Fiscal Risks Statement

December 2024

Macro-Fiscal Unite

Ministry Of Finance

Contents

Abbreviations

MOF: Ministry of Finance.

CBJ: Central bank of Jordan.

IMF: International Monetary Fund.

SOEs: Jordan's State-Owned Enterprises.

RJ: Royal Jordanian Airlines.

NEPCO: National Electric Power Company.

CMTC: The Comprehensive Multiple Transportation Company.

WAJ: Water Authority of Jordan.

JPMC: Jordan Phosphate Mines Company.

SEPC: Samra Electric Power Company.

JFDZG: Jordan Free & Development Zones Group.

GDP: Gross Domestic Product.

PPPs: Public-Private Partnership Projects.

QCraft: IMF Tool Box to estimate Climate Risk.

EBIT: Earnings before Interest and Tax.

Concepts and Financial indicators

Liquidity

Current Ratio: Measures an SOE's ability to meet short-term liabilities (those falling due within 12 months) from liquidating short-term assets. A high ratio indicates that the company is better able to withstand shocks and still meet its current liabilities

$$= \frac{Total\ Current\ Assets}{Total\ Current\ Liabilities}$$

Quick Ratio: A stricter form of current ratio, this measures an SOE's ability to meet short-term liabilities with only the most liquid short-term assets. A high ratio indicates that the company is better able to withstand shocks and still meet its current liabilities

$$= \frac{(Total\ Current\ Assets - Inventory\ )}{Total\ Current\ Liabilities}$$

Current Assets: Current assets are short-term assets that a company expects to convert into cash, sell, or use up within one year or during its operating cycle, whichever is longer. They are a critical component of a company's liquidity as they represent resources readily available to meet short-term obligations.

= (total assets – fixed assets)

Current Liabilities: Current liabilities are a company's short-term financial obligations that are due within one year or its operating cycle, whichever is longer. They represent debts or obligations that a business must settle in the near term, typically using its current assets.

= (total Liabilities – fixed Liabilities)

Solvency

Debt to Assets: Measures the proportion of a company's financing that comes from liabilities. This ratio helps to assess whether the company is solvent and the size of the debt burden on the entity. Debt financing is more cost-effective and therefore most companies maintain some level of leverage, but a high ratio indicates greater reliance on debt financing and has less financial flexibility.

$$= \frac{Total\ Liabilities}{Total\ Assets}$$

Debt to Equity: Measures the proportion of a company's financing that comes from liabilities relative to equity. This ratio helps to assess whether the company is solvent and the size of the debt burden on the entity. Debt financing is more cost-effective and therefore most companies maintain some level of leverage, but a high ratio indicates greater reliance on debt financing and has less financial flexibility.

$$= \frac{Total\ Liabilities}{Total\ Equity}$$

Profitability

Net Profit Margin: Illustrates how much of each dollar of revenue collected by an SOE translates into profit. A higher ratio indicates that a large share of the revenues earned is realized as profits.

$$= \frac{Net\ Profit\ after\ Tax}{Total\ Revenue\ excluding\ government\ grants}$$

Operating Profit Margin: Measures how much of each dollar of revenue collected by an SOE translates into operating profit, i.e. the level of profits generated through the normal operating activities of the company before taking into account the cost of financing. Measures proportion of revenues that are available to cover non-operating expenses such as paying interest. A higher ratio indicates that a large share of the revenues earned is realized as operating profits. Highly variable operating margins are an indication of risk.

$$= \frac{EBIT}{Total\ Revenue\ excluding\ government\ grants}$$

Cost Recovery: Measures ability to generate adequate revenue to cover operating expenses. A ratio < 1 indicates entity is unable to cover its operating expenses and is not sustainable without supplementary funding. A higher ratio indicates a company better able to withstand shocks and remain profitable and sustainable

$$= \frac{Total\ Revenue\ excluding\ government\ grants}{(COGS + Other\ Operating\ Expenses)}$$

50% Test: this is Government internship indicator to Assesses whether the proportion of the operating expenses covered by the revenue generated by the company (excluding government grants received). A lower ratio indicates that the revenue covers a larger share of the operating expenses.

$$= \frac{\begin{array}{c}Cost\ of\ Goods\ Sold + Other\ Operating\ Expenses\\ + Finance\ costs - Finance\ Income\end{array}}{\begin{array}{c}Revenue\ from\ Trading\ Activities\\ + Other\ Operating\ Income\end{array}}$$

Executive Summary

The Jordanian economy saw improvements on the macro-fiscal level in 2023. However, like any small open economy, it remains vulnerable to uncertainty in light of rapid global developments. Our baseline forecast indicates a real GDP growth rate of 2.4% in 2024, followed by a steady increase to reach 3.0% in 2027. The Headline Inflation is projected to be 1.8% in 2024, and then gradually rise to 3.5% by 2027. Regarding government revenue projections, domestic revenues are projected to steadily grow from JD 8,618 million in 2024 to JD 10,878 million in 2027. The Overall Deficit, which is projected to be JD 2,460 million in 2024, is expected to gradually decrease to JD 1,300 million by 2027. An encouraging trend is seen in the projections of the government's guaranteed gross debt (net of SSC holdings) as a percentage of GDP, which is expected to decline to 84.3% in 2027.

Forecasts exhibit a high degree of ambiguity and global uncertainty remains a strong source of potential downside risks to Jordan's economy. Under an alternative adverse scenario, where the conflict in Gaza extends beyond 2024resulting in higher oil prices and slower global interest rate declines—Jordan could face a potential dip in GDP growth and an uptick in inflation for 2025. This would also lead to a slower pace of deficit reduction. Consequently, in this adverse scenario, the downward trend in the Debt-to-GDP ratio would be more gradual, remaining at elevated levels in the midterm.

As for other macroeconomic risks, inflation remains a concern given Jordan's high exposure to international oil prices and regional developments. Similarly, exchange rate risk is notable, as the country faces potential challenges from fluctuations in the international currency market—an issue that can affect external debt servicing. To counter these challenges, strategies have been adopted to maintain sufficient foreign exchange reserves and diversify trading partners.

Jordan, like any other country in the world, faces diverse environmental risks from climate change, including droughts, floods, and extreme weather, which threaten infrastructure, agriculture, and fiscal stability. These challenges could strain public finances and elevate debt levels. To mitigate impacts, Jordan is prioritizing climate adaptation, infrastructure resilience, and sustainable development policies.

Jordan's State-Owned Enterprises (SOEs) continue to draw focus, especially Royal Jordanian Airlines (RJ), National Electric Power Company (NEPCO), and the Comprehensive Multiple Transportation Company (CMTC). Global uncertainties have weighed on their Profitability, Liquidity, and Solvency, highlighting the potential fiscal risks and contingent liabilities they pose for the government.

Jordan's State-Owned Enterprises (SOEs) remain a critical area of focus due to their significant economic role and the fiscal risks they pose. Companies such as Royal Jordanian Airlines (RJ), the National Electric Power Company (NEPCO), the Comprehensive Multiple Transportation Company (CMTC), the Water Authority of Jordan (WAJ), the Jordan Phosphate Mines Company (JPMC), the Samra Electric Power Company (SEPC), and the Jordan Free and Development Zones Group (JFDZG) face varying challenges related to profitability, liquidity, and solvency. While some SOEs have demonstrated improvements in financial performance, others continue to grapple with structural inefficiencies and fiscal vulnerabilities. Strengthening oversight and implementing targeted reforms are essential to reducing contingent liabilities and ensuring their sustainable contribution to the economy.

To develop infrastructure, the Jordanian government has been relying on Public-Private Partnerships (PPPs). There are currently 49 PPP projects across multiple sectors, representing an investment of JD 7.06 billion. In line with the government's institutional framework, the Fiscal Commitments Unit (FCU) was established in 2020 to strengthen oversight of these projects. Notable ongoing PPPs include the Bus Rapid Transit Project, the King Hussein Bridge Land Border Crossing Terminal Project, and the construction of 14 public schools.

No contingent liabilities tied to PPPs have materialized on the government so far. Nonetheless, studying such scenarios and their potential consequences remains crucial, as ongoing regional events and interest rate fluctuations may affect fiscal obligations. To mitigate these risks, it is essential to distinguish between direct fiscal commitments and contingent liabilities. Emphasis is placed on refining technical capacities, informed project selection, and effective PPP structuring. Furthermore, a clear distribution of responsibilities among the key parties involved in PPPs has been prioritized to counter operational risks..

Fiscal Risk Matrix

Type of Risk	Description	Source of Risk
Forecast Risk	Deviations in fiscal outcomes compared to initial projections, which may arise from sharp increases in oil prices possibly due to political tensions.	Increased oil prices and global recession.
Inflation Risk	Fluctuations in the inflation rate can decrease the real value of government revenues and increase the real value of certain types of government expenditures.	Increases in basic commodity prices and oil prices.
Exchange Rate Risk	Changes in the exchange rate can impact the value of foreign currency-denominated outstanding debt and debt services, potentially affecting fiscal balances and debt sustainability.	Fluctuations in foreign exchange markets, such as the depreciation of the Euro or dollar.
Environment Risk	Climate change could pose risks to Jordan's long-term economic outlook, influencing productivity, fiscal sustainability, growth path, and overall debt trajectories.	Increased climate changes such as extreme weather events and drought.
Contingent Liabilities	Unforeseen events triggering government commitments to settle future claims can impact fiscal positions in the short and long term.	State Owned Enterprise Financial Performance
		Public-Private Partnership (PPP) Projects

1. Macroeconomic Risks

1.1. Forecast Risk

1.1.1 Baseline Scenario

The Jordanian economy saw improvements at the macro-fiscal level in 2023, but existing structural challenges remain susceptible to uncertainty due to regional geopolitical tensions and global developments. The external assumptions were based on the latest IMF World Economic Outlook (WEO) report. To gauge global growth sentiment, we used projections for global growth and Brent oil prices. The new WEO projections took into account the expected decline in fuel and non-fuel commodity prices, increased trade distortions, current high global interest rates, and their expected decline and impact on global growth and inflation. The war in Gaza is expected to end by the end of 2024. Moreover, foreign grants are projected based on data provided by the Ministry of Planning and International Cooperation (MoPIC). For total expenditures, our projections align with both the IMF's first review deficit targets and the 2024 Budget Law.

