



THE HASHEMITE KINGDOM OF JORDAN

General Budget Department

# Budget in Brief

For the Fiscal Year of 2015

June 2015



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## For the Fiscal Year of 2015

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**USAID**  
FROM THE AMERICAN PEOPLE

مشروع الإصلاح المالي  
Fiscal Reform Project



**HIS MAJESTY  
KING ABDULLAH II BIN AL-HUSSEIN**



**HIS ROYAL HIGHNESS CROWN  
PRINCE HUSSEIN BIN ABDULLAH II**



## **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.

## **OUR VALUES**

Learning  
Transparency  
Collaboration  
Impartiality  
Participation  
Responsibility

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# FOREWORD

The General Budget Department (GBD) has taken measures in recent years to enhance budget transparency and participation, which in turn, saw Jordan's ranking significantly improve in international budget transparency reports.

Along similar lines, the National Integrity Charter and its Executive Plan call for the implementation of projects that will help enhance GBD's work procedures and improve the management of the public budget through the application of results-oriented budgeting (ROB) practices, and allowing public access to the budgets and their supplements through appropriate communication channels and in a manner that guarantees transparency.

Recognizing the importance of the National Integrity Plan and its role in enhancing efficiency, effectiveness and transparency of civil service, the General Budget Department is pleased to present to citizens and budget stakeholders the **Budget in Brief for Fiscal Year of 2015**. This document provides a summary of the 2015 General Budget Law, key economic and fiscal developments in 2014, and the main features, milestones, assumptions and estimates of the 2015 general budget. The 2015 Budget in Brief also includes key budget highlights, a description of the budget preparation process and stages, and the potential risks to the budget in the medium term.

GBD avails itself of this opportunity to stress its commitment to adopting international best practices and procedures in budget management, and enhancing communication with citizens and stakeholders alike to reinforce the principles of good governance.

**Dr. Mohammad Al-Hazaimeh**  
**Director General of the Budget Department**

# SUMMARY OF ECONOMIC AND FISCAL PERFORMANCE IN 2014

Although the ability to achieve high economic growth rates has been significantly restricted due to regional turmoil, national economic performance in 2014 has slightly improved relative to regional and global levels. The gross domestic product (GDP) at constant prices registered a real growth by 3.1% in 2014 compared to 2.8% in 2013. Due to the growth of GDP deflator by 3.4% in 2014 compared to 5.6% in 2013, the GDP at current prices grew by 6.6% compared with 8.6% in 2013.

With regard to the performance of economic sectors, some sectors achieved real growth rates at varying levels in 2014. While rates saw a rapid growth in the “mining and quarrying industries”, “water and electricity”, “agriculture”, “trade, restaurants and hotels”, “private, nonprofit household service producers” sectors, they decelerated in all other sectors compared to 2013. In addition, the Department of Statistics’ data shows that unemployment rates dropped from 12.6% in 2013 to 11.9% in 2014.

With regard to **general Price level developments in 2014**, the Department of Statistics’ data shows that inflation rate as measured by the percentage change in the consumer price index (CPI) reached 2.9% in 2014 compared to 4.8% in 2013. This deceleration of inflation is attributed to a deceleration in the prices of different groups, namely “housing” from 6.8% in 2013 to 4.8% in 2014, “other goods and services” from 5.8 % in 2013 to 1.3% in 2014, and “foodstuff” from 4.2% in 2013 to 0.3% in 2014. On the other hand, prices of “clothes and footwear” increased by 9.3% compared to 4.1% in 2013. It should be noted that the Department of Statistics has started using 2010, instead of 2006, as a base year for calculating inflation rates as of the start of 2015 in line with international methodologies.

In the **external sector**, the Kingdom’s exports in 2014 increased by 7.5% compared to 1.2% in 2013, while imports increased only by 3.1% in 2014 compared to 6.3% in 2013, leading to a rise in trade balance deficit by 1.4% to reach JD 10.2 billion in 2014 compared to JD 10.0 billion in the previous year.



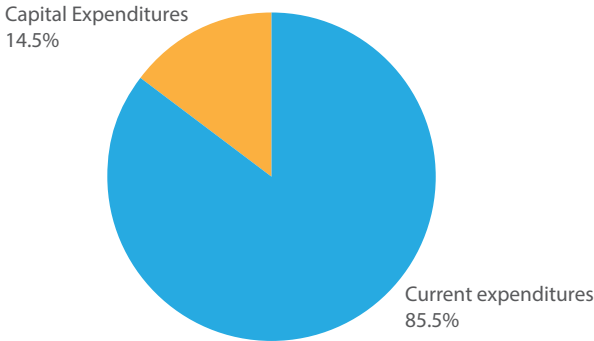
As for key developments in the **balance of payments**, current account deficit decreased in 2014 to JD 1730.4 million (6.8% of GDP), down from JD 2458.0 million (10.3% of GDP) in 2013, due, for the most part, to a rise in net current transfers in 2014 by approximately JD 348 million from their 2013 levels, in addition to a rise in services account surplus by JD 542 million compared to its 2013 levels. Imports of “crude oil and its derivatives” increased by JD 378 million, or 10.2%, to approximately JD 4072 million in 2014 compared to JD 3694 million in 2013 as a result of a higher bill for imported heavy fuel oil and diesel to offset disruptions in Egyptian gas supply, and a lower bill for imported crude oil in 2014 due to falling global oil prices. In addition, bill for imported “foodstuff and livestock” increased to JD 2545.1 million (i.e, a rise by JD 138 million, or 5.7%) compared to 2013 levels.

With regard to **monetary developments**, Central Bank of Jordan data shows that domestic liquidity grew by 6.9% at the end of 2014 compared to a growth of 9.7% at the end of 2013. The 2014 increase came as a result of the increase in net domestic assets of the banking system by 4.2% compared to a 11.8% increase at the end of 2013, on the one hand, and the increase in net foreign assets of the banking system by 14.6% at the end of 2014 compared to their increase by 3.9% at the end of 2013, on the other hand.

Central Bank of Jordan data shows that by the end of 2014 there was an approximately JD 335 million, or 1.8%, rise in total **credit facilities** compared to a JD 1110 million, or 6.2%, by the end of 2013. This increase was mainly concentrated in credit facilities offered to “individuals” and the “constructions” sectors, while credit facilities offered to the “manufacturing”, “general trade”, “transportation services” sectors registered a decline. On the other hand, Central Bank foreign reserves by the end of 2014 increased to a record level, reaching US\$ 14.1 billion, or 17.3%, above its levels at the end of 2013 - enough to cover the Kingdom’s imports of goods and services for 7.3 months.

