

MID YEAR REVIEW (MYR) 2017

CENTRAL GOVERNMENT BUDGET

MINISTRY OF FINANCE

September 2017

(Contact Information can be put inner part of the cover page as is in the GGBF)

Table of Contents
Statement by the Minister of Finance
I. Methodology and Concepts
II. Executive Summary
III. Economic Outlook
IV. Fiscal Outlook
<i>IV.1 Summary Presentations</i>
<i>IV.2 Expenditure Analysis</i>
<i>IV.3 Revenue Analysis</i>
V. Economic and Functional Classification of Current and Capital Expenditures.
VI. Developments in Government Debt.
VII. Issues of Special Interest

Statement by the Minister of Finance

As part of the Ministry of Finance (MOF) strategy towards adhering to fiscal transparency and comprehensiveness in publishing fiscal data in accordance with international standards, the MOF is issuing the mid-year review (MYR) to present a comprehensive review of the implementation of the budget's execution six months into the budget year, additionally examines year-to-date performance.

The MYR aims at promoting accountability and sound management, for the monitoring and evaluation of the budget by providing information to the legislative bodies, citizens, and international community during the implementation process.

Issuing the MYR goes in line with the MOF core values on transparency and disclosure: Exchange and simplifying information with the highest professional means and transparency, on another hand, Excellence in providing services according to international standards

The MYR includes a table of main economic indicators that covers the last four years as well as the most recent available data for various sectors of the economy. A guide to methodology and statistical concepts is also included in the Bulletin. In addition, charts and memorandum items which contain important ratios are presented below the many tables of the Bulletin.

THE MOF publishes this edition of the MYR in collaboration with the Jordanian Budget Alliance.

I. Methodology and Concepts

METHODOLOGY AND CONCEPTS

THE MYR includes six months and annual data of budgetary government finance statistics.

First: Coverage of the Government Sectors

Budgetary central government: represents the ministries and governmental departments, whose annual budgets are included within the General Budget Law. The budgetary government finance statistics section includes summary budget, revenues, and expenditures of central government budgets. Also, domestic debt, external debt and external debt service of central government (budget) are included, while domestic debt of own-budget agencies, external guaranteed debt and its service are not included in this section.

Second: Some concepts and methodology used in this report as well as

Taxes: which form the dominate share of revenue for government units, is composed of compulsory transfers to the general government sector. Fines and forfeits collected from Customs Department are excluded from taxes in this bulletin; they are classified as other non-tax revenues.

Taxes on Goods & Services: represent all taxes imposed on producing, selling, transferring of ownership, leasing, goods importing or offering services.

Other Additional taxes: includes additional taxes on electricity, services of Land and Survey Department, vehicle and driver licenses and insurance contacts taxes.

Compensation of Employees: total remuneration, in cash, payable to a government employee in return for work done during accounting period.

Subsidies: current transfers that government units make to enterprises on the basis of the levels of their production activities, or on the basis of quantities or values. Included are transfers to public corporations and other enterprises that are intended to compensate for operating losses.

Grants: are non compulsory current or capital transfers from one government unit to another government unit or an international organization

Social benefits: current transfers to household to provide for needs arising from events such as sickness and retirement.

Social contributions: represent insurance revenues of Social Security Corporation, government pension contributions, and employee's contributions in Health Insurance Fund.

Primary balance to the central government: equals domestic revenues minus non-interest total expenditures.

Current balance to the central government: equals domestic revenues minus current expenditures.

Conciliated deficit: equals budget deficit for central government and government entities' deficit.

Net domestic debt: represents gross domestic debt minus deposits with banking system.

II. Executive Summary (first half 2017)

First: Total Revenues and Grants

Total revenues and grants amounted to JD 3446.6 million during first six months of 2017 compared to JD 3528.2 million during same period of 2016, reflecting a decrease of JD 81.6 million or 2.3%. Foreign grants amounted to JD 118.2 million during first six months of 2017 compared to JD 240.7 million during same period of 2016.

Domestic revenues amounted to JD 3328.4 million during first six months of 2017 compared to JD 3287.5 million at the same period of 2016, reflecting an increase by JD 40.9 million or 1.2%. This increase in domestic revenues was a result of an increase in “non tax revenues” by JD 96.2 million, and a decrease in “tax revenues” by JD 52.4 million. In the first half of the year, the Government collected 92% of estimated domestic revenues.

The increase in non-tax revenues was mainly due to a rise in Miscellaneous Revenues of JD 62 million, a rise in revenues from surpluses and financial revenues from government units at JD 27.3 million and a decrease in income from property income by JD 10.6 million.

