



**Ministry of Finance
General Budget Department**

**Speech for
General Budget Draft Law and Government Units Budgets Draft Law
for the Fiscal Year 2020**

Minister of Finance
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Amman

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In the name of God the Most Merciful, Most Gracious

**Your Excellency Speaker of the Parliament,
Honorable Deputies,
May Peace and Blessings Be Upon You,**

On behalf of the Government, I am honored to present to your esteemed Assembly, the General Budget Draft Law and the Government Units Budgets Draft Law for the fiscal year 2020. It echoes the Government's vision and outlook for the future of our national economy, in line with the Royal Directives adjured by His Majesty upon the Government in order to serve the citizens of our dear country.

I would like to begin this speech by echoing the words of His Majesty King Abdullah II bin Al-Hussein in the inauguration of the 4th session of the 18th Parliament, in which he stated, "This is an ordinary session taking place in extraordinary times". Today we place this Budget in your hands with full recognition of the circumstances confronting our beloved country.

There is no platform greater than this platform, and no gathering greater than this honorable one – which represents the people of our dear country from all segments and regions – to say that we do not only hear the challenges that our united Jordanian family are faced with, but live through them. We sought, in preparing this Budget, to reflect a small slice of our hopes and ambitions for a better future, with God's permission.

**Your Excellency Speaker of the Parliament,
Honorable Deputies,**

The draft General Budget Law in your hands is a unique national endeavor. It carries the spirit of cooperation, integration, and dynamic dialogue between the legislative arm that has committed to communicating the needs of citizens' from across the Kingdom; the private sector that acts as our strategic development partner; and the executive authority that sought to translate citizens' needs into a real and realistic



budget. This is in light of the Directives of His Majesty King Abdullah II bin Al-Hussein and his vision to secure the decent life that our citizens deserve.

As such, we must all work with diligence and efficiency to ensure that the aspirations of the population are met, to respond to their needs, and to harness their potential by constructing a new reality that stimulates growth and creates opportunities for all of our aspiring citizens.

**Your Excellency Speaker of the Parliament,
Honorable Deputies,**

Over the past decade, the surrounding circumstances in the region and around the world have stunted our aspirations for economic growth to be directly reflected upon the standards of living for our sons and daughters. However, despite the successive shocks and sharp slowdown of the global economy, our national economy, thank God, has proven its resilience, and is a leading example of aptitude to endure crises. But this has negatively impacted our financial resources, and has inflicted upon us an additional burden of JD 12 billion of additional public debt over the past ten years.

Amidst the turbulent regional circumstances, we stand optimistic, vigilant and courageous. For optimism has always been the theme of Jordan's path against the toughest challenges; and vigilant, because of economy is, by nature, open to the world and is thus impacted by the fluctuations that happen around it; but courageous because we know we can bet on our citizens, who possess abundant capabilities, promising potential, and limitless innovation.

**Your Excellency Speaker of the Parliament,
Honorable Deputies,**

We are cognizant that the results of planned reforms, and other strategies and programs, will bear fruition over the medium and long term. Yet we are mindful that the main challenge lies in enabling our citizens to feel results in the short term. We



Jordanians have proven our patience and endurance of challenging economic conditions, and have tackled them as one united body – its limbs have suffered with our unemployed youth, and the worries of our parents who are burdened with living concerns. As such, we have no cure except that of a Budget that aims to achieve fiscal stability through economic growth, God willing.

As an initial step in building trust and dispelling legitimate concerns regarding our Budget, we must provide a transparent picture of our current status – including both positive and negative details – in order to set a solid foundation for the focuses of our Budget for the next fiscal year:

Gross Domestic Product in constant prices grew by 1.9 percent in the first half of 2019 and is estimated to reach 2 percent for the year overall. Inflation rate increased slightly by 0.3 percent in the first 10 months of 2019 compared to 4.5 percent for the same period in 2018, as the impact of government measures from the beginning of 2018 have begun to dissipate.