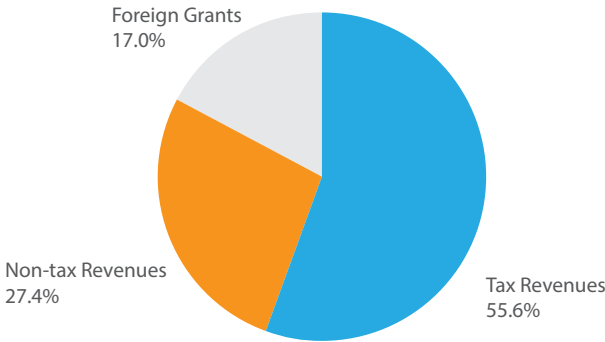
As for **public finance**, public expenditures increased JD 776 million, or 11.0%, to reach JD 7853 million compared to JD 7077 million in 2013, as a result of a JD 661 million, or 10.9 %, increase in current expenditures, as well as an approximately JD 115 million, or 11.3%, increase in capital expenditures.

## Public Expenditures Composition for 2014



Public revenues increased by JD 1509 million (26.2%) from its 2013 levels, reaching JD 7268 million compared to JD 5759 million in 2013. This increase was due to a 17.8% increase in domestic revenues, and an approximately 93.5% increase in foreign grants. Domestic revenues rose mainly due to a 10.5% increase in tax revenues and a 35.9% increase in non-tax revenues.

## Public Revenues Composition for 2014



Accordingly, budget deficit in 2014 (including foreign grants) decreased JD 733 million from its levels in 2013 to reach JD 585 million in 2014 compared to JD 1318 million in 2013. As a percentage of GDP, budget deficit dropped to 2.3% in 2014 compared to 5.5% in 2013.

In light of developments in expenditures and revenues, net public debt at the end of 2014 increased by 7.6% year-on-year to reach JD 20,555.5 million, representing 80.8% of GDP in 2014 compared to a JD 19,096.5 million at the end of 2013, or 80.1% of GDP in 2013.

This increase is due, on one hand, to a 5.6% rise in net domestic debt by the end of 2014 to reach JD 12,525.4 million, or 49.2% of GDP, compared to a 49.7% of GDP in 2013, and to an 11.0% rise, on the other hand, in external debt balance to reach at the end of 2014 nearly 8,030.1 million, or 31.6% of GDP, compared to 30.3% of GDP in 2013.

## Development in Main Economic Indicators

Item	2013	2014
GDP growth at real prices	2.8%	3.1%
Inflation rate	4.8%	2.9%
Unemployment rate	12.6%	11.9%
Growth rate of national exports	1.2%	7.5%
Growth rate of merchandise imports	6.3%	3.1%
Import bill for crude oil & its derivatives	3694	4072
Current account deficit as a percent of GDP	-10.3%	-6.8%
Growth of domestic liquidity	9.7%	6.9%
Official foreign currency reserves (US\$ billion)	12.0	14.1
Growth rate of credit facilities granted by licensed banks	6.2%	1.8%
Public expenditures (JD million) as a percent of GDP	7,077.2 29.7%	7,852.9 30.9%
Public revenues (JD million) as a percentage of GDP	5,758.9 24.1%	7,267.6 28.6%
General budget deficit including foreign grants (JD million) as a percentage of GDP	-1,318 -5.5%	-585.3 -2.3%
Net public debt (JD million) as a percentage of GDP	19,096.5 80.1%	20,555.5 80.8%
External debt balance (JD million) as a percentage of GDP	7,234.5 30.3%	8,030.1 31.6%
Net domestic debt (JD million) as a percentage of GDP	11,862.0 49.7%	12,525.4 49.2%

In 2014, the government has taken several measures that reflected its determination to keep budget deficit within safe levels. Measures included the rationalization of spending, increasing domestic revenues, and enhancing investment activities in the Kingdom. The government decided to cut allocations for fuel by 25% for all ministries and government departments governed by the 2014 General Budget Law and all institutions, commissions and independent units governed by the Government Units' Budgets' Law. The government also ordered all ministries, government departments and independent units not to use vehicles with engines above CC 2000 unless absolutely necessary and banned the purchase of vehicles with engines above CC 1600 unless special permission is granted by the prime minister and justifications are presented. In addition, all ministries, government departments and units were instructed to ban employees who receive a vehicle allowance from using government-owned vehicles. Instructions for organizing fuel purchase requests domestically in 2014 were issued in accordance with article (69) of the Supplies By-law to set controls for actual fuel consumption to keep it within allocated levels and prevent the accumulation of arrears of ministries and government departments.

In an effort to control the recruitment of new employees at government entities and enhance equity and equal job opportunities, all government agencies are now governed by the Civil Service By-Law and appointments in all government entities, excluding the Central Bank, must be from the Civil Service Bureau's HR database.

To minimize public spending, the government has taken steps to cancel and/ or merge public entities that share similar functions in accordance with the Restructuring Law. Restructured entities include:

- The Jordan Investment Board and the Development and Free Zones Commission: Cancelled and merged into the Jordan Investment Commission.
- The Electricity Regulatory Commission and the Nuclear Regulatory Commission: Cancelled and merged into the Energy and Minerals Regulatory Commission.
- Natural Resources Authority: Cancelled and merged into the Ministry of Energy and Mineral Resources.
- The Press and Publications Department and the Audio Visual Commission: Cancelled and merged into the Media Commission.

- Insurance Commission: Cancelled and merged into the Minister of Industry, Trade and Supply.
- Executive Privatization Commission: Cancelled and merged into the Ministry of Finance.

In addition, the budgets of the Kidney Failure Fund and education tax were not listed in the draft government units' budget law as they are not considered independent entities separate from their relevant ministries.

To enhance domestic revenues and promote investment in the Kingdom, the Government enacted a new income tax law to facilitate tax reform, lead to more effective tax collections, and limit tax evasion. The government also increased tariffs and taxes on a number of luxury goods such as tobacco and alcohol, and increased visa and work permit fees. On the other hand, the government enacted a new investment law to help create an enabling environment for local and foreign investments and, in turn, enhance economic growth, create employment opportunities and increase exports. In addition, the Public Private Partnership Law was enacted to allow greater and more effective cooperation between the public and private sectors in achieving objectives that serve national economy.

