



The Hashemite Kingdom of Jordan

General Budget Department

Budget in Brief

For the Fiscal Year of 2014

April 2014

Our Vision

A transparent public budget that enhances the pillars of sustainable development and presides over good international practices

Our Mission

The best allocation of available financial resources, in accordance with advanced methodologies that enable the ministries, government departments and units to achieve the national objectives and priorities, surpassing service recipients' expectations

Core Values

Learning

Transparency

Collaboration

Impartiality

Responsibility

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Foreword

The General Budget Department (GBD) is rigorously working on developing the process of general budget preparation and execution, in accordance with the most contemporary international practices in this field. The Department aims at improving performance, and enhancing the efficiency and effectiveness of public spending.

The GBD realizes the fact that achieving results using the results-oriented budgeting (ROB) framework needs an effective performance review mechanism, which supports the different components of the budget preparation mechanism and maximizes benefits.

Making one step closer to achieving its objectives, the General Budget Department introduces the fourth edition of the **Budget in Brief for the fiscal year of 2014** in parallel to its work on developing a system for monitoring and reviewing the performance of ministries, departments, and government units in cooperation with the USAID-funded Fiscal Reform II Project. This cooperation aims at initiating a process to review the achievements of government institutions and accomplishment of their strategic objectives. It also measures the contribution of government institutions in achieving national goals and priorities. The system will support GBD's efforts in promoting a transparent budget and providing necessary information to decision makers for more accurate and objective decision making.

By introducing the Budget in Brief for 2014, the Department maintains open communication channels with all local official and private parties and international agencies. The document briefs them about the latest economic and fiscal developments for 2013, in addition to main budget dimensions, highlights,

and projections for 2014. The GBD will also keep up with international developments in general budget preparation and execution in order to develop the methodology of budget preparation and execution in Jordan, boost developmental process, and improve the evaluation of the general budget management carried out by competent international agencies.

The **Budge in Brief for the fiscal year of 2014** provides a brief presentation on the General Budget Law for 2014. More specifically, it examines the following key themes in detail:

- Summary of economic and fiscal performance for 2013;
- Budget milestones and assumptions for 2014;
- Macroeconomic projections for 2014;
- Main budget highlights for 2014
- Developments in the 2014 Budget;
- Mechanism and stages of general budget preparation;
- Budget Calendar; and
- Potential Risks to the General Budget in the Medium Term

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Director- General of Budget Department

Summary of Economic and Fiscal Performance for 2013

In light of modest growth averages of global economies and regional repercussions and unrest, the Jordanian economy maintained modest performance in 2013 similar to its performance in 2012. The gross domestic product (GDP) at constant prices registered a modest real growth by 2.8% in 2013 compared to 2.7% in 2012. The GDP deflator grew by 5.6% in 2013 compared to 4.5% in 2012. The gross domestic product at current prices grew by 8.6% in 2013 compared to 7.3% in 2012.

With regard to the performance of economic sectors, some sectors have improved their growth averages in 2013 such as constructions sector. However, the growth averages of other sectors slowed down such as “manufacturing industries”, “water and electricity”, “trade, restaurants, and hotels”, “transport, storage, and communications”, “finance, insurance, and real estate services”, “government service providers”, and “community, social, and personal services” sectors. On the other hand, the growth averages of some sectors declined such as “agriculture” and “mining and quarrying industries”. Data shows that the unemployment rate increased in 2013 to reach 12.6% compared to 12.2% in 2012, noting that the same decreased to 11.0% in the last quarter of 2013 compared to 12.5% in the last quarter of 2012.

As for **general prices developments** in 2013, the inflation rate as measured by the percentage change in the consumer price index (CPI) has reached 5.6% compared to 4.8% in 2012 due to the government’s decision to liberate the prices of oil derivatives and use the monthly fuel pricing mechanism. This increase is mainly attributed to the rise in the “housing” group prices by 8.3% compared to 3.5% in 2012, influenced by the rise in prices of the “fuel and lighting” item, and increase in the “clothes and shoes” group by 5.7% compared to about 4.7% in 2012. In return, the prices of the “other goods and services” group slightly went up to reach 5.8% in 2013 compared to 5.7% in 2012 while the prices of the “foodstuff” group went down to reach 3.7% in 2013 relative to 4.6% in 2012.

In the **external sector**, the Kingdom's exports have slightly increased in 2013 by 1.2% compared to their decrease by the same percentage in 2012. On the other hand, imports increased by 5.4% in 2013 relative to their increase by 9.6% in 2012. Consequently, the deficit of the trade balance increased by 8.5% to reach JD 9907 million in 2013 compared to JD 9134 million in 2012.

With regard to main developments in the balance of payments, the current account has registered a deficit of JD 2384.6 million or 10.0% of GDP in 2013 compared to JD 3345.3 million or 15.2% of GDP in 2012. This was mainly a result of the increase in net current transfers to the public sector (foreign assistance) and remittances of Jordanians working abroad in 2013 compared to their level in 2012. Another main reason is the decrease in the bill for imports of crude oil and derivatives which reached about JD 3713 million in 2013 relative to JD 4244 in 2012, registering a decrease of JD 531 million or 12.5%. On the other hand, Jordan's bill for imported "food and live animals" reached JD 2315 million with an increase of JD 40 million or 1.8% in 2013 compared to its level in 2012.

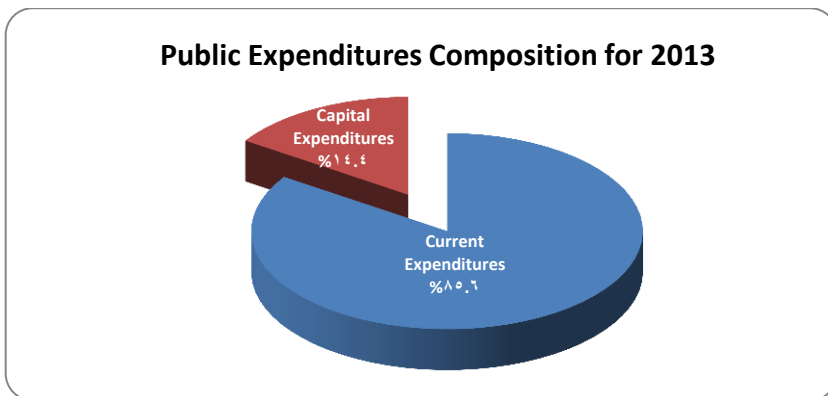
In respect to **monetary developments**, data issued by the Central Bank indicates that domestic liquidity grew by 9.7% in 2013 compared to 3.4% in 2012. The 2013 increase came as a result of the increase in net domestic assets of the banking system by 11.8% compared to a 23.9% increase at the end of 2012, on the one hand, and the increase in net foreign assets of the banking system by 3.9% in 2013 compared to their decrease by 28.9% at the end of 2012, on the other hand.

As per **credit facilities**, the data issued by the Central Bank of Jordan shows that total credit facilities have increased about JD 1110 million or 6.2 % at the end of 2013 relative to an increase of JD 1979 million or 12.5% at the end of 2012. The share lion of this increase was provided to the "construction", "individuals", public trade", "industry", and "mining" sectors. This demonstrates the role of the banking system in funding various economic activities in the public and private sectors alike. In addition, foreign currency reserves of the Central Bank scored a record increase at the end of 2013, reaching US\$ 12006 million or 81% compared to their level at the end of 2012. This new level covers about six months of the Kingdom's imports of goods and services. This is

attributed to the grant received from the Gulf Fund for Development and remittances of Jordanians working abroad.

