



The Hashemite Kingdom of Jordan

General Budget Department

Budget In Brief

For the Fiscal Year of 2013

April 2013

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 pleased to introduce its third edition of the **Budget In Brief for 2013** in the time the Open Budget Survey for 2012 was issued in January 2013 by the Open Budget Partnership Organization in Washington, D.C., which stated that Jordan has ranked first in the Middle East and North Africa region (MENA) in budget transparency for 2012. Such achievement clearly highlights the Department's progress in promoting the principles of transparency, disclosure, and participation in general budget management.

Indeed, the regular preparation of this document stresses the Department's willingness to communicate with all official and private local and international agencies interested in reviewing the latest economic and fiscal developments for 2012, in addition to the main features and projections of the general budget for 2013. The Department will continue taking necessary procedures and measures to improve the assessment of the general budget by competent international agencies.

The **Budget In Brief for 2013** provides a brief presentation on the General Budget Law for 2013. More specifically, it examines the following key themes in detail:

- Summary of economic and fiscal performance for 2012;
- Budget milestones and assumptions for 2013;
- Macroeconomic projections for 2013;
- Main budget features for 2013;
- Developments in the 2013 Budget;
- Mechanism and stages of general budget preparation;
- Jordan's Budget Calendar; and
- Potential risks that the general budget might face in the medium term.

Dr. Ismail Zaghloul
Director General of Budget Department

Summary of Economic and Fiscal Performance for 2012

In 2012, the Jordanian economy has been affected by the repercussions of the regional political environment and the global economic situation, in addition to the frequent disruption of the Egyptian gas supply, and recurrent rise of oil prices in international markets. The negative impact of these repercussions on the performance of the main sectors of the Jordanian economy was somewhat asymmetric. The gross domestic product (GDP) at constant prices registered a real growth of 2.7% in 2012 compared to 2.6% in 2011. Due to the growth of the GDP deflator by 4.5% in 2012 relative to 6.4% in 2011, the GDP at current prices grew slowly by 7.3% against 9.1% in 2011.

With regard to the performance of the economic sectors, some sectors have improved their average growth in 2012, such as “electricity and water”, “commerce, restaurants & hotels”, “funds, insurance & real estates services”, and “transport, storage & telecommunication” sectors. However, other sectors’ growth averages slowed down, such as “manufacturing industries” and “government service providers” sectors. In addition, the performance of the “excavation industry” and “agriculture” sectors declined in 2012 relative to 2011. Due to the higher nominal GDP growth average compared to the population growth average of 2.2%, the average GDP per capita at current prices increased by 5.0% in 2012 relative to its level in 2011, registering JD 3439 in 2012 against JD 3277 in 2011. The data also indicates a decrease in the 2012 unemployment rate which reached 12.2% relative to 12.9% in 2011.

As for **general price developments** in 2012, the inflation rate as measured by the percentage change in the consumer price index (CPI) has reached 4.8% compared to 4.4% in 2011 due to the government’s decision to liberate oil derivatives prices issued in November 2012, and the rise in the prices of foodstuff in the domestic market. This increase is mainly attributed to the rise in the “foodstuff” group by 4.6% relative to 4.1% in 2011, influenced by the rise in the prices of meat, poultry, eggs, and vegetables items, in addition to the rise in the prices of the “other goods and services” group by 5.7% relative to 5.1% in 2011, which was influenced by the rise in transport and health care prices. In return, the prices of the “clothes and shoes” and “housing” groups rose by 4.7% and 3.5% in 2012 compared to 6.2% and 3.8% in 2011 respectively.

In the **external sector**, the Kingdom's exports have slightly decreased by 1.2% in 2012 compared to their surge by 14% in 2011. On the other hand, imports increased by 9.3% in 2012 compared to 21.6% in 2011. Consequently, the deficit of the trade balance increased by 17.2% to reach JD 9092 million in 2012 compared to JD 7756 million in 2011.

With regard to main developments in the balance of payments, the 2012 current account has registered a deficit of JD 3979 million or 18.1% of GDP compared to JD 2463 million or 12.0% of GDP in 2011. This was mainly a result of the increase in the bill for imports of crude oil and its derivatives due to the rise in the prices and quantities of such imports, in addition to the decrease in net current transfers to the public sector (foreign assistance). The Kingdom's bill for imported "crude oil and its derivatives" increased to reach JD 4308 million in 2012 compared to JD 3445 million in 2011, registering a rise of JD 863 million (or 25.1%). On the other hand, Jordan's bill for imported "food and live animals" reached around JD 2279 million with an increase of JD 219 million or 10.6% compared to its level in 2011.

With respect to **monetary developments**, data issued by the Central Bank indicates that domestic liquidity grew by 3.4% at the end of 2012 compared to 8.1% at the end of 2011. The modest increase in domestic liquidity during 2012 came as a result of the increase in net domestic assets of the banking system by 23.8% compared to a 20.7% increase in 2011, on the one hand, and the decrease in net foreign assets of the banking system by 28.7% at the end of 2012 compared to their decrease by 7.2% in 2011, on the other hand.

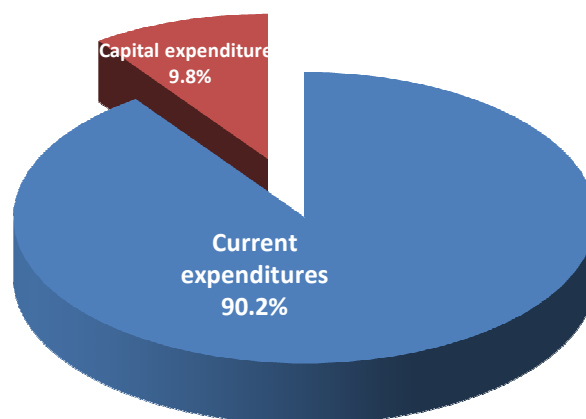
As per the contribution of the banking system in funding various economic activities in the public and private sectors alike, total credit facilities have increased about JD 1979 million or 12.5% at the end of 2012 relative to an increase of JD 1400 million or 9.7% at the end of 2011. In contrast, foreign currency reserves of the Central Bank scored a record decrease, reaching US\$ 6633 million at the end of 2012, reflecting a decrease of US\$ 3897 million or 37.0% below their 2011 level. This new level covers about three months and a half of the Kingdom's imports of goods and services.

In the **public finance (general budget and public debt)**, the global conditions and external shocks represented in regional unrest, disruption of Egyptian gas supply, increased imports of costly heavy fuel and diesel needed to generate electricity, and increased oil prices in international markets have all placed burdens on the general budget. Consequently,

the ratio of the public debt to GDP registered record scores. In addition, the slash in foreign grants led to deepen challenges facing the Jordanian economy, especially in the public finance.

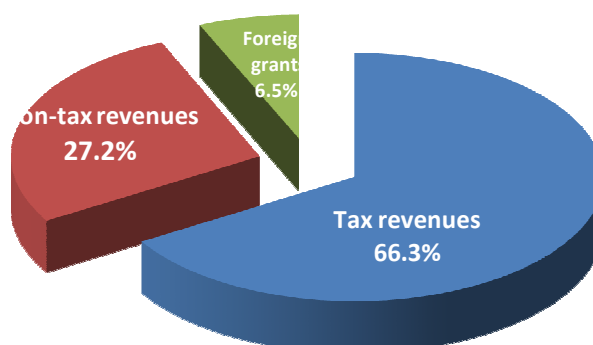
In public expenditures, total expenditures registered a slight increase of JD 66 million or 1.0% in 2012 to reach JD 6862 million compared to JD 6797 million in 2011. This increase in spending came as a result of the rise in current expenditures by JD 447 million (or 7.8%) and a decrease in capital expenditures by about JD 381 million (or 36%).

Public expenditures composition for 2012



On the Other hand, total public revenues amounted to JD 5054 million in 2012, reflecting a decrease of 6.6% relative to their level in 2011. This decrease was a result of the noticeably decreased foreign grants by 73% compared to their 2011 level, reaching JD 327 million, in addition to the increase in domestic revenues by 12.6% compared to 2011, which reached JD 4727 million.

