and merit. | December 2024 | | Improving public service efficiency and delivery |
| 17 | Apply time-of-use tariffs to capture at least 30 percent of total electricity consumption. | January 2025 | | Improving financial viability of the electricity sector |
| 18 | ISTD to mandate e-invoices for 100 percent of sales transactions by requiring e-invoices for all expenses reported in tax declarations. | March 2025 | | Improving tax compliance |
| 19 | Establish rules for setting prices for medical services provided to people covered by the exemptions consistent with the prices charged to people with medical insurance. | May 2025 | | Improving fiscal sustainability |
| 20 | Develop and adopt a Medium-Term Revenue Strategy based on IMF technical assistance and consistent with fiscal objectives. | September 2025 | | Improving fiscal sustainability |
| 21 | Submit amendments to the labor law to parliament to increase labor market flexibility and allow for flexible work arrangements. | September 2025 | | Enhancing job creation |
| 22 | Submit amendments to the social security law to parliament to convert unemployment benefit provision from individual accounts to pooled insurance, to facilitate flexible work arrangements and harmonize benefit rights for males and females in an actuarily neutral way. | September 2025 | | Enhancing labor market participation and job creation |

| Table 2. Jordan: Status of Structural Conditionality for the EFF Arrangement (concluded) | | | | |
|---|---|---|---|---|
| **No.** | **Measure** | **Time Frame (by end-period)** | **Status** | **Macroeconomic Rationale** |
| 23 | Submit legislation to parliament to strengthen the authority of the Competition Directorate and bring its authority, including its mandate and enforcement powers, in line with international best practices. | October 2025 | | Improving the business environment and enhancing competition |
| 24 | The CBJ to introduce Pillar 2 risk assessment methodologies to make capital assessments more sensitive to individual banks' risk profiles. | November 2025 | | Safeguarding financial stability |
| 25 | Complete the digitalization of all government services. | December 2025 | | Improving the business environment and public service delivery |
| 26 | Adopt and publish an SOE ownership policy and assign monitoring and overseeing the performance and risks in the SOE portfolio to the FCCL unit in the Ministry of Finance. | March 2026 | | Strengthening public financial management |
| 27 | Complete the installation of smart meters for the residential sector. | June 2026 | | Improving financial viability of the electricity sector |
| 28 | Apply time-of-use tariffs to cover all sectors, including the residential sector. | September 2026 | | Improving financial viability of the electricity sector |
| 29 | The CBJ to align prudential requirements for concentration risk and related party exposure with Basel Core Principles. | November 2026 | | Safeguarding financial stability |
| 30 | The CBJ to design and operationalize procedures for compensation of depositors, together with JODIC. | November 2026 | | Safeguarding financial stability |

# Attachment II. Technical Memorandum of Understanding

**1.** This memorandum sets our understandings between the Jordanian authorities and IMF staff regarding the definitions of quantitative performance criteria and indicative targets, as well as respective reporting requirements for the arrangement under the Extended Fund Facility.

**2.** The program performance criteria and indicative targets are reported in Table 1 attached to the Memorandum of Economic and Financial Policies (MEFP) dated November 24, 2024. The exchange rates and gold price as of September 30, 2023 for the purposes of the program are shown in the table below. The exchange rate of the Jordanian dinar to the U.S. dollar is set at JD 0.709 = $1 and the gold price is set at JD 1329.335 per fine troy ounce for the measurement of the program performance criterion on net international reserves.

| Program Exchange Rates (As of September 30, 2023) | |
|---|---|
| **Currency** | **Jordanian Dinar Per Unit of Foreign Currency** |
| British Pound | 0.860760 |
| Japanese Yen | 0.004747 |
| Euro | 0.74477 |
| Canadian dollar | 0.525555 |
| SDR | 0.929665 |
| CNY | 0.0970395 |

**3.** Any developments that could lead to a significant deviation from quantitative program targets will prompt discussions between the authorities and staff on an appropriate policy response.