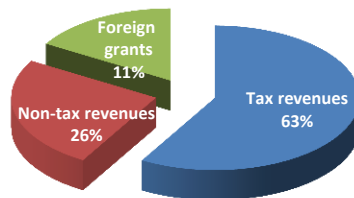
In the **public finance**, the regional unrest, Syrian crisis, disruption of Egyptian gas supply, and increased imports of costly heavy fuel and diesel needed to generate electricity, have all continued to burden the general budget and public debt. Consequently, the ratio of the public debt to GDP registered record scores. However, the fiscal policy brought about positive results in 2013.

In public expenditures, total expenditures increased by JD 187 million or 2.7% in 2013 to reach JD 7065 million compared to JD 6878 million in 2012. This increase in spending came as a result of the rise in capital expenditures by about JD 340 million (or 50%) and a decrease in current expenditures by about JD 152 million (or 2.5%). The decrease in current expenditures reflects the governmental policy to control the items of current expenditures, operating expenses in particular (fuel, electricity, water, telephone, and travel expenses), and confine the use of government cars to official and necessary needs.



On the other hand, total public revenues amounted to JD 5758 million in 2013, reflecting an increase of 14% relative to their level in 2012. This increase was a result of the noticeably increased foreign grants by 95% compared to their 2012 level, reaching JD 639 million, in addition to the increase in domestic revenues by 8.3% compared to 2012, amounting to JD 5119 million.

Public Revenues Composition for 2013



Accordingly, the budget deficit for 2013, including foreign grants, reached about JD 1307 million, or 5.5% of GDP, relative to JD 1824 million, or 8.3% of GDP in 2012. The actual budget deficit corresponds to the projected deficit.

Based on the developments in revenues and expenditures, the net public debt increased by 15.2% at the end of 2013 compared to its level at the end of 2012, reaching JD 19096 million or 80.1% of GDP, compared to JD 16580 million or 75.5% of GDP at the end of 2012.

Developments in Main Economic Indicators

Indicator	2012	2013
GDP growth at real prices	2.7%	2.8%
Inflation rate	4.8%	5.6%
Unemployment rate	12.2%	12.6%
Growth rate of national exports	-1.2%	1.2%
Growth rate of merchandise imports	9.6%	5.4%
Import bill for crude oil & its derivatives	4244	3712
Current account deficit as a percent of GDP	-15.2%	-10.0%
Growth of domestic liquidity	3.4%	9.7%
Official foreign currency reserves (US\$ billion)	6.6	12.0
Growth rate of credit facilities granted by licensed banks	12.5%	6.2%
Public expenditures (JD million)	6,878	7,065
as a percent of GDP	31.3%	29.6%

Indicator	2012	2013
Public revenues (JD million) as a percent of GDP	5,054 23.0%	5,758 24.1%
General budget deficit including foreign grants (JD million) as a percent of GDP	-1,824 -8.3%	-1,307 -5.5%
Net public debt (JD million) as a percent of GDP	16,580.4 75.5%	19,096.4 80.1%
External debt balance (JD million) as a percent of GDP	4,932.4 22.5%	7,234.4 30.3 %
Net domestic debt (JD million) as a percent of GDP	11,648 53.0%	11,862 49.7 %

With a view to restoring the balance of public finance and reducing the general budget deficit to safe levels, the government has taken a set of measures in 2013 to control and ration public funds on the one hand, and increase domestic revenues on the other hand. Accordingly, the government issued directives to all official ministries, institutions, commissions, public universities, the Aqaba Special Economic Zone Authority, the Greater Amman Municipality, municipalities, joint service councils, and government-owned companies to fully comply with the set of measures that aim at reducing the cost of energy and electricity consumption and entrusting the Audit Bureau to carry out compliance auditing. The government also passed the draft law of restructuring ministries, departments and government units that aims to upgrade governmental performance, ration spending, and merge ministries and institutions of similar mandates.

In order to increase domestic revenues, the government has passed the amending law of the Income Tax Law which was submitted to the Lower House. The amending law adopted income tax progressivity and more strict penalties on tax evasion. In 2013, the government also amended previous tax exemptions, revisited tax tables of some zero rate goods and services, and imposed additional fees on the mining sector and a special tax on a limited number of luxurious commodities, such as perfumes and colons, leather, designer clothes, diamonds, and others. It also applied a new electricity tariff in accordance with the decision of the Council of Ministers which instructs to increase electricity prices gradually and proportionately on annual basis until 2017.

Budget Milestones and Assumptions for 2014

The government is committed to pursue the National Fiscal and Economic Reform Program to restore the balance of public finance and maintain monetary and fiscal stability. It is also committed to achieving fiscal discipline on the overall and sectoral levels, and allocating available fiscal resources optimally on the sectoral and geographical levels in such a way that ensures equal distribution of development gains to different governorates in the Kingdom.

In addition, the government is working on improving the efficiency of public spending and rationing unproductive current spending in order to have a transparent and healthy budget, which enables the fiscal policy to contain the general budget deficit and public debt within safe levels. This shall improve Jordan's position on the global investment map, promote Jordan's creditworthiness in regional and international financial markets, and create a viable real economic growth on the national level.

In order to boost trust in the comprehensive reform process, economic, social, and political reform policies and procedures shall focus on strengthening the participation of the local society in identifying developmental needs and priorities. In addition, institutional governance principles shall be adopted in the fields of monitoring, review, participation, transparency, and deepened results-oriented budgeting.

The overall ceiling of public expenditure and partial ceilings for each ministry and governmental department were specified in the general budget for 2014. The development of the estimates in the General Budget Law and Government Units Budget Law for 2014 is based on a set of milestones as follows:

1. Pursuing fiscal and economic reform processes that aim at reducing the general budget deficit and indebtedness; enabling the national economy to efficiently and flexibly tackle evolving economic and political conditions and developments on regional and global levels; and consolidating the pillars of fiscal and monetary stability.

2. Consolidating the social safety net through subsidizing eligible limited- and middle- income segments.
3. Distributing development gains to governorates on the basis of social equality and equal opportunities using the Governorate Development Fund to finance developmental needs and capital projects in all governorates, taking into consideration relative advantages of governorates and the participation of the local society in identifying priority developmental needs in each governorate.
4. Reducing unproductive spending and restructuring public institutions or merging those with similar mandates. In addition, adopting institutional governance concepts in the fields of monitoring, review, and accountability according to the best international practices in order to use available resources optimally.
5. Securing necessary and least costly funding for the general budget, through a clear governmental plan for proper alternatives of funding budget deficit in line with the general framework of public debt management in order to contain the deficit within safe levels. Achieving this shall boost the integrity of Jordan on both regional and international levels in pursuing economic and fiscal reforms.
6. Improving self-dependence on own resources to cover public spending through enhancing the efficiency of tax collection and reducing tax evasion and avoidance. In addition, strengthening government units' self-reliance in funding their expenditures using their own resources while reducing their dependence on public treasury support.
7. Optimally using the grant of the Gulf Fund for Development to mainly fund priority developmental projects of economic- and social-yields in the energy, transport, water, education, health, and governorate development sectors in particular.
8. Continuing the development of a legislative system that aims at promoting domestic investments and attracting foreign investments. In addition, strengthening the role of the private sector in the economic activity to ensure sustainable real growth rates that generate additional income and create new job opportunities.