Public revenues composition for 2012



Accordingly, the budget deficit for 2012, including foreign grants, reached about JD 1808 million, or 8.2% of GDP, relative to JD 1383 million, or 6.8% of GDP in 2011.

Based on the developments in both sides of the general budget, the net public debt for 2012 has increased by 23.7% compared to its level at the end of 2011, reaching JD 16580 million, or 75.5% of GDP, compared to JD 13402 million, or 65.4% of GDP in 2011.

Developments in Main Economic Indicators

Indicator	2011	2012
GDP growth at real prices	2.6%	2.7%
Inflation rate	4.4%	4.8%
Unemployment rate	12.9%	12.2%
Growth of domestic exports	14.0%	-1.2%
Growth of merchandise imports	21.6%	9.3%
Import bill for crude oil & its derivatives (JD million)	3445	4308
Current account deficit as a percent of GDP	-12.0%	-18.1%
Growth of domestic liquidity	8.1%	3.4%
Official foreign currency reserves (US\$ billion)	10.5	6.6
Growth of credit facilities granted by licensed banks	9.7%	12.5%
Public expenditures (JD million) as a percent of GDP	6797 33.2%	6862 31.2%
Public revenues (JD million) as a percent of GDP	5414 26.4%	5054 23.0%
General budget deficit including foreign grants (JD million) as a percent of GDP	-1388 -6.8%	-1808 -8.2%
External debt balance (JD million) as a percent of GDP	4487 21.9%	4932 22.5%
Net domestic debt (JD million) as a percent of GDP	8915 43.5%	11648 53.0%

With a view to containing the general budget deficit, the government has taken a set of fiscal measures in 2012 to control and ration public funds, most notably: reduce the ratio of current expenditures to operating expenditures by 15% and reduce the ratio of capital expenditures to overall allocations by 10% in all ministries, departments, units and other independent public institutions, decrease subsidy granted from the

general budget to government units and other independent public institutions by 15%, and lower the expenditures of the military and security agencies by about JD 150 million.

In addition, the government has embarked on a program to restructure the governmental body. The Council of Ministers passed, on November 18, 2012, the draft law of restructuring ministries and government departments and units, with an aim to upgrade the governmental performance and ration expenditures through eliminating or merging ministries and institutions of similar mandate, adjusting organizational hierarchy by linking some ministries to the competent minister directly instead of the prime minister, and cancelling the independency character given to some other institutions, without dispensing human resources therein.

Budget Milestones and Assumptions for 2013

Reflecting the government's commitment to pursue fiscal and economic reforms, aiming to restore public finance balance, and maintain monetary stability conducive to promoted trust in investment in the Kingdom and enhanced economic pace through further job creation, the government shall continue strengthening the fiscal discipline on the overall and sectoral levels. In addition, the government shall continue allocating available fiscal resources optimally on the sectoral and geographical levels and improving the efficiency and productivity of public spending. Taken together, this shall promote a transparent and healthy budget, which contains public indebtedness in order to strengthen the credibility of the reform process in the Kingdom, and improve Jordan's creditworthiness in regional and international financial institutions. Through such commitment, the government seeks viable real economic growth in the medium term, with growth averages exceeding population growth averages to ensure just distribution of development gains on governorates.

In parallel with the implementation of fiscal discipline policies and treatment of general budget distortions that became a burden on the budget, mostly the subsidy of oil derivatives, the government shall consider the promotion of the social safety net its top priority. The government shall present subsidy to eligible citizens, in lieu of subsidizing goods, covering limited- and middle- income segments in order to ensure the provision of a decent life and strengthen the middle-income segment, which is the actual leverage of fulfilling the comprehensive reform process in the Kingdom.

The systems of economic, social, and political reforms are the key milestones to strengthen the principles of accountability, transparency, evaluative follow-up, and deepened Results-oriented Budgeting (RoB). Such systems shall strengthen balanced local development efforts based on the participation of local communities in identifying developmental needs and priorities in order to promote trust in the economic reform process.

The overall ceilings of the public expenditure and respective ceilings for each ministry and government department were specified in the general budget for 2013. **The development of the estimates for the Draft**

General Budget Law and Draft Government Units Budget Law for 2013 is based on a set of milestones as follows:

1. Pursuing fiscal and economic reform process that aims at enabling the national economy to efficiently and flexibly tackle evolving economic and political conditions and developments- both regionally and globally. In the current phase, the national priorities require the achievement of fiscal stability through reducing government fiscal deficit and public indebtedness to safe levels. This shall strengthen the pillars of economic stability, enhance the investment environment relative to global investment markets, and upgrade creditworthiness rating of the national economy in international and financial markets.
2. Consolidating the social safety net through subsidizing eligible limited- and middle- income segments, in lieu of subsidizing oil derivatives, in order to ensure the provision of a decent life to such segments, and ensure strengthened middle- income segment, which is the actual leverage of fulfilling the comprehensive reform process in the Kingdom.
3. Improving self-dependence through increasing the coverage ratio of domestic revenues to current expenditures, along with enhancing public spending and its productivity, which, in return, ensures better government services delivered to the public and just distribution of development gains on governorates. In addition, strengthening government units' self-reliance in funding their expenditures using their own resources while reducing their dependence on public treasury support.
4. Focusing on national priority development projects of economic- and social- yields, energy and electricity sectors and governorates development in particular, and allocating necessary appropriations to these sectors, including new capital projects necessary for receiving foreign grants.
5. Promoting domestic investment environment through continued enactment of legislation necessary for stimulating domestic investment and attracting foreign investment. Also, the private sector should be encouraged to increase its contribution in the economic activity through strengthening public private partnerships (PPP) to implement mega development projects in key sectors, in line with citizen needs in all governorates and to ensure the ease of the financial burden placed on the general budget.

6. Deepening the concepts of monitoring, evaluation, and accountability, with a view to realizing optimal utilization of available financial resources and maximizing economic and social benefits and returns in all governorates in the country. Such deepened concepts shall enhance the standards of living in the Kingdom and ease burdens within the framework of deepened RoB in the medium term.
7. Rigorously monitoring public debt developments in absolute numbers and as a percentage of GDP, in addition to adopting a clear and time-framed plan to manage the debt and maintain it within safe levels. Debt management shall promote the credibility of the Kingdom on the regional and international levels in terms of solid willingness to progress fiscal reform in particular and economic reform in general, which shall reduce internal and external borrowing costs.
8. Allocating available financial resources in a way that guarantees social justness and equal opportunities in distributing development fruits on governorates, and reflects active local community participation in identifying their own developmental needs and priorities in each governorate.

Furthermore, the revenue and expenditure projections in the Draft General Budget Law and Draft Government Units Budget Law are based on the following assumptions:

1. Budget supplements shall not be issued, except for urgent cases.
2. Subsidies shall be targeted to the eligible, in lieu of subsidizing oil derivatives, and subsidizing bread and fodders shall be continued.
3. Operating expenditures, especially fuel, electricity, water, telephone, and travel expenses shall be controlled through adopting a set of measures, most notably:
 - Monitoring government vehicles traffic through the Public Security to ration and control government expenditure.
 - Stopping the use of four-wheel drive cars, writing off over- twenty-year old and over 3000 CC cars.
 - Promoting the use of renewable energy equipment, exempting them from the sales tax, and executing pilot energy- saving projects.

- Programming the turning off of international highway lights after midnight and dimming lighting by 50%.
 - Providing 600,000 energy-saving bulbs to ministries and government departments and institutions to ration energy use.
 - Reducing hospitality expenses and complying with meal and hotel accommodation tariffs specified for official delegations.
 - Reducing official delegations and committees travelling abroad, minimizing the number of their members, and seeking Jordanian Embassies' assistance for participation in meetings.
 - Cutting celebration and condolence expenses that burden the treasury.
 - Reducing building rentals, except for urgent needs.
 - Facilitating the procedures of licensing motorcycles to save gas costs.
 - Having all ministries and government departments and units to apply technical procedures for reducing the use of water, electricity, and fuel.
 - Having all ministries and government departments and units to clear their due bills for operating expenditures, especially electricity and water, during the same year and without any postponement.
4. All forms of hiring in all ministries and government departments and units shall be controlled — all classes and groups, especially senior, first, second and third classes, and the surplus of the same shall be used for fulfilling respective needs. In extremely urgent hiring cases, a prior approval by the Council of Ministers should be obtained.
 5. Stopping the purchase of cars and furniture shall be continued, and the procurement of photocopiers, printers, stationery, and computers shall be reduced.
 6. Some government institutions of similar mandate shall be merged while others shut down, through issuing a reference special law for this end. Such law shall enable the government to expedite merging procedures in accordance with the government re-structuring program.
 7. Employees working in independent public institutions that are subject to the Civil Service Bylaw shall be covered with health insurance as

of 2013, and all other benefits that burden their institutional budgets, life insurance costs in particular, shall be revisited.

