

**EXECUTIVE
BOARD
MEETING**

EBS/20/19
Supplement 1

March 12, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Jordan—Staff Report for the 2020 Article IV Consultation and Request for an Extended Arrangement Under the Extended Fund Facility—Informational Annex**

Board Action:	Executive Directors' consideration (Formal)
Tentative Board Date:	Wednesday, March 25, 2020
Publication:	Yes*
Questions:	Mr. Jarvis, MCD (ext. 35661) Mr. Serra, MCD (ext. 38966)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—Arab Monetary Fund, Asian Infrastructure Investment Bank, Islamic Development Bank, World Trade Organization

***The Secretary's Department has been notified by the authorities that their explicit consent is required prior to the publication of Board documents. At the time of circulation of this paper to the Board, the authorities have indicated that they consent to the Fund's publication of this paper.**



JORDAN

March 11, 2020

STAFF REPORT FOR THE 2020 ARTICLE IV CONSULTATION AND REQUEST FOR AN EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY—INFORMATIONAL ANNEX

Prepared By

The Middle East and Central Asia Department
(In consultation with other departments)

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FUND RELATIONS

(As of February 29, 2020)

Membership Status: Joined August 29, 1952; Article VIII

General Resources Account:

	SDR Million	Percent Quota
Quota	343.10	100.00
IMF's Holdings of Currency (Holdings Rate)	654.49	190.76
Reserve Tranche Position	0.57	0.17

SDR Department:

	SDR Million	Percent Allocation
Net cumulative allocation	162.07	100.00
Holdings	9.40	5.80

Outstanding Purchases and Loans:

	SDR Million	Percent Quota
Stand-By Arrangements	88.80	25.88
Extended Fund Facility	223.02	65.00

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
EFF	8/24/16	3/23/20	514.65	223.02
SBA	8/03/12	8/02/15	1,364.00	1,364.00
SBA	7/03/02	7/02/04	85.28	10.66

Overdue Obligations and Projected Payments to Fund¹

(SDR million; based on existing use of resources and present holdings of SDRs)

	Forthcoming				
	2020	2021	2022	2023	2024
Principal	88.80	12.87	17.16	27.16	37.17
Charges/interest	4.28	4.92	4.68	4.38	3.83
Total	93.08	17.78	21.84	31.55	41.00

¹ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Safeguards Assessment: Under the Fund's safeguards assessment policy, the CBJ was subject to an assessment with respect to the Extended Arrangement under Extended Fund Facility (EFF), which was approved on August 24, 2016. The assessment, completed in November 2016, found that the central bank continues to strengthen its safeguards framework. The assessment made a number of recommendations, which the authorities are implementing.

Exchange System: The Jordanian dinar is fully convertible and is officially pegged to the SDR. In practice, the dinar has been pegged to the U.S. dollar since October 1995 at JD 1 = \$1.41044. Jordan accepted the obligations of Article VIII, Sections 2, 3, and 4 in 1995 and maintains an exchange system free of restrictions on payments and transfers for current international transactions.

Last Article IV Consultation: The 2017 Article IV consultation was concluded by the Executive Board on June 21, 2017. The Staff Report and Executive Board Assessment can be found in IMF Country Report 17/231 at: <https://www.imf.org/en/Publications/CR/Issues/2017/07/24/Jordan-2017-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-45117>

Financial Sector Assessment Program: Jordan participated in a Financial System Stability Assessment in 2003, and the related report was presented to the Executive Board at the time of the 2003 Article IV consultation (SM/04/1). A Financial System Stability Assessment Update was conducted in 2008, and the report presented to the Executive Board at the time of the 2008 Article IV consultation (SM/09/104).

Technical Assistance (TA): Extensive technical assistance has been provided to Jordan over recent years (see attached table).

Documents:

Standards or Codes Assessed	Date of Issuance
Data module	10/8/2002
Update to data module	1/30/2004
Fiscal transparency module	1/9/2006
FSSA	1/7/2004