Furthermore, revenue and expenditure projections in the draft General Budget Law and draft Government Units Budget Law for 2014 are based on the following fiscal assumptions:

- Budget supplements shall not be issued unless they are urgently needed.
- Subsidizing bread shall continue without reduction.
- Social safety net shall be strengthened to provide subsidies to eligible citizens.
- Job planning shall be deepened to ensure a healthier government in terms of the number of employees, increased productivity, and efficient and high quality of service delivery.
- Necessary appropriations shall be allocated for tenure of workers who are not included in the manpower tables, taking into consideration the increase in the personal living bonus for third class employees by JD 10.
- Appropriations allocated to cover internal and external debt interests shall be increased.
- Appropriations for medical treatments shall be increased to pay off some of the outstanding indebtedness. In addition, clear and transparent bases and controls shall be applied to target medical treatments to the poor who have no insurance.
- Operating expenditures- especially fuel, electricity, water, telephone, and travel expenses- shall be controlled. In addition, the use of government cars and travel of delegations shall be confined to necessary needs.
- Effective monitoring systems shall be applied, assisting government units in particular to depend on their own resources instead of the public treasury in funding their expenditures.
- Necessary appropriations shall be allocated to execute the projects of the National Strategy for Employment in order to more create job opportunities for Jordanians, especially in poverty pockets and the disadvantaged areas.
- Stopping the purchase of cars and furniture shall be continued, unnecessary cars shall be withdrawn, and appropriations shall not be allocated for cars after passing the budget.
- No new roads shall be constructed unless necessary. Instead, current roads shall be maintained.

- Financial appropriations needed for the Governorate Infrastructure Program shall be allocated to ensure equal distribution of developmental gains to all governorates through the execution of productive and income-generating developmental projects that create more job opportunities for citizens.
- Required appropriations shall be allocated to execute vital developmental projects in the energy, transport, water, education, health, and governorate development sectors and shall be funded by the grant of the Gulf Fund for Development.
- The Expropriation Law shall be amended in order to reach a fair amount of compensation for both parties by changing the present mechanism in place, which places heavy financial burdens on the treasury.
- Provision of required financial appropriations to the army forces and security agencies shall be continued to ensure a secure and stable environment, which is a main pillar of economic and fiscal stability.
- The Income Tax Law shall be amended to assure progressive tax burden on company profits similar to the case with individuals.
- Tax exemptions shall be controlled especially those related to work permits.
- Mining revenues shall be increased and relevant large-scale exemptions shall be eliminated.
- Tax collection efficiency shall be enhanced and tax evasion and tax arrears shall be reduced according to a clear strategy.
- All foreign grants agreed upon with the Gulf Fund for Development and donor countries shall be received.

Macroeconomic Projections for 2014

The 2014 Budget is based on the following main projections:

1. The modest performance of the national economy is expected to remain the same in light of the economic slowdown on the international level and political and security repercussions on the regional level. Consequently, the gross domestic product in current terms is projected to grow by 3.5 % in 2014, 4.0% in 2015, and 4.5% in 2016. The nominal GDP is also projected to grow by 7.9% in 2014, 6.9% in 2015, and 7.1% in 2016.
2. Inflation rate calculated by the percentage of change in the Consumer Price Index (CPI) is expected to reach about 3.0% in 2014, 2.4% in 2015, and 1.9% in 2016.
3. Domestic exports are projected to grow by 4.5% in 2014 and 5.1% & 5.3% in 2015 and 2016 respectively.
4. Merchandise imports are projected to slightly grow by 0.2% in 2014, -1.1% in 2015, and 2.5% in 2016.
5. World oil prices are expected to reach US\$ 100 per barrel on average for 2014- 2016.
6. The deficit of the current account in the balance of payments is projected to register 12.9% of GDP in 2014, falling to reach 9.3% in 2015 and 8.2% in 2016.
7. Foreign reserves at the Central Bank are expected to be maintained at a sufficient level during the next three years, covering commodity and service imports for at least five months.

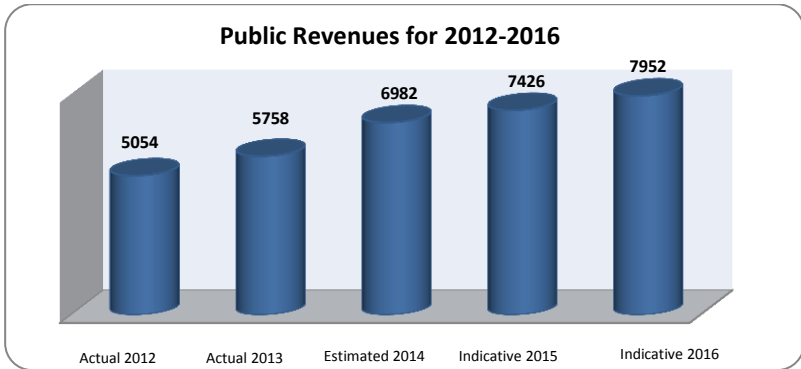
Macroeconomic Projections for 2014 –2016

Indicator	2014	2015	2016
GDP growth rate at current prices (%)	7.9	6.9	7.1
GDP growth rate at constant prices (%)	3.5	4	4.5
Inflation rate (CPI) %	3	2.4	1.9
Growth rate of merchandise exports %	4.5	5.1	5.3
Growth rate of merchandise imports %	0.2	-1.1	2.5
Current account deficit as a percent of GDP	12.9	9.3	8.2

Main Budget Highlights for 2014

I. **Public Revenues**

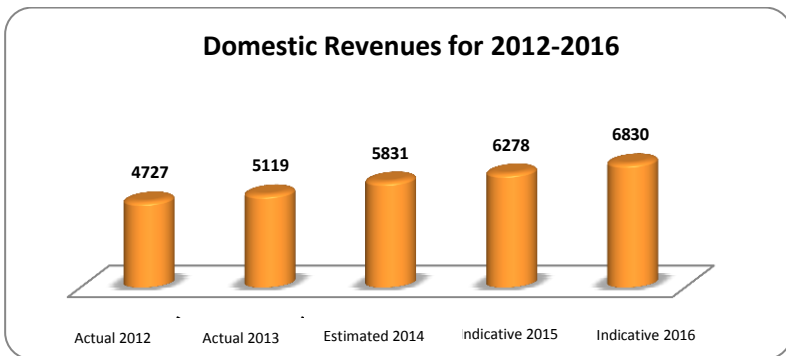
Public revenues for 2014 are estimated at around JD 6982 million, forming 27.0% of GDP compared to 24.1% in 2013. However, this ratio is expected to slightly decrease in 2015 to 26.8% and remain the same in 2016.