8. The royal initiative of the development of the Governorate Development Fund, in cooperation with the private sector, shall be completed and needed appropriations for 2013-2014 shall be allocated.
9. The Council of Ministers decision with respect to implementing the projects of the National Strategy for Employment shall be enforced according to the defined schedule, to create jobs and substitute immigrant labor with Jordanian workers.
10. The Expropriation Law shall be amended in order to reach a fair amount of compensation for both parties by changing the present applicable mechanism, which places heavy financial burdens on the treasury.
11. No change orders shall be made to projects whose tenders were awarded in accordance with the Government Works Bylaw and Supplies Bylaw unless a commitment document was obtained in due form. Consequently, legislation regulating such cases should be amended.
12. Clear and transparent guidelines and controls for benefiting from medical treatments, which should be limited to the uninsured poor, shall be developed.
13. Necessary appropriations shall be allocated to approved capital projects consistent with grants approved by the Gulf Cooperation Council (Saudi Arabia, Kuwait, UAE, and Qatar), provided that project expenditures shall be compatible with grants received.
14. The Income Tax Law shall be amended to assure progressive tax burden.
15. Measures shall be taken to combat tax evasion and avoidance, and tax arrears shall be minimized based on a clear-cut strategy.
16. Tax exemptions shall be controlled and limited as per effective laws and concluded agreements.
17. Mining revenues shall be increased and large-scale exemptions shall be eliminated, especially phosphate.
18. All foreign grants agreed upon with the Gulf Fund for Development and donor countries shall be received.

Macroeconomic Projections for 2013

The 2013 Budget is based on the following main projections:

1. The gross domestic product in current terms is projected to grow by 9.2 % in 2013 and 7.5% in 2014 and 2015. At real prices, GDP is projected to grow by 3.0% in 2013, 3.5% and 4% in 2014 and 2015 respectively.
2. Inflation rate is expected to reach about 6.1% in 2013, and projected to decrease to 3.1% in 2014 and 2.7% in 2015.
3. Domestic exports are projected to grow by 6.4% in 2013 and 8.8% & 9.5% in 2014 and 2015 respectively.
4. Imports are projected to slightly grow by 0.2% in 2013 and 2.4% in 2014 and 2015.
5. World oil prices are expected to reach US\$ 100-110 per barrel on average for 2013.
6. The deficit of the current account in the balance of payments is projected to register 12.1% of GDP in 2013, gradually falling to reach 8.9% in 2014 and 5.4% in 2015.
7. Foreign reserves at the Central Bank, which are necessary to maintain the stability of the JD exchange rate, are expected to increase.

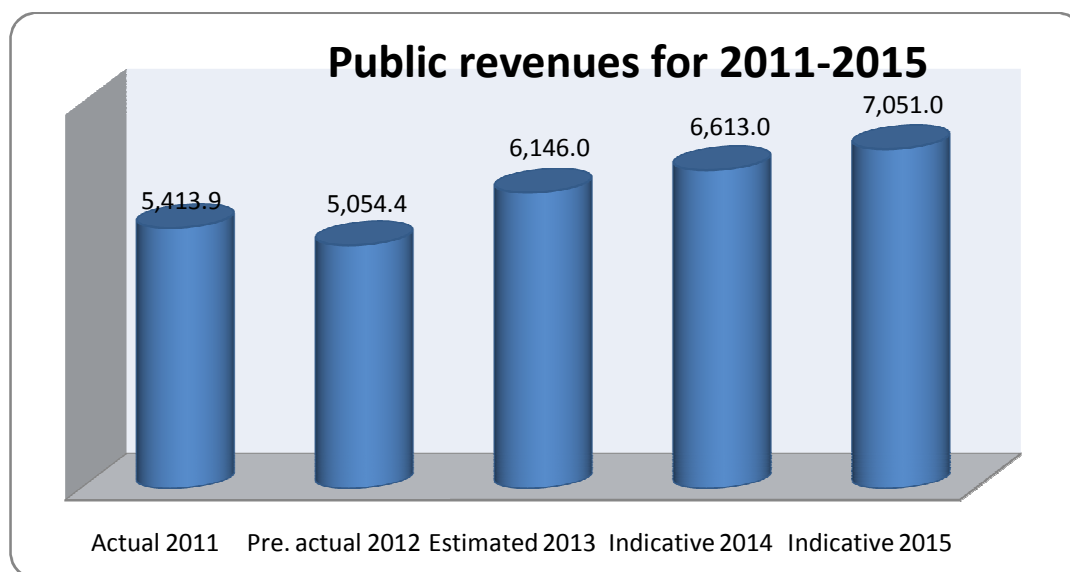
Macroeconomic Projections for 2013–2015

Indicator	2013	2014	2015
GDP growth rate at current prices (%)	9.2	7.5	7.5
GDP growth rate at constant prices (%)	3.0	3.5	4.0
Inflation rate (CPI) %	6.1	3.1	2.7
Growth rate of merchandise exports %	6.4	8.8	9.5
Growth rate of merchandise imports %	0.2	2.4	2.4
Current account deficit as a percent of GDP	12.1	8.9	5.4

Main Budget Features for 2013

I. Public Revenues

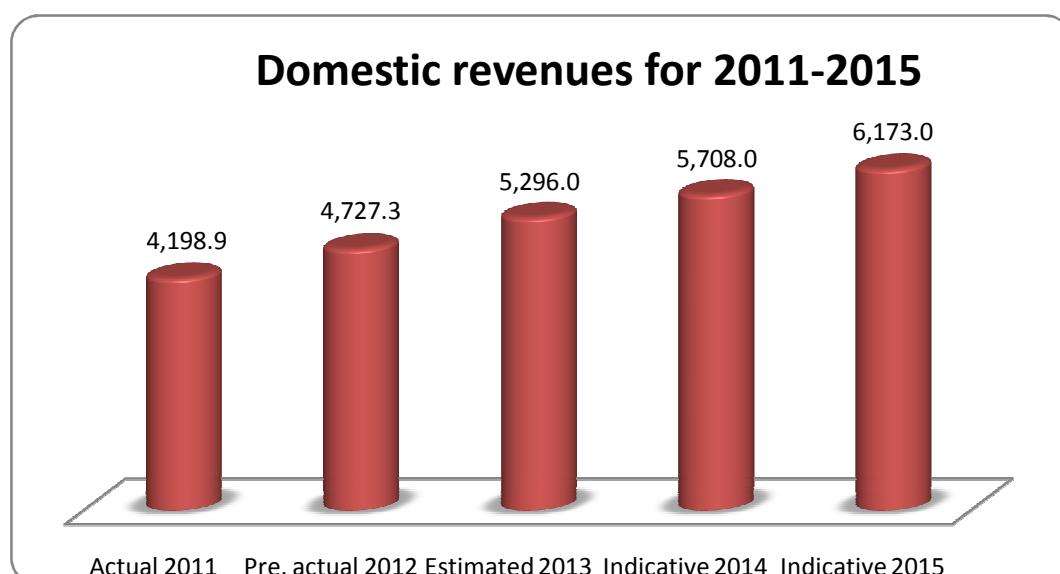
Public revenues for 2013 are estimated at around JD 6146 million, forming 25.4% of GDP compared to 23.0% in 2012. However, this ratio is expected to level off in 2013 and 2014, and slightly decrease by 25.2% in 2015.