**4.** For program monitoring purposes, debt is defined as set forth in paragraph 8(a) of the Guidelines on Public Debt Limits in Fund-Supported Programs attached to Executive Board Decision No. 16919-(20/103), adopted October 25, 2020.[1]

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

(continued)

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

## A. Quantitative Performance Criteria and Indicative Targets

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

**6.** A performance criterion (ceiling) on the primary fiscal deficit of the central government excluding grants and net transfers to the National Electric Power Company (NEPCO), and the Water Authority of Jordan (WAJ) and Aqaba, Miyahuna, and Yarmouk water companies ("state-owned water sector");

**7.** A performance criterion (ceiling) on the combined primary deficit of the central government (as defined above), the operational loss of NEPCO, the overall deficit of WAJ, and the overall deficit of Aqaba, Miyahuna, and Yarmouk water companies ("combined public deficit");

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

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

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

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

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

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

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

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

**16.** 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,

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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.

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

**17.** 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.

**18.** 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.

**19.** **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.

**20.** **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.

**21.** **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.

**22.** **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.

**23.** **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).

**24.** **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:

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

**26.** 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).

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

**28.** 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.

## B. Ceiling on the Combined Public Deficit

**29.** 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.

**30.** 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.

**31.** 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.

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

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

**34.** 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).

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

## C. 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 an original maturity not less than 360 days), the two technical swaps with Citibank Jordan for USD 88.5 million, and amounts received under any SDR allocations received after March 31, 2016.

**39.** The stock of foreign assets and liabilities of the CBJ shall be valued at program exchange rates. As of September 30, 2024, the stock of NIR amounted to USD 15,587.2 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 any programmed guaranteed and non-guaranteed Eurobonds—received by the CBJ (as specified in Table 1) during the relevant period exceeds (falls short of) the levels specified in Table 1 of the MEFP within any calendar year. The floors will be adjusted upward by the amount that the outstanding balance of bilateral accounts with the Central Bank of Iraq is repaid, including both principal and interest payments. Given the uncertainty of the global financing conditions, the floors will also be adjusted for any delays or changes of external commercial borrowing included in the program.

## D. 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.

## E. 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.

## F. 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.

## G. 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.

## H. 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.

## I. 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), including those to and from the relevant distribution companies.

**58.** Gross transfers to and from the trade account used by the Ministry of Industry and Trade for wheat and barley transactions including the sale price to mills (monthly).

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

**60.** 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.

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

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

**63.** All the information specified in paragraph 23 of the MEFP.

**64.** 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.

**65.** 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.

**66.** 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.

**67.** 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.

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

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

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

**71.** 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).

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

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

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

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

**76.** Monetary statistics (monthly).

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

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

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

**80.** 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.

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

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

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

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

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

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

**87.** Other economic data. Interest rates and consumer prices; and exports and imports; travel receipts and tourist arrivals; remittances; outstanding balance of non-resident purchases of domestic treasury bills and bonds; and GCC grants received by the CBJ, and grants transferred by the CBJ to the Ministry of Finance (monthly).

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

**89.** 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).

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

**91.** 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

**92.** 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.

INTERNATIONAL MONETARY FUND

# JORDAN

November 25, 2024

## STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION, SECOND REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA—INFORMATIONAL ANNEX


| Prepared By | The Middle East and Central Asia Department<br>(In consultation with other departments) |
|---|---|


## CONTENTS

# FUND RELATIONS

(As of October 31, 2024)

**Membership Status:** Joined August 29, 1952; Article VIII

**General Resources Account:**

| | SDR Million | Percent Quota |
|---|---|---|
| Quota | 343.10 | 100.00 |
| IMF's Holdings of Currency (Holdings Rate) | 1,836.46 | 535.25 |
| Reserve Tranche Position | 1.17 | 0.34 |

**SDR Department:**

| | SDR Million | Percent Allocation |
|---|---|---|
| Net cumulative allocation | 490.92 | 100.00 |
| Holdings | 29.73 | 6.06 |

**Outstanding Purchases and Loans:**

| | SDR Million | Percent Quota |
|---|---|---|
| Emergency Assistance | 109.33 | 31.87 |
| Extended Fund Facility | 1.384.98 | 403.67 |

**Latest Financial Arrangements:**

| Type | Date of Arrangement | Expiration Date | Amount Approved (SDR Million) | Amount Drawn (SDR Million) |
|---|---|---|---|---|
| EFF | Jan 10, 2024 | Jan 09, 2028 | 926.37 | 241.89 |
| EFF | Mar 25, 2020 | Dec 16, 2023 | 1,145.95 | 1,008.71 |
| EFF | Aug 24, 2016 | Mar 23, 2020 | 514.65 | 223.02 |