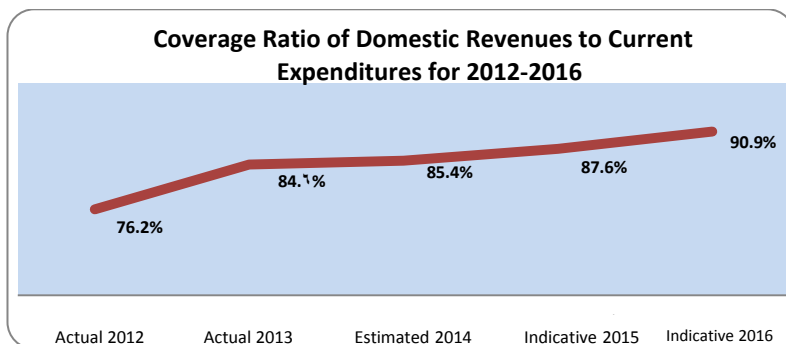
Public revenues for 2014 are divided as follows:

1. **Domestic Revenues:**

Domestic revenues are estimated at about JD 5831 million in 2014, with a growth of 14.0% over their level in 2013, thus forming about 22.5% of GDP compared to 21.5% in 2013.



Accordingly, the coverage ratio of domestic revenues to current expenditures is expected to rise from 84.6% in 2013 to 85.4% in 2014, and to continue increasing gradually to 87.6% and 90.9% in 2015 and 2016 respectively.

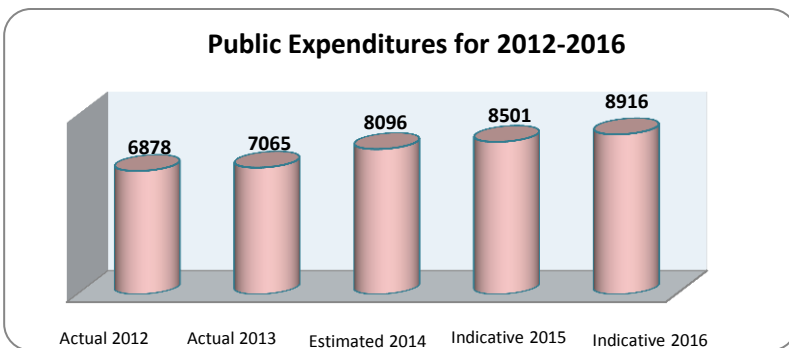


2. Foreign Grants:

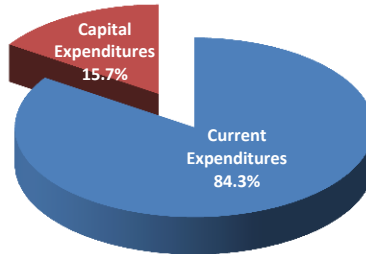
Foreign grants are estimated at around JD 1151 million in 2014 compared to JD 639 million in 2013. The grants are given by the Gulf Fund for Development (JD 966 million), the US grant (JD 126 million), and EU grants (JD 59 million).

II. Public Expenditures

Public expenditures are estimated at about JD 8096 million in 2014 compared to JD 7065 million in 2013, reflecting an increase of JD 1031 million or 14.6%. In percent of GDP, public expenditures constitute 31.3% compared to 29.6% in 2013. It is expected that this ratio shall decrease to 30.7% in 2015 then to 30.1% in 2016.



Public Expenditures Composition for 2014

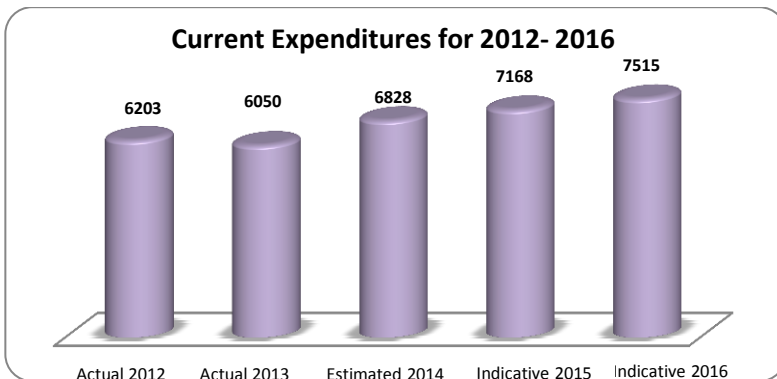


Public expenditures for 2014 are distributed as follows:

1. **Current Expenditures:**

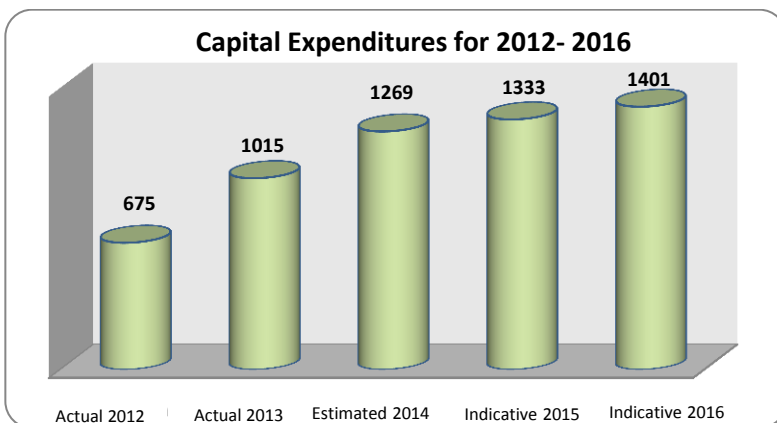
Current expenditures are estimated at about JD 6828 million in 2014, registering an increase of 12.8% over their level in 2013, and forming 26.4% of GDP relative to 25.4% in 2013. It is also expected that this ratio shall decline in 2015 and 2016 to reach 25.9% and 25.3% respectively.

The increase in current expenditures comes as a result of the due obligations that cannot be overlooked. The main obligations are as follows: Civil payroll was increased by JD 96 million to cover the cost of new hires in the Ministry of Education and Ministry of Health. Further, the cost of the tenure of workers not included in the manpower tables and the cost of living bonus were increased for third class employees in addition to the annual payroll raise. In addition, debt interests increased by JD 300 million amounting to JD 1100 million. Allocations of civil and military pensions were too increased by JD 54 million, allocations of medical treatments were increased by JD 55 million, and allocations of armed forces and security bodies were increased by JD 141 million. Finally, the Ministry of Health expenditures, pharmaceuticals in particular, were increased by JD 72 million, and the government pays high costs for hosting Syrian refugees, which, in return, increased current spending.

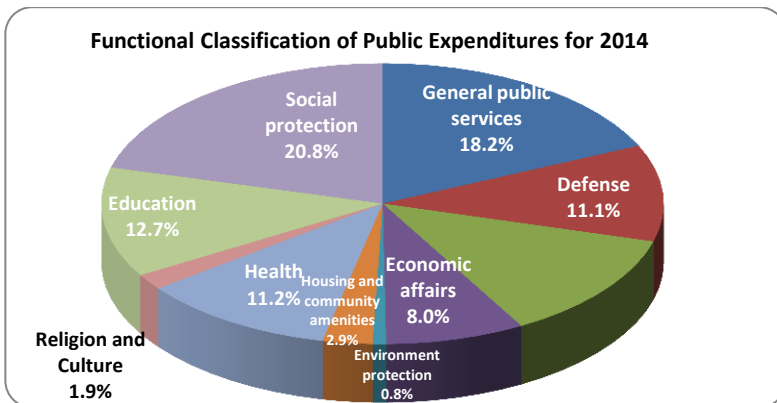


2. Capital Expenditures:

Capital expenditures are estimated at JD 1269 million in 2014, forming 4.9% of GDP, with an increase of about JD 254 million or 25% relative to their 2013 level. The ratio of capital expenditures to total public expenditures shall be 15.7%.