Jordan: Technical Assistance, 2011–20	
Date	Purpose
Fiscal	
January 2011	Public financial management (including World Bank & METAC) expert is joining, WB, and MCD)
March 2011	Public-Private Partnership
April 2011	PPPs and fiscal risks
May 2011	Follow-up on capital expenditures
June 2011	Review, strengthen structural arrangements of HQ functions
October 2011	Assessment visit
October 2011	Strengthen compliance management of financial sector
October 2011	Subsidy reform
January 2012	Regional workshop on compliance management
February 2012	Public financial management
August 2012	Tax administration
January 2013	Public financial management
April 2013	Strengthen risk-based audit
May 2013	Tax administration reform agenda
May 2013	Public financial management
July 2013	A review of the new income tax and other issues in revenue mobilization
August 2013	Advancing the tax administration reform agenda
September 2013	Commitment control system
November 2013	Follow-up on arrears
February 2014	VAT compliance and refund management
December 2014	Budget Preparation and Execution
December 2015	Tax Administration Diagnostic Assessment Tool
Jan./February 2016	Public financial management: Trust Accounts
August 2016	Broaden indirect tax base and simplify customs tariff structure
December 2016	Public financial management: Trust Accounts
March 2017	Public financial management: Trust Accounts Follow-Up Visit
April/May 2017	Public financial management: Public Investment Management
March 2018	Expenditure review and rationalization

Date	Purpose
April 2018	Strengthening central oversight for SOEs and PPPs
April 2018	Compliance risk management
May 2019	Strengthening tax administration performance
September 2019	Developing the tax audit process
September 2019	Developing an independent and effective tax dispute resolution process
January 2020	Tax and customs administration diagnostic
January 2020	Revenue Administration Gap Analysis
February 2020	Electricity and water subsidies
Monetary and Financial	
January 2011	Risk management
January 2011	Regulation and supervision
January 2011	Markets instruments and infrastructure
January 2011	Setting up a risk management unit within the Central Bank
January 2011	Islamic banking: develop guidelines, assessments, tools
June 2011	Regional Workshop on debt strategy
June 2011	Developing debt management strategies
July 2011	Debt management capacity building
July 2011	Building, analyzing and evaluating debt strategies/debt management
July 2011	Assessment mission
December 2011	Early warning systems
December 2011	Licensing credit bureaus
Jan. & Apr. 2012	Manual for licensing credit bureaus
February 2012	Development of Money and Capital Markets
September 2012	Risk analysis
October 2012	Guidelines for establishing credit bureaus
January 2013	Implementation of Basel III and enhancing supervisory practices
June 2014	Risk Management
August 2014	Developing and Implementing Early Warning System for the
April 2015	Basel III Liquidity
October 2015	Insurance Supervision
March 2016	Stress Testing
May 2016	Insurance Regulation and Supervision
August 2016	Stress Testing

Date	Purpose
Statistical	
January 2011	Improving BOP and IIP compilation practices
February 2011	Improving BOP and IIP compilation practices
Sept/October 2011	STE preparation of input/output tables
May 2012	National accounts
September 2012	External debt and balance of payments statistics
January 2013	Price statistics
May 2013	National accounts
November 2013	National accounts
April 2014	External Debt Statistics
December 2014	National Accounts
April 2015	Balance of Payments Statistics
January 2016	National Accounts
July 2016	National Accounts Statistics
Oct./November 2016	National Accounts Statistics
July 2017	National Accounts Statistics
November 2017	National Accounts Statistics
June 2018	Monetary and Financial Statistics
February 2019	High-Frequency Indicators
February 2019	National Accounts Statistics
April 2019	Financial Soundness Indicators
July 2019	Compilation of the 2016 Supply and Use Tables
August 2019	Consumer Price Index
September 2019	External Sector Statistics
October 2019	Supply and Use Tables
Legal	
February 2015	AML/CFT Scoping Mission
February 2015–July 2017	Legislation, AML/CFT Supervision, and FIU
Other	
December 2011	LTE training on the external debt statistics
February 2012	Central Bank of Jordan–IMF research workshop (MCD)

RELATIONS WITH OTHER INTERNATIONAL INSTITUTIONS

- World Bank: <https://www.worldbank.org/en/country/jordan>
- European Bank for Reconstruction and Development: <https://www.ebrd.com/jordan.html>

STATISTICAL ISSUES

(As of March 3, 2020)