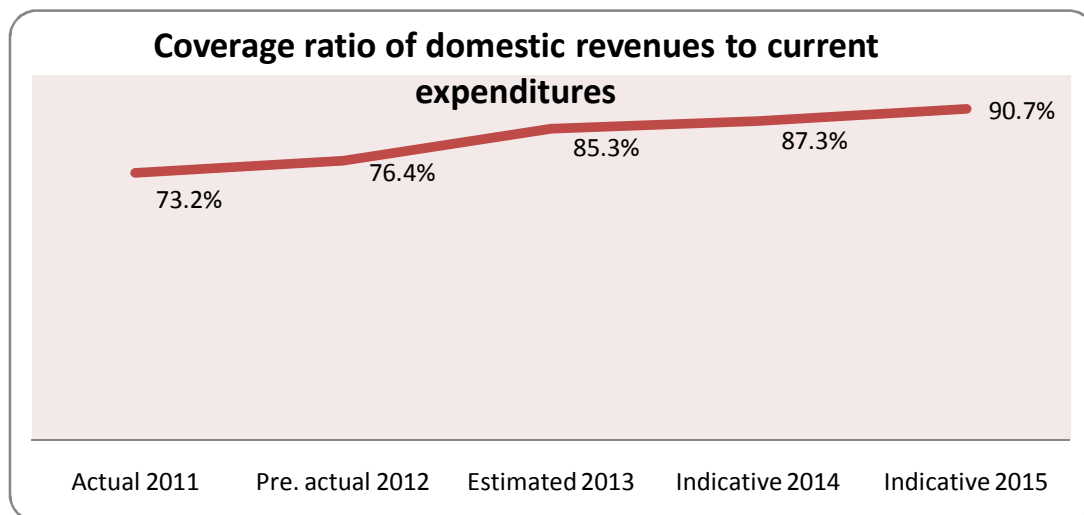
Public revenues for 2013 are divided as follows:

1. Domestic Revenues:

Domestic revenues are estimated to reach JD 5296 million in 2013, with a growth of 12.0% over their level in 2012, thus forming about 21.9% of GDP compared to 21.5% in 2012.



Accordingly, the coverage ratio of domestic revenues to current expenditures is expected to rise from 76.4% in 2012 to 85.3% in 2013, and to continue increasing gradually to 87.3% and 90.7% in 2014 and 2015 respectively.

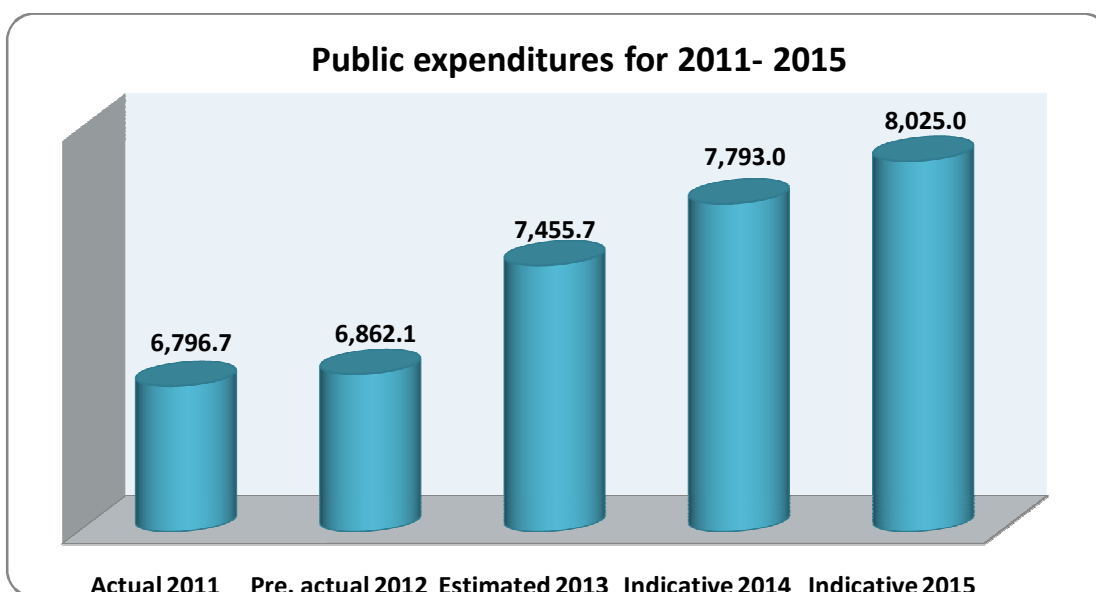


2. Foreign Grants:

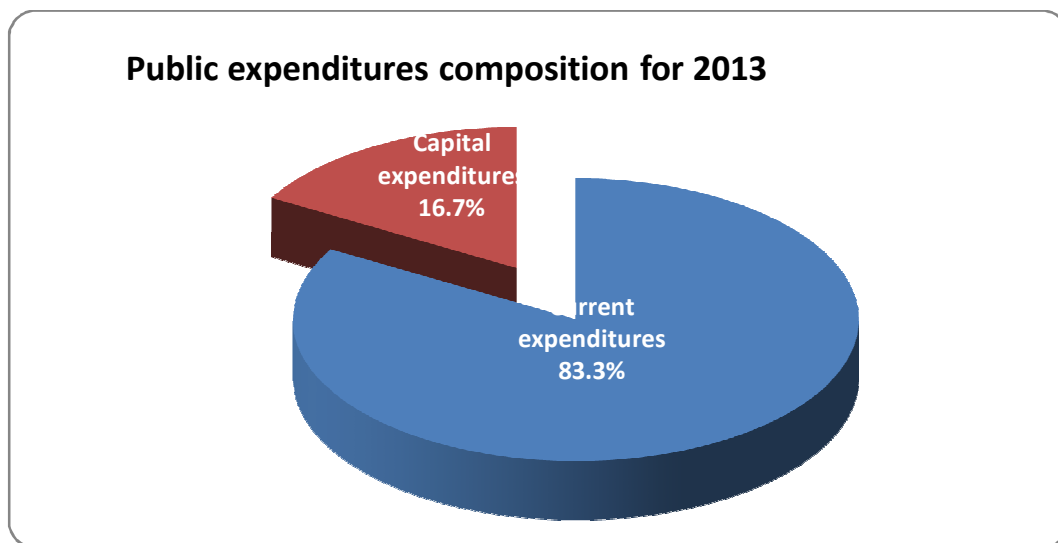
Foreign grants are estimated at JD 850 million in 2013 compared to JD 327 million in 2012, taking into account the grant of the Gulf Fund for Development.

II. Public Expenditures

Public expenditures are estimated at about JD 7456 million in 2013 compared to JD 6862 million in 2012, reflecting an increase of JD 594 million or 8.7%. In percent of GDP, public expenditures constitute 30.8% compared to 31.2% in 2012. It is expected that this ratio shall decrease to 30.0% in 2014 then to 28.7% in 2015.

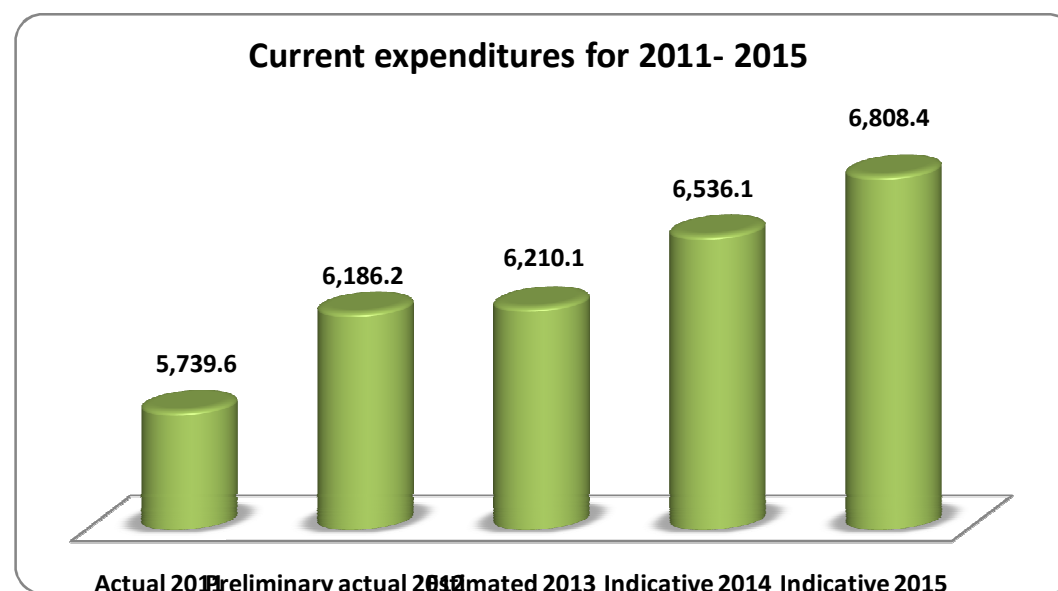


Public expenditures for 2013 are distributed as follows:



