IMF Engagement in Jordan

Presentation for NGOs

February 2021

IMF Resident Representative Office
Jordan and the IMF

• Jordan is currently engaged in an *Extended Fund Facility (EFF) Arrangement*
  o Total IMF disbursements over the 2020-2024 EFF are **US$1.95 billion**

• Jordan has completed *three reviews* under the program thus far
  o Completion of the latest third review released approximately **US$340 million**
  o Total disbursements to date are around **US$1.2 billion**
    ➢ Includes **$US400 million** under the IMF's Rapid Financing Instrument (RFI), which
      provided financial assistance to several member countries during the pandemic

• Jordan also received US$469 million as Jordan’s share *under the General SDR allocation*
  in August 2021

• Main pillars of the Jordan program under the EFF:
  o *Fiscal reforms* to reduce the debt burden
  o *Structural reforms* to promote inclusive and sustainable growth
  o Capacity building and technical assistance are also important pillars of our engagement
Recent Developments and Outlook

• **Growth:** 2 percent for 2021 and 2.7 percent for 2022

• **Inflation at 1.4% in 2021** with Core inflation low (under 1), but PPIs rising, implying inflation will rise slightly.
  - Risks include: Russia/Ukraine conflict spillovers, fasFed rates tightening, higher commodity prices, and a more gradual return to normal in tourism than anticipated.

• **Unemployment somewhat recovering** (23.2% in 2021Q3 vs 25% in Q1) but remains elevated for youth (54.7% in 2021Q3)

• **Peg credibly supported** by FX reserves >100% IMF reserve adequacy metric

• **2021 current account deficit:** around 9.7% of GDP
  - Need for continued robust donor support
Fiscal Policy and Social Spending

• **~90% debt/GDP by end-2021**: debt remains sustainable with ongoing fiscal reform implementation

• EFF program *augmentation by US$200 million* to support higher than expected COVID-related spending to tackle the health crisis and protect jobs, and *fiscal targets relaxed* to help government protect vulnerable

• *Floor on social spending* to ensure that protection is afforded for the most vulnerable
  o Target was met by the government in all three reviews
  o Increased allocation to NAF
  o Social spending increased just over 2% in 2020H1 to just under 3% of GDP in 2021H1

• *Fiscal Transparency Evaluation* completed and published
  o Jordan is only second country in the MENA region to complete

• Key structural fiscal reforms achieved
  o *Legislation addressing major tax loopholes* such as transfer pricing and economic substance regulations in development and economic zones
Broader Structural Reforms to Boost Inclusive Growth

- **Strengthening public services**
  - Electricity: lowering tariffs for businesses; reducing costs for the sector
  - Water Sector: tackling scarcity challenges in a financially sustainable manner

- **Supporting the labor market**
  - Female: affordable childcare; removing gender-biased articles from labor legislation; addressing harassment and violence in workplace
  - Youth: vocational/internship programs, reduce SSC contributions for startups

- **Improving the business environment**
  - Streamlining licensing requirements
  - Competition regulation and new law

- **Enhancing governance and transparency**
  - Publication/audit of COVID-related spending, including beneficial ownership
  - Passing of Illicit Gains Law and AML/CFT law
Thank you!