The decrease in tax revenues was mainly outcome a decrease in taxes on "income and profits" by about JD 26.7 million or 4%, and a decrease in taxes on "Financial Transactions" by JD 4 million or 7% and an increase tax on “Goods and Services” about JD 16 million or 1.1%.

Second: Total Expenditures

Total expenditures amounted to JD 3749.1 million during first six months of 2017 compared to JD 3169.8 million during same period of 2016, reflecting a decrease by JD 70.2 million or 1.8%.

This decrease in total expenditures was an outcome of a decrease in current expenditures by JD 48.7 million or 1.4% and a decrease in capital expenditures by JD 21.5 million or 5.4%.

Third: Overall Deficit/ Surplus

The previous developments resulted in the recording of a fiscal deficit in the general budget during the first half of 2017, before external grants of about JD420.7 million compared to a deficit of about JD 531.8 million during the same period of 2016, while the deficit after grants amounted to about JD 302.5 million against deficit was JD 291.1 million during the same period of 2016, it should be noted that according to the law of the general budget for this year, the budget deficit after the grants estimated for this year 2017 is expected to reach about JD 693.1 million .

III. Economic Outlook

- Growth has gradually increased to 2.2% during the first quarter of 2017, and is estimated to reach to 4.6% in 2017.
- Inflation has dropped to -0.8 % by the end of 2016, and it increased to reach 3.7% in first half of 2017.
- The current account deficit, including grants, registered 9.3% of GDP by the end of 2016 .

Main Economic Indicators

	2017 Jan-June	2016	2015	2014	2013
Real Sector					
Real GDP	2.2*	2.0	2.4	3.1	2.8
Nominal GDP.....	3.9*	3.0	4.7	6.6	8.6
Inflation rate (based on Consumer Index)	3.7	-0.8	-0.9	2.9	4.8
Current account as a share of GDP	NA	-9.3	-9.1	-7.3	-10.4

GDP figures only for the first quarter 2017

IV. Fiscal Outlook

IV.1 Summary Presentations

	Jan- Jun 2017	bud. 2017	2016	2015	2014	2013
TOTAL REVENUES	3447	8119	7069.6	6797	7268	5759
Taxes	2247.9	5200.9	4254.3	4097.1	4037.1	3652.5
Non tax Revenues	1080.5	2141.4	1979.3	1813.8	1994	1467.3
grants	118.2	777	836	886.2	1236.5	639.1
TOTAL EXPENDITURES	3749.1	8812.5	7948.2	7722.9	7851.1	7076.9
Non Interest Expenditures	3356.2	7827.5	7112.9	6808.5	6925.2	6340.4
Current Expenditures	3370.2	7595.6	6819	6624.5	6713.6	6056.1
Compensation of Employees	690	1412.3	1370	1344.6	1320.1	1267
Purchases of Goods and Services	155.4	378	443.8	402.6	479.5	270.5
Social Benefits	711	1502.8	1476.1	1442	1472.6	1357.9
Other Current Exp.	2019.3	4466.3	3928.5	3671.9	3690.2	3442.3
Capital Expenditures	378.9	1216.9	1029.1	1098.2	1137.5	1021
Subsidies and Grants	112.6	354	241.4	291	297.9	339.8
Interest Expenditures	392.9	985	835.3	914.4	925.9	736.5
Budget Balance after grants	-302.5	-693.2	-878.6	-925.8	-583.5	-1318

IV.2 Expenditure Analysis

Detail Analysis of Expenditures Updates

The current expenditure decreased until end of June 2017 by 11.3%, compared with estimates of the general budget for the same period, largely due to the government to take some measures to reduce expenses.

Actual capital expenditure fell even half of the current year by 37%, compared with the budget estimates for the same period, largely due to that payment to contractors at intervals and depending on the actual verification of projects where they are paying dues by achievement and is usually payment at the end of the year

With reference to the rate of capital spending for the first half of 2017, it is close to the rate of spending for the same period in 2016, which enhances the justification above that the spending decline for the first half is consistent with the estimate for the same year.

Detail Analysis of Expenditure Programs

Below is a table explaining the programs under the Ministry of Education and Ministry of Health*.