**Overdue Obligations and Projected Payments to Fund**[1]
**(SDR million; based on existing use of resources and present holdings of SDRs)**

| | Forthcoming | | | | |
|---|---|---|---|---|---|
| | 2024 | 2025 | 2026 | 2027 | 2028 |
| Principal | 50.74 | 156.38 | 135.52 | 188.42 | 200.14 |
| Charges/interest | 26.80 | 96.98 | 90.41 | 79.25 | 65.15 |
| **Total** | **77.54** | **253.35** | **225.93** | **267.67** | **265.29** |

[1] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

**Safeguards Assessment**: Under the Fund's safeguards assessment policy, the CBJ was subject to an assessment with respect to the Extended Arrangement under Extended Fund Facility (EFF), which was approved by the Executive Board on January 10, 2024. The assessment, completed in June 2024, found that the central bank continues to strengthen its safeguards framework. The assessment made a number of recommendations, which the authorities have committed to address.

**Exchange Rate Arrangements:** The de jure and de facto exchange rate arrangements in Jordan are conventional pegged arrangements. The Jordanian dinar is fully convertible and is officially pegged to the SDR. In practice, the dinar has been pegged to the U.S. dollar since October 1995 at JD 1 = $1.41044. Jordan has accepted the obligations under Article VIII, Sections 2(a), 3, and 4 of the IMF's Articles of Agreement, in 1995 and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions and multiple currency practices.

**Last Article IV Consultation:** The 2020 Article IV consultation was concluded by the Executive Board on June 29, 2022. The Staff Report and Executive Board Assessment can be found in IMF Country Report No. 2022/221 at: Jordan: 2022 Article IV Consultation and Fourth Review Under the Extended Arrangement Under the Extended Fund Facility, Request for Augmentation and Rephasing of Access, and Modification of Performance Criteria-Press Release; Staff Report; Staff Statement; and Statement by the Executive Director for Jordan (imf.org)

**Financial Sector Assessment Program (FSAP):** The FSAP assessment was conducted in 2023, and the report presented to the Executive Board in April (Country Report No. 2023/140): https://www.imf.org/en/Publications/CR/Issues/2023/04/19/Jordan-Financial-Sector-Assessment-Program-Financial-System-Stability-Assessment-532667

**Resident Representative**
Mr. Yahia Said is the regional IMF Resident Representative for Jordan, based in Amman.

**Technical Assistance (TA):** Extensive technical assistance has been provided to Jordan over recent years (see attached table).

**Documents:**

| **Standards or Codes Assessed** | **Date of Issuance** |
|---|---|
| Data module | 10/08/2002 |
| Update to data module | 01/30/2004 |
| Fiscal transparency module | 01/09/2006 |
| FSSA | 01/07/2004 |

| Jordan: Fund Capacity Development Activities, 2013–October 2024 | |
|---|---|
| **Date** | **Purpose** |
| **Fiscal** | |
| January 2013 | Public financial management |
| April 2013 | Strengthen risk-based audit |
| May 2013 | Tax administration reform agenda |
| May 2013 | Public financial management |
| July 2013 | A review of the new income tax and other issues in revenue mobilization |
| August 2013 | Advancing the tax administration reform agenda |
| September 2013 | Commitment control system |
| November 2013 | Follow-up on arrears |
| February 2014 | VAT compliance and refund management |
| December 2014 | Budget preparation and execution |
| December 2015 | Tax administration diagnostic assessment tool |
| January/February 2016 | Public financial management: trust accounts |
| August 2016 | Broaden indirect tax base and simplify customs tariff structure |
| December 2016 | Public financial management: trust accounts |
| March 2017 | Public financial management: trust accounts follow-up visit |
| April/May 2017 | Public financial management: Public Investment Management |
| March 2018 | Expenditure review and rationalization |
| April 2018 | Strengthening central oversight for SOEs and PPPs |
| April 2018 | Compliance risk management |
| May 2019 | Strengthening tax administration performance |
| September 2019 | Developing the tax audit process |
| September 2019 | Developing an independent and effective tax dispute resolution process |
| January 2020 | Tax and customs administration diagnostic |
| January 2020 | Revenue administration gap analysis |
| February 2020 | Electricity and water subsidies |
| September 2020 | Tax dispute resolution process |
| December 2020 | Compliance improvement plans |
| March 2021 | Compliance improvement plans |
| March 2021 | Compliance improvement plans |
| June 2021 | Debt portfolio cost and risk management |
| June 2021 | Tax dispute resolution process |
| September 2021 | Tax expenditure analysis |
| October 2021 | Legislative reform implementation in tax administration |
| December 2021 | Improving cash management |