Table 3.1: Baseline Scenario[1]

	2023	2024	2025	2026	2027
Real GDP Growth (%, YoY)	2.7%	2.4%	2.6%	2.8%	3.0%
Nominal GDP Growth (%, YoY)	4.5%	4.7%	5.2%	5.1%	5.5%
Deflator Inflation (%, YoY)	1.8%	2.2%	2.5%	2.4%	2.6%
Headline Inflation (%, YOY)	2.1%	1.8%	2.5%	3.0%	3.5%
Domestic Revenues	8,520	8,618	9,450	10,126	10,878
Grants	712	708	760	624	785
Taxes: Income	1,773	1,683	1,841	1,958	2,114
Taxes: GST	4,156	4,372	4,868	5,251	5,632
Taxes: Trade	240	246	274	289	338
Taxes: On Grants	81	53	30	30	30
Taxes: Other	103	113	106	116	126
Taxes: Non-tax Revenue	2,248	2,204	2,360	2,512	2,668
Total Expenditures	11,004	11,786	12,442	12,810	12,963
Current Expenditures	9,626	10,499	11,036	11,324	11,390
Interest Payments	1,703	2,068	2,180	2,310	2,100
Capital Expenditures	1,378	1,287	1,406	1,486	1,573
Overall Deficit	(1,860)	(2,460)	(2,232)	(2,060)	(1,300)
Overall Deficit (% of GDP)	-5.1%	-6.5%	-5.6%	-4.9%	-2.9%
Primary Deficit	(869)	(1,100)	(812)	(374)	15
Primary Deficit (% of GDP)	-2.4%	-2.9%	-2.0%	-0.9%	0.03%

[1] The baseline output of the built model does not include any future policy, legislation and administration changes that might have positive/negative effect on revenues collection or any future measures or policy changes that can affect the forecast thereafter.

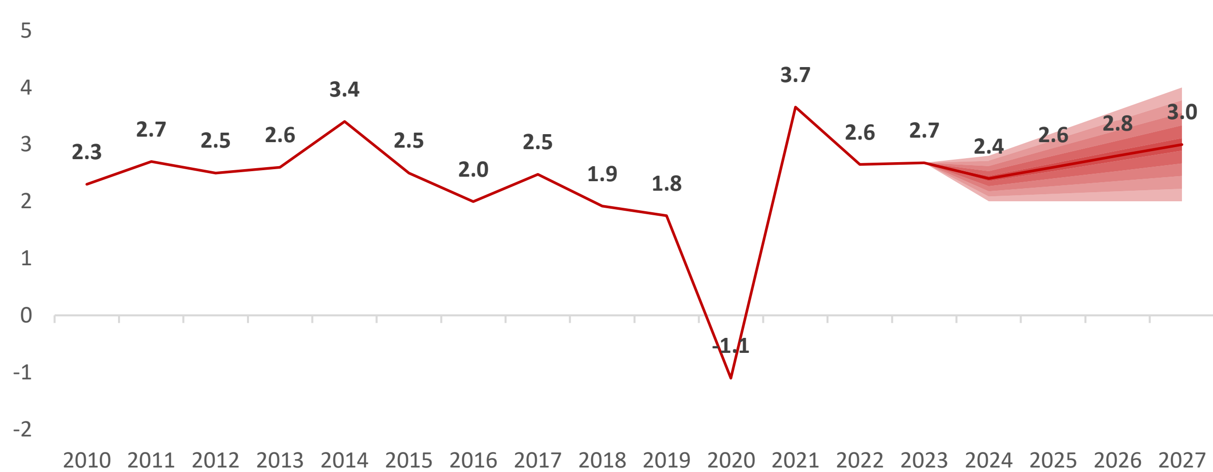
Primary Deficit including (NEPCO & Water Sector)	(1,513)	(1,808)	(1,438)	(941)	(511)
Primary Deficit including (NEPCO & Water Sector) (% of GDP)	-4.2%	-4.8%	-3.6%	-2.2%	-1.2%
Government and guaranteed gross debt (net of SSC holdings)	32,289	34,188	35,664	36,869	37,252
Debt (net of SSC holdings) (% of GDP)	89.2%	90.2%	89.5%	88.0%	84.3%

1.1.1 Alternative Scenario

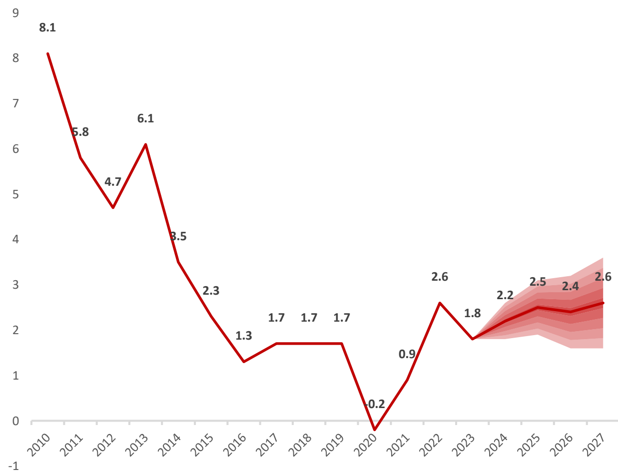
Forecasts exhibit a high degree of ambiguity, and global uncertainty remains a significant source of potential downside risks to Jordan's economy. While the baseline forecast is essential, understanding the risks surrounding these forecasts is equally important. Although the baseline projection is fixed at 2.4% for real GDP growth in 2024, the fan chart in Figure 3.2, Panel A shows that real GDP growth could range between 2.1% and 2.9%, given its 95% confidence interval. Panel B shows the deflator ranging between 1.5% and 2.1%, while Panel C shows headline inflation ranging between 1.6% and 2.2%, demonstrating a relatively moderate level of uncertainty and risks.

Figure 3.2 - Fan Charts for the Baseline Scenario

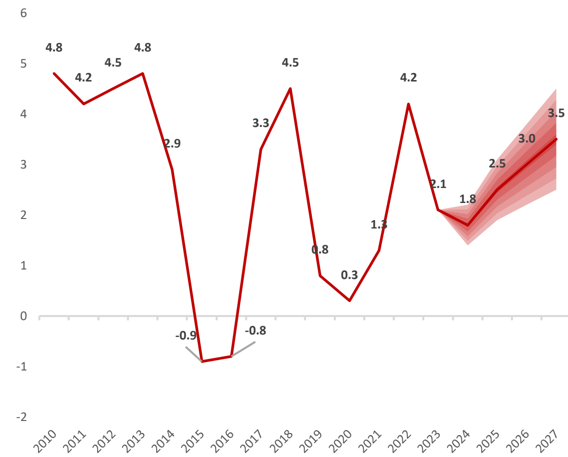
Panel A: Fan Chart Annual Real GDP growth



Panel B: Fan Chart Annual Deflator



Panel C: Fan Chart Annual Headline Inflation



Considering an alternative adverse shock scenario: this scenario assumes the continuation and expansion of the war on Gaza, leading to prolonged repercussions on Jordan's economic growth, contrary to the baseline assumption that the war will stop by the end of 2024. The ongoing conflict is expected to escalate regional tensions, causing higher oil prices due to supply disruptions and increased geopolitical risk premiums. Additionally, the expansion of the war and resultant economic uncertainties are assumed to prompt the U.S. Federal Reserve to slow down the pace of its interest rate decreases, resulting in continued elevated global interest rates compared to the baseline. These factors—expansion of the war, higher oil prices, and slower interest rate cuts—are interconnected and collectively exacerbate the adverse impacts on Jordan's economy.

The alternative scenario predicts marginally lower economic growth compared to the baseline, starting from 2025. In 2024, both scenarios project the same real GDP growth of 2.4%, as the adverse effects are expected to manifest beginning in 2025. In 2025, real GDP growth in the alternative scenario is projected at 2.4%, below the baseline's projection of 2.6%. Nominal GDP growth under the alternative scenario decreases to 5.0% in 2025, compared to 5.2% in the baseline. Headline inflation is higher in the alternative scenario, with a rate of 2.8% in 2025, compared to 2.5% in the baseline scenario. This reflects the net effect of higher oil prices resulting from the expanded conflict, leading to increased costs of goods and services, and higher interest rates. Deflator inflation is also slightly higher in the alternative scenario at 2.6% in 2025, compared to 2.5% in the baseline.

Under this alternative scenario, domestic revenues in Jordan are projected to decline in 2025, driven by slower economic growth, heightened regional tensions, and disruptions to trade flows. Total domestic revenues are projected at 9,075 million JD in 2025, compared to 9,450 million JD in the baseline scenario. This reduction is primarily due to lower tax revenues, including income taxes and general sales taxes, as economic activities slow down.

Current expenditures are projected to be slightly lower in the alternative scenario in 2025, at 11,021 million JD, compared to 11,036 million JD in the baseline. Despite slightly higher interest payments, projected at 2,195 million JD in the alternative scenario versus 2,180 million JD in the baseline, total current expenditures are expected to decrease. This suggests that the government may implement spending cuts or efficiency measures in other areas of current expenditures to manage the fiscal impact. The government is anticipated to provide higher levels of social transfers in the 2025 budget to protect its citizens from the adverse economic impacts, reallocating resources within the current expenditures to support vulnerable populations.

Capital expenditures are expected to decrease under the alternative scenario as the government reprioritizes spending to address immediate economic challenges. Capital expenditures in 2025 are projected at 1,256 million JD in the alternative scenario, compared to 1,406 million JD in the baseline. The reduction in capital spending reflects the government's efforts to manage the fiscal deficit by postponing non-priority investment projects.

The net effect of reduced revenues and adjusted expenditures is expected to deepen the fiscal deficit, consequently increasing the debt-to-GDP ratio beyond the levels projected in the baseline scenario. The overall fiscal deficit (including grants) is projected to be higher in the alternative scenario at 6.1% of GDP in 2025, compared to 5.6% in the baseline scenario. Government and guaranteed gross debt (net of SSC holdings) is projected to reach 90.2% of GDP in 2025 under the alternative scenario, slightly higher than the 89.5% projected in the baseline.

Facing these challenges requires cautious fiscal strategies to overcome the economic constraints arising from the interconnected geopolitical uncertainties affecting the region. The government may need to focus on efficient resource allocation, enhancing revenue collection mechanisms, and prioritizing essential expenditures to maintain fiscal sustainability. Additionally, to mitigate the harmful effects of high global interest rates, trade route disruptions, and oil price fluctuations resulting from the expansion of the war, there is a need to diversify import sources and enhance strategic reserves. Strengthening economic partnerships with alternative markets and investing in energy diversification can also help reduce vulnerability to external shocks. These strategies aim not only to address the immediate fiscal challenges but also to secure economic stability and resilience against external shocks in the longer term.