As for foreign trade, exports witnessed a growth of 7.8 percent in the first 9 months of 2019 compared to the comparable period last year. Meanwhile, import value dropped by 5.3 percent, mainly due to a decrease in global oil prices. Consequently, the trade deficit declined by 13.7 percent to reach JD 5.7 billion in the first 9 months of 2019.

Similarly, the current account deficit dropped by 33 percent, reaching 6.7 percent of GDP in the first half of 2019 compared to 10.4 percent of 2018. Data for the first 10 months of 2019 indicates that tourism revenue grew by 9.4 percent to reach USD 4.9 billion, whilst remittances of Jordanians working abroad grew by 0.8 percent, reaching USD 3.1 billion. Foreign reserves increased to reach USD 14.1 billion, covering the Kingdom's imports of goods and services for over seven months.

However, whilst indicators give us cause to be optimistic, we cannot disregard the fact that unemployment rate has reached 19.1 percent in the first nine



months of 2019, becoming a source of distress for every Jordanian household and the country as a whole. This state of affairs verifies that taking measures to curb unemployment is imperative to preserving the security and stability of our society.

In this regard, I must stress the need to empower youth, enhance their capabilities, utilize their potential, foster their creativity and entrepreneurship, and give them the required skills and expertise to meet labor market demands. It is not acceptable that female participation in the workforce remains so low whilst their enrollment rate in higher education is among the highest in the region. Jordanian women possess vast capabilities and ingenuity, further illustrating that their participation in the workforce is both an important and necessary prerequisite for holistic development. This can only be achieved by creating a suitable work environment for women, providing the necessary facilities, and eliminating the obstacles that deter women from embracing their pivotal role in development.

With respect to public finance, while domestic revenues reached JD 7.8 million in 2019, this figure is below initial estimates, owing mainly to tax and customs evasion and sluggish economic growth.

Meanwhile, public expenditures grew by 5.5 percent in 2019, as current expenditures increased by 4.6 percent, while capital expenditures increased below expectations by only 13%, preventing the completion of some projects this year. As a result, the general budget deficit (after grants) reached 3.9 percent of GDP in 2019 compared to 2.4 percent in 2018. Public debt is expected to reach JD 30.1 billion by the end of 2019, or 97 percent of GDP, compared to 94.4 percent at the end of 2018.

**Your Excellency Speaker of the Parliament,
Honorable Deputies,**

After transparently presenting the economic and fiscal situation in 2019, we must now provide an overview of 2020 Budget with the same transparency, in order for all to be able to monitor our ability to execute it. For we are accountable for our budget



before God and before every citizen of our beloved country, and as such, I shall start by addressing the key question about the 2020 Budget: what sets this budget apart from previous budgets? I will address this question by highlighting both our key objectives of the 2020 Budget as well as the resources allocated to achieve each of them.

The Government here stresses that the 2020 General Budget will be the springboard for our next economic era. It is guided by the three pillars articulated by His Majesty in his Speech from the Throne, namely that Jordan is a State of Law, a State of Productivity, and a State of Solidarity that strives to be built around the citizen. Indeed, achieving these three pillars requires a transformation in our methodology in a manner that paves the way for combatting poverty and unemployment, low investment and high debt, and improving public service delivery within various fields, the foremost of which are health, education, and transportation.

The 2020 Budget was built upon an estimated real GDP growth rate of 2.2 percent and an estimated nominal GDP growth rate of 4 percent. However, these estimates as abstract numbers are not sufficient. Growth should lead to real and comprehensive development for every member of society, and a reality on the ground that is tangible. Hence, we have ensured that this Budget is a direct response to our citizens, whom your esteemed Parliament represents. It listens to their demands and addresses them in an institutionalized manner.

The overarching cornerstone of this Budget is thus investing in our human resources, empowering them and nurturing their ability to go forth in uplifting this country. This investment is manifested in numerous budget line items as follows:

First: Amongst the top priorities of this Budget, reflecting our dialogue with your esteemed Deputies, has been to meet the needs and concerns of our long-serving military and civil service retirees as well as existing civil servants and patriotic military staff. These segments have shouldered a heavy burden for years, and are relentless in their contribution of both time and effort in service to our country. Hence



for the first time in years, the Budget includes appropriations for salary and pension increases for workers and pensioners of military and civil servants, as well as appropriations for increasing salaries for teachers and military pensioners retired before 2010. Here, it is worth noting that financial allocations for our armed forces and security bodies – the protective shield over our country – have been increased to ensure security stability, which is a crucial keystone of our economic and financial stability.