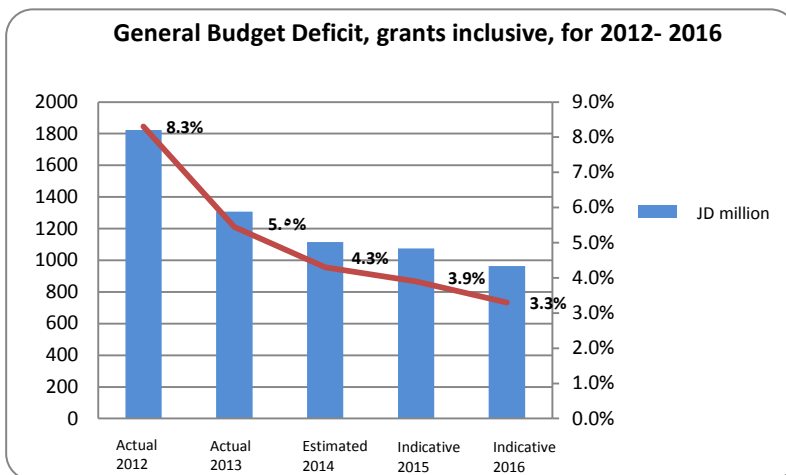


It is expected that the ratio of capital expenditures to GDP shall increase to 4.8% in 2015 and 4.7% in 2016.

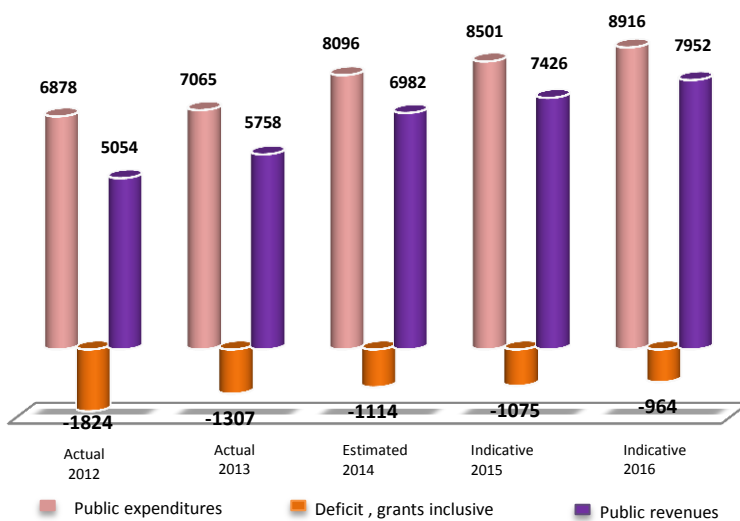


III. Fiscal Deficit

Considering the developments in public revenues and expenditures, the fiscal deficit (including foreign grants) is estimated at JD 1114 million or 4.3% of GDP in 2014, compared to 5.5% of GDP in 2013. The fiscal deficit as a percent of GDP is also expected to continue falling to 3.9% in 2015 and 3.3% in 2016.



General Budget Summary for 2012- 2016



General Budget Summary for 2012- 2016

(JD million)

	Actual 2012	Actual 2013	Estimated 2014	Indicative 2015	Indicative 2016
Domestic revenues	4,727.0	5,119.1	5,831.0	6,278.0	6,830.0
Foreign grants	327.3	639.1	1,151.0	1,148.0	1,121.5
Total public revenues	5,054.3	5,758.2	6,982.0	7,426.0	7,951.5
Current expenditures	6,202.8	6,050.4	6,827.8	7,168.0	7,515.1
Capital expenditures	675.4	1,015.0	1,268.6	1,332.7	1,400.6
Total public expenditures	6,878.2	7,065.4	8,096.4	8,500.7	8,915.7
General budget deficit					
Including grants	-1,824.0	-1,307.2	-1,114.4	-1,074.7	-964.2
Excluding grants	-2,151.3	-1,946.3	-2,265.4	-2,222.7	-2,085.7
General budget deficit as a percentage of GDP					
Including grants	-8.3%	-5.5%	-4.3%	-3.9%	-3.3%
Excluding grants	-9.8%	-8.2%	-8.7%	-8.0%	-7.0%

Financial Solvency Indicators

	Actual 2012	Actual 2013	Estimated 2014	Indicative 2015	Indicative 2016
Ratio of public revenues to GDP	23.0%	24.1%	27.0%	26.8%	26.8%
Ratio of domestic revenues to GDP	21.5%	21.5%	22.5%	22.7%	23.0%
Ratio of foreign grants to GDP	1.5%	2.7%	4.4%	4.1%	3.8%
Ratio of public expenditures to GDP	31.3%	29.6%	31.3%	30.7%	30.1%
Ratio of current expenditures to GDP	28.2%	25.4%	26.4%	25.9%	25.3%
Ratio of capital expenditures to GDP	3.1%	4.3%	4.9%	4.8%	4.7%
Ratio of capital expenditures to public expenditures	9.8%	14.4%	15.7%	15.7%	15.7%
Coverage ratio of domestic revenues to public expenditures	68.7%	72.5%	72.0%	73.9%	76.6%
Coverage ratio of domestic revenues to current expenditures	76.2%	84.6%	85.4%	87.6%	90.9%

Estimated Public Expenditures for the Fiscal Year of 2014

(JD)