Table 3.2: Macro Fiscal Risk Scenario

	2023	2024	2025	2026	2027
Real GDP Growth (%, YoY)	2.7%	2.4%	2.4%	2.6%	2.9%
Nominal GDP Growth (%, YoY)	4.5%	4.7%	5.0%	5.0%	5.5%
Deflator Inflation (%, YoY)	1.8%	2.2%	2.6%	2.5%	2.6%
Headline Inflation (%, YOY)	2.1%	1.8%	2.8%	3.1%	3.6%
Domestic Revenues	8,520	8,618	9,075	10,021	10,816
Grants	712	708	760	624	785
Taxes: Income	1,773	1,683	1,768	1,938	2,102
Taxes: GST	4,156	4,372	4,678	5,198	5,600
Taxes: Trade	240	246	264	286	335
Taxes: On Grants	81	53	30	30	30
Taxes: Other	103	113	101	114	125
Taxes: Non-tax Revenue	2,248	2,204	2,264	2,486	2,653
Total Expenditures	11,004	11,786	12,277	12,750	12,922
Current Expenditures	9,626	10,499	11,021	11,314	11,375
Interest Payments	1,703	2,068	2,195	2,330	2,115
Capital Expenditures	1,378	1,287	1,256	1,436	1,547
Overall Deficit	(1,860)	(2,460)	(2,442)	(2,105)	(1,321)
Overall Deficit (% of GDP)	-5.1%	-6.5%	-6.1%	-5.0%	-3.0%
Primary Deficit	(869)	(1,100)	(1,007)	(399)	9
Primary Deficit (% of GDP)	-2.4%	-2.9%	-2.5%	-1.0%	0.02%
Primary Deficit including (NEPCO & Water Sector)	(1,513)	(1,808)	(1,633)	(966)	(517)
Primary Deficit including (NEPCO & Water Sector) (% of GDP)	-4.2%	-4.8%	-4.1%	-2.3%	-1.2%
Government and guaranteed gross debt (net of SSC holdings)	32,289	34,188	35,874	36,925	37,327
Debt (net of SSC holdings) (% of GDP)	89.2%	90.2%	90.2%	88.5%	84.8%

1.2 Inflation Risk

Jordan’s strategic location enables it to establish strong connections and maintain open channels with countries globally, yet this also makes it highly susceptible to regional events and economic shifts. Over the years, Jordan has faced several inflationary pressures affecting consumption behavior, thus posing fiscal challenges for policymakers.

Balanced government economic policies with prodant monetary policy have contributed to containing inflation and maintaining financial stability. Accordingly, inflation decreased from 4.2% in 2022 to 2.1% in 2023 and estimated to go below 2.0 in 2024. Since inflation risk in Jordan remains linked to global changes in commodity prices, the authorities continue to monitor these developments closely, including the federal reserve’s decisions regarding fed rates.

The risk of inflation is accompanied by fluctuations in the prices of basic commodities in global markets. Recent moderation in inflation benefited from declining global oil and food prices earlier on, and higher interest rates but changes remain dynamic.

Despite these efforts, Jordan’s reliance on imported goods and services means that disruptions in international trade, or even slight increases in global commodity prices, can quickly be reflected in its domestic pricing structures. Such inflationary trends, intensified by ongoing regional events, pose the risk of shrinking the real value of the government’s revenues if nominal revenue growth does not keep pace with inflation. On the expenditure side, increased prices for goods and services can lead to real increases in certain areas of government spending, particularly those tied to global commodity prices or social protection measures. In response, effective fiscal planning, the diversification of import sources, and the maintenance of strategic reserves remain essential tools for policymakers to mitigate the adverse effects of inflation.

1.3 Exchange Rate Risk

Jordan, with its open economy and significant trading ties throughout the region and around the globe, remains naturally exposed to the dynamics of the international currency market. Although the Jordanian Dinar remains pegged to the US dollar, it continues to fluctuate against other currencies, reflecting wider global currency movements.

Recent international developments, including persistent regional tensions, trade disruptions in the Red Sea, and the lingering aftereffects of global interest rate shifts, have continued to influence currency market volatility. Ongoing regional conflicts and geopolitical uncertainties, along with global monetary tightening, still pose challenges for countries like Jordan. These factors make it increasingly difficult for Jordan to fully avoid exchange rate risks, given its reliance on foreign currency-denominated transactions and the importance of its external sector.

Fluctuations in exchange rates carry substantial fiscal implications. A depreciation of the US dollar (and consequently the Dinar against other currencies) could escalate the cost of servicing non-dollar denominated debt, thus increasing the burden on Jordan’s external debt position. Conversely, an appreciation of the Dinar may temper revenues from exports and tourism by potentially reducing competitiveness. As such, exchange rate volatility can have a pronounced effect on the government’s fiscal stance, influencing both debt obligations and revenue streams.

In response, the Jordanian government has maintained its pegged exchange rate regime and continued to build robust foreign exchange reserves—recently reaching around $20 billion, equivalent to over eight months of import coverage—to buffer against external shocks. It also remains focused on diversifying trade partners and export markets, while using various hedging tools to mitigate currency risks. Nevertheless, the heightened volatility in the global currency landscape underscores the ongoing challenges faced by Jordan and emphasizes the need for continual adaptability in its fiscal and monetary strategies.

1.4 Environmental Risk

Jordan, like any other country in the world, has been affected by increasing climate changes such as flash floods, landslides, extreme weather events, and drought. These impacts affect people, natural resources, and the economy, causing economic and property losses and creating pressing adaptation needs across sectors. Climate change could pose risks to Jordan's long-term economic outlook, influencing productivity, fiscal sustainability, growth path, and overall debt trajectories. Although forecasts are subject to uncertainty, a series of modeled scenarios illustrate how deviations in GDP growth and debt trajectory may emerge over time due to increasing temperatures, weather extremes, and related climate impacts, especially drought waves.

These scenarios include:

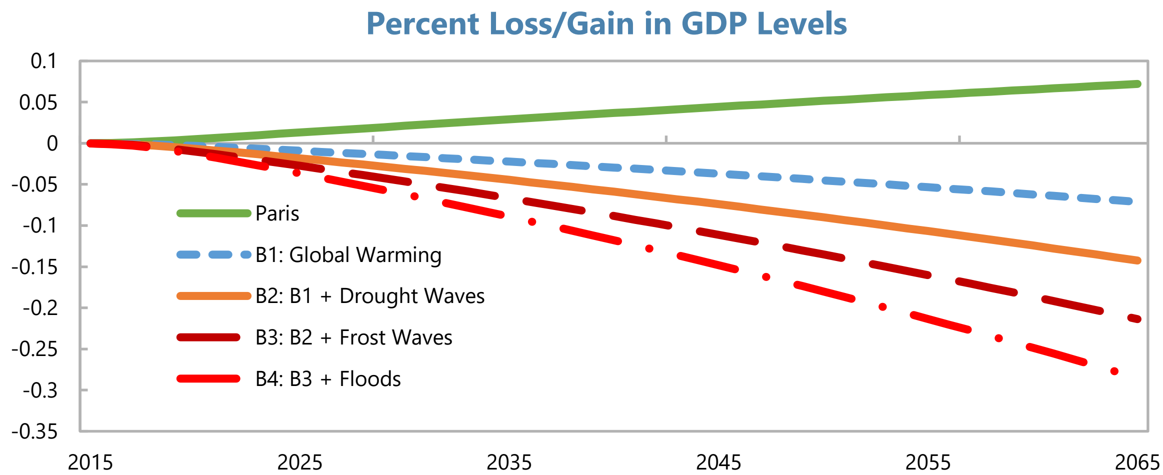
Paris Scenario: Assumes successful global mitigation consistent with the Paris Agreement, leading to minimal GDP impact over time and a slight decrease in debt-to-GDP ratio.

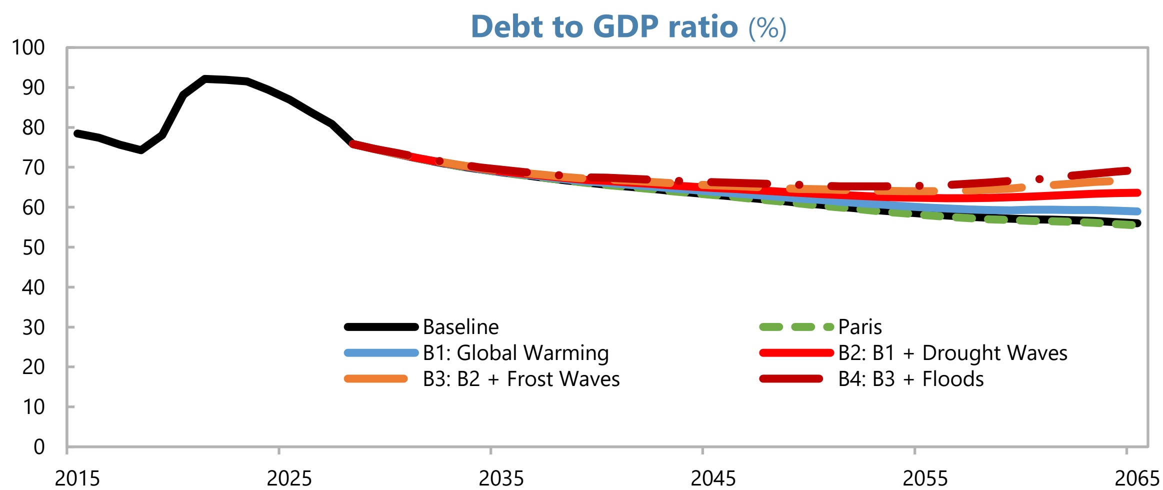
B1: Global Warming Scenario: Reflects rising average temperatures without mitigation, resulting in a progressive slowing of productivity growth and modest GDP losses, with a modest increase in debt-to-GDP ratio.

B2: B1 + Drought Waves Scenario: Builds on B1 by adding the economic effects of more frequent and prolonged droughts, further reducing GDP relative to baseline and moderately increasing the debt-to-GDP ratio as fiscal pressures mount.

B3: B2 + Frost Waves Scenario: Incorporates the economic impact of severe frost waves in addition to droughts and warming, amplifying adverse effects on productivity and output, leading to a substantial rise in the debt-to-GDP ratio due to compounding economic losses.

B4: B3 + Floods Scenario: Although this extreme scenario has a low probability of happening, it simulates the impact of major flood events on top of B3, causing substantial GDP losses over time and a significant elevation in the debt-to-GDP ratio as critical infrastructure, agriculture, and other key sectors face heightened strain.