| Jordan: Fund Capacity Development Activities, 2013–October 2024 (continued) | |
|---|---|
| **Date** | **Purpose** |
| February 2022 | Compliance improvement plan implementation |
| February 2022 | IT modernization |
| June 2022 | Improving taxpayer compliance – Special Economic Zones |
| August 2022 | Follow up improving taxpayer compliance in Special Economic Zones |
| September 2022 | VAT gap estimation |
| September 2022 | Improving voluntary compliance |
| September 2022 | Fiscal risk statement |
| February 2023 | Training on audit of transfer pricing |
| February 2023 | Improving the use of new emerging data analysis technologies in customs |
| February 2023 | Expenditure assessment mission |
| February 2023 | Taxpayer compliance – Professionals |
| May 2023 | Follow up on IT modernization |
| May 2023 | PPP fiscal risk |
| June 2023 | Health spending |
| July 2023 | Climate Public Investment Management Assessment (C-PIMA) |
| 8/14/2023 | Climate diagnostic |
| 9/25/2023 | PPP fiscal risk follow up: PFRAM training |
| 10/2/2023 | Assist the ISTD in the establishment of an analytical unit |
| 10/17/2023 | Taxation of capital income; follow up on tax expenditure analysis |
| 10/25/2023 | C-PIMA follow-up and implementation |
| 2/4/2024 | Follow up on transfer pricing |
| 2/20/2024 | Improving tax compliance in the digital economy sector |
| 3/10/2024 | Arrears management |
| 8/19/2024 | Arrears management follow-up |
| 10/7/2024 | Support to a workshop on customs and tax cooperation |
| **Monetary and Financial** | |
| January 2013 | Implementation of Basel III and enhancing supervisory practices |
| June 2014 | Risk management |
| August 2014 | Developing and implementing early warning system for the banking sector |
| April 2015 | Basel III liquidity |
| October 2015 | Insurance supervision |
| March 2016 | Stress testing |
| May 2016 | Insurance regulation and supervision |
| August 2016 | Stress testing |
| April 2021 | Forecasting framework for currency in circulation |

| Jordan: Fund Capacity Development Activities, 2013–October 2024 (continued) | |
|---|---|
| **Date** | **Purpose** |
| May 2021 | Debt portfolio cost and risk and LMO |
| June 2021 | Developing a forecasting and policy analysis system |
| September 2021 | Developing a forecasting and policy analysis system |
| March 2022 | Forecasting framework for currency in circulation |
| March 2022 | Developing a forecasting and policy analysis system |
| March 2022 | CDBC follow-up |
| May 2022 | Wholesale-CDBC exploration |
| June 2022 | Liquidity forecasting |
| July 2022 | Risk-based supervision |
| August 2022 | Retail-CBDC field mission |
| November 2022 | Enhancing risk-based supervision |
| July 2023 | Developing Supervisory Review Process (SRP) risk rating methodology |
| July 2023 | Crypto asset regulatory framework |
| November 2023 | Review of draft regulation on loan classification and provision |
| September 2024 | Developing SRP risk rating methodology |
| **Economic Modeling** | |
| February/March 2022 | Forecasting and policy analysis system (FPAS) |
| August 2022 | FPAS Training |
| February 2023 | DSGE |
| July 2023 | DSGE |
| December 2023 | DSGE |
| June 2024 | DSGE |
| October 2024 | FPAS |
| **Legal** | |
| February 2015 | AML/CFT scoping mission |
| February 2015–July 2017 | Legislation, AML/CFT supervision, and FIU |
| June 2021 | AML/CFT TTF III ICRG issues |
| September 2021 | AML/CFT TTF III ICRG issues |
| July 2023 | ICRG issues |
| **Statistical** | |
| January 2013 | Price statistics |
| May 2013 | National accounts |
| November 2013 | National accounts |
| April 2014 | External debt statistics |
| December 2014 | National accounts |