Upon the directives of His Majesty the King, the government is finalizing the "Jordan Vision 2025" which will offer a 10-year blueprint for national economy. The document sets a comprehensive framework that will govern economic and social policies which provide equal opportunities for all and are based on the principles of the rule of law, equal opportunity, participatory policymaking, financial sustainability, and stronger institutions.

## **BUDGET MILLSTONES AND ASSUMPTIONS FOR 2015**

In accordance with the national fiscal and economic reform program, the government will continue its efforts towards achieving more fiscal consolidation at the macroeconomic and sectoral levels and improving the allocation of available financial resources to sectors and geographic locations to ensure an equitable distribution of development gains across all regions of the Kingdom.

In addition, the Government is currently developing a future vision of the Jordanian economy for the next 10 years in accordance with an integrated framework that strengthens and stabilizes the pillars of fiscal and monetary policy, boosts the competitiveness of national economy, and reinforces productivity and self-reliance to achieve comprehensive and sustainable development.

Within this framework, a comprehensive vision of public finance in the Kingdom will be developed to improve domestic revenue levels, control, rationalize and enhance the efficiency of public spending, and re-orient spending to best serve national priorities. The vision also aims at ensuring proper utilization of financial resources to narrow deficit and curb the growth of public debt, which remains the biggest challenge to the government, considering the impact of regional and international circumstances on the kingdom's economy and finances and the need for measures to be taken in order to reduce and keep debt and budget deficit at safe levels.

Reform policies and measures in the economic, social and political fields are based on the pillars of the National Integrity Plan, which include: the rule of law, equal opportunity, equity in all aspects of life, and participatory decision-making. The implementation of the projects of the National Integrity Plan will help to enhance and reinforce transparency, disclosure and participation in public financial management. Along similar lines, efforts will continue to be made to ensure that the formulation of the general budget is done in accordance with results-oriented budgeting methodologies, the Medium Term Fiscal Framework and international best practices. GBD will also continue its efforts to develop a performance monitoring and

evaluation system for all ministries, government departments and units that will enable the economy to become more self-reliant, and resilient in the face of regional and international developments.

The estimates in the 2015 General Budget Law were based on a number of milestones, mainly:

1. A continued commitment to the national fiscal and economic reform program that aims at containing budget deficit and public debt to make national economy more efficient and resilient in dealing with regional and international economic and political developments, thereby reinforcing the foundation for fiscal and monetary consolidation.
2. Enhancing the social safety net by ensuring that assistance is given to eligible beneficiaries from the low and middle-income segments.
3. The importance for various types of renewable energy projects is stressed in order to prevent the energy bill from rising due to the increase in the cost of gas inputs alternatives, such as fuel oil and diesel, for electricity generation.
4. Local communities are allowed greater participation in identifying development the needs and priorities of governorates to ensure equitable distribution of gains across the Kingdom. This is done by activating the financing role of the Governorates Development Fund, which aims at funding development plans and capital projects in governorates.
5. Cutting unproductive spending, restructuring government agencies, cancelling and/or merge agencies with similar functions and adopting and disseminating the principles of good governance in the areas of monitoring, evaluation and accountability in accordance with international best practices to ensure optimal utilization of available resources.
6. Various components of the National Integrity plan are implemented to reinforce transparency, disclosure and participation in the management of public finances.
7. Seeking the necessary funding for the general budget at the lowest costs by adopting a clearly-defined government plan for alternative financing solutions to fund the budget deficit in line with the public debt management framework. This would help in reaching safe levels of debt, reinforcing Jordan's credibility regionally and internationally and its serious commitment to economic and fiscal reforms.

8. Greater reliance on own resources is increased and self-dependence to cover public expenditures is enhanced by implementing more efficient tax collection mechanisms, and limiting tax evasion and avoidance. In addition, reliance of independent government units on their own resources to finance their expenditures and minimize their dependence on the treasury is increased.
9. Optimal utilization of the Gulf Development Fund's grant is ensured by focusing on priority development projects that yield economic and social benefits, especially in the energy, transport, roads, water, education, health and governorates development sectors.

**Expenditure and revenue estimates in the 2015 General Budget Law were based on assumptions related to the following fiscal measures:**

- Budget supplements would not be issued unless absolutely necessary. It is worth mentioning that the government did not issue supplements in 2013 and 2014 for the first time since 2000.
- Growth rates across all public expenditure line items, especially current expenditures, would be controlled.
- The social safety net is enhanced and assistance is provided to eligible beneficiaries from the middle and low-income segments.
- A hiring freeze is imposed across all ministries, government departments and units, and recruitment is only allowed in necessary cases upon the approval of the cabinet and availability of needed allocations.
- Necessary appropriations shall be allocated for tenure of workers who are not included in the manpower tables, while taking into consideration the JD 15 increase in the personal cost of living allowance for third level employees.
- Allocations are made to cover interest on domestic and external debt.
- Necessary allocations are made for medical treatments, medicines, and medical supplies.
- Necessary allocations are made for operational expenditures, especially in relation to fuel, electricity and water while ensuring continuous rationalization of spending in these line items.
- The public sector restructuring program is continued in accordance with the Law on Restructuring Ministries, Government Departments and Units to improve government performance and control public



spending by cancelling and merging ministries and government agencies that share similar functions.

- Effective control systems are adopted, especially in government units to increase their dependence on their own resources to fund their expenditures and reduce reliance on the treasury.
- Necessary allocations continue to be made for strategic national projects to create jobs for the Jordanian workforce, especially in poverty pockets and disadvantaged areas.
- The ban on vehicle and furniture purchases is maintained and government-owned vehicles used by government employees are taken away.
- Public resource management projects that rely on modern technology are implemented in cooperation with concerned entities. These projects include the government financial information management system (GFMIS), government procurements and inventory management, and government fleet management project.
- Necessary allocations are made for the Governorates Development Fund and the Governorates' Infrastructure Program to ensure equitable distribution of development gains across the Kingdom through implementing productive and income-generating projects that create employment opportunities for citizens.
- Necessary allocations are made to implement vital development projects in the energy, roads, transport, water, education, health, and governorates' development sectors from the Gulf Development Fund's grant.
- No allocations are made for new projects, except for strategic projects and projects funded by foreign grants and loans.
- Necessary allocations continue to be made for the armed and security forces to ensure stability, which is the cornerstone of economic stability and fiscal consolidation.
- The new income tax law is enacted to facilitate tax administration reform, increase the efficiency of tax collections, and limit tax evasion.