Chapter		Expenditures				Total of Chapter
No.	Title	Current	Capital			
			Treasury	Loans	Total	
0101	Royal Hashemite Court	35752000	-	-	-	35752000
0201	Parliament	19597000	-	-	-	19597000
0301	Prime Ministry	23458000	12160000	-	12160000	35618000
0302	Prime Ministry / Legislation and Opinion Bureau	803000	30000	-	30000	833000
0303	Prime Ministry /Joint Procurement Department	665000	45000	-	45000	710000
0304	Prime Ministry /Jordan News Agency	2981000	40000	-	40000	3021000
0350	Ombudsman Bureau	899000	165000	-	165000	1064000
0401	Audit Bureau	7634000	530000	-	530000	8164000
0501	Ministry of Public Sector Development	1141000	455000	-	455000	1596000
0601	Civil Service Bureau	2298000	1295000	-	1295000	3593000
0702	Ministry of Political and Parliament Affairs	1143000	75000	-	75000	1218000
0801	Ministry of Defence	888500000	30000000	-	30000000	918500000
0802	Royal Medical Services	155600000	45821000	-	45821000	201421000
0901	Jordan Royal Geographic Center	1867000	500000	-	500000	2367000
1001	Ministry of Interior	19614000	1800000	-	1800000	21414000
1002	Ministry of Interior/Civil Status and Passports Department	8454000	2310000	-	2310000	10764000
1003	Ministry of Interior/Public Security	536500000	26700000	-	26700000	563200000
1004	Ministry of Interior/Civil Defence	161000000	22500000	-	22500000	183500000
1005	Ministry of Interior / Gendarmerie Forces	166900000	15100000	-	15100000	182000000
1101	Ministry of Justice	48040000	9250000	-	9250000	57290000
1201	Supreme Judge Department	11695000	515000	-	515000	12210000
1301	Ministry of Foreign Affairs	51258000	1950000	-	1950000	53208000
1401	Ministry of Foreign Affairs / Department of Palestinian Affairs	2410000	870000	-	870000	3280000
1501	Ministry of Finance	2827163000	98650000	-	98650000	2925813000
1502	Ministry of Finance/General Budget Department	1991000	345000	-	345000	2336000
1503	Ministry of Finance/Customs Department	24260000	3330000	-	3330000	27590000
1504	Ministry of Finance/Department of Lands and Survey	16562000	1185000	-	1185000	17747000
1505	Ministry of Finance/General Supplies Department	1518000	150000	-	150000	1668000
1506	Ministry of Finance/Income and Sales Tax Department	44891000	625000	-	625000	45516000
1601	Ministry of Industry and Trade	9816000	7413000	-	7413000	17229000
1602	Ministry of Industry and Trade/Companies Control Department	1168000	120000	-	120000	1288000
1701	Ministry of Planning and International Cooperation/National Planning Council	1452000	136875000	18200000	155075000	156527000
1702	Ministry of Planning/Department Of Statistics	4553000	2635000	-	2635000	7188000
1801	Ministry of Tourism and Antiquities	8314000	3965000	-	3965000	12279000
1802	Ministry of Tourism and Antiquities/ Department of Antiquities	6122000	1900000	-	1900000	8022000
1901	Ministry of Municipal Affairs	5914000	153190000	8000000	161190000	167104000
2001	Ministry of Energy and Mineral Resources	5017000	139035000	-	139035000	144052000
2002	Ministry of Energy and Mineral Resources/Natural Resources Authority	4308000	4190000	-	4190000	8498000
2101	Ministry of Public Works and Housing	39148000	132893000	-	132893000	172041000
2102	Ministry of Public Works and Housing/gov't Tenants	1294000	90000	-	90000	1384000
2201	Ministry of Agriculture	42527000	15585000	2500000	18085000	60612000
2301	Ministry of Water and Irrigation	2064000	64866000	-	64866000	66930000
2302	Ministry of Water and Irrigation/Jordan Valley Authority	11037000	32410000	1960000	34370000	45407000
2401	Ministry of Environment	1519000	2269000	-	2269000	3788000
2501	Ministry of Education	839829000	63700000	-	63700000	903529000
2601	Ministry of Higher Education and Scientific Research	66220000	33925000	-	33925000	100145000
2701	Ministry of Health	575340000	75105000	-	75105000	650445000
2801	Ministry of Social Development	112246000	13035000	180000	13215000	125461000
2901	Ministry of Labour	14495000	4840000	1080000	5920000	20415000
3001	Ministry of Culture	3201000	4745000	-	4745000	7946000
3002	Prime Ministry / Department of Press and Publications	922000	80000	-	80000	1002000
3003	Ministry of Culture / Department of the National Library	776000	175000	-	175000	951000
3101	Ministry of Transport	1527000	42617000	-	42617000	44144000
3103	Ministry of Transport/Meteorology Department	1917000	280000	-	280000	2197000
3201	Ministry of Information and Communications Technology	2443000	24360000	-	24360000	26803000
Total		6827763000	1236694000	31920000	1268614000	8096377000

Summary of Functional Classification for Estimated Public Expenditures by Function Category for 2014

(JD 000)

Code	Function category	Current expenditures	Capital expenditures	Total
701	General public services	1,425,044	50,690	1,475,734
702	Defense	870,100	30,000	900,100
703	Public order and safety	932,054	76,350	1,008,404
704	Economic affairs	126,549	521,698	648,247
705	Environment protection	1,519	61,120	62,639
706	Housing and community amenities	21,665	209,175	230,840
707	Health	758,440	152,251	910,691
708	Religion and culture	105,440	40,475	145,915
709	Education	917,684	107,940	1,025,624
710	Social protection	1,669,268	18,915	1,688,183
Grand total		6,827,763	1,268,614	8,096,377

Estimated Allocations for Women, by Chapter for 2012 – 2016

(JD)

Chapter		2012	2013	2014	2015	2016
No.	Description					
0101	Royal Hashemite Court	3154500	1803000	2183000	2218000	2256000
0201	Parliament	1803000	1820000	1928000	1904000	1973000
0301	Prime Ministry	852000	917000	1116000	1158000	1195500
0302	Prime Ministry / Legislation and Opinion Bureau	281000	285000	290000	296000	303000
0303	Prime Ministry /Joint Procurement Department	190000	199000	239000	246500	246600
0304	Prime Ministry /Jordan News Agency	445000	461000	475000	489000	510000
0350	Ombudsman Bureau	220025	235340	322000	313000	320000
0401	Audit Bureau	1855900	1915500	1881100	1858000	1900000
0501	Ministry of Public Sector Development	737805	733000	654500	653000	664000
0601	Civil Service Bureau	816000	930000	1210000	914000	919000
0702	Ministry of Political and Parliament Affairs	-	-	378000	388000	396000
0901	Jordan Royal Geographic Center	558103	524218	688582	715873	700219
1001	Ministry of Interior	4917600	5326500	5884200	6082200	6231900
1002	Ministry of Interior/Civil Status and Passports Department	2533310	2702977	3105200	3189148	3256941
1101	Ministry of Justice	14597452	15719570	16598225	17694495	18257735
1201	Supreme Judge Department	45000	15000	25000	25000	50000
1301	Ministry of Foreign Affairs	9828000	10672000	12905245	13222585	13557000
1401	Ministry of Foreign Affairs / Department of Palestinian Affairs	447000	461200	505900	507600	518100
1501	Ministry of Finance	409217253	444400000	473683000	503690000	533318000
1502	Ministry of Finance/General Budget Department	331649	326224	317575	324658	331450
1503	Ministry of Finance/Customs Department	958000	1033000	1093000	1123000	1150000
1504	Ministry of Finance/ Department of Lands and Survey	5964000	4548000	4790000	4930000	5050000
1505	Ministry of Finance/General Supplies Department	348873	451530	483720	497060	504600
1506	Ministry of Finance/Income and Sales Tax Department	10379000	11037000	11379000	11579000	11695000
1601	Ministry of Industry and Trade	1748451	1847262	2414000	2461800	2565100
1602	Ministry of Industry and Trade/Companies Control Department	321066	341170	369350	395700	408100
1701	Ministry of Planning and International Cooperation/National Planning Council	6200014	6845518	9919996	10004800	12907376
1702	Ministry of Planning/Department Of Statistics	1729840	2010260	2386416	5298056	4242960
1801	Ministry of Tourism and Antiquities	498400	494900	668000	696000	710000
1802	Ministry of Tourism and Antiquities/ Department of Antiquities	739820	792500	884000	960000	990000
1901	Ministry of Municipal Affairs	9997702	12083362	12731919	11671455	11664118
2001	Ministry of Energy and Mineral Resources	871821	975920	1110720	1145080	1172840
2002	Ministry of Energy and Mineral Resources/Natural Resources Authority	845570	904910	1001880	1046230	1080850
2101	Ministry of Public Works and Housing	2937763	4981100	5071000	5764332	5875400
2102	Ministry of Public Works and Housing/gov't Tenders Dept	508944	553259	618220	641580	655080
2201	Ministry of Agriculture	8676053	9133069	11045454	12371033	12936847
2301	Ministry of Water and Irrigation	338156	381392	453960	467780	480280
2302	Ministry of Water and Irrigation/Jordan Valley Authority	1010000	1055000	1286000	1354000	1395000
2401	Ministry of Environment	260912	276800	303800	315800	323200
2501	Ministry of Education	400144403	450082272	489666166	508008343	532722649
2601	Ministry of Higher Education and Scientific Research	25148924	37086268	50153324	51068666	53847807
2701	Ministry of Health	248974709	252664910	296735088	358040643	381855146
2801	Ministry of Social Development	66846000	69507000	73751000	74094000	74778000
2901	Ministry of Labour	4496526	5234356	6371505	6427890	6489000
3001	Ministry of Culture	1847000	1890000	1930000	1966000	2008000
3002	Prime Ministry / Department of Press and Publications	268000	284000	298000	317000	335000
3003	Ministry of Culture / Department of the National Library	177500	188000	201000	218000	236000
3101	Ministry of Transport	533133	523062	612250	633590	646715
3103	Ministry of Transport/Meteorology Department	166842	169771	180697	188705	194127
3201	Ministry of Information and Communications Technology	4259524	4940978	9939526	13518399	13846692
Total		1260027543	1371763098	1522737618	1643597001	1729658332