Second: It is critical to enhance and expand our social safety nets and improve the procedures of allocating subsidies to beneficiaries through increasing allocations for National Aid Fund / Takaful Program; maintaining bread subsidies; directing funds to social projects such as affordable housing; and addressing some distortions in: medical treatment allocations, cash subsidies, and other instances of exemptions, in order to ensure equity and transparency in distributing support to beneficiaries.

In light of what has been presented, current expenditures in 2020 were estimated at around JD 8,383 million with an increase of around JD 414 million or 5.2 percent of 2019 re-estimates. Wages and salaries of the civil and military apparatuses are approximately 65 percent of the current expenditures in 2020 budget or 56 percent of total public expenditures. If the increase in appropriations allocated for increasing wages and salaries of the civil and military apparatuses are exempted, current expenditures will increase by only 2 percent compared to 2019, underpinning the Government's approach to control current expenditures and to ensure optimal use of available financial resources.

Third: Before talking about new funding appropriations for new projects, I am pleased to note that the government has committed to securing the necessary appropriations to pay off a large portion of its financial commitments and pending arrears of current projects with the private sector, a matter that has been choking the



market's liquidity. This aims to reinject into the market the liquidity necessary to stimulate economic activity and curb the slowdown in some economic sectors.

In addition, necessary funds were allocated to complete existing projects of national priority, principal of which is the "Desert (Sahara) Road", a consistent source of concern for us all. Indeed, we will no longer accept risking the lives of Jordanian people, God forbid, due to delays in the completion of this national project.

Fourth: In order for us to realize the forecasted economic growth, the outcome of consultations with your esteemed Parliament and representatives of the private sector was that we must invest in the quantity and quality of public services in order to reach our local communities. Investing in critical sectors such as education, health, and tourism will have spillover effects for the economy as a whole. Therefore, the 2020 Budget contains JD 1,425 million allocated for capital projects, representing an unprecedented increase of 33 percent compared to 2019, thereby representing 15 percent of public expenditure compared to 12 percent in 2019.

Believing and anticipating the importance of directing capital expenditure to high-value projects within sound legislative frameworks, and to ensure effective implementation and utilization of capital expenditures which include JD 108 million under a newly-created line-item for Public Private Partnership (PPP) projects, the Government has submitted a draft PPP Law to your esteemed Council for deliberation. This draft includes significant amendments to the current law in order to promote and enable the private sector to participate effectively in implementing capital projects and become an active development partner to the Government. We hope that its legislative passage will be done in a manner that serves the national interest.

Fifth: We have merged the Joint Procurement Department and General Supplies Department, and unified the 56 procurement processes into only one unified system in line with the recently-endorsed Public Procurement Bylaw that aims to improve efficiency and transparency of public expenditure. The Government will also



follow through with implementing the additional previously-announced measures related to enhancing administrative reform through merging and dissolving some public agencies and restructuring others.

**Your Excellency Speaker of the Parliament,
Honorable Deputies,**

To ensure implementation of the previously mentioned expenditures, and in line with nurturing the principle of self-reliance, we must generate revenues in a manner that works in accordance to our allocated expenditures.

Before delving into details of revenue estimates, we should acknowledge that the people of Jordan have grown disgruntled with the tax burden that has witnessed a steady incline over the past few years. Therefore, I would like to emphasize that there will be no new taxes or increases in the current taxes in 2020; rather the focus will be on combating tax evasion and improving tax administration to increase our domestic revenues.