# MACROECONOMIC PROJECTIONS FOR 2015

The 2015 budget law was based on the following projections for a number of key economic indicators:

1. The performance of national economy will remain modest in light of the regional political and security conditions. GDP at constant prices is expected to grow by 4.0% in 2015, and 4.5% in 2016 and 2017. Nominal GDP is expected to grow by 7.7% in 2015, 7.8% in 2016, and 7.5% in 2017.
2. Inflation rate (measured by percentage change in consumer price index) is expected to reach 2.4% in 2015 and 2016 and 2.2% in 2017.
3. Exports of goods are expected to grow by 3.8% in 2015, 3.3% in 2016 and 4.1% in 2017.
4. Imports of goods are estimated to drop by 1.6% in 2015, 1.7% in 2016 and grow by 2.8% in 2017.
5. Current account deficit in the balance of payments as a percentage of GDP is estimated to reach 8.1% in 2015, drop to 4.7% in 2016, and 3.8% in 2017.
6. The Central Bank of Jordan will continue to hold a comfortable level of foreign reserves in the next three years, which would be enough to cover the Kingdom's imports of goods and services for at least 6 months.

## Macroeconomic Projections for 2015 –2017

Indicator	2015	2016	2017
GDP growth rate at current prices (%)	7.7	7.8	7.5
GDP growth rate at constant prices (%)	4.0	4.5	4.5
Inflation rate (CPI) %	2.4	2.4	2.2
Growth rate of merchandise exports %	3.8	3.3	4.1
Growth rate of merchandise imports %	1.6-	1.7-	2.8
Current account deficit as a percent of GDP %	8.1	4.7	3.8
Average price of oil per barrel (2015-2017)	100 US\$ *		

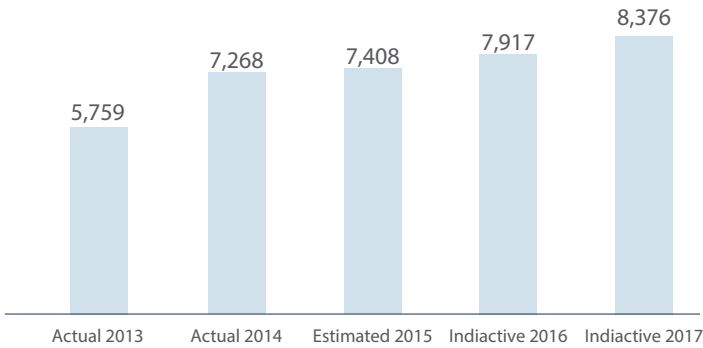
\* Assuming that the price of oil is considered by the Lower House of Parliament to be US\$ 60 / barrel, current expenditures in the 2015 draft general budget law was reduced by JD (220) million.

# MAIN BUDGET HIGHLIGHTS FOR 2015

## First: Public Revenues

Public revenues in 2015 are estimated at JD 7408 million, comprising 26.7% of GDP, compared to 28.6% in 2014. This percentage is expected to drop in 2016 and 2017 to 26.5% and 26.0% respectively.

### Public Revenues for 2013-2017

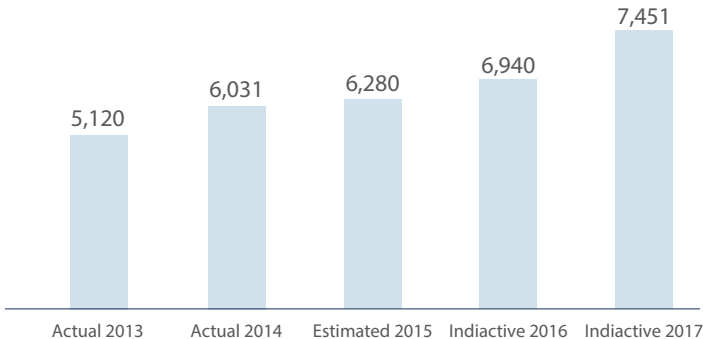


### Public Revenues for 2015 are distributed as follows:

#### 1. Domestic Revenues:

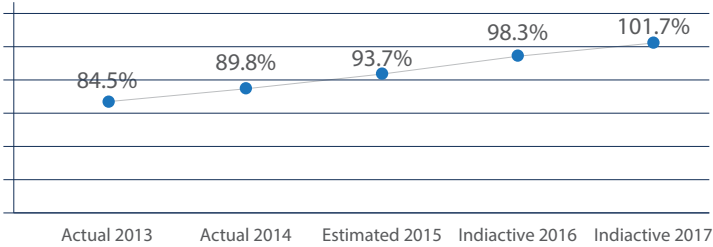
Domestic revenues in 2015 are estimated to reach JD 6280 million, growing 4.1% from their levels in 2014 to represent approximately 22.6% of GDP compared to 23.7% in 2014.

### Domestic Revenues for 2013-2017



Accordingly, the coverage ratio of domestic revenues to current expenditures increased from 89.8% in 2014 to 93.7% in 2015, and would continue to increase gradually in 2016 and 2017 to 98.3% and 101.7% respectively.

### Coverage Ratio of Domestic Revenues to Current Expenditures for 2013-2017



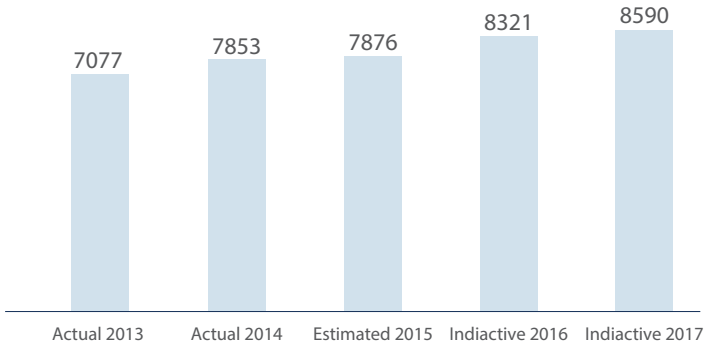
### 2. Foreign Grants

Foreign grants in 2015 are estimated to reach JD 1128 million compared to JD 1237 million in 2014, with JD 806 million coming from the Gulf Cooperation Council and JD 322 million from donor countries, mainly the United States and the European Union.

