

SU/21/94

July 1, 2021

The Acting Chair's Summing Up
Jordan—Second Review Under the Extended Arrangement Under
the Extended Fund Facility, Request for Augmentation of Access,
and Modification of Performance Criteria
Executive Board Meeting 21/67
June 30, 2021

Executive Directors commended the Jordanian authorities' timely and proactive policy response to the COVID-19 pandemic. They also welcomed their strong ownership of the program, including the commendable progress in implementing structural reforms despite pandemic-related challenges. In light of the recent COVID-19 waves, which have delayed the recovery, Directors stressed the criticality of an ambitious vaccination program and continued policy support to mitigate the health and economic impact of the pandemic. They also encouraged the authorities to sustain the reform momentum given record levels of unemployment and rising public debt. In view of the larger external financing needs, they emphasized the need for continued donor assistance, including to support the large number of refugees.

Given the weaker outlook for 2021, Directors agreed that the revised fiscal targets would provide adequate space to protect the recovery, expand the social safety net, and address high unemployment. However, they emphasized the importance of resuming gradual, growth-friendly, and equitable fiscal consolidation as the recovery takes hold, to rebuild buffers and bring public debt on a downward trajectory. In this regard, Directors welcomed measures to close tax loopholes, broaden the tax base and strengthen tax administration, and called for additional efforts in making public spending more efficient and enhancing public financial management.

Directors emphasized the importance of improving the financial sustainability of the electricity and water sectors. Such efforts include curtailing the accumulation of domestic arrears and closely monitoring their contingent liabilities. In that context, Directors welcomed the approval of the electricity tariff reform and noted that a careful communication strategy would be necessary to ensure public buy-in. They also looked forward to the adoption and implementation of the Financial Sustainability Roadmap for the water sector.

Directors indicated that monetary policy is appropriately focused on supporting the peg and the recovery while safeguarding financial stability. As the recovery takes hold, a gradual unwinding of pandemic-related financial sector support measures would be appropriate. Noting the overall soundness of the banking system, Directors encouraged continued supervisory vigilance and monitoring of banks' asset quality and positively noted

the authorities' request for an FSAP update in 2022. They also welcomed the authorities' ongoing work to enhance the AML/CFT regime in line with FATF requirements.

Directors encouraged continued implementation of structural reforms to help unlock jobs-rich, private sector-led and inclusive growth. They underscored the importance of boosting formal, youth and female employment, improving the business climate, and enhancing competitiveness. In that context, Directors welcomed commitments to tackle labor market distortions and reduce the cost of electricity for the business sector and welcomed the completion of the review of the most significant power purchase agreement and the online publication of COVID procurement data. Continued efforts to strengthen governance and transparency and fight corruption also remain critical. Some Directors noted the importance of streamlining and prioritizing conditionality in these difficult times.