To implement this, which we believe to be the pivotal source for increasing revenue alongside further growth, we must ensure equity of tax revenues by combating tax and customs evasion. Deficiency of firmness in combating tax and customs evasion will not only reduce revenue collection and, by virtue of this, public investments; rather it embodies a crime against the country as a whole, as well as against every compliant individual and corporate taxpayer. It is to instate this right that we as legislative and executive authorities must harness all measures and legal means available to implement justice and the Rule of Law upon all, equally.

In this regard, the Government has launched the e-invoicing system, and aims to implement other measures such as e-payment and easing customs and tax procedures to reduce cost of compliance. In addition, the Government will further enforce penalties stipulated under the law with regards to combating tax and customs



evasion, and will do so with full resolve and fortitude, cognizant that combatting evasion is both a national duty and an ethical commitment.

With respect to estimates of public revenue in 2020, it is expected to reach around JD 8,561 million compared to re-estimated JD 7,825 million in 2019, with an increase of JD 736 million or 9.4 percent.

Domestic revenues were estimated at approximately JD 7,754 million, an increase of around JD 733 million or 10.4 percent compared to 2019. Such an increase is the outcome of a forecasted growth in tax revenues of around JD 853 million or 17.8 percent and a decline of non-tax revenues by around JD 120 million or 5.4 percent in light of the reclassification of fees on oil derivatives. The anticipated growth in domestic revenues in 2020 stems from the expected economic growth rate at current prices in the coming year (at 4.0 percent) in addition to the fiscal impact of the new Income Tax Law, improvements in tax administration, and the inclusion of fees on oil derivatives with the category of Sales Tax in order to more aptly depict the actual tax burden placed upon our citizen.

As for foreign grants, their estimation with the 2020 Budget is in line with that of the 2019 budget (i.e. approximately JD 807 million). Indeed, our foreign grants are the outcome of the momentous and persistent efforts of His Majesty King Abdullah II across Arab and international settings. His Majesty has highlighted Jordan's role as a safe, moderate, and stable country that denounces violence and extremism; he has also depicted to the international community the challenges posed to Jordan's economy by regional inertia.

Accordingly, I would like to seize this opportunity to extend our gratitude to our brothers, friends, and international organizations for their support, foremost of which include the Gulf Corporation Council countries, the United States, and the European Union for their understanding of Jordan's needs. It is our hope that the international community will shoulder its responsibility towards Jordan, as a refugee



host country, and provide the necessary funding for the Jordan Response Plan, in order to enable Jordan to uphold its humanitarian role.

I would like also to extend deep appreciation for our brothers in Saudi Arabia, Kuwait, the United Arab Emirates for their generous support to Jordan through their commitments in the Mecca Summit, intended to enable Jordan to face its economic and financial challenges. This is testament to the strong brotherly bonds that tie Jordan and these countries.

Moreover, I emphasize the positive and effective role of the London Initiative Conference and its subsequent outcomes, which echo the international community and donors' interest in supporting Jordan and preserving its stability, as well as in facilitating sustainable economic growth, attracting investments, and creating job opportunities.

**Your Excellency Speaker of the Parliament,
Honorable Deputies,**

It is not enough to aim to achieve economic growth; we must strive to ensure that sustainable growth creates job opportunities and boosts confidence in our economy. Therefore, we should shift from arbitrary provision of tax exemptions for specific sectors or investments, which deters equity in the distribution of tax burdens, towards an approach conducive to a facilitative investment and export ecosystem. This will be achieved through reducing operational costs, increasing investment yields, and taking measures that reduce the cost of energy, real estate, labor, and financing.

To address instability of business-related legislation, which poses a burden for companies and exacerbates risk, the Government has issued a decision wherein incentives granted to companies under the Government's recent economic stimulus packages will be maintained for the ten years, if doing so is economically advantageous for applicable companies. This will help improve the investment environment and



address obstacles facing the flow of investment. It is, however, important to highlight the noteworthy progress made by Jordan according to the World Bank Doing Business report, wherein Jordan was amongst the top three reforming countries in the world with regards to transformations to ease of doing business. We recorded the highest leap in the history of the Kingdom since the report's inception, reflecting the country's progress in safeguarding stability of the economic environment, investment promotion, stimulating businesses, and cultivating property rights.