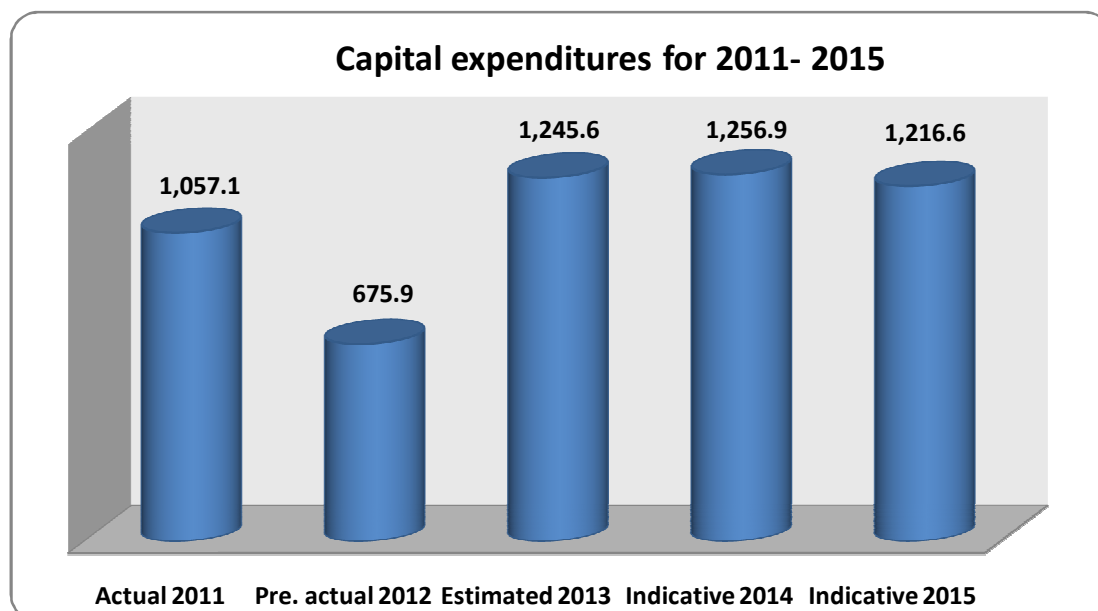
1. Current Expenditures:

Current expenditures are estimated at JD 6210 million in 2013, registering a very slight growth of 0.4% over their level in 2012, and forming 25.7% of GDP relative to 28.2% in 2012. It is also expected that this ratio shall decline in 2014 and 2015 to reach 25.1% and 24.3% respectively.

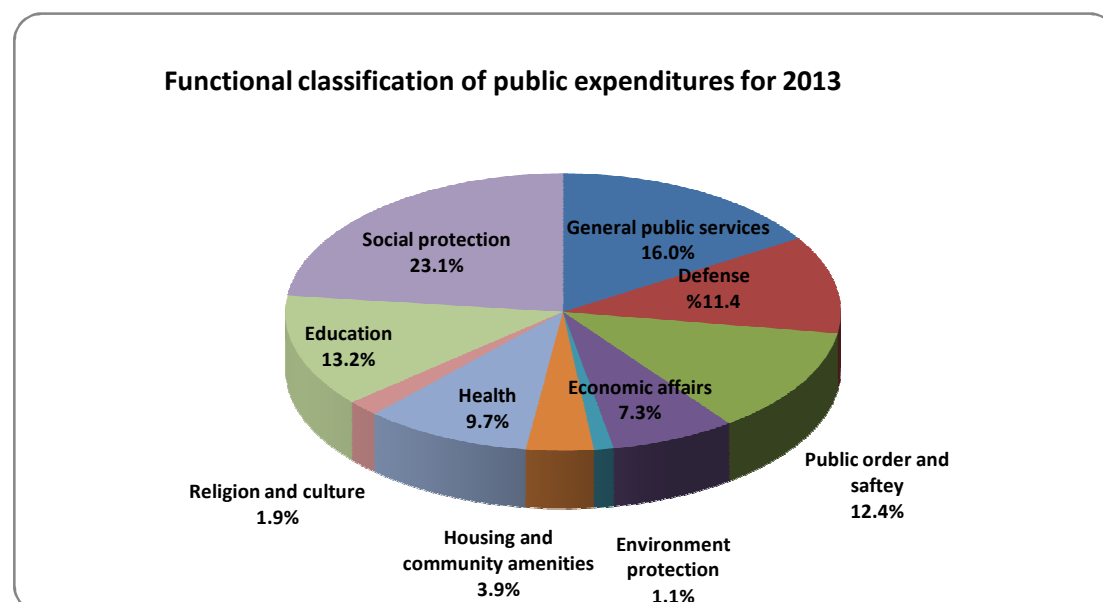


2. Capital Expenditures:

Capital expenditures are estimated at JD 1246 million in 2013, forming 5.1% of GDP, with a surge of about JD 570 million or 84.3% relative to their 2012 level. The ratio of capital expenditures to total public expenditures is projected at 16.7%.



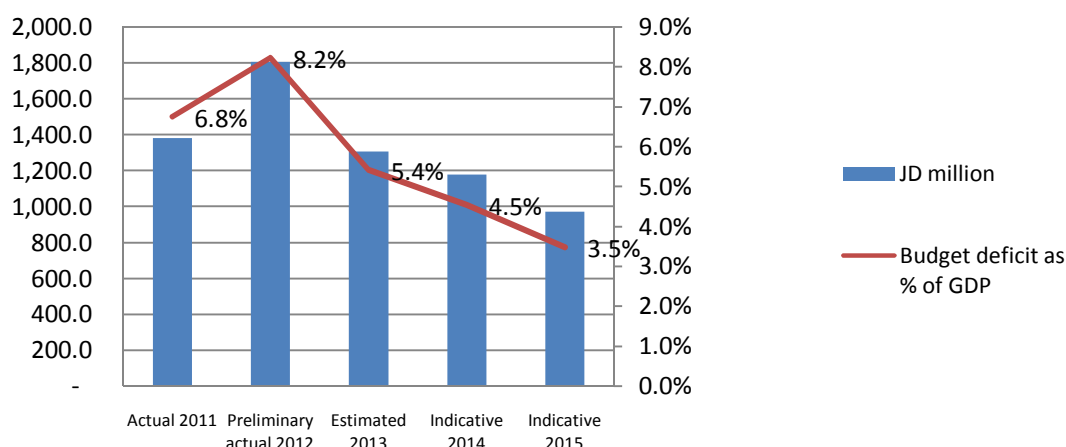
It is expected that the ratio of capital expenditures to GDP shall increase to 4.8% in 2014 and 4.3% in 2015.



