IMF Executive Board Completes the Fifth Review Under the Stand-By Arrangement for Jordan

Press Release No.14/506

November 11, 2014

On November 10, 2014, the Executive Board of the International Monetary Fund (IMF) completed the fifth review of Jordan's performance under the authorities' three-year economic program supported by a Stand-By Arrangement (SBA). The 36-month SBA in the amount of SDR 1.364 billion (about US$2 billion, or 800 percent of Jordan's quota at the IMF) was approved by the Executive Board on August 3, 2012 (see Press Release No. 12/288). The completion of the fifth review enables the immediate release of SDR 85.25 million (about US$125.4 million), bringing total disbursements under the program to SDR937.75 million (about US$1.38 billion).

In completing the fifth review, the Executive Board approved the authorities' requests to re-phase the undrawn Fund purchases in three disbursements over the remaining program period; for a waiver of nonobservance for the end-September 2014 performance criterion on the combined public deficit; for a waiver of applicability for the end-September 2014 performance criterion on the primary fiscal deficit; and for the modification of the end-December 2014 performance criterion on the combined public deficit.

Following the Executive Board's discussion on Jordan, Mr. Naoyuki Shinohara, Deputy MANAGING Director and Acting Chair, said:

"Jordan faces an increasingly difficult regional environment. The conflicts in Syria and Iraq, as well as the disruptions in gas supply from Egypt, are putting pressure on the economy, in particular on the fiscal and external accounts. Nonetheless, the macroeconomic situation has remained largely stable, with growth gradually recovering, inflation contained, the current account deficit narrowing, and international reserves at a comfortable level. Performance under the Fund-supported program continues to be broadly on track.

"The authorities remain committed to fiscal consolidation. Fiscal measures for 2015, including contingencies, provide assurances that public debt will move onto a downward path, starting in 2016. The INCOME tax law currently under discussion in parliament is a welcome step. Nevertheless, further tax reforms are paramount and should focus on making the tax system more progressive and on removing tax exemptions.

“The losses of the electricity company have been higher than expected due to shortfalls in gas supply, with the additional costs being FINANCED by grants. Steadfast implementation of the energy strategy will be important to ensure cost recovery of the company in the medium term. While longer-term prospects are now better because of the possibility of gas imports from the Mediterranean, additional measures may be needed should gas supply fall short of the expectation.

“The central bank is appropriately focused on maintaining comfortable international reserves buffers. Efforts will also continue to further strengthen banking supervision and contain macro-financial risks.

“Progress has been made in implementing structural reforms. However, stronger and deeper reforms are needed to address the structurally-high unemployment and boost growth. Priority should be given to labor market reform, further improving the business climate, and upgrading public financial MANAGEMENT and tax administration.”