The government will also proceed with measures to regulate and organize the labor market, as well as to address some distortions and flaws within it, and scale up the use of modern technology in the educational system in line with the National Strategy for Human Resource Development. The Government will implement legislation to facilitate the participation of women in the workforce through maternity and paternity leave, daycare service provision, as well as and other measures reflected within the Draft Budget Law of 2020.

**Your Excellency Speaker of the Parliament,
Honorable Deputies,**

Just as our debt took ten years to accumulate, it is not feasible to presume that it will be resolved overnight. In fact, interest costs on our debt comprise a significant percentage of our current expenditure, and its persistent growth poses a tenacious and real threat to our fiscal sustainability.

The Central Government overall public debt for 2019 reached 30.1 billion dinars or 97 percent of GDP. It is worth observing in this regard that international institutions and credit rating agencies, in their evaluation of Jordan's financial stability and credit rating, performed their evaluations on the basis of the general government, upon which public debt-to-GDP ratios reached about 76.2 percent as indicated by the recent Standard & Poor's report for 2019.



Indeed, in noting this, there remains no substitute to taking measures to reduce the central government debt-to-GDP ratio. This could be done by either reducing public debt or increasing our GDP. But although public debt is due to accumulations of successive crises over time, it is the GDP that we can work to increase via boosting exports and domestic and foreign investments. Therefore, in order to curtail the growth of debt service costs, our focus must be on what we can achieve within what is within our control through growth and strengthening the national economy, particularly in light of the global economic slowdown.

The 2020 Budget that you carry in your hands here today, although in absolute numbers reflecting a higher debt than that of its predecessors, is a realistic budget in nature. It does not comprise any cosmetic measures to present the deficit as less than the actual level projected, and is a figure that we will strive in subsequent years to control and to reduce as a percent of GDP. The government adopted realism in estimating revenues and expenditures, and in depicting the Treasury's financial position for what it really is. This was in the spirit of accounting for sound financial planning, in order to avoid resorting to ad hoc measures that harm the economy – even those that lead to increased revenues.

The deficit after grants has reached JD 1,215 million in the 2019 budget, almost equivalent to the deficit in the 2020 budget, estimated at JD 1,247 million. We have succeeded in the 2020 Budget in reducing our primary deficit. This is an apt economic measurement that reflects the government's real ability to control its deficit, representing the difference between domestic revenues and expenditures excluding interest payments. Our primary deficit has declined from 3.1 percent re-estimate for 2019 to 2.3 percent in 2020, despite the fact that the 2020 Budget incorporated an increase in salary allocations and national aid, an increase in capital expenditures, and the commitment to not raise taxes. As a reflection of the Government's to control public spending and eliminate waste, this is a positive indication of the direction that the 2020



budget is leading us to – it is the initial step towards improving fiscal sustainability, signified by domestic revenues' coverage of public expenditures.

**Your Excellency Speaker of the Parliament,
Honorable Deputies,**

With regards to the General Government Units Draft Budgets Law for the year 2020, they are estimated as follows:

First: The total revenues for government units for 2020 was estimated at JD 1,302 million, compared to JD 1,342 million re-estimated in 2019, comprised of JD 28 million of government subsidization of these revenues in 2020, while foreign grants are approximated at JD 70 million.

Second: The total expenditures of government units in 2020 are estimated at JD 1,564 million, distributed between JD 1,068 million for current expenditures and JD 496 million for capital expenditures. This is compared to total expenditures at JD 1,431 million re-estimated for 2019. Thus the increase in total expenditures for 2020 is about JD 133 million, or 9.3 percent of its re-estimated level in 2019. This rise is due to an increase in current expenditures by JD 78 million, or 8 percent, and an increase in capital expenditures of JD 55 million, or 12.5 percent.

Accordingly, the net deficit before financing for all government units in 2020 was estimated at JD 262 million, compared to JD 89 million re-estimated in 2019. Excluding the Jordan Water Authority and the National Electricity Power Company's deficit, worth JD 376 million, the net deficit would become a net surplus of JD 114 million.