Child Allocations Estimated by Chapter for 2012- 2016

(JD 000)

Chapter		2012	2013	2014	2015	2016
No.	Title					
1501	Ministry of Finance	255	250	250	250	250
1701	Ministry of Planning and International Cooperation/National Planning Council	1,378	3,318	4,000	4,385	2,800
2501	Ministry of Education	758,364	854,943	902,911	937,227	955,971
2701	Ministry of Health	158,108	157,821	218,233	231,509	245,998
2801	Ministry of Social Development	37,133	38,443	41,640	41,576	42,511
2901	Ministry of Labor	250	350	250	250	220
3001	Ministry of Culture	443	467	492	527	562
Grant total		955,931	1,055,592	1,167,776	1,215,724	1,248,312

Total Capital Expenditures by Governorate for the Fiscal Year of 2014

(JD 000)

Governorate		Capital expenditures
11	Center/ National level	430,044
21	Irbid Governorate	94,981
22	Mafraq Governorate	48,974
23	Jerash Governorate	44,026
24	Ajloun Governorate	48,953
31	Capital Governorate	124,227
32	Balqaa' Governorate	70,613
33	Zarqa Governorate	68,244
34	Madaba Governorate	40,238
41	Kerak Governorate	49,156
42	Maan Governorate	88,163
43	Tafeela Governorate	40,447
44	Aqaba Governorate	120,548
Total		1,268,614

Developments in the 2014 Budget

The 2014 General Budget Law demonstrates the governmental policy of implementing the National Fiscal and Economic Reform Program that aims at stimulating the economy which has slowed down recently. The program also aims at assisting different economic sectors of consumers and investments to cope up with fiscal reforms which may seem rough; however, necessary and critical to maintain fiscal and monetary stability and protecting against potential economic deterioration in case no action was taken on time. The General Budget Law aims at gradually decreasing the general budget deficit and reaching self-dependence as stressed in the General Budget Law for 2014. Here are the main developments in the 2014 Budget:

- I. The budget law is more consistent with the National Fiscal and Economic Reform Program, which aims to gradually reduce the general budget deficit and public debt. This shall restore the balance of the public finance, promote investment, and stimulate and expedite economic pace.
- II. The basic needs of the ministries and departments are fulfilled. The General Budget Law states a number of measures to control operating expenses. However, estimated current expenditures increased by 12.8% in 2014 relative to 2013 because of the due obligations which cannot be overlooked (for more details, see page 19).
- III. Capital expenditures grew by 25% in support of the Gulf Fund for Development. Capital projects funded by the Gulf grant, except for Qatar, formed about 50.4% of total capital expenditure. It is divided as follows: JD 216 million from Saudi Arabia, JD 220 million from Kuwait, and JD 203 million from the United Arab Emirates.
- IV. Foreign grants surged in the 2014 budget reaching about JD 1151 million relative to JD 639 million in 2013. They registered 80%

increase that is attributed to the grant of the Gulf Fund for Development.

- V. Capital projects mainly focus on the energy, transport, water, health, education, and governorate development sectors considering the importance of the services they provide. The financial allocations of those sectors formed about 11%, 15%, 8%, 12%, 9%, and 4.7% of total capital expenditures respectively, reaching about JD 746 million or 58.8% of total capital expenditures estimated in 2014.
- VI. The social safety net is strengthened through delivering subsidies to eligible limited- and middle- income citizens, avoiding high income citizens. Proper targeting ensures good living conditions to the poor, and consolidates the middle segment which is considered a main pillar for a successful comprehensive reform process in the Kingdom.
- VII. The geographical distribution of capital projects covers all governorates in the Kingdom in order to distribute the gains of development to all regions and promote social justices and equal opportunities. This is achieved through the engagement of the civil society in identifying priority developmental needs in governorates.

Mechanism of General Budget Preparation

Considering local economic and fiscal circumstances, Jordan has made noticeable progress in budget preparation and management, in accordance with the latest international practices and classifications. Many improvements were incorporated into the preparation process of the general budget and the classification of public expenditures and revenues. Moreover, a new methodology to link the general budget to strategic planning and apply the RoB within the medium-term budget framework was adopted as of 2008. Furthermore, a new Organic Budget Law (OBL) was developed and issued, replacing the OBL for 1962. Such improvements aim at making budget preparation and execution based on future financial planning that takes into consideration national goals and priorities.

By the RoB definition, ministries and departments have defined their **vision, mission, strategic objectives, programs, projects, and performance measurement indicators** on the level of strategic objectives and programs. The objectives must be SMART¹ objectives and in line with the ministry's or department's vision.

The medium-term budget framework was also implemented to upgrade the general budget preparation process. It currently covers three years, instead of one year, for all revenue and expenditure items to enable the government to formulate the fiscal policy and develop the public budget based on a clear financial vision in order to realize a sound fiscal position. In addition, a new Chart of Accounts (CoA) consistent with the international standards was approved. It includes various classifications- **geographic, functional, economic, organizational, and funding-** that assist Jordan's financial management in providing comprehensive analytic reports that fulfill the needs of official and private parties.

Late in 2009, H.E. the Prime Minister approved the annual Budget Calendar to be implemented as of the 2011 Budget. The following table outlines the Kingdom's Budget Calendar:

¹ SMART stands for Specific, Measurable, Attainable, Relevant, and Time-bound.