Over the coming decades, the cumulative effects of higher temperatures, droughts, frost waves, and floods may translate into lower GDP levels compared with the baseline. Although annual changes may be subtle, these incremental reductions could cumulate into larger fiscal pressures over the longer term. This highlights the importance of proactive adaptation strategies, infrastructure resilience investments, and policy measures that help stabilize the economy and public finances as climatic conditions evolve.

In this context, Jordan is committed to sustainable growth and development, setting medium- and long-term goals linked to climate change, disaster risk management, and sustainable finance agendas. Recognizing sustainability as one of the main pillars in its Economic Modernization Vision 2033, the country has made disaster risk reduction a national priority.

2. Contingent Liabilities

Contingent liabilities represent potential financial obligations that may arise from unforeseen events, posing a significant risk to fiscal stability. These liabilities are not directly accounted for in the government's current expenditures or debt figures but can materialize under specific conditions, such as guarantees for State-Owned Enterprises (SOEs), Public-Private Partnerships (PPPs), or other contractual obligations. In the context of Jordan, contingent liabilities primarily stem from the financial risks associated with SOEs and the government's commitments under PPP agreements. While no major contingent liabilities have materialized recently, the dynamic regional and global environment underscores the importance of monitoring and managing these risks. Effective risk assessment, improved transparency, and robust financial oversight are critical to mitigating the fiscal impact of contingent liabilities and ensuring long-term economic stability.

2.1. Major SOEs in Jordan

We investigate the financial performance of several major State-Owned Enterprises (SOEs) in Jordan that have a significant impact on the economy and fiscal position. These enterprises include: Royal Jordanian Airlines (RJ), the leading company in the aviation industry; the National Electric Power Company (NEPCO), the main player in the energy sector; and the Comprehensive Multiple Transportation Company (CMTC), which plays a key role in the transportation sector. Additionally, we assess the Water Authority of Jordan (WAJ), responsible for critical water and wastewater management; the Jordan Phosphate Mines Company (JPMC), a major contributor to the global phosphate market; the Samra Electric Power Company (SEPC), a key energy producer integrating renewable energy sources; and the Jordan Free and Development Zones Group (JFDZG), a driver of economic development and investment through free and development zones.

To provide a comprehensive analysis of the performance indicators and financial health of these SOEs, we employ the IMF's State-Owned Enterprise Health Check Tool (SOE-HCT), offering a detailed evaluation of their financial standing and potential fiscal risks.

A. Royal Jordanian Airlines

A.1. Introduction

Royal Jordanian Airlines (RJ), established in 1963, is the national carrier of Jordan and operates from its primary hub at Queen Alia International Airport in Amman. As of November 2024, RJ serves 51 destinations across four continents, including 49 international and 2 domestic routes, with a modern fleet of 30 aircraft. The airline is actively expanding its fleet to reach 41 airplanes by the end of 2028 as part of a comprehensive modernization strategy. While the Jordanian government holds a significant ownership stake of approximately 86.2%, following partial privatization in 2007, RJ has faced financial challenges, particularly during the COVID-19 pandemic, which led to substantial losses. Despite these hurdles, the airline has shown signs of recovery and continues to receive government support, exemplified by a capital transfer of JD 50 million during the 2020-2021 period. Royal Jordanian Airlines remains a crucial contributor to Jordan’s economy, enhancing connectivity and supporting tourism and trade.

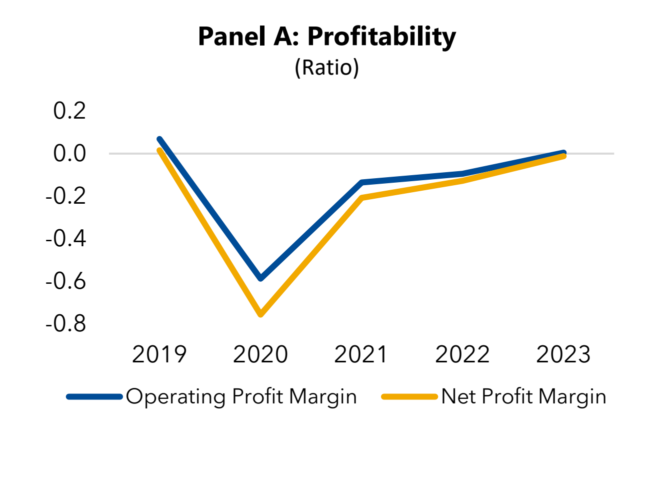
A.2. RJ Performance Indicators

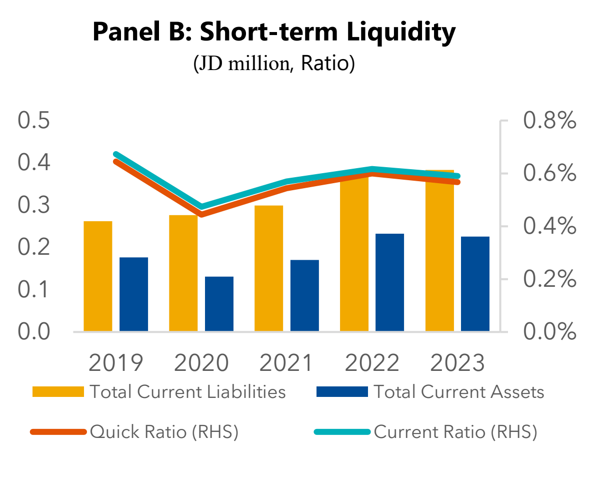
From 2019 to 2023, RJ faced significant financial challenges characterized by negative profitability indicators and consistent losses starting in 2020. Despite a notable improvement in net losses in 2023, the company continues to incur losses, adversely affecting its equity position and overall financial stability. Notably, the company has maintained an ongoing ability to effectively recover costs despite overall profitability challenges, as indicated by the cost recovery indicator.

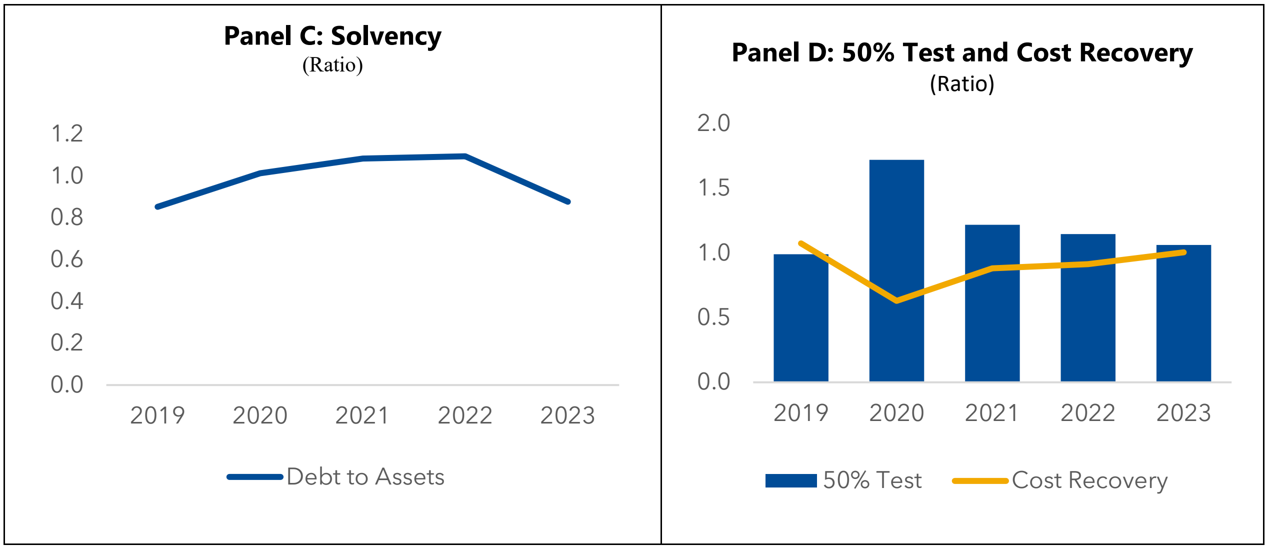
Figure A.1, Panel A depicts the trends in operating and net profit margins from 2019 to 2023. Both margins experienced significant declines starting in 2020, reflecting the difficulties faced during that period. However, there has been gradual improvement in subsequent years, with margins edging closer to break-even levels by 2023. This trend indicates a slow but steady recovery in profitability, signaling potential stabilization in the company's core operations.

The company's liquidity position deteriorated in 2020 but has shown modest improvement in recent years. Both the current and quick ratios have increased since 2020, indicating an enhanced ability to cover short-term obligations. Figure A.1, Panel B illustrates the trends in total current assets and total current liabilities from 2019 to 2023. There has been a significant increase in total current assets, primarily driven by growth in cash and cash equivalents, bolstering the company's liquidity position. However, total current liabilities have also risen over the same period, necessitating careful cash flow management to meet short-term obligations. The improvement in liquidity ratios suggests strengthened working capital management, although the high level of current liabilities remains a concern.

Figure A.1 RJ’s Selected Financial Indicators







Solvency remains a significant concern for the company. The debt-to-assets ratios, shown in Figure A.1, Panel C, have remained high over the years, indicating high reliance on debt financing. While there has been a slight decrease in this ratio recently, the company's leverage remains elevated. Despite this, overall solvency concerns remain high due to the substantial debt burden, and the company's capital structure continues to be a critical area requiring attention.

The "50% Test" indicator, as shown in Figure A.1, Panel D, has remained high from 2019 to 2023. This metric[2] suggests that the company's revenues are not sufficient to fully cover its operating costs, highlighting ongoing financial vulnerabilities. In the same direction, the cost recovery indicator has remained below 1%, demonstrating the company's weakness to recover its costs albeit the recent improvement in 2023. The persistent gap between revenues and operating costs underscores the need for strategic interventions to enhance revenue generation and control expenses. Immediate measures are required to address financial challenges and reduce potential contingent liabilities that could impact the government.

B. National Electric Power Company

B. Introduction

National Electric Power Company (NEPCO), established on September 1, 1996, as the successor to the Jordan Electricity Authority, is entirely owned by the Jordanian government. NEPCO manages the national transmission network, linking Jordanian electric generators with distributors and integrating the country's power grid with neighboring nations. The company has faced significant challenges, including the prolonged gas supply disruption from Egypt between 2011 and 2018, escalating global oil and gas prices, and complications from long term PPAs including the recent the Attarat oil shale project. The COVID-19 pandemic further strained NEPCO's finances due to reduced electricity bill collections, and the Ukraine conflict in 2022 exacerbated

[2] When this ratio falls between 1% and 2%, the likelihood of requiring government assistance is high. If the ratio exceeds 2%, it indicates that the SOE may need immediate assistance.

fuel price volatility. Despite these obstacles, NEPCO continues operations with full government debt guarantees, placing substantial pressure on national finances. An action plan, supported by international financial institutions like the EBRD, has been implemented to address accumulated losses and ongoing deficits, aiming to stabilize and enhance NEPCO's financial health.