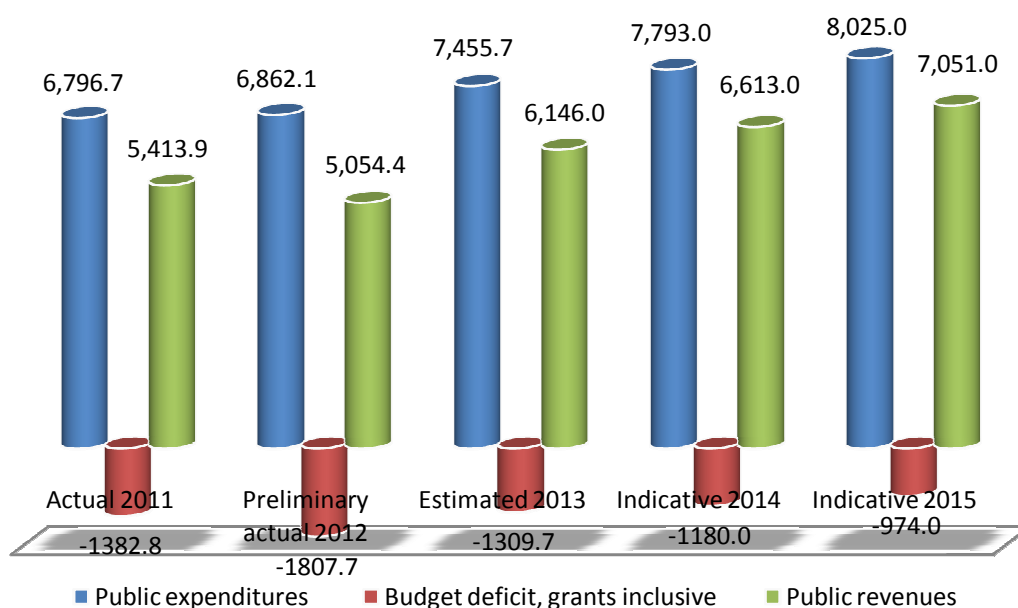
III. Fiscal Deficit

Considering the developments in public revenues and expenditures, the fiscal deficit (including foreign grants) is estimated at JD 1310 million or 5.4% of GDP in 2013, compared to 8.2% of GDP in 2012. The fiscal deficit as a percent of GDP is also expected to continue to fall to 4.5% in 2014 and 3.5% in 2015.

General budget deficit, grants inclusive, for 2011-2015



Summary of general budget for 2011-2015



Summary of the General Budget for 2011 – 2015

(JD million)

Description	Actual 2011	Preliminary actual 2012	Estimated 2013	Indicative 2014	Indicative 2015
Domestic revenues	4,198.9	4,727.3	5,296.0	5,708.0	6,173.0
Foreign grants	1,215.0	327.1	850.0	905.0	878.0
Total public revenues	5,413.9	5,054.4	6,146.0	6,613.0	7,051.0
Current expenditures	5,739.6	6,186.2	6,210.1	6,536.1	6,808.4
Capital expenditures	1,057.1	675.9	1,245.6	1,256.9	1,216.6
Total public expenditures	6,796.7	6,862.1	7,455.7	7,793.0	8,025.0
General budget deficit					
Including grants	-1,382.8	-1,807.7	-1,309.7	-1,180.0	-974.0
Excluding grants	-2,597.8	-2,134.8	-2,159.7	-2,085.0	-1,852.0
General budget deficit as a percentage of GDP					
Including grants	-6.8%	-8.2%	-5.4%	-4.5%	-3.5%
Excluding grants	-12.7%	-9.7%	-8.9%	-8.0%	-6.6%

Financial Solvency Indicators

Description	Actual 2011	Preliminary actual 2012	Estimated 2013	Indicative 2014	Indicative 2015
Ratio of public revenues to GDP	26.4%	23.0%	25.4%	25.4%	25.2%
Ratio of domestic revenues to GDP	20.5%	21.5%	21.9%	21.9%	22.1%
Ratio of foreign grants to GDP	5.9%	1.5%	3.5%	3.5%	3.1%
Ratio of public expenditures to GDP	33.2%	31.2%	30.8%	30.0%	28.7%
Ratio of current expenditures to GDP	28.0%	28.2%	25.7%	25.1%	24.3%
Ratio of capital expenditures to GDP	5.2%	3.1%	5.1%	4.8%	4.3%
Ratio of capital expenditures to public expenditures	15.6%	9.8%	16.7%	16.1%	15.2%
Coverage ratio of domestic revenues to public expenditures	61.8%	68.9%	71.0%	73.2%	76.9%
Coverage ratio of domestic revenues to current expenditures	73.2%	76.4%	85.3%	87.3%	90.7%

Estimated Public Expenditures for the Fiscal Year of 2013

(JD)

No.	Chapter Title	Current	Capital expenditures			Total of chapter
			Treasury	Loans	Total	
0101	Royal Hashemite Court	35,391,000	0	0	0	35,391,000
0201	Parliament	18,923,000	0	0	0	18,923,000
0301	The Cabinet and Prime Minister's Office	21,700,000	9,415,000	0	9,415,000	31,115,000
0302	The Cabinet and Prime Minister's Office / Legislation and Opinion Bureau	877,000	30,000	0	30,000	907,000
0303	The Cabinet and Prime Minister's Office/Joint Procurement Department	555,000	52,000	0	52,000	607,000
0304	The Cabinet and Prime Minister's office/Jordan News Agency	2,842,000	45,000	0	45,000	2,887,000
0350	Ombudsman Bureau	803,000	62,000	0	62,000	865,000
0380	Ministry of Parliament Affairs	639,000	25,000	0	25,000	664,000
0401	Audit Bureau	7,394,000	1,465,000	0	1,465,000	8,859,000
0501	Ministry of Public Sector Development	1,318,000	945,000	0	945,000	2,263,000
0601	Civil Service Bureau	2,152,000	856,000	0	856,000	3,008,000
0701	Ministry of Political Development	558,000	70,000	0	70,000	628,000
0801	Ministry of Defence	834,000,000	28,000,000	0	28,000,000	862,000,000
0802	Royal Medical Services	143,100,000	45,650,000	0	45,650,000	188,750,000
0901	Jordan Royal Geographic Centre	1,861,000	460,000	0	460,000	2,321,000
1001	Ministry of Interior	18,126,000	1,635,000	0	1,635,000	19,761,000
1002	Ministry of Interior/Civil Status and Passports Department	7,492,000	2,310,000	0	2,310,000	9,802,000
1003	Ministry of Interior/Public Security	494,200,000	22,700,000	0	22,700,000	516,900,000
1004	Ministry of Interior/Civil Defence	145,400,000	20,800,000	0	20,800,000	166,200,000
1005	Ministry of Interior / Gendamerie Forces	150,500,000	13,400,000	0	13,400,000	163,900,000
1101	Ministry of Justice	46,769,000	8,091,000	0	8,091,000	54,860,000
1201	Supreme Judge Department	10,359,000	3,345,000	0	3,345,000	13,704,000
1301	Ministry of Foreign Affairs	41,851,000	2,200,000	0	2,200,000	44,051,000
1401	Ministry of Foreign Affairs / Palestinian Affairs Department	2,265,000	1,552,000	0	1,552,000	3,817,000
1501	Ministry of Finance	2,587,554,000	222,602,000	0	222,602,000	2,810,156,000
1502	Ministry of Finance/General Budget Department	1,823,000	390,000	0	390,000	2,213,000
1503	Ministry of Finance/Customs Department	22,869,000	2,430,000	0	2,430,000	25,299,000
1504	Ministry of Finance/Lands and Survey Department	16,472,000	895,000	0	895,000	17,367,000
1505	Ministry of Finance/General Supplies Department	1,480,000	275,000	0	275,000	1,755,000
1506	Ministry of Finance/Income and Sales Tax Department	44,561,000	500,000	0	500,000	45,061,000
1601	Ministry of Industry and Trade	8,161,000	4,547,000	0	4,547,000	12,708,000
1602	Ministry of Industry and Trade/Companies Control Department	1,135,000	130,000	0	130,000	1,265,000
1701	Ministry of Planning and International Cooperation/National Planning Council	1,298,000	42,175,000	26,275,000	68,450,000	69,748,000
1702	Ministry of Planning/Department Of Statistics	4,576,000	3,568,000	0	3,568,000	8,144,000
1801	Ministry of Tourism and Antiquities	8,038,000	2,952,000	0	2,952,000	10,990,000
1802	Ministry of Tourism and Antiquities/Antiquities Department	5,517,000	1,815,000	0	1,815,000	7,332,000
1901	Ministry of Municipal Affairs	5,176,000	90,420,000	3,500,000	93,920,000	99,096,000
2001	Ministry of Energy and Mineral Resources	4,550,000	149,200,000	0	149,200,000	153,750,000
2002	Ministry of Energy and Mineral Resources/Natural Resources Authority	3,956,000	2,535,000	0	2,535,000	6,491,000
2101	Ministry of Public Works and Housing	34,778,000	99,950,000	0	99,950,000	134,728,000
2102	Ministry of Public Works and Housing/gov't Tenders Dept	1,169,000	75,000	0	75,000	1,244,000
2201	Ministry of Agriculture	36,992,000	15,927,000	1,800,000	17,727,000	54,719,000
2301	Ministry of Water and Irrigation	1,734,000	91,510,000	0	91,510,000	93,244,000
2302	Ministry of Water and Irrigation/Jordan Valley Authority	9,407,000	31,837,000	3,666,000	35,503,000	44,910,000
2401	Ministry of Environment	1,496,000	1,912,000	0	1,912,000	3,408,000
2501	Ministry of Education	806,842,000	60,040,000	0	60,040,000	866,882,000
2601	Ministry of Higher Education and Scientific Research	66,205,000	28,245,000	0	28,245,000	94,450,000
2701	Ministry of Health	413,156,000	86,820,000	0	86,820,000	499,976,000
2801	Ministry of Social Development	109,037,000	10,630,000	320,000	10,950,000	119,987,000
2901	Ministry of Labour	12,561,000	4,825,000	380,000	5,205,000	17,766,000
3001	Ministry of Culture	2,928,000	5,620,000	0	5,620,000	8,548,000
3002	The Cabinet and Prime Minister's Office/Press and Publication Department	897,000	50,000	0	50,000	947,000
3003	Ministry of Culture/National Library Department	656,000	175,000	0	175,000	831,000
3101	Ministry of Transport	1,803,000	73,700,000	0	73,700,000	75,503,000
3103	Ministry of Transport/Meteorology Department	1,814,000	255,000	0	255,000	2,069,000
3201	Ministry of Information Technology and Communications	2,424,000	10,558,000	0	10,558,000	12,982,000
	Grand total	6,210,140,000	1,209,671,000	35,941,000	1,245,612,000	7,455,752,000

