

SUR/09/43

May 4, 2009

**The Acting Chair's Summing Up  
Jordan—2009 Article IV Consultation  
Executive Board Meeting 09/44  
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Executive Directors agreed with the thrust of the staff appraisal. They noted that sound macroeconomic management has enhanced Jordan's resilience to the global crisis. Growth continues to be robust, international reserves have strengthened, and the banking sector remains healthy and profitable. Going forward, Directors emphasized that, in light of the economy's close ties with the region and reliance on external financing, near-term policies should remain focused on guarding against vulnerabilities, while progress in structural reforms should be expedited to strengthen economic fundamentals and enhance competitiveness. They encouraged the authorities to remain vigilant if the slowdown in growth is deeper than anticipated.

Directors agreed that the fiscal stance for 2009 strikes a reasonable balance between reducing vulnerabilities and supporting domestic activity. They stressed the need to resist spending pressures and to adjust capital spending plans should grants fall below expectations. Directors welcomed the authorities' commitment to reduce public debt further to meet the legislative requirement by 2011. This will require a credible plan to consolidate public finances over the medium term, supplemented with the public sector reform strategy, to maintain confidence in the sustainability of fiscal policy and the external position.

Directors recommended attaching top priority to completing the reform of public financial management, especially implementing fully the treasury single account, improving budget classification and control, and further strengthening the medium-term framework for budget formulation and preparation. Directors welcomed efforts to enhance public debt management, which is being supported by Fund technical assistance.

Directors welcomed pre-emptive steps taken by the Central Bank of Jordan (CBJ) in recent months. They saw room for a further cautious easing of monetary policy to support the domestic economy, as long as reserves remain stable. However, external and financial indicators should be closely monitored, with a view to tightening liquidity conditions quickly if signs of balance of payments pressure emerge. At the same time, efforts should continue to develop the domestic money market and strengthen the CBJ's capacity to manage liquidity.

Directors agreed that the exchange rate peg, which has provided stability in the challenging global environment, remains an appropriate nominal anchor. They noted the staff's assessments that there is no clear evidence of real exchange rate misalignment, and that the risk of external instability from the capital account is mitigated by comfortable international reserves.

Directors commended the authorities for taking prompt action in response to the FSAP Update. They considered that the weaker environment underlines the importance of enhancing consolidated supervision, increasing capital adequacy of banks, and developing contingency plans. Directors stressed that recapitalizing the CBJ remains an important medium-term objective.

Directors called on the authorities to expedite progress toward meeting the remaining requirements for the SDDS subscription, particularly aligning the coverage of budget revenues and expenditures with government financing flows.

It is expected that the next Article IV consultation with Jordan will be held on the standard 12-month cycle.