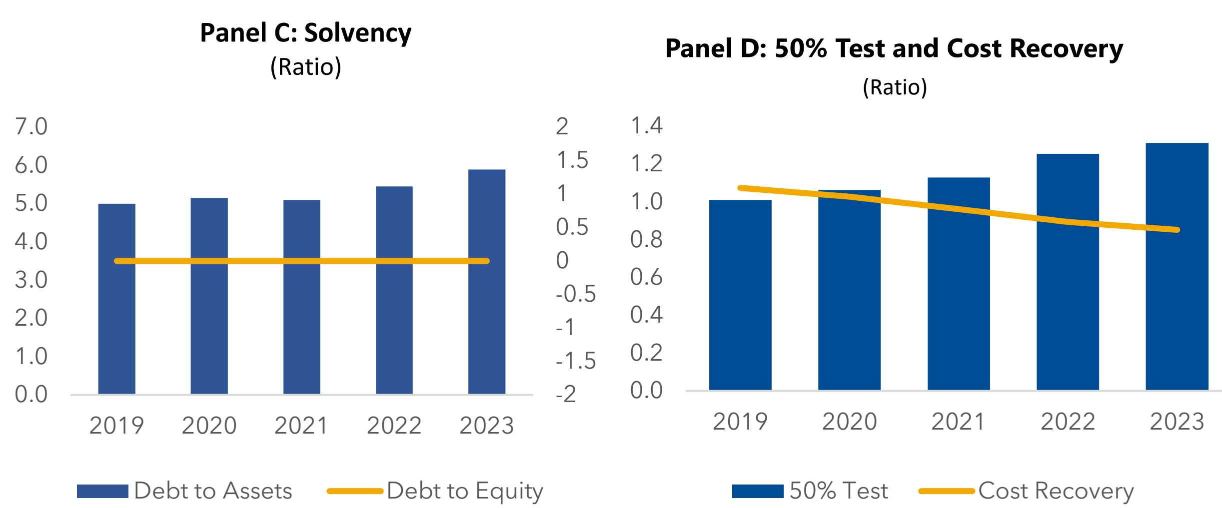
B.2. NEPCO Performance Indicators

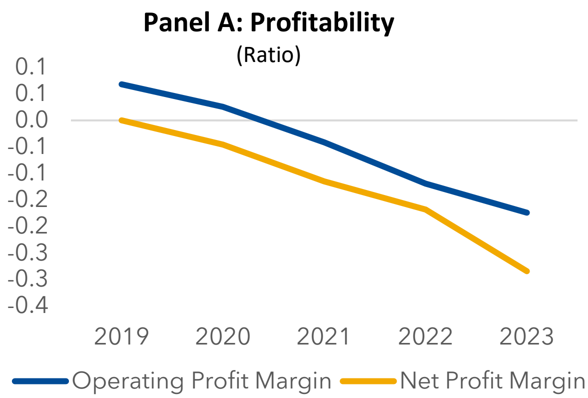
From 2019 to 2023, NEPCO faced significant financial challenges. Profitability metrics such as Return on Assets and Return on Equity have consistently shown poor performance since 2020, signaling persistent difficulties in generating adequate returns.

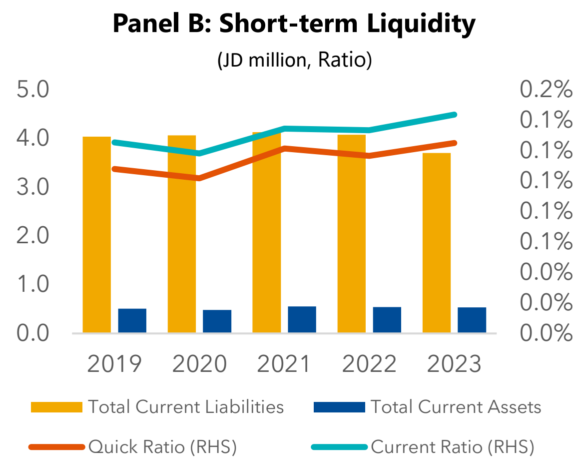
Figure B.1, Panel A depicts the downward trajectory of profitability trends. Both operating and net profit margins have steadily declined during this period. The operating profit margin, which was modestly positive in 2019, turned negative in subsequent years, reaching its lowest point in 2023. Similarly, the net profit margin deteriorated, reflecting increasing challenges in maintaining profitable operations and covering costs through revenues.

Figure B.1, Panel B focuses on short-term liquidity metrics. Throughout 2019 to 2023, total current liabilities have consistently exceeded total current assets, resulting in liquidity ratios (current and quick ratios) that remain below the optimal threshold of 1. This persistent imbalance suggests that NEPCO has faced ongoing challenges in meeting its short-term financial obligations. In recent years, the gap between current liabilities and assets has widened, intensifying concerns about the company's ability to manage immediate liabilities effectively.

Figure B.1. NEPCO's Selected Financial Indicators







The solvency Indicators depicted In Figure B.1, Panel C present a troubling picture. The debt-to-assets ratio has increased over the years, indicating a growing reliance on borrowed funds relative to the company's asset base. The debt-to-equity ratio has also deteriorated, exacerbated by NEPCO's negative equity position where liabilities surpass assets. These trends point to heightened long-term financial risk and potential difficulties in sustaining operations without external support.

Figure B.1, Panel D examines the "50% Test" and cost recovery measures. The "50% Test" indicator has shown an upward trend from 2019 to 2023, suggesting an increased likelihood of requiring government assistance. This indicates that NEPCO's revenues are insufficient to fully cover operating costs, highlighting ongoing financial vulnerabilities. Furthermore, the cost recovery ratio has declined, indicating that the company is not recovering its costs through revenues. This decline underscores challenges in achieving operational efficiency and financial self-sufficiency.

C. Comprehensive Multiple Transportation Company

C.1. Introduction

Comprehensive Multiple Transportation Company (CMTC), founded and registered in 2005, serves as the parent entity overseeing its subsidiaries, including the Asia Company, Al-Tawfeeq Company, and Al-Thelal for passenger transport, totaling four subsidiaries. CMTC is dedicated to providing public transportation services within the Hashemite Kingdom of Jordan, primarily operating a fleet of approximately 600 buses. Of these, around 250 buses service 43 lines within the Greater Amman Municipality, while the remaining fleet operates across various other governorates. The Jordanian government holds a substantial 82% ownership stake in CMTC, reflecting significant public investment. However, the company has encountered persistent financial difficulties, accruing substantial losses that necessitate ongoing government support, such as fuel subsidies and assistance with financial obligations as recently as 2023. CMTC plays a vital role in Jordan's public transportation infrastructure, transporting approximately 70,000 passengers daily, including a significant number of university students, while striving to enhance operational efficiency and service reliability.

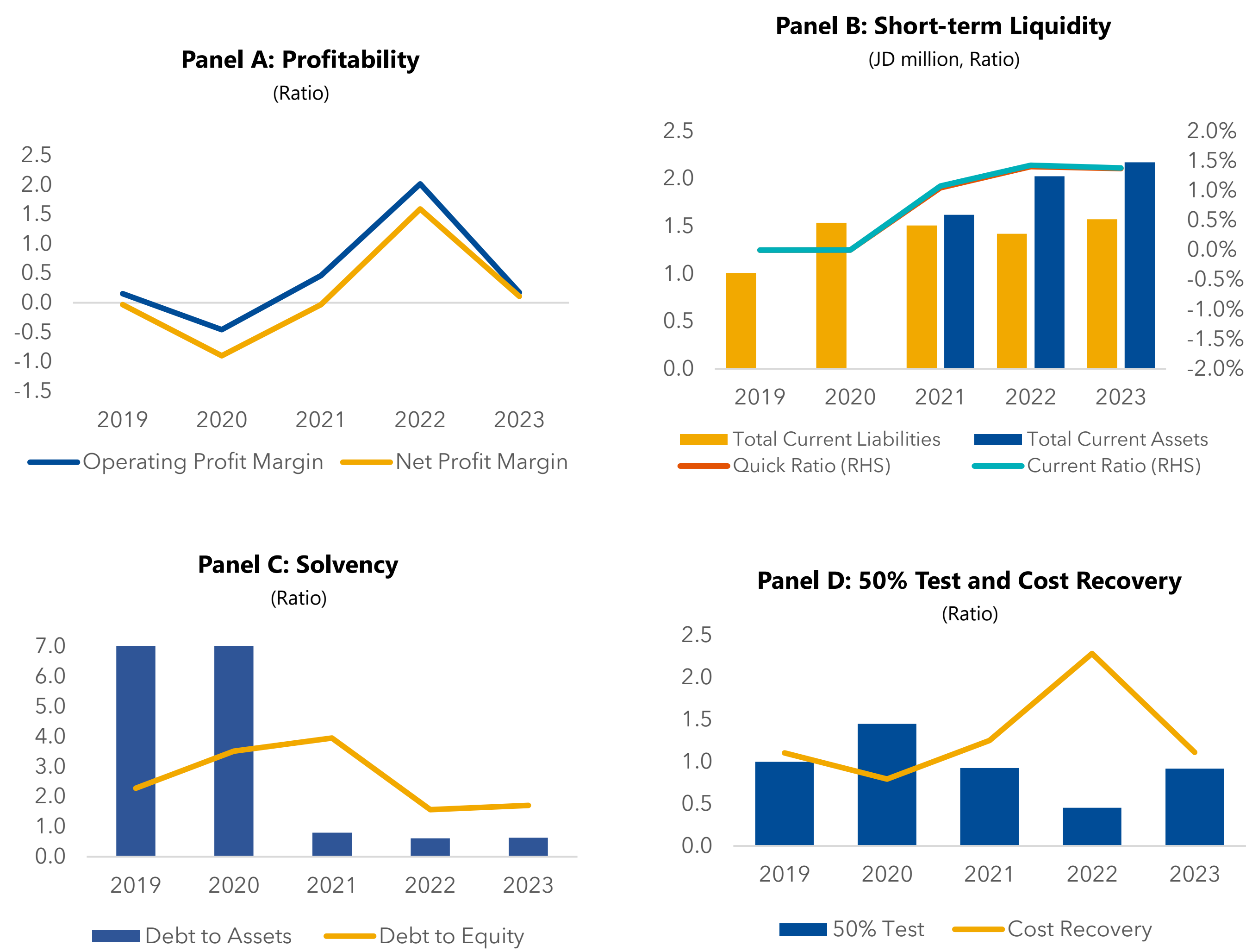
C.2. Comprehensive Multiple Transportation Company Performance Indicators

From 2019 to 2023, the Comprehensive Multiple Transportation Company (CMTC) has shown notable improvements in its financial performance, culminating in a positive net profit in 2023.