Summary of Functional Classification for Estimated Public Expenditures by Function Category for 2013

(JD 000)

Code	Function category	Current expenditures	Capital expenditures	Total
701	General public services	1,141,245	58,125	1,199,370
702	Defense	820,000	29,000	849,000
703	Public order and safety	854,995	66,626	921,621
704	Economic affairs	111,586	429,623	541,209
705	Environment protection	1,496	84,112	85,608
706	Housing and community amenities	19,467	271,833	291,300
707	Health	576,012	147,350	723,362
708	Religion and culture	97,855	40,887	138,742
709	Education	879,325	101,585	980,910
710	Social protection	1,708,159	16,471	1,724,630
Grand total		6,210,140	1,245,612	7,455,752

Estimated Allocations for Woman, by Chapter for 2011 – 2015

(JD)

Chapter		2011	2012	2013	2014	2015
No.	Title					
0101	Royal Hashemite Court	2,733,408	2,497,930	1,436,970	1,522,470	1,563,510
0201	Parliament	1,437,403	1,340,957	1,581,478	1,431,170	1,447,707
0301	The Cabinet and Prime Minister's Office	1,297,490	1,242,000	1,467,375	1,586,485	1,623,895
0302	The Cabinet and Prime Minister's Office / Legislation and Opinion Bureau	262,000	301,000	351,000	260,000	370,000
0303	The Cabinet and Prime Minister's Office/Joint Procurement Department	176,000	186,000	196,000	202,000	207,000
0304	The Cabinet and Prime Minister's office/Jordan News Agency	429,000	445,000	461,000	475,000	489,000
0350	Ombudsman Bureau	161,519	220,336	229,225	235,053	242,543
0380	Ministry of Parliament Affairs	94,874	179,220	146,080	151,360	155,980
0401	Audit Bureau	1,770,527	1,869,079	2,064,147	1,926,211	1,809,478
0501	Ministry of Public Sector Development	1,118,358	796,632	959,512	987,920	994,704
0601	Civil Service Bureau	721,092	885,972	917,440	786,290	802,455
0701	Ministry of Political Development	246,821	264,735	271,924	277,120	283,182
0901	Jordan Royal Geographic Centre	605,536	605,550	723,030	740,190	756,350
1001	Ministry of Interior	3,544,000	3,945,000	4,157,000	4,297,500	4,412,000
1002	Ministry of Interior/Civil Status and Passports Department	2,458,756	2,410,308	2,764,164	2,841,432	2,892,474
1101	Ministry of Justice	11,549,224	12,849,483	13,892,930	14,295,900	14,730,055
1201	Supreme Judge Department	70,000	40,000	15,000	15,000	15,000
1301	Ministry of Foreign Affairs	10,257,179	9,602,229	10,777,795	11,294,500	11,689,440
1401	Ministry of Foreign Affairs / Palestinian Affairs Department	540,983	611,948	1,030,652	620,460	628,020
1501	Ministry of Finance	382,201,733	415,937,000	441,524,000	472,211,000	496,598,000
1502	Ministry of Finance/General Budget Department	286,474	319,125	339,627	345,848	351,853
1503	Ministry of Finance/Customs Department	663,500	928,000	1,033,000	1,068,000	1,099,000
1504	Ministry of Finance/Lands and Survey Department	2,385,696	2,649,000	3,459,000	3,525,000	3,592,000
1505	Ministry of Finance/General Supplies Department	337,224	373,810	411,250	414,500	420,000
1506	Ministry of Finance/Income and Sales Tax Department	3,792,729	4,642,000	5,386,000	5,541,000	5,693,000
1601	Ministry of Industry and Trade	2,270,330	2,279,548	2,405,843	2,458,663	2,505,384
1602	Ministry of Industry and Trade/Companies Control Department	265,263	336,423	357,072	367,145	377,530
1701	Ministry of Planning and International Cooperation/National Planning Council	7,034,121	5,572,365	6,910,046	7,447,804	9,380,832
1702	Ministry of Planning/Department Of Statistics	1,999,473	1,926,133	2,931,840	6,594,840	3,443,400
1801	Ministry of Tourism and Antiquities	508,631	575,700	612,000	657,000	679,000
1802	Ministry of Tourism and Antiquities/Antiquities Department	543,672	653,000	647,000	666,000	684,000
1901	Ministry of Municipal Affairs	11,168,009	11,492,342	13,308,593	13,251,783	13,246,680
2001	Ministry of Energy and Mineral Resources	615,279	921,900	981,940	1,007,190	1,020,060
2002	Ministry of Energy and Mineral Resources/Natural Resources Authority	685,838	761,810	830,280	853,680	877,280
2101	Ministry of Public Works and Housing	3,687,000	5,080,000	6,955,000	7,161,000	7,372,000
2102	Ministry of Public Works and Housing/gov't Tenders Dept	437,609	501,692	645,051	553,000	565,140
2201	Ministry of Agriculture	7,198,583	8,384,731	8,836,077	9,197,267	9,414,318
2301	Ministry of Water and Irrigation	391,440	399,360	443,070	472,830	481,960
2302	Ministry of Water and Irrigation/Jordan Valley Authority	886,890	964,729	986,340	1,026,820	1,056,690
2401	Ministry of Environment	218,768	244,800	269,280	281,880	289,260
2501	Ministry of Education	355,902,168	400,144,403	450,082,272	467,340,874	490,020,512
2601	Ministry of Higher Education and Scientific Research	21,370,000	29,235,000	29,430,000	29,380,000	29,370,000
2701	Ministry of Health	219,690,215	222,997,630	260,630,513	270,554,596	265,900,816
2801	Ministry of Social Development	72,842,048	70,710,246	73,025,380	73,056,099	73,430,771
2901	Ministry of Labour	3,131,220	5,011,700	5,119,890	5,131,000	5,139,500
3001	Ministry of Culture	1,773,000	1,847,000	1,890,000	1,930,000	1,966,000
3002	The Cabinet and Prime Minister's Office/Press and Publication Department	259,500	268,000	284,000	298,000	317,000
3003	Ministry of Culture/National Library Department	172,000	177,500	188,000	201,000	218,000
3101	Ministry of Transport	571,671	577,068	600,240	643,856	661,000
3103	Ministry of Transport/Meteorology Department	133,560	145,441	158,505	167,512	172,702
3201	Ministry of Information Technology and Communications	5,231,192	4,176,634	5,283,674	5,048,428	5,022,380
Grand total		1,148,129,006	1,240,527,469	1,369,407,505	1,432,799,676	1,476,478,861