| Jordan: Fund Capacity Development Activities, 2013–October 2024 (concluded) | |
|---|---|
| **Date** | **Purpose** |
| April 2015 | Balance of payments statistics |
| January 2016 | National accounts |
| July 2016 | National accounts |
| October/November 2016 | National accounts |
| July 2017 | National accounts |
| November 2017 | National accounts |
| June 2018 | Monetary and financial statistics |
| February 2019 | High-frequency indicators |
| February 2019 | National accounts |
| April 2019 | Financial soundness indicators |
| July 2019 | Compilation of the 2016 supply and use tables |
| August 2019 | Consumer price index |
| September 2019 | External sector statistics |
| October 2019 | Supply and use tables |
| May 2021 | Compilation methods for annual national accounts |
| October 2021 | Annual national accounts statistics |
| November 2021 | Annual national accounts statistics |
| February 2022 | Producer price index |
| March 2022 | National accounts |
| August 2022 | Residential property price index - 1 |
| September 2022 | GDP - Supply and use tables |
| November 2022 | GDP - Diagnostic |
| November 2022 | BOP/IIP |
| January 2023 | PPI - PPI development |
| February 2023 | GDP - Annual national accounts source data improvement II |
| March 2023 | MFS-Other financial corporations |
| May 2023 | GDP - Measuring financial production |
| May 2023 | Accrued budget |
| December 2023 | GDP - Non-observed economy |
| December 2023 | Residential property price index - 2 |
| July 2024 | BOP/IIP |
| October 2024 | GFS - Expand GFS coverage to the general government |
| October 2024 | GDP - Use of administrative data in ANA and QNA |
| October 2024 | Residential property price index - 3 |

# RELATIONS WITH OTHER INTERNATIONAL INSTITUTIONS

- World Bank: https://www.worldbank.org/en/country/jordan
- European Bank for Reconstruction and Development: https://www.ebrd.com/jordan.html

**Statement by Mohamed Maait, Executive Director for Jordan and**
**Maya Choueiri, Senior Advisor to Executive Director**
**December 12, 2024**

1. Our Jordanian authorities are thankful to the Fund's Executive Board and management for their continued support, and to staff for the productive discussions held in the context of the 2024 Article IV Consultation and the Second Review under the Extended Fund Facility (EFF).

**Recent developments**

2. **Since the completion of the first review, the war in the region lasted longer than anticipated and intensified, continuing in Gaza, and expanding into Lebanon**. As a result, domestic demand and growth have been negatively impacted, and together with a sharper-than-expected drop in the prices of key export commodities, have had a marked adverse effect on government revenues, while unemployment remained high.

3. **Notwithstanding the increasingly challenging external environment, the Jordanian economy has continued to show resilience and stability.** This steady performance reflects the authorities' skillful economic management, continued strong ownership of their economic reform program, as well as timely support by the Fund and regional and international partners. The recent credit upgrades by Moody's and Standard & Poor's, the first in twenty-one years, testify to the credibility of Jordan's economic policies and reforms. The authorities remain steadfast in their determination to continue pursuing sound policies to maintain stability, strengthen resilience, and achieve stronger and more inclusive growth, in line with the program and Jordan's *Economic Modernization Vision*.

**Program performance**

4. **The authorities' commitment to sound policies is reflected in continued strong program performance, with all the commitments for the second review under the extended arrangement having been met.** The authorities met all end-June 2024 performance criteria and all but one of the six end-June 2024 indicative targets, as well as most indicative targets for end-September 2024. They have also met all the second review structural benchmarks.

**Development partners' support**

5. **In support of the authorities' efforts, predictable, timely, and adequate development partner support remains essential to help Jordan cope with external shocks and shoulder the burden of hosting 1.3 million Syrian refugees**. With regards to hosting refugees, sustained

support from the international community, in line with the Jordan Compact and 2019 London Initiative pledges, remains crucial, especially given the significant reduction in humanitarian support for refugees and host communities. We appreciate Box 2 in the report, which emphasizes the importance of sustained international refugee support.