Figure C.1, Panel A displays the trends in operating profit margin and net profit margin from 2019 to 2023. Both margins increased from 2021 up to 2022, reflecting enhanced operational efficiency and profitability. The operating profit margin improved significantly, while the net profit margin remained lower than the operating profit margin. However, both margins decreased in 2023, reflecting lower operational efficiency and profitability. This trend underscores the company's efforts in enhancing revenue generation and controlling operational costs, but also highlights challenges faced in 2023.

CMTC's ability to fulfill its short-term financial commitments has remained strong since 2019. As depicted in Figure C.1, Panel B, both total current assets and total current liabilities have increased over the years, with current assets consistently exceeding current liabilities. The liquidity ratios, such as the current ratio and quick ratio, have remained strong throughout the period. However, the increasing trade receivables suggest that while current assets have grown, converting these assets into cash quickly may present challenges.

Figure C.1. CMTC's Selected Financial Indicators



The solvency indicators reveal ongoing concerns for CMTC. As shown in Figure C.1, Panel C, while there has been a numerical improvement in the debt-to-assets and debt-to-equity ratios since 2019, these ratios remain relatively high. This suggests that despite some reduction in debt relative to assets and equity, the company's solvency position requires further attention.

The "50% Test" and cost recovery measures in Figure C.1, Panel D indicate that CMTC has maintained consistent performance in these areas. The "50% Test" reflects the company's independence from government support, with government transfers to total revenue being zero in all years. The cost recovery ratio has remained strong, indicating efficient cost management.

D. Water Authority Jordan
D. 1. Introduction

Water Authority of Jordan (WAJ) was established in 1983 under the Interim Water Authority Law No. 34, creating a financially and administratively independent institution directly linked to the Prime Minister. WAJ is fully owned by the Jordanian government and is responsible for providing comprehensive water and wastewater services, along with the overall planning and monitoring of the country's water resources. WAJ consolidated the responsibilities of former entities such as the Amman Water and Sewerage Authority, the Drinking Water Corporation, and the Natural Resources Authority. A significant challenge for WAJ is managing water losses within the service areas of the Jordan Water Company Miyahona, with a target of decreasing losses by 2% annually. These losses stem from aging infrastructure, illegal water usage, and meter inaccuracies. To combat these issues, Miyahona has implemented advanced water management strategies and secured funding from international partners like USAID. WAJ remains committed to addressing Jordan's water scarcity through enhanced efficiency, diversification of water sources, and sustainable management practices.

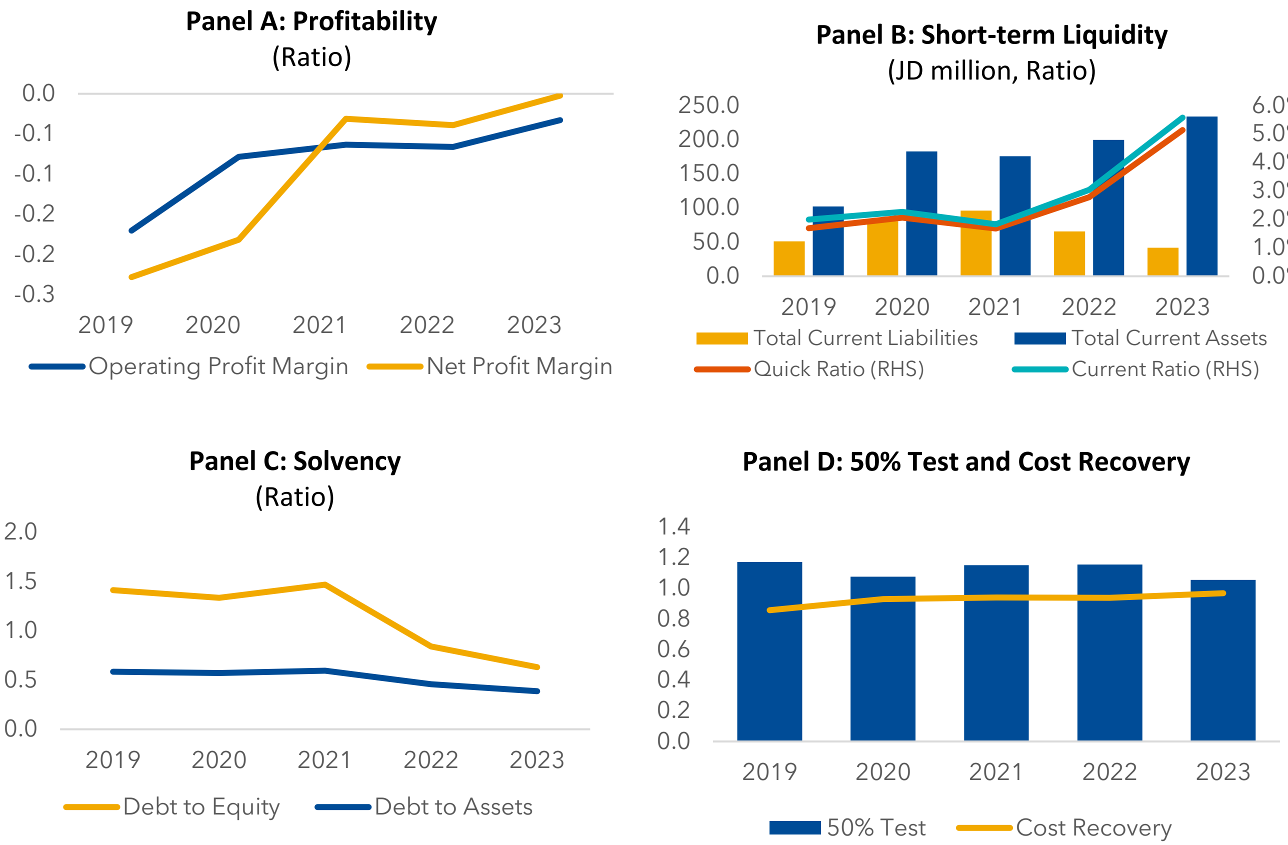
D.2. Water Authority Performance Indicators

From 2019 to 2023, the Water Authority of Jordan (WAJ) has shown significant improvement in its financial performance. Although some key profitability metrics have consistently shown poor performance throughout this period, there is a noticeable trend toward better performance, with the net profit margin steadily improving by 2023.

Figure D.1, Panel A illustrates the trends in profitability, showcasing a gradual increase in both the operating profit margin and net profit margin from 2019 to 2023. Although these margins remain low and have only recently nearly reached zero, the upward trend indicates that WAJ is narrowing its losses and moving toward a more sustainable financial position. This improvement reflects efforts to enhance revenue streams and control operational costs.

Panel B of Figure D.1 focuses on short-term liquidity metrics. Total current assets have been increasing over the years, while total current liabilities have generally been decreasing. This has led to a significant improvement in liquidity ratios, which remain strong throughout the period. WAJ's ability to meet its short-term financial commitments has strengthened, as evidenced by the high current and quick ratios. Despite this, challenges remain in efficiently converting assets into cash, as indicated by increasing debtor turnover days.

Figure D.1. WAJ's Selected Financial Indicators



The solvency indicators, depicted in Figure D.1, Panel C, show a positive trend. The debt-to-assets and debt-to-equity ratios have been decreasing from 2019 to 2023, suggesting a reduction in financial leverage and a healthier balance between debt and equity financing. However, these solvency ratios remain at high levels, highlighting ongoing concerns about long-term financial stability. This indicates that while there have been numerical improvements, solvency concerns have not significantly diminished.

Panel D of Figure D.1 presents the "50% Test" and cost recovery indicators. The cost recovery ratio has been steadily increasing, approaching full cost recovery by 2023, which signifies improved operational efficiency. The "50% Test" shows a slight downward trend, indicating a marginal decrease in reliance on government support. This is a positive development, suggesting that WAJ is gradually moving toward greater financial independence.

E. Jordan Phosphate Mines Company
E. 1. Introduction

Jordan Phosphate Mines Company (JPMC), founded in 1949, stands as a leading producer of phosphate rock in Jordan and a significant player in the global phosphate market. Headquartered in Amman, JPMC operates several mines across the central and southern regions of Jordan, including the Russeifa, Al Hassa, Al-Abiad, and Eshidiya mines. Utilizing advanced extraction and processing technologies, JPMC maximizes efficiency while minimizing environmental impact. The company boasts an annual production capacity exceeding 7 million tons of phosphate, positioning it as the second-largest exporter and the sixth-largest producer of phosphate globally. JPMC's products are primarily used in the agricultural sector for fertilizer production, contributing substantially to Jordan's economy. Committed to sustainable development, JPMC has transitioned from diesel to natural gas for power generation, significantly reducing CO_2 emissions. The company also engages with local communities and adheres to international environmental management standards, ensuring long-term growth and competitiveness in the agricultural input industry.