Child Allocations Estimated by Chapter 2011- 2015

(JD 000)

Chapter		2011	2012	2013	2014	2015
No.	Title					
1501	Ministry of Finance	27	255	250	250	250
1701	Ministry of Planning and International Cooperation/National Planning Council	723	219	256	186	-
2501	Ministry of Education	688,353	774,265	866,328	899,125	942,854
2701	Ministry of Health	149,205	146,015	175,241	180,046	175,977
2801	Ministry of Social Development	46,093	47,540	48,221	48,510	48,827
2901	Ministry of Labor	922	1,031	1,142	1,153	1,155
3001	Ministry of Culture	380	443	467	492	527
Grand total		885,704	969,767	1,091,905	1,129,762	1,169,590

Capital Expenditures, by Governorate for the Fiscal Year of 2013

(JD 000)

Governorate		Capital expenditures
11	Center/ National Level	447,791
21	Irbid Governorate	89,395
22	Mafraq Governorate	48,675
23	Jerash Governorate	45,767
24	Ajloun Governorate	52,506
31	Capital Governorate	107,491
32	Balqaa' Governorate	57,225
33	Zarqa Governorate	56,087
34	Madaba Governorate	30,905
41	Kerak Governorate	51,450
42	Maan Governorate	84,090
43	Tafeela Governorate	36,809
44	Aqaba Governorate	137,422
Total		1,245,612

Developments in 2013 Budget

The 2013 Budget stresses the government's commitment to take clear and bold steps towards achieving fiscal and economic reforms, restoring public finance balance, stimulating investment in the Kingdom, and promoting private sector participation in the economic activity. Together, real economic growth shall be sustained with high averages that exceed population growth averages.

The main budget developments are summarized as follows:

- I. Consistency between the budget law and the National Fiscal and Economic Reform Program, which aims to enable the fiscal policy to reduce the general budget deficit, consequently, reduce public debt gradually to reach safe levels, and promote the domestic investment environment as well as the Kingdom's position on the global investment map.
- II. Better self-reliance on own-source revenues to fund public expenditures, current expenditures in particular. Such improvement can be spotted in the increased coverage ratio of domestic revenues to current expenditures from 76.4% in 2012 to 85.3% in 2013, which shall, in return, increase the coverage ratio of domestic revenues to public expenses to 71% in 2013 relative to 68.9% in 2012.
- III. The Budget for 2013 is distinguished for the slight growth of current expenditures by 0.4% compared to 7.8% in 2012. The 2013 budget is also noted for the decreased ratio of current expenditures to total expenditures to 83.3% relative to 90.2% in 2012. Consequently, the ratio of current expenditures to GDP was reduced from 28.2% in 2012 to 25.7% in 2013.
- IV. Unprecedented increase in financial appropriations allocated to fund capital projects, in accordance with the agreement concluded between the Kingdom and the Gulf Fund for Development. Capital project appropriations in 2013 budget law have amounted to about JD 1246 million compared to JD 676 million in the 2012 budget, registering a 84.3 percent increase.

- V. Paying due attention to priority sectors in the 2013 Budget, namely energy, water, transport, and governorates development, due to the essential services provided by these sectors to the Jordanian society. The share of financial appropriations allocated for these sectors to total capital expenditures reached 12.0%, 10%, 14% and 5.7% respectively. Total allocations for these sectors combined increased to JD 521 million, forming 41.8% of total capital expenditures for 2013.
- VI. The Budget for 2013 is free of any uncertain foreign grants, which, in return, shall level off the ratio of domestic revenues to GDP on the medium term for 2013-2015 at about 22%, as expected.
- VII. Consolidation of the social safety net through targeting subsidy to eligible citizens of limited and middle income, in lieu of subsidizing oil derivatives directly. Such development shall guarantee a decent life for the poor and strengthen the middle segment, which is considered the main leverage to fulfill the comprehensive reform process in the Kingdom.
- VIII. Consideration of the geographical dimension in mapping out capital projects throughout the Kingdom.

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 to 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 the national goals and priorities.

Based on the new RoB concept, ministries and government 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 Kingdom's general 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 Stands for: Specific, Measurable, Attainable, Relevant, and Time-bound.

Jordan's Budget Calendar

Date	Action	Responsible agency
End of January	Request from all ministries and government 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, as well as capital projects stating their importance and expected results.	GBD
End of February	All ministries and departments shall submit their summary of budget priorities and policies to GBD.	All 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	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. In addition to preparing estimates for public expenditures (both current and capital) and public revenues (covering domestic revenues and foreign grants). 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 and government 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.	All ministries, departments & units
Mid-August	Complete the study of all budget proposals, and prepare a medium-term expenditure framework for ministries and government departments and a medium-term budget framework for government units.	GBD
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-	MOF and GBD

Date	Action	Responsible agency
	term expenditure framework.	
Early September	The Budget Circular shall be issued, after approval.	Council of Ministers
20th September	All ministries, departments and units shall submit their medium-term budget proposals to GBD in line with the Budget Circular.	All ministries, departments & units
Mid-October	Prepare the main features and dimensions of the Draft General Budget Law, and present it to the Consultative Board for discussion and affecting any changes.	GBD & Consultative Board of the General Budget
20 th 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:

- Provide GBD with the priorities and policies of ministries and government departments;
- Complete the Budget Priorities and Policies Paper by GBD, covering the general features of the budget and identifying the fiscal space, which equals (expected domestic revenues + foreign grants + target deficit “bearable”) – (expected current expenditures + expected continuous and underway capital expenditures);
- Submit the Paper 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;
- Have ministries and government 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 shall update the general budget framework, including the fiscal space and the list of priority projects;
- Present the updated fiscal space and list of capital projects (second round) to the Council of Ministers for discussion and approval after affecting necessary changes;
- Provide GBD with capital projects approved by the Council of Ministers, which shall be considered in specifying the ceilings;
- Specify expenditure ceilings for ministries and government departments;
- Review budget forms and amend them as deemed necessary;
- Draft the Budget Circular and attach budget ceilings and forms thereto;

- Have the Budget Circular issued by the Prime Minister;
- Send the Budget Circular to all ministries and government departments with budget forms and respective ceilings;
- Have ministries and government departments send their budget proposals to GBD. GBD analysts shall review the proposals to ensure their compliance with ceilings specified in the Budget Circular issued by the Prime Ministry;
- Have budget proposals entered onto the computer and audited by GBD budget analysts, and send the draft law to the Minister of Finance for approval;
- Forward the Draft Budget Law to the Budget Consultative Board for approval, then ratification by the Council of Ministers; and
- Submit the Draft General Budget Law to the Parliament for approval, in accordance with the constitutional phases.

Potential Risks on the General Budget in the Medium Term

Jordan's general budget might face certain risks in the medium-term for 2013– 2015. 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:

- A significant rise in world oil prices, and thus a rise in the inflation rate. This shall have some social consequences and harm procurement costs of goods and services and costs of projects listed in the general budget;
- Rise in the prices of basic foodstuff, such as wheat whose current subsidy bill places a noticeable burden on the public treasury;
- Continuous unrest in some Arab countries that adversely affected the performance of our national economy, and thus our domestic revenues;
- Frequent disruption of natural gas provision from Egypt; 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:

- The Halt of government decisions on monthly fuel pricing, and giving exceptions for hiring in ministries and government departments;
- Continuation of electricity and water price distortions, especially with the increase in off-budget guarantees for financing the debt of the National Electric Power Company (NEPCO), and accelerating spending growth 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. Consequently, the ratio of net public debt to GDP shall be increased;

- Governmental response to claims filed by some employees to improve their incentives and benefits schemes, which may place additional fiscal burdens on the general budget;
- Issuance of budget supplementary laws for funding additional current and capital expenditures in the 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;
- The 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 next year; and
- Government guarantees for loans provided for funding mega PPP projects.

Translated by:

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