Jordan's Budget Calendar

Date	Action	Responsible agency
End of January	Request from ministries and departments to submit an annual summary of their budget priorities and policies within the medium term to GBD. The summary should include all current activities, especially HR and operating costs, and capital projects stating their importance and expected results.	GBD
End of February	All ministries and departments submit their summary of budget priorities and policies to GBD.	Ministries, departments & units
Mid-March	Prepare an annual comprehensive Budget Priorities and Policies Paper (BPPP) for the medium term and submit it to the Council of Ministers.	MOF and GBD
End of March	Discuss the BPPP and approve it after making necessary changes.	Council of Ministers
Early May	In addition to preparing estimates for public expenditures (both current and capital) and public revenues (covering domestic revenues and foreign grants) prepare a general framework for the public budget over the medium term, including main macroeconomic indicators for the status quo and medium-term future projections. The framework should also include the budget deficit (before and after foreign grants) in absolute figures and as a percentage of GDP. Then, submit it to the Council of Ministers.	MoF and GBD
5th May	Discuss the medium-term general framework of the public budget and approve it after making necessary changes.	Council of Ministers
Mid-May	Request from all ministries, departments, and units to submit their medium-term budget proposals to GBD.	GBD
Mid-July	All ministries and departments should submit their medium-term budget proposals to GBD.	Ministries, departments & units
Mid-August	Complete the study of all budget proposals, and prepare a medium-term expenditure framework for ministries and departments and a medium-term budget framework for government units.	GBD

Date	Action	Responsible agency
End of August	Prepare the Budget Circular, including the overall expenditure ceiling in addition to partial expenditure ceilings for ministries and departments, in accordance with the updated medium-term budget framework and medium-term expenditure framework.	MOF and GBD
Early September	The Budget Circular is issued after approval.	Council of Ministers
20th September	All ministries, departments, and units submit their medium-term budget proposals to GBD in line with the Budget Circular.	Ministries, departments & units
Mid-October	Prepare the main highlights of the draft General Budget Law, and present them to the Consultative Board for discussion and affecting any changes.	GBD & Budget Consultative Board
20th October*	Submit the draft General Budget Law to the Council of Ministers for discussion and approval, after making necessary changes*.	GBD and Council of Ministers
End of October*	Submit the draft Law to the Parliament*.	Council of Ministers
End of December*	Discuss and approve the draft General Budget Law; awaiting its ratification by the royal decree*.	Parliament

***In accordance with the 2011 Constitutional amendments, the draft General Budget Law and draft Government Units Budget Law shall be submitted to the National Assembly at least one month prior to the beginning of the fiscal year for hearing according to the provisions of the Constitution. Both draft Laws are subject to the same budget provisions prescribed in the Constitution.**

Stages of General Budget Preparation

The stages of the general budget preparation in Jordan can be summarized as follows:

- Ministries and departments provide GBD with their priorities and policies;
- The Budget Priorities and Policies Paper is completed by GBD, covering general budget highlights, identifying proposed policies and procedures of draft budget preparation, and specifying total capital expenditures.
- The Paper is submitted to the Council of Ministers for discussion and approval after making necessary changes. The first-round discussions shall produce a list of sectoral priorities for the governmental plan;
- Ministries and departments submit their budget proposals to GBD, and finalize the process of updating the general budget framework. Then, all project and program details shall be submitted by government institutions to GBD. Next, GBD updates the general budget framework, including the fiscal space and list of priority projects;
- An updated list of capital projects (second round) is presented to the Council of Ministers for discussion and approval after affecting necessary changes;
- The GBD is provided with capital projects approved by the Council of Ministers, which are considered in specifying the ceilings;
- Expenditure ceilings for ministries and departments are specified;
- Budget forms are reviewed and amended as deemed necessary;
- The Budget Circular is drafted and budget ceilings and forms are attached thereto;
- The Prime Minister issues the Budget Circular;
- The Budget Circular is sent to all ministries and departments with budget forms and respective ceilings;
- Ministries and departments send their budget proposals to GBD. GBD analysts review the proposals to ensure their compliance with ceilings specified in the Budget Circular issued by the Prime Ministry;

- Proposals are entered onto the computer and audited by GBD budget analysts, and the draft law is printed and sent to the Minister of Finance for approval;
- The draft Budget Law is forwarded to the Budget Consultative Board for approval, then is ratified by the Council of Ministers later; and
- The draft General Budget Law is submitted to the Parliament for approval, in accordance with the Constitution.

Potential Risks to the General Budget in the Medium Term

Jordan's general budget may face risks in the medium term for 2014–2016. Some of the risks are uncontrollable while others are the result of the absence of necessary policies and measures, which were supposed to be taken. The main risks can be briefed as follows:

I. Uncontrollable risks:

- The inflation rate increased due to a significant rise in world oil prices. The increase shall affect some negative social consequences and distort procurement costs of goods and services and the costs of projects listed in the general budget;
- Political conflicts, recent events, and regional unrest impose dangers and have negative consequences on stability, leading to more influx of refugees. On the one hand, those situations impose huge financial burdens on the public finance and national economy. On the other hand, they shall put pressures on some sectors that deliver monumental services such as the education and health sectors. Consequently, financial allocations shall be significantly increased to improve the efficiency of those services. It is expected that immigrations shall create more pressures due to increased consumption demands. It may also cause the disruption of the Egyptian gas supply to Jordan, consequently, increase the cost of electricity production, causing more loses to the National Electric Power Company (NEPCO), and eventually increase the net public debt.
- Rise in the prices of basic foodstuff, such as wheat whose current subsidy bill places a noticeable burden on the public treasury; and
- Fall in the exchange rate of the US Dollar against other main currencies such as the Euro and the Japanese Yen, resulting in increasing the value of the government procurement bill for imported goods.

II. Controllable risks:

- Slow-paced implementation of capital projects funded by the Gulf grant and the indicators of the programs funded by European grants. This shall reversely reflect on the volume of grants sent to the treasury;
- Absence of commitment to the implementation of the National Fiscal and Economic Reform Program, which, in return, shall reflect on the creditworthiness of the national economy and the government's capability of securing major funding needs;
- Delayed passage of the amending law of the Income Tax Law, which negatively reflects on the level of domestic revenues;
- Stopping the monthly oil derivatives pricing and the exceptions given for hiring to some ministries and departments;
- Delayed response to the loses and indebtedness of NEPCO and the Water Authority, and continued price distortions of electricity and water, considering the increase in off-budget guarantees for NEPCO debts and rapid growth of spending on the water sector;
- Absence of governmental commitment to the decision of ceasing guarantees given for borrowing contracted by independent public institutions, which shall increase the net public debt balance and the ratio of the same to the gross domestic product;
- Increased remunerations and benefits given to some public employees in response to claims filed by them. This action taken by the government shall place additional fiscal burdens on the general budget;
- Issuance of budget supplementary laws for funding additional current and capital expenditures in case that more-than-expected foreign grants are received. Such action shall burden the budget in the future due to the increase in the costs of maintenance and sustainability of capital projects;
- Weak participation of the private sector in implementing mega projects through partnerships with the public sector (PPPs). In addition, insufficient local banks' responsiveness to the financing needs of businessmen in Jordan for the next year; and
- Government guarantees of loans provided for funding mega PPP projects.

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