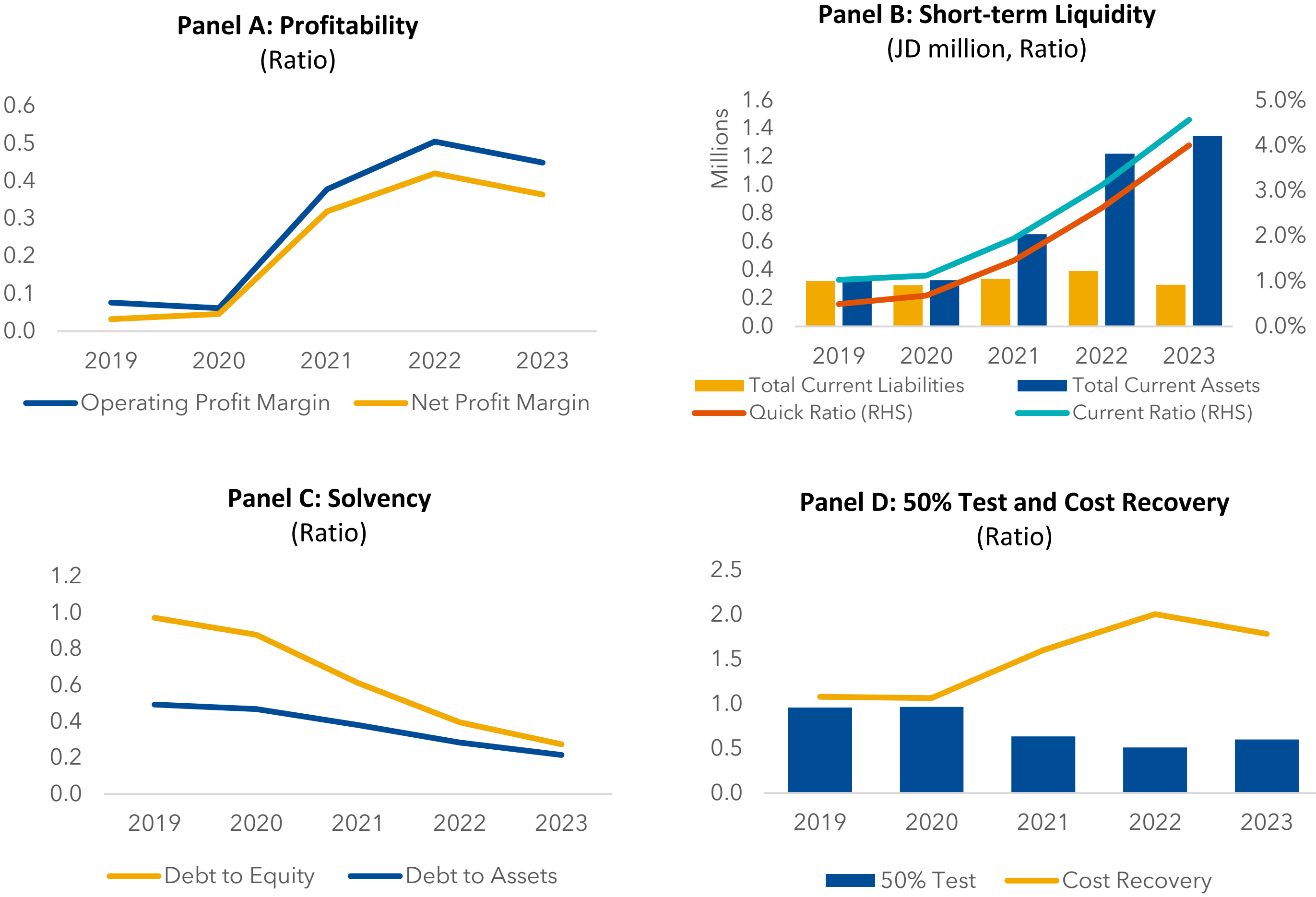
E.2. JPMC Performance Indicators

From 2019 to 2023, the Jordan Phosphate Mines Company (JPMC) has demonstrated significant improvements in its financial performance. Notably, many financial indicators have shown enhanced stability and reduced financial risk for the company. This can be attributed to the elevated prices of phosphate and fertilizers in the international market during 2022 and 2023.

Figure E.1, Panel A showcases the profitability trends, highlighting the operating profit margin and net profit margin. Both margins have experienced substantial growth since 2020. The operating profit margin increased from 0.06 in 2020 to 0.38 in 2021 and remained strong through 2023. Similarly, the net profit margin rose significantly, indicating improved efficiency in converting revenues into actual profit. This upward trend underscores the company's enhanced profitability and operational effectiveness in recent years.

Panel B focuses on short-term liquidity metrics, displaying total current assets, total current liabilities, and the current ratio from 2019 to 2023. The current ratio has improved markedly. This improvement is attributed to a substantial increase in current assets, particularly cash and cash equivalents, which expanded between 2019 and 2023. The enhancement in liquidity indicates that JPMC has strengthened its ability to meet short-term financial obligations, a positive development in its financial health.

Figure E.1. JPMC's Selected Financial Indicators



Panel C presents solvency indicators, specifically the debt-to-assets and debt-to-equity ratios. Both ratios have been on a declining trend. This reduction signifies that the company has effectively managed its debt levels relative to its assets and equity, thereby improving its long-term solvency and reducing financial risk.

Panel D examines the "50% Test" and cost recovery measures. The cost recovery ratio has improved, indicating that JPMC is generating sufficient revenue to cover its operational costs. However, the "50% Test" remains elevated, suggesting that there are still areas requiring attention.

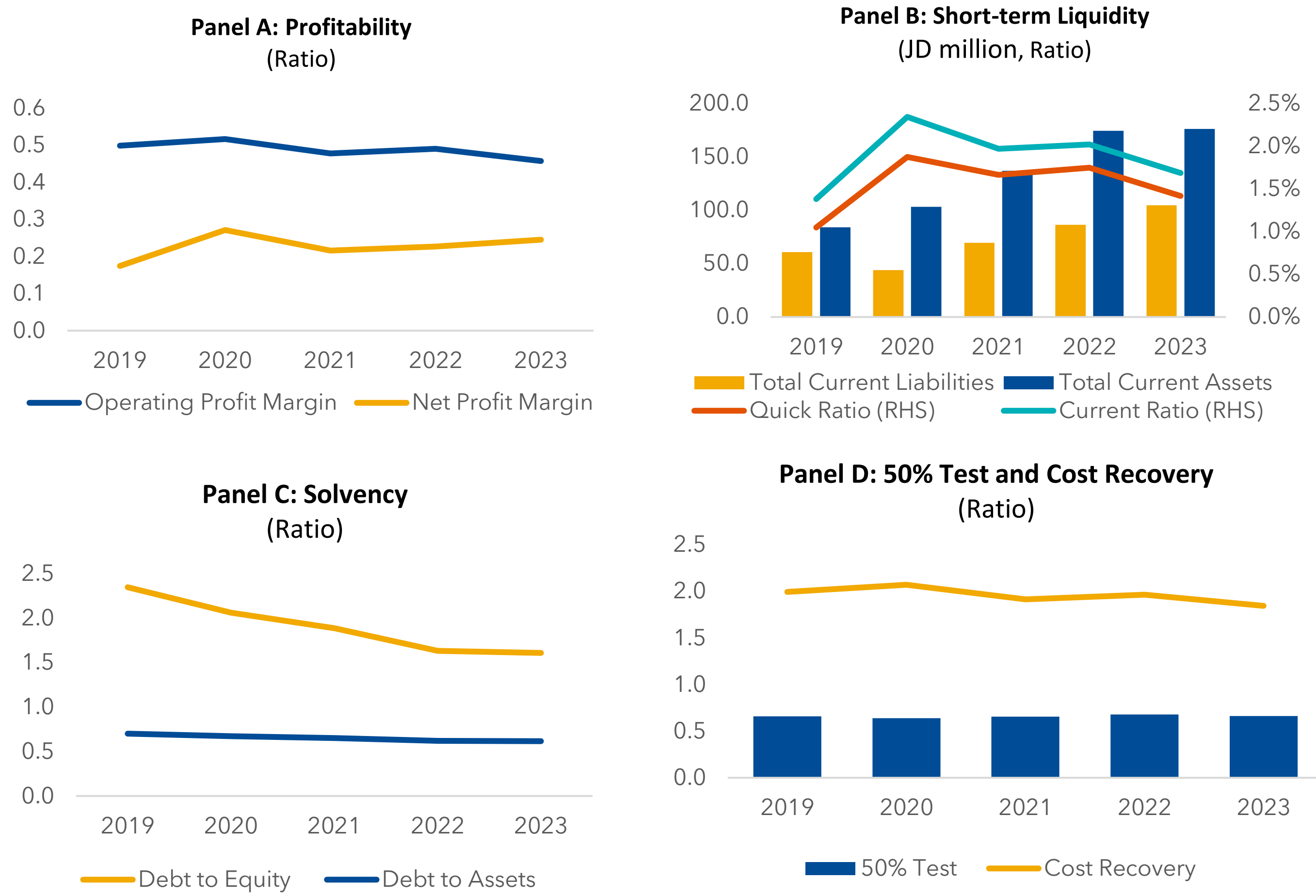
F. Samra Electric Power Company
F. 1. Introduction
Samra Electric Power Company (SEPC), established in 2004, is a prominent government-owned utility company in Jordan dedicated to generating and supplying electricity to meet the nation's expanding energy demands. SEPC operates the Al-Samra power plant located in Al Hashemiya near the Zarqa River, utilizing combined cycle technology with a total generation capacity of 1,241 megawatts (MW) through natural gas and heavy fuel oil. In addition to conventional power generation, SEPC manages several renewable energy projects contributing approximately 241 MW to the national grid, including wind and solar energy facilities. This integration of renewable sources underscores SEPC's commitment to sustainability and aligns with Jordan's broader energy strategy. SEPC plays a crucial role in enhancing the reliability and stability of Jordan's electricity supply, investing in modernization initiatives, and exploring innovative energy solutions to support the country's economic development and energy security goals.

F.2. SEPC Performance Indicators
From 2019 to 2023, the Samra Electric Power Company (SEPC) has demonstrated consistent strength in its financial performance. Most profitability indicators have remained strong throughout this period, reflecting robust financial health.

Notably, the net profit margin improved, while the operating profit margin experienced a slight decrease (Figure F.1, Panel A). This divergence suggests that although operational efficiency remains high, interest expenses and other non-operating costs continue to impact overall profitability.

SEPC's ability to meet its short-term financial obligations has remained strong, supported by solid liquidity ratios. Total current assets increased significantly between 2019 and 2023, outpacing the growth in total current liabilities (Figure F.1, Panel B). Despite this favorable liquidity position, converting assets into cash quickly poses challenges.

Figure F.1. SEPCO's Selected Financial Indicators



In terms of solvency, SEPC has shown gradual improvement, though certain risks persist. The debt-to-assets ratio decreased, and the debt-to-equity ratio improved (Figure F.1, Panel C). While these metrics remain relatively high, the downward trend indicates a reduction in reliance on debt financing and strengthening of the company's equity base. This improvement underscores SEPC's enhanced ability to service its debt from operational earnings.

The "50% Test" indicator remained relatively stable, hovering around 0.66 to 0.68 from 2019 to 2023 (Figure F.1, Panel D). Government transfers to total revenue have remained at zero throughout the period, indicating no reliance on direct government financial support. The cost recovery ratio experienced a slight decrease from 2.00 to 1.84, which, while still strong, points to a narrowing margin between costs and revenues.