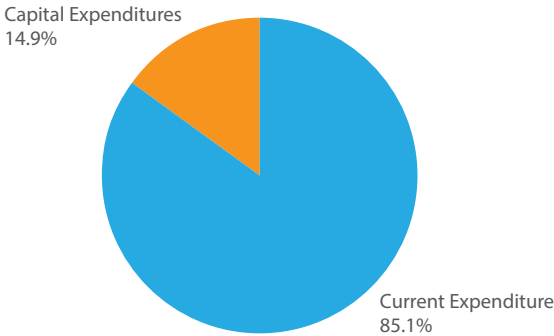
### Second: Public Expenditures

Public expenditures in 2015 are estimated to reach nearly JD 7876 million compared to JD 7853 in 2014, increasing by JD 24 million, or 0.3 %, (i.e., 28.4% of GDP, against 30.9% in 2014). This percentage is expected to drop in 2016 and 2017 to 27.8% and 26.7% respectively.

### Public Expenditures for 2013-2017



## Public Expenditures Composition for 2015

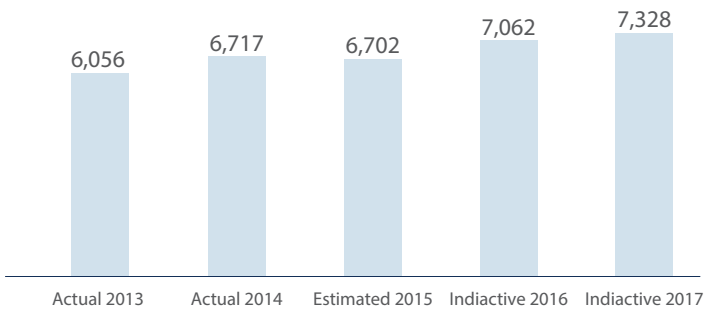


### Public Expenditures for 2015 are distributed as follows:

#### 1. Current Expenditures

Current expenditures are estimated to reach around JD 6702 million in 2015, falling by 0.2% from its 2014 levels and constituting 24.2% of GDP compared to 26.4% in 2014. This decline is expected to continue in 2016 and 2017 to reach 23.6% and 22.8% respectively. The decline is due to the decision of the Lower House of Parliament to reduce current expenditures in the 2015 draft budget law by approximately JD 220 million in view of falling oil prices. The reduction in current expenditures resulted mainly from the cancellation of the fuel subsidy compensations item, which amounted to JD 180 million and the reduction of ration subsidies item by JD 23 million.

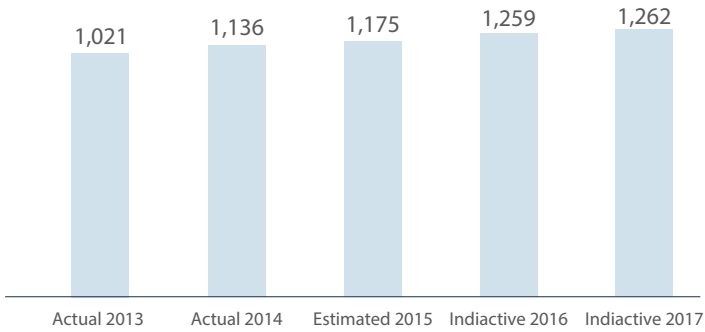
### Current Expenditures for 2013-2017



## 2. Capital Expenditures

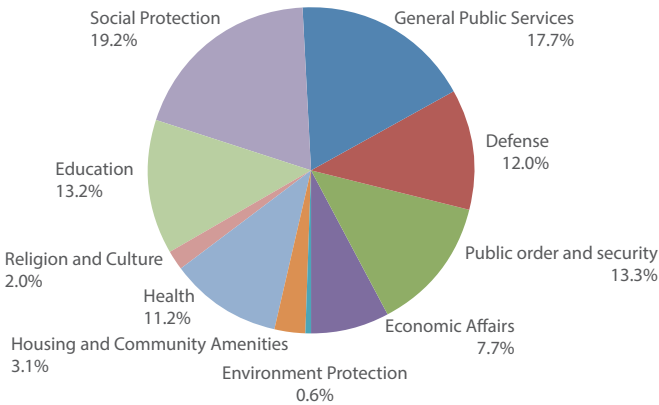
Capital expenditures in 2015 are estimated to reach approximately JD 1175 million, or 4.2% of GDP, increasing by JD 39 million, or 3.4%, from its levels in 2014 and constituting 14.9% of total expenditures.

### Capital Expenditures for 2013-2017



Capital expenditures as a percentage of GDP in 2016 are expected to remain at the same levels of 2015 and fall in 2017 to approximately 3.9%.

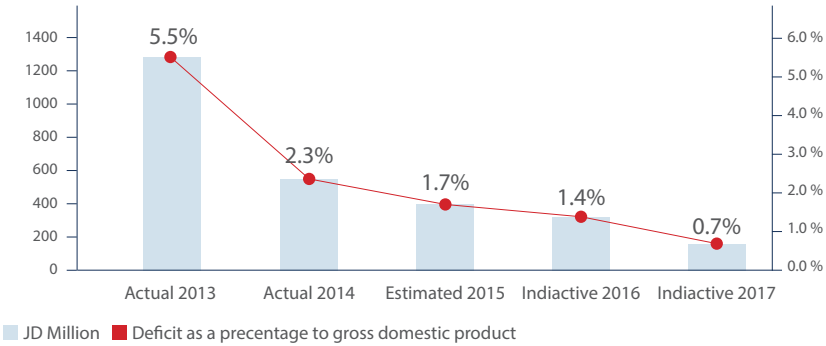
### Functional Classification of Public Expenditures for 2015



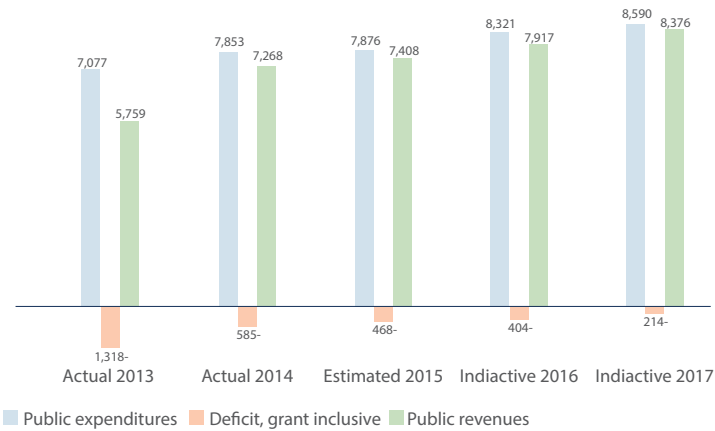
### Third: Fiscal Deficit

Given developments in revenues and expenditures, fiscal deficit (after foreign grants) is expected to reach JD 468 million, or 1.7% of GDP, in 2015 compared to a 2.3% deficit in 2014, and is expected to drop further to 1.4% in 2016 and 0.7% in 2017.