**Fiscal policy and reforms**

6. **Despite successive external shocks since 2020, the authorities made considerable progress in fiscal consolidation and in addressing fiscal pressures**. Their efforts resulted in more than halving the central government primary deficit to 2.7 percent of GDP over the period 2020 to 2023. The key feature of these efforts is their success in achieving strong revenue mobilization by broadening the tax base and strengthening the efficiency of the tax administration. Additionally, current spending was contained by removing fuel subsidies and rationalizing food subsidies, while the coverage of the social safety net was expanded.

7. **Fiscal policy remains committed to ensuring fiscal sustainability while supporting growth and protecting the poor.** The authorities remain committed to placing public debt on a steady downward path and bringing it to below 80 percent of GDP by 2028. The deteriorating external environment resulted in a need to revise this year's fiscal targets. The authorities have taken strong measures to offset this revenue shortfall, including by adopting a set of tax measures and reducing capital spending, to avoid a widening of this year's budget deficit. The authorities are also committed to resuming a gradual fiscal consolidation and have submitted to parliament the 2025 budget, which includes a reduction in the primary deficit by 0.9 percent of GDP to 2.0 percent of GDP, while expanding social assistance through the well-targeted National Aid Fund. This demonstrates their commitment to maintaining and strengthening debt sustainability. Fiscal consolidation efforts will persist in the medium-term, focusing on eliminating remaining distortions and addressing tax gaps. These efforts will be complemented by the ongoing improvements in tax and customs administration efficiency. To this end, the authorities will develop and adopt a Medium-Term Revenue Strategy with IMF technical support.

8. **Fiscal reforms rank high on the authorities' agenda**. The authorities are implementing strict measures to avoid arrears accumulation. Jordan will continue expanding its *National E-Procurement System* and strengthening its connection with the *Government Financial Management Information Syste*m to improve resources planning. Public financial management will also be further strengthened, particularly in the areas of fiscal risk analysis, cash management, public investment management, and macro-fiscal analysis. This will include ensuring that all capital projects included in the 2025 budget were approved in line with the recently adopted project management circular (met Structural Benchmark for September 2024). The Ministry of Finance's Macro-Fiscal Unit has prepared the 2024 Fiscal Risk Statement, building on the first statement produced in 2023 and expanding its coverage of contingent liabilities of the State-Owned Enterprise (SOE) sector. The government will also develop and adopt an SOE ownership policy by the Spring of 2026 (new Structural Benchmark for March 2026).

## Electricity and Water Sector Reforms

9. **The authorities remain committed to reforming the energy sector and are carrying out efforts to durably reduce NEPCO's losses and improve efficiency**. Good progress has been made to improve service delivery and reduce losses in the electricity sector. Network reliability is high and energy sources for generation have become more diversified, resulting in improved resilience to price and supply shocks. Measures to reduce NEPCO's costs and increase its revenues, based on Phase 1 of the 2023–30 *Government Program for Electricity Sector Efficiency, Supply Reliability, and Financial Sustainability*, are also yielding positive results. In addition, the authorities (i) Are expanding the roll out of time-of-use tariffs, building on recent progress (ii) Have amended the *Renewable Energy Law* to introduce an economically efficient tariff structure for access to, usage of, and sale of electricity to the power grid, (iii) Have continued to review the distribution companies' licenses with a view to achieve higher bulk supply tariffs charged by NEPCO, (iv) Have introduced a legally and regulatorily permissible levy on electricity generation companies, and (v) Are making steady progress in clearing a large part of NEPCO's arrears (met end-June and end-September 2024 ITs).

10. **The water sector's finances have improved, and reforms to meet Jordan's demand for water in a financially sustainable manner are progressing.** Since the Cabinet adopted the *Financial Sustainability Roadmap* for the water sector in November 2022, solid progress has been made in reforming the sector, supported by the Memorandum of Understanding signed with the United States. Notably, the authorities are continuing to reduce non-revenue water and are taking steps to achieve full cost recovery for operations and maintenance of water and wastewater services by 2030. They aim to also recover capital costs of build-operate-and-transfer projects by 2040. Progress is also being made in reducing the water sector arrears. Efforts to ensure a sufficient and reliable supply of water are ongoing, notably through the *Aqaba Amman Conveyance* project to pump desalinated seawater to the capital Amman.