G. Jordan Free & Development Zones Group

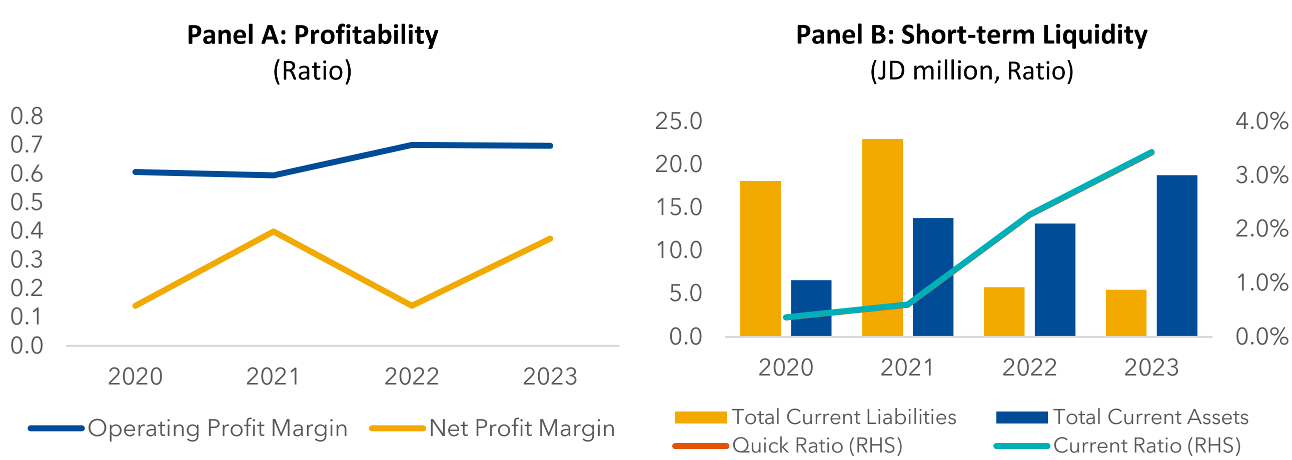
G. 1. Introduction

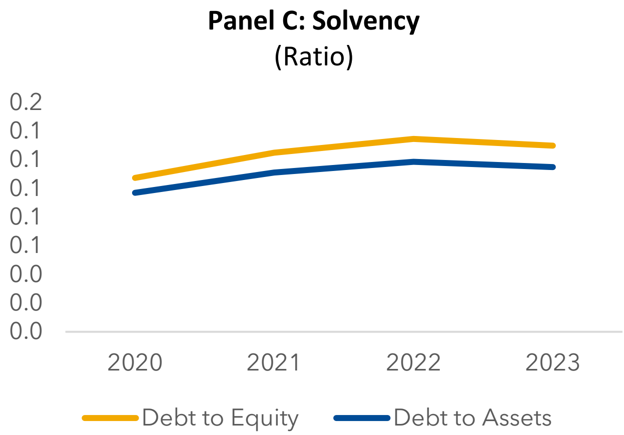
Jordan Free and Development Zones Group (JFDZG) is a governmental entity dedicated to stimulating economic growth and development within Jordan through the establishment and management of free zones and development areas. Established to attract foreign investment, promote exports, and create job opportunities, JFDZG offers a suite of incentives to businesses, including tax exemptions, customs privileges, and streamlined regulatory processes. The group strategically focuses on key sectors such as manufacturing, logistics, and information technology, aiming to enhance Jordan's competitive edge in both regional and global markets.

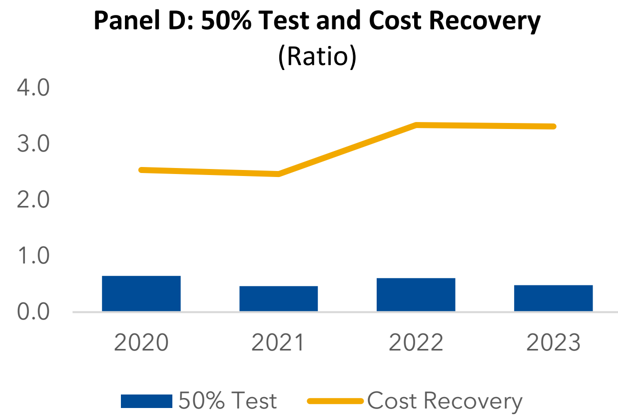
G.2. JFDZG Performance Indicators

From 2020 to 2023, the Jordan Free and Development Zones Group (JFDZG) has demonstrated strong and stable financial performance. Figure G.1, Panel A illustrates the profitability trends from 2019 to 2023. The operating profit margin demonstrated steady improvement over this period, increasing from 2020 to 2023. Similarly, the net profit margin showed fluctuations but overall growth, underscoring the company's effective cost management and enhanced revenue generation, contributing to stronger profitability in recent years.
Liquidity indicators, including the current ratio and quick ratio, have also maintained strong levels, reflecting the company's improved ability to meet short-term obligations. As depicted in Figure G.1, Panel B, there was a significant increase in total current assets from 2020 to 2023, while total current liabilities decreased over the same period. This shift led to substantial improvements in liquidity ratios, indicating a strengthened ability to cover short-term liabilities and a more robust financial position.

Figure G.1. Free & Development Zones Selected Financial Indicators







Solvency indicators like debt-to-assets and debt-to-equity ratios have remained relatively high, suggesting ongoing concerns regarding the company's long-term financial stability and reliance on debt. Figure G.1, Panel C shows that while these ratios have seen slight increases, they remain areas requiring attention to enhance the company's solvency position.

The "50% Test," is on a downward trend (Figure G.1, Panel D), which indicates improvement in the company's financial independence. The cost recovery ratio also improved significantly from 2020 to 2023, indicating enhanced efficiency in covering operational costs through revenues.

2.3. PPP Fiscal Risk Assessment

2.3.1. Introduction

PPP projects have several benefits, including resource optimization, attracting different investment forms, and meeting economic and social requirements. Furthermore, these projects stimulate economic diversification and growth, streamline public budget allocation, and eventually boost the efficiency and sustainability of government infrastructure and services.

Despite having a restricted budget, Jordan's government recently committed to expanding the kingdom's infrastructure, culminating in a public-private partnership (PPP) with the private sector, through an institutional frame for investment projects in Jordan consists of PIM, PPP, and FCU units, where these regulatory authorities work together to manage public investments, including PPP projects.

Jordan is considered a pioneer in implementing PPPs projects; improving its main airport (Queen Alia International Airport), developing wind farms around the country, implementing solar and thermal energy projects, and modernizing ports. PPPs have been used to undertake 49 projects in multiple sectors, with a total investment of 7.06 JD billion for 39 projects.

The majority of these investments are concentrated in the energy sector, which accounts for 80% of total investments, followed by 16% in the transportation sector, while PPP projects in the water and waste sectors account for just 4% of total investments. Furthermore, the average PPP investment from 2003 to 2018 was 441 JD million. The Al Attarat Power Company (Oil Shale) made the largest investment in 2014, totaling 1,910 JD million.

The Fiscal Commitments Unit (FCU) established in 2020 in the ministry of finance to analyse, follow up on, and monitor the fiscal commitments for each PPP project, any governmental help granted, and the impact of any contingent obligations on public finance and public debt.

2.3.2 List of operating PPPs

A. Completed PPPs

Since the start of PPPs in Jordan, there have been 49 projects on the ground with a total investment of around 7.06 billion JD.

Projects under preparation and tendering process; According to PPP Law No. 17 for the year 2020, three projects are subject to the current PPP law and under FCCL evaluation, registered on the NRIP. These projects are:

A.1. Bus Rapid Transit (BRT) Project:

The project aims to operate the infrastructure of 51 kilometres of high-frequency bus routes, 31 kilometres within Greater Amman Municipality and 20 kilometres between Amman and Zarqa, by implementing a unified operation plan through a PPP approach, where the supply, operation, and maintenance of buses will be expected to number 187 buses, in addition to providing these buses with their own intelligent transport systems.

A.2. King Hussein Bridge Land Border Crossing Terminal Project:

The project represents the construction of entirely new buildings and yards for the King Hussein Bridge to be an alternative to the existing facilities so that it meets modern international standards, has sufficient capacity, is easy to use, and can be expanded to accommodate the increased movement of travellers and freight. It also reduces the time for transportation, travel, and shipping procedures and increases the efficiency and speed of audits and detection. Proposed Contract Duration: 25 years (3 years of construction and 22 years of operations).

A.3. The Construction and Development of (14) Public Schools Project:

GOJ plans to conduct a pilot project comprising the design, build, finance, operate, maintain, and transfer of 14 schools under a PPP model to replicate the approach in phases across the country. All the pedagogical components will remain under the Ministry of Education. The project duration of 20 years (2 years of construction and 18 years of operation).

2.3.3. Risks materialized and risk mitigation.

There were no contingent liabilities burden related to PPPs materialized on the government so far. However, studying such scenarios and their potential consequences remains highly important, as events like the war in Ukraine, alongside uncertainties like interest rate fluctuations, have the potential to increase fiscal obligations and contingent liabilities. The government's capacity to fulfill its promises as well as changes in costs or revenues may have an impact on how well a project performs. In general, contingent liabilities tend to be challenging to identify and quantify.

There are two types of fiscal risks associated with PPPs: direct fiscal commitments, which have known payment timings and amounts, and contingent liabilities, which depend on unanticipated events that might occur. These liabilities could relate to things like termination payments, credit guarantees, and incidents involving force majeure.

2.3.4 Mitigation measures on PPPs:

The implementation of PPPs requires careful risk management and mitigation, as these long-term contracts are complex to structure. The government of Jordan has achieved many steps in this regards:

1. Building up technical capacity, especially among government officials who oversee PPP transactions.
2. Risk allocation, by assigning each risk to the party that is most qualified to manage it.
3. Better selection, as mitigating some of these risks requires careful project selection.
4. Mitigate the risk of miss-coordination, as the government determined the main parties involved in PPPs, and breaking down responsibilities into multiple stand-alone contracts to makes it easier to manage. Moreover, the government works on the selection of experienced contractors and proper construction supervision to prepare properly budgeted estimates.
5. In PPP agreements, "force majeure" clauses describe what happens when unforeseeable events beyond the parties' control prevent them from fulfilling their obligations. The

purpose of designating these occurrences, providing relief from duties during the event, and outlining mitigating strategies is to control risks.

6. Many projects funded by users create significant demand and volume risks for private partners. In those cases, the government carefully pre-examined the demand risk and then monitored it during the life of the contract.
7. PPP projects in Jordan remain subject to other risk such as interest rates, exchange rate changes, and insufficient public investment, and thus each project contract has to factor those risk into account.

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