### General Budget Deficit, grants inclusive for 2013-2017



### General Budget Summary for 2013-2017



## General Budget Summary for 2013- 2017

(JD million)

Indicator	Actual 2013	Actual 2014	Estimated 2015	Indicative 2016	Indicative 2017
Domestic revenues	5,119.8	6,031.1	6,280.0	6,940.0	7,451.0
Foreign grants	639.1	1,236.5	1,128.0	977.0	925.0
<b>Total public revenues</b>	<b>5,758.9</b>	<b>7,267.6</b>	<b>7,408.0</b>	<b>7,917.0</b>	<b>8,376.0</b>
Current expenditures	6,056.1	6,716.6	6,701.5	7,061.8	7,328.4
Capital expenditures	1,021.0	1,136.3	1,174.9	1,259.2	1,261.9
<b>Total public expenditures</b>	<b>7,077.2</b>	<b>7,852.9</b>	<b>7,876.4</b>	<b>8,321.0</b>	<b>8,590.3</b>
General budget deficit					
Including grants	- 1,318.2	- 585.3	- 468.4	- 404.0	- 214.3
Excluding grants	- 1,957.3	- 1,821.8	- 1,596.4	- 1,381.0	- 1,139.3
General budget deficit as a percentage of GDP					
Including grants	- 5.5%	- 2.3%	- 1.7%	- 1.4%	- 0.7%
Excluding grants	- 8.2%	- 7.2%	- 5.8%	- 4.6%	- 3.5%

### Financial Solvency Indicators

Indicator	Actual 2013	Actual 2014	Estimated 2015	Indicative 2016	Indicative 2017
Ratio of public revenues to GDP	24.1%	28.6%	26.7%	26.5%	26.0%
Ratio of domestic revenues to GDP	21.5%	23.7%	22.6%	23.2%	23.2%
Ratio of foreign grants to GDP	2.7%	4.9%	4.1%	3.3%	2.9%
Ratio of public expenditures to GDP	29.7%	30.9%	28.4%	27.8%	26.7%
Ratio of current expenditures to GDP	25.4%	26.4%	24.2%	23.6%	22.8%
Ratio of capital expenditures to GDP	4.3%	4.5%	4.2%	4.2%	3.9%
Ratio of capital expenditures to public expenditures	14.4%	14.5%	14.9%	15.1%	14.7%
Coverage ratio of domestic revenues to public expenditures	72.3%	76.8%	79.7%	83.4%	86.7%
Coverage ratio of domestic revenues to current expenditures	84.5%	89.8%	93.7%	98.3%	101.7%



## Estimated Public Expenditures by Chapter for Fiscal Year of 2015

(JD Thousand)

Chapter	Expenditures				Total of Chapter
	Current	Capital			
		Treasury	Loans	Total	
Royal Hashemite Court	40,784	0	0	0	40,784
Parliament	20,989	0	0	0	20,989
Prime Ministry	26,862	14,980	0	14,980	41,842
Prime Ministry / Legislation and Opinion Bureau	864	30	0	30	894
Prime Ministry / Joint Procurement Department	698	40	0	40	738
Prime Ministry / Jordan News Agency	3,071	50	0	50	3,121
Ombudsman Bureau	953	100	0	100	1,053
Audit Bureau	7,674	620	0	620	8,294
Ministry of Public Sector Development	1,309	350	0	350	1,659
Civil Service Bureau	2,608	1,082	0	1,082	3,690
Ministry of Political and Parliamentary Affairs	1,250	50	0	50	1,300
Ministry of Defense	925,000	30,100	0	30,100	955,100
Royal Medical Services	160,500	38,300	0	38,300	198,800
Royal Jordanian Geographic Center	1,833	730	0	730	2,563
Ministry of Interior	20,492	1,825	0	1,825	22,317
Ministry of Interior / Civil Status and Passports Department	8,506	2,610	0	2,610	11,116
Ministry of Interior / General Security	559,000	26,850	0	26,850	585,850
Ministry of Interior / Civil Defense	166,000	21,800	0	21,800	187,800
Ministry of Interior / Gendarmerie Forces	177,000	15,300	0	15,300	192,300
Ministry of Justice	49,392	7,730	0	7,730	57,122
Supreme Judge Department	12,366	475	0	475	12,841
Ministry of Foreign Affairs	51,630	2,700	0	2,700	54,330
Ministry of Foreign Affairs / Department of Palestinian Affairs	2,374	840	0	840	3,214
Ministry of Finance	2,573,276	88,096	0	88,096	2,661,372
Ministry of Finance / General Budget Department	1,904	250	0	250	2,154
Ministry of Finance / Customs Department	24,381	4,550	0	4,550	28,931
Ministry of Finance / Department of Lands and Survey	16,804	1,305	0	1,305	18,109
Ministry of Finance / General Supplies Department	1,722	110	0	110	1,832
Ministry of Finance / Income and Sales Tax Department	45,349	500	0	500	45,849