## Monetary and Financial Policies

11. **Despite the increasingly challenging environment, the Central bank of Jordan (CBJ) has successfully maintained monetary stability, safeguarding the peg with the U.S. dollar and strengthening its reserves position**. Monetary policy will continue to be underpinned by the CBJ's firm commitment to the exchange rate peg to the U.S. dollar. The peg has served Jordan's economy well by providing a credible nominal anchor of monetary and financial stability and enhancing confidence in the dinar. This is evidenced by the lowest deposit dollarization rate since 2017, now at 18 percent. The CBJ will continue to align its policy rates with those of the U.S. Federal Reserve and will remain vigilant to changes in global financial conditions. To improve monetary transmission, the authorities are also planning to develop a secondary market for local government debt, starting with an assessment of the building blocks for an active local currency bond market.

12. **The banking sector remains healthy, as reflected in strong capitalization and stable and low non-performing loans**. The latest stress test results also indicated that the banking system, both at the consolidated and branches' levels, was able to withstand shocks, even under the most severe scenario.

13. **The CBJ is further strengthening the resilience of the financial sector.** Solid progress has been made in implementing the recommendations of the 2023 joint IMF-World Bank Financial System Stability Assessment. The CBJ already aligned its prudential requirements on asset classification with Basel Core Principles. The multi-agency crisis management committee has been established and is operational. The CBJ has strengthened the role of the Financial Stability Committee. Moreover, the CBJ has collected and will continue to collect additional data for more comprehensive and thorough financial stability analyses. Building on progress made, the CBJ will further strengthen financial sector resilience, including by enhancing systemic risk analysis, financial sector oversight, and crisis management. To this effect, the CBJ intends to (i) Introduce Pillar 2 risk assessment methodologies to make capital assessments more sensitive to individual banks' risk profiles, (ii) Align prudential requirements for concentration risk and related party exposure with Basel Core Principles, and (iii) Design and operationalize procedures for the compensation of depositors together with the Jordan Deposit Insurance Corporation. These measures are Structural Benchmarks under the EFF.

14. **Efforts to improve access to finance for micro, small and medium-sized enterprises are ongoing, given the latter's key role in creating jobs**. The authorities are conducting a comprehensive review of development finance initiatives to rationalize the number of initiatives and strengthen their governance. The authorities have also made corporate credit reports easily accessible to companies through digital channels, to facilitate access to information and speed up transactions. They will also continue to enhance data collection by the Credit Bureau.

**Structural Policies to Promote Jobs and Growth**

15. The authorities remain committed to a robust structural reform agenda to promote job creation, enhance the business environment, and strengthen governance, in line with their Economic Modernization Vision.

16. **A key element of the growth strategy is to improve the business environment, enhance competition, and attract higher levels of foreign and domestic investment**. Key reforms in this regard include (i) Amending the competition law to strengthen the authority of the Competition Department (ii) Reducing the costs of registering and closing businesses, (iii) Abolishing licensing requirements for libraries, as well as cultural and sport activities, and streamlining licensing requirements for several sectors, (iv) Easing restrictions and regulations in the transport and fuel sectors, (v) Digitalizing government services, and (vi) Further relaxing restrictions on foreign ownership. Several of these measures are Structural Benchmarks under the EFF.

17. **Efforts aimed at reducing unemployment and promoting labor force participation, especially for women and youth, are progressing**. They include mainly (i) Amending the Labor Law to increase labor market flexibility and further improve childcare provisions; (ii) Amending the Social Security Law mainly to harmonize benefit rights for males and females in an actuarily neutral way and facilitate flexible work arrangements, (iii) Harmonizing public sector pay scales for men and women; and (iv) Improving public transport services, particularly to make them female-friendly. Several of these measures are Structural Benchmarks under the EFF.

**Conclusion**

18. The Jordanian authorities highly value their strong partnership with the Fund, which has consistently provided reliable policy advice, financial support, capacity development, and a foundation for reform momentum, aiding Jordan in navigating a challenging environment. Considering Jordan's strong performance under the EFF-supported program and the authorities' commitment to the program's objectives, we would appreciate the Executive Directors' support for the completion of the second review under the EFF.