



**MIDDLE EAST  
AND CENTRAL ASIA  
DEPARTMENT**

## **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**
  - Total IMF disbursements over the 2020-2024 EFF are **US\$1.95 billion**
- Jordan has completed **three reviews** under the program thus far
  - Completion of the latest third review released approximately **US\$340 million**
  - 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:
  - **Fiscal reforms** to reduce the debt burden
  - **Structural reforms** to promote inclusive and sustainable growth
  - 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, Fed 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
  - Target was met by the government in all three reviews
  - Increased allocation to NAF
  - Social spending increased just over 2% in 2020H1 to just under 3% of GDP in 2021H1
- **Fiscal Transparency Evaluation** completed and published
  - Jordan is only second country in the MENA region to complete
- Key structural fiscal reforms achieved
  - **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!**