I. Assessment of Data Adequacy for Surveillance
<p>General: Data provision is adequate for program monitoring.</p>
<p>National Accounts: While progress has been made over the last few years in improving quarterly estimates of the national accounts from the production approach, Jordan is yet to release quarterly national accounts from the expenditure approach. Also, further efforts are needed to ensure that the compilation of the national accounts is compliant with the System of National Accounts 2008 (2008 SNA). The authorities are currently compiling supply and use tables for 2016, which will help to improve the quality of the GDP estimates.</p>
<p>Price statistics. An urban-only CPI, based on 12 geographic areas covering all Jordan, is compiled and released every month. Compilation is not aligned with the COICOP classification. The weight reference period is 2018, based on the results of the HIES for 2018. However, the weights should be updated more frequently than the current five-year period, using expenditure data from the bi-annual household budget surveys.</p>
<p>Government finance. The authorities have initiated work to present consolidated general government data, including a financial balance sheet in accordance with the classification and sectorization systems recommended by the <i>GFSM 2014</i>. The most recent annual data reported to STA are for end-2018.</p>
<p>Monetary statistics: Jordan reports the monetary and financial statistics of the central bank and other deposit takers based on the standardized report forms, conforming with the IMF's methodology, and published in the International Financial Statistics. Given the importance of the other financial sector in the financial system, the next step will be to expand the coverage of the MFS data.</p> <p>The CBJ reports data on several series indicators of the Financial Access Survey (FAS) including the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).</p> <p>Financial sector surveillance: Following a TA mission in 2019, the CBJ started to report the financial soundness indicators (FSIs) on a semi-annual basis (including all 12 core FSI and 6 encouraged FSIs), which are disseminated on the IMF's FSI website.</p>
<p>Balance of payments: The CBJ disseminates quarterly BOP and International Investment Position (IIP) in line with <i>BPM6</i>. With remittances being an important source of foreign exchange inflows in the BOP, the CBJ is working on designing a revamped method to collect personal transfers series. The implementation of surveys in the area of services and foreign direct investments is important for further improving the quality of the BOP statistics. On the later, the CBJ plans to implement a Foreign Investment Survey in 2020. The main focus is on improvements in the coverage of Direct and Portfolio Investment statistics and fostering consistency between macroeconomic datasets.</p>

II. Data Standards and Quality	
Jordan subscribes to the Fund's Special Data Dissemination Standard (SDDS) since January 2010. The country uses an SDDS flexibility option on the periodicity and timeliness of the labor market wages/earnings data.	Data ROSC update was published in February 2004.

Jordan: Common Indicators Required for Surveillance
(As of March 3, 2020)

	Date of Latest Observation	Date Received	Frequency of Data 7/	Frequency of Reporting 7/	Timeliness of Reporting 7/	Memo Items:	
						Data quality—methodological soundness 8/	Data quality—accuracy and reliability 9/
Exchange rates	Feb 2020	March 2020	M	M	M		
International reserve assets and reserve liabilities of the monetary authorities 1/	Aug 2019	Nov 2019	M	M	M		
Reserve/base money	Aug 2019	Nov 2019	M	M	1M	O, O, LO, LO	O, LO, O, O, LO
Broad money	Aug 2019	Nov 2019	M	M	1M		
Central bank balance sheet	Aug 2019	Nov 2019	M	M	1M		
Consolidated balance sheet of the banking system	Aug 2019	Oct 2019	M	M	1M		
Interest rates 2/	Aug 2019	Oct 2019	M	M	1W		
Consumer price index	Nov 2019	Dec 2019	M	M	1M	O, LO, O, O	O, LO, O, O, O
Revenue, expenditure, balance and composition of financing 3/—general government 4/	2017	May 2018	A	A	7M	O, LO, LNO, O	O, O, O, O, NA
Revenue, expenditure, balance and composition of financing 3/—central government	Dec 2019	Feb 2020	M	M	1M		
Stocks of central government and central government-guaranteed debt 5/	2018	Oct 2019	A	A	A		
External current account balance	Q1 2019	Aug 2019	Q	Q	1Q	LNO, LNO, LNO, LO	LNO, LO, LO, LO, LO
Exports and imports of goods and services	Q1 2019	Aug 2019	Q	Q	Q		
GDP/GNP	2018	Jan 2019	A	A	A	O, LO, O, O	O, LO, O, LO, LO
Gross external debt	Q1 2019	Apr 2019	M	M	1M		
International Investment Position 6/	Q1 2019	Aug 2019	Q	Q	Q		

1/ Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

2/ Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

3/ Foreign, domestic bank, and domestic nonbank financing.

4/ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

5/ Including currency and maturity composition.

6/ Includes external gross financial asset and liability positions vis-à-vis nonresidents.

7/ Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); not available (NA).

8/ Reflects the assessment provided in the substantive update of the data ROSC published in February 2004 for the dataset corresponding to the variable in each row. The assessment indicates whether international standards concerning (respectively) concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O), largely observed (LO), largely not observed (LNO), not observed (NO), or not available (NA).

9/ Same as footnote 8, except referring to international standards concerning (respectively) source data, statistical techniques, assessment and validation of source data, assessment and validation of intermediate data and statistical outputs, and revision studies.