Chapter	Expenditures				Total of Chapter
	Current	Capital			
		Treasury	Loans	Total	
Royal Hashemite Court	40,784	0	0	0	40,784
Ministry of Industry and Trade	9,063	21,420	0	21,420	30,483
Ministry of Industry and Trade / Companies Control Department	1,275	105	0	105	1,380
Ministry of Planning and International Cooperation / National Planning Council	1,744	99,050	13,700	112,750	114,494
Ministry of Planning / Department of Statistics	5,016	9,065	0	9,065	14,081
Ministry of Tourism and Antiquities	9,018	3,255	0	3,255	12,273
Ministry of Tourism and Antiquities / Department of Antiquities	6,245	1,605	0	1,605	7,850
Ministry of Municipal Affairs	7,338	153,550	0	153,550	160,888
Ministry of Energy and Mineral Resources	8,346	141,935	0	141,935	150,281
Ministry of Public Works and Housing	41,629	89,320	0	89,320	130,949
Ministry of Public Works and Housing / Government Tenders Department	1,313	50	0	50	1,363
Ministry of Agriculture	47,381	10,899	3,759	14,658	62,039
Ministry of Water and irrigation	2,246	52,457	0	52,457	54,703
Ministry of Water and irrigation / Jordan Valley Authority	11,945	39,550	905	40,455	52,400
Ministry of Environment	1,866	2,398	0	2,398	4,264
Ministry of Education	846,481	63,690	0	63,690	910,171
Ministry of higher Education and Scientific Research	66,179	38,505	0	38,505	104,684
Ministry of Health	587,059	54,500	0	54,500	641,559
Ministry of Social Development	113,274	11,870	0	11,870	125,144
Ministry of Labor	15,558	4,963	0	4,963	20,521
Ministry of Culture	3,057	5,475	0	5,475	8,532
Ministry of Culture / Department of the National Library	770	140	0	140	910
Ministry of Transport	3,445	69,727	0	69,727	73,172
Ministry of Transport / Meteorology Department	1,916	590	0	590	2,506
Ministry of Information and Communication Technology	4,778	20,997	0	20,997	25,775
<b>Total</b>	<b>6,701,533</b>	<b>1,156,489</b>	<b>18,364</b>	<b>1,174,853</b>	<b>7,876,386</b>

## Summary of Functional Classification for Estimated Public Expenditures by Functional Category for the Fiscal Year of 2015

(JD Thousand)

Functional Category	Current expenditures	Capital expenditures	Total
General public services	1,346,722	48,687	1,395,409
Defense	906,600	30,100	936,700
Public order and safety	971,884	74,185	1,046,069
Economic affairs	137,659	468,901	606,560
Environment protection	1,866	48,798	50,664
Housing and community amenities	23,729	222,462	246,191
Health	778,209	107,550	885,759
Religion and culture	112,586	45,475	158,061
Education	924,425	112,005	1,036,430
Social protection	1,497,853	16,690	1,514,543
<b>Total</b>	<b>6,701,533</b>	<b>1,174,853</b>	<b>7,876,386</b>

## Total Capital Expenditures by Governorate for the Fiscal Year of 2015

(JD Thousand)

Governorate	Capital Expenditures
Center	412,069
Irbid Governorate	81,757
Mafraq Governorate	47,456
Jerash Governorate	37,932
Ajloun Governorate	42,931
Capital Governorate	91,980
Balqaa' Governorate	60,128
Zarqa Governorate	63,899
Madaba Governorate	37,716
Kerak Governorate	55,237
Maan Governorate	92,184
Tafeela Governorate	37,728
Aqaba Governorate	113,837
<b>Total</b>	<b>1,174,853</b>

# GENDER RESPONSIVE AND CHILD-FRIENDLY BUDGETING

In support of women's and children's rights, the General Budget Department has paid special attention to ensure that the public budget is prepared and executed in accordance with gender responsive and child-friendly budgeting methodologies, which identify the special needs of women and children and allocate the necessary resources to meet those needs.

With regard to gender responsive budgeting, GBD has joined forces with the UN Women to review gender-related activities, programs and performance indicators in the budgets of ministries and government departments, and identify allocations for women by programs. Recognizing the role of women as strategic partners in the Kingdom's development efforts, GBD also seeks to secure financial allocations to support institutions and commissions that are concerned with women's affairs.

## Estimated Allocations for Women, by Chapter for 2013-2015

(JD Thousand)

Chapter	2013	2014	2015
Royal Hashemite Court	6,660	6,793	7,749
Parliament	3,611	3,835	3,834
Prime Ministry	1,030	1,133	1,251
Prime Ministry / Legislation and Opinion Bureau	326	372	432
Prime Ministry / Joint Procurement Department	155	176	199
Prime Ministry / Jordan News Agency	460	477	510
Ombudsman Bureau	178	185	259
Audit Bureau	1,827	1,831	1,919
Ministry of Public Sector Development	460	505	587
Civil Service Bureau	991	1,059	1,174
Ministry of Political and Parliament Affairs	0	268	288
Royal Jordanian Geographic Center	344	412	456
Ministry of Interior	4,157	4,519	4,918
Ministry of Interior/ Civil Status and Passports Department	2,134	2,306	2,431
Ministry of Justice	13,099	13,531	14,518
Supreme Judge Department	27	150	175
Ministry of Foreign Affairs	10,339	12,032	13,272
Ministry of Foreign Affairs / Department of Palestinian Affairs	511	551	627

(JD Thousand)

Chapter	2013	2014	2015
Royal Hashemite Court	6,660	6,793	7,749
Parliament	3,611	3,835	3,834
Ministry of Finance	416,923	446,028	469,886
Ministry of Finance / General Budget Department	388	449	452
Ministry of Finance / Jordan Customs	1,138	1,143	1,219
Ministry of Finance / Lands and Survey Department	4,200	4,422	4,537
Ministry of Finance / General Supplies Department	444	460	583
Ministry of Finance / Income and Sales Tax Department	9,980	10,152	10,403
Ministry of Industry, Trade and Supply	3,240	3,536	8,808
Ministry of Industry and Trade / Companies Control Department	400	423	456
Ministry of Planning and International Cooperation / National Planning Council	6,846	9,920	10,005
Ministry of Planning / Department of Statistics	1,914	2,584	8,175
Ministry of Tourism and Antiquities	2,652	2,973	3,115
Ministry of Tourism and Antiquities / Department of Antiquities	819	876	941
Ministry of Municipal Affairs	12,500	12,732	1,418
Ministry of Energy and Mineral Resources	996	989	1,956
Ministry of Energy and Mineral Resources/ Natural Resources Authority	1,034	1,035	0
Ministry of Public Works and Housing	4,973	5,366	5,725
Ministry of Public Works and Housing/ Government Tenders Department	545	618	697
Ministry of Agriculture	8,850	9,926	10,148
Ministry of Water and Irrigation	431	526	606
Ministry of Water and Irrigation / Jordan Valley Authority	954	1,216	1,230
Ministry of Environment	318	362	450
Ministry of Education	459,048	494,053	511,982
Ministry of higher Education and Scientific Research	33,800	50,300	51,352
Ministry of Health	257,427	333,373	357,703
Ministry of Social Development	63,062	65,314	66,902
Ministry of Labor	5,103	6,305	6,368
Ministry of Culture	1,012	1,141	1,240
Prime Ministry / Press and Publications Department	322	317	0
Ministry of Culture / Department of the National Library	313	327	362
Ministry of Transport	505	532	622
Ministry of Transport / Meteorology Department	161	175	186
Ministry of Information and Communication Technology	4,751	3,625	9,564
<b>Total</b>	<b>1,351,355</b>	<b>1,521,331</b>	<b>1,601,686</b>