**Your Excellency Speaker of the Parliament,
Honorable Deputies,**

Following the Second Review of our economic and financial reform program with the International Monetary Fund, the government has decided to extend



the current program until March 2020. Moreover, we have commenced deliberations with the IMF to come to a consensus on a new program aimed at supporting Jordan's efforts to boost growth by addressing structural imbalances in certain economic sectors, with the aim of raising growth rates and creating jobs, obtaining grants and soft loans in order to reduce public debt service, and enabling the government to increase the competitiveness of the national economy.

To confront the economic challenges that face Jordan, rebalance public finances, overcome distortions within the economy system, achieve greater efficiency in public expenditure, eliminate waste, and control the budget and debt deficit, the government shall work to construct a national program for financial and economic reform.

Seeing that our three pillars of the State of Law, a State of Productivity, and a State of Solidarity are interlinked, the national framework envisioned will inevitably intersect with the State of Law and State of Solidarity, but this intersection is complementary as opposed to contradictory. Indeed, improving our economic reality and increasing the efficiency of expenditure will inevitably reflect itself in the quality of services provided to citizens, upon which citizens attach great importance.

The national framework for financial and economic reform is also linked to the pillar of the State of Law by commanding commitment to the Rule of Law and preventing abuses such as cases of tax evasion, in addition to re-enforcing justice, the principle of equal opportunities, protecting investment, and so on.

In this regard, I am pleased to confirm that the national program will be an outright Jordanian program; crafted by Jordanian hands throughout; will stem from internal dialogue and consensus; and stems from complete confidence in our ability to define our national priorities for the coming phase. I would like to emphasize here that the relationship with the International Monetary Fund is a consultative and collaborative relationship aimed at reaching common consensus that warrant the acceleration and



realization of economic growth. We have had positive interaction with the Fund on said national program. And we will be clear: there will be no raising of taxes, and there is no alternative to improving the living conditions of our citizens and setting unemployment rates on a downward trend, whilst preserving the sanctity of financial stability.

**Your Excellency Speaker of the Parliament,
Honorable Deputies,**

Jordan does not live a vacuum, isolated from the world – throughout history Jordan has endured harsh circumstances, but has emerged from it stronger, and has not weakened nor surrendered. Jordan remains steadfast in its stances regarding surrounding circumstances, and Jordanians remained united in defense of these positions. As this unity is a source of pride for us all, our national efforts – including this Budget – must be marked by the same unity and inclusiveness, so that our financial figures evolve to become political, economic, and social plans for all segments of society.

We are fully aware that a one-year budget may not be sufficient to inhibit the impacts of all economic challenges that have afflicted Jordan over the past decade, which have led to cuts in spending, difficult financial measures, and raising the tax and living burden on citizens.

But to echo the words of His Majesty King Abdullah II, “The most difficult reforms are behind us, and the promising future lies ahead”. It is incumbent upon all of us to take steps in the right direction. To ensure a greater investment in the education of our sons and daughters. To pay back arrears to our brothers who provided government services who are eagerly waiting to pay their workers’ salaries and elevate their investments. And to ease our sisters’ and mothers’ access to work by providing nurseries for their children and public transportation.

We do not view the Budget as a collection of abstract numbers, but rather from the perception of hope and of the promising future for Jordanians looking for jobs.



We endeavor that this this Budget will be the first building block to restore confidence between the Government and the citizen, and to strengthen fruitful and constructive cooperation between the legislative and executive authorities in order to uplift our nation and serve our citizens.

The Government thus submits to your respected Parliament the Draft General Budget Law and General Government Units Budgets Draft Law for the year 2020. This is one step in the right direction, being both realistic and real in addressing our national need to advance comprehensive and sustainable growth that supports job creation. We are immensely confident that cooperation and synergy with your honorable Council will enable us to achieve our aspirations and ambitions, and drive us towards achieving our goal of providing a decent life for the Jordanian citizen under the leadership of His Majesty King Abdullah II bin Al-Hussein.

May Peace and Blessings Be Upon You.

**Minister of Finance
Dr. Mohammad Ississ**