GBD has sought in recent years to make a qualitative leap in the area of children’s budgets and has been collaborating with competent international organizations in this regard. GBD signed a cooperation agreement with the UNICEF concerning child-friendly budgeting to support the protection of children’s rights and promote a more efficient use of available resources to achieve the best results, generally, and for specific segments of society, in particular, such as children. To that end, GBD has exerted tremendous efforts to restructure programs and activities related to children and develop more key performance indicators which are focused on children.

### Child Allocations Estimated by Chapter for 2013-2015

(JD Thousand)

Chapter	2013	2014	2015
Ministry of Finance	250	250	250
Ministry of Planning and International Cooperation/ National Planning Council	3,318	4,000	4,385
Ministry of Education	841,960	883,273	909,474
Ministry of Health	162,263	212,949	226,511
Ministry of Social Development	31,111	32,343	32,961
Ministry of Labor	350	250	250
Ministry of Culture	140	150	155
<b>Total</b>	<b>1,039,392</b>	<b>1,133,215</b>	<b>1,173,986</b>

## DEVELOPMENTS IN THE 2015 BUDGET

The 2015 General Budget Law translates into action the government's economic and fiscal reform policy, which stems from the national economic and fiscal reform program. In view of the positive results that the government has achieved in recent years in this regard, international reports have indicated that the Jordanian economy is on the right track to regain fiscal balance and stimulate economic growth. The government will continue its efforts to gradually reduce budget deficit until national economy becomes self-reliant, so as to enhance local and international trust and confidence. Key highlights of the 2015 budget are as follows:

- I. Public spending in 2015 is restricted as total expenditures are kept at the same level estimated in the 2014 budget, which is JD 8.1 billion. This will allow the 2015 estimated budget deficit to reach JD 688 million, or 2.5% of GDP, compared to JD 585 million, or 2.3% of GDP, in 2014. In view of the Lower House of Parliament's decision to reduce current expenditures in the draft 2015 General Budget Law by nearly JD 220 million, total expenditures have dropped to JD 7.9 billion, and deficit also dropped to nearly JD 468 million, or 1.7% of GDP.
- II. Current expenditure coverage by domestic revenues rises to 90.7% in the 2015 budget law, compared to 89.8% in 2014. This is a testament to the government's determination to rely on its own resources to cover spending. In view of the abovementioned decision by the Lower House of Parliament, the percentage would increase to 93.7% in the 2015 budget law.
- III. Projects funded by the Gulf Fund for Development represented nearly 43.4% of total capital expenditures, as the local development, energy, education, roads, health, security and defense, water, and transportation sectors comprised 82% of total capital expenditures in 2015.
- IV. The 2015 General Budget Law indicated for the first time that the government would possibly issue Islamic Sukuks in accordance with the Islamic Sukuk Financing Law No.30 of 2012.
- V. Measures to enhance the transparency of data contained in the budget law were taken. Fuel allocations for machinery, transport vehicles, and project vehicles have been listed in line item separately from fuel allocations for sedan cars. In addition, allocations for cash subsidies

have been re-classified under social assistance in the budget of the Ministry of Social Development.

- VI. The Geographic dimension has been taken into consideration in the distribution of capital projects so as to cover all governorates in an attempt to ensure equitable distribution of development gains across the Kingdom.
- VII. The Social safety net is enhanced through ensuring that subsidies are given only to eligible beneficiaries from the middle and low income segments, while high income segments are denied access to such subsidies.



# 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 SMART<sup>1</sup> 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:

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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
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

Date	Action	Responsible agency
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 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

The general budget faces a number of potential risks in the medium term (2015-2017), some of which are beyond domestic control, while others are due to the absence of some necessary policies and measures. The main risks are:

## 1. Uncontrollable Risks:

- The amount of assistance received from other countries, especially oil-exporting countries, would decrease if global oil prices continue to drop and regional security continues to deteriorate, which would affect the government's plans to maintain low levels of budget deficit.
- Demand for Jordanian exports by key trade partners, especially neighboring countries, would decline as oil prices in world markets continue to drop and security conditions in the region continue to deteriorate.
- Risks associated with regional unrest and political conflicts would lead to continued instability and more influx of refugees, which would place enormous pressures on public finance, adversely impact national economy, and increase the burden on vital sectors that provide services to citizens, such as education and health. That would require the allocation of substantial resources to increase the efficiency of provided services.
- Global prices of oil and food would go back up as regional conditions worsen, increasing the bill for imported oil and foodstuff, decelerating the value of Jordanian exports, and consequently widening the current account deficit of the balance of payments.

## 2. Controllable Risks:

- Implementation of capital projects that are tied to the Gulf grant could slow down and indicators agreed upon under EU grant programs, negatively affecting the amount of grants to the Treasury.
- A lack of commitment to implementing the national economic and fiscal reform program would affect the creditworthiness of national economy and the government's ability to secure the necessary resources for major funding needs.
- Suspension of government decisions to price oil derivatives on monthly basis, and granting exceptions to allow new recruitments in ministries and government departments.

- Delay in addressing the losses and debt problems of NEPCO and the Water Authority, continued distortions of electricity and water prices, especially as off-budget collateral for NEPCO's debt has been increasing, and spending on the water sector has been growing rapidly.
- Non-compliance with the decision to not guarantee the loans of independent public institutions, since such guarantees would increase net public debt and its ratio to GDP.
- The Government conceding to the demands of some ministries and government departments for more incentives and remunerations to their staff, which would overburden the general budget and raise questions about the government's determination to control spending in general and current expenditures in particular.

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