Ministry of Education							
NO.Prog	Programs	2017 Jan-June	2017 Est.	2016 Re-est	2015	2014	2013
1105	1. Communications Commission	5.5	11	10	10	10	5.5
2260	2. Supporting education and training affairs	3.5	3	6.4	5	5	4.4
4401	3. Administration and Support Services.	18.9	53.2	50.5	56.1	56.5	55.1
4405	4. Vocational Education	9.4	25.2	24	23.9	23.3	24.1
4415	5. Special Education	1.1	3.8	3.7	3.5	3.4	3.4
4420	6. Kindergarten Education	2.1	4.5	5.1	5.9	6.1	4.7
4425	7. Basic Education	37	69.1	710.2	722.3	703.1	666.9
4430	8. Secondary Education	41.4	97.1	107.5	96.3	104.8	95.4
4435	9. Eradication of Illiteracy and Adult Education	0.78	0.57	0.68	0.47	0.6	0.52
4501	10. Administration and Support Services	1.6	4.1	3.8	3.2	2.8	2.8
4505	11. Government colleges and universities	48.8	119.3	119.3	116.6	90.7	80.2
Total		502.3	1039.4	1041.2	1042.4	1006.3	943.3

- Sources: General budget department

**Ministry of
Education(follow)**

<u>NO.Prog</u>	<u>Programs</u>	2017	2017	2016	2015	2014	2013
		Jan-June	Est	Re-est			
8141	• Administration and support services	0	2.7	2.3	1.9	1.9	1.9
8142	• Rehabilitation and training	0	10.5	10.4	9.9	9.7	9.1
8261	• Administration and Support Services.	0	0.29	0.25	0.23	0.24	0.28
8262	• Training	0	0.3	0.3	0.23	0.25	0.29
8301	• Administration and Support Services.	0	0	0	0	7.3	8.6
8302	• Supporting educational projects	0	0	0	0	1.2	0.06
9081	• Administration and Support Services.	0	1	0.9	0.9	0.8	0.75
9082	• Accreditation of Higher Education Institutions	0	0.28	0.37	0.37	0.31	0.24
9083	• The National Center for tests	0	0.3	0.3	0.08	0.08	0.01
9351	• Administration and Support Services	0	0.7	0.8	0.75	0.6	0.4
9352	• Research	0	6.2	6.1	4.8	4	2.2
9411	• Administration and Support Services	0	0	0	0	0.03	0
9412	• Employment and training	0	14.3	21.3	14.2	8.3	7.5
9413	• Vocational and Technical Education	0	6.5	0.35	0.17	0.36	0.21
Total		0	42.9	43.3	33.8	35.2	31.8

- Sources : General budget department

Ministry of Health		Million JD					
NO.Prog	Programs	2017	2017	2016	2015	2014	2013
		Jan-June	Est	Re-est			
1120	12. The security and protection unit own	4.2	8.4	8.4	8.4	8.4	8.5
1201	13. Administration and Support Services.	89.8	179	243	168.1	163.1	150.4
4601	14. Administration and Support Services	8.1	19.5	19.4	23.6	21.5	20.9
4605	15. Manpower Development	1.9	5.2	5.2	6	13.8	10.3
1205	16. Primary health care medicine field	0	0	0	0	0	0.7
1210	17. Secondary Health Care/ Hospitals	24.9	61.1	40.7	55	56.6	41.8
2250	18. Support for health affairs	2.5	5	12.5	22.1	19.1	109
4610	19. Primary Health Care/ Health Services Centers	48.3	103.4	100.8	111.3	136.3	72.1
4615	20. Secondary Health Care/ Hospitals	106.6	253.9	258.9	233.4	209.7	242.2
4620	21. Serums, Vaccines, Medicines and Medical Consumables	36.2	99.0	99.0	93.2	88.1	54.4
4625	22. Expanding Health Insurance Coverage	32.0	100	155.0	155.0	154.4	100
Total		354.5	834.5	942.9	876.2	870.9	712.4

Ministry of Health (follow)

<u>NO.Prog</u>	<u>Programs</u>	2017	2017	2016	2015	2014	2013
		Jan-June	Est	Re-est			
8181	• Administration and support services	0	45.1	45.6	45.1	38	32.3
8182	• Medical treatments	0	109.7	108.5	101.3	88.9	182.3
8281	• Administration and Support Services	0	0	0	0	8.6	8.6
8661	• Administration and Support Services	0	2.4	2.3	2.0	2.1	1.7
8662	• Food	0	4.0	3.7	3.3	3.4	2.9
8663	• Drug	0	3.3	2.9	2.6	2.5	2.3
8861	• Administration and Support Services	0	0.16	0.1	0.1	0.1	0.1
8862	• Policies and coordination	0	0.15	0.17	0.15	0.15	0.15
9241	• Administration and Support Services	0	1.0	1.3	10.6	0.7	0.7
9242	• Secondary health care	0	26.6	26.1	26.1	22.8	23.1
9431	• Administration and Support Services	0	0.75	0.66	0.66	0.44	0
9432	• Training and Rehabilitation	0	0.37	0.47	0.34	0.18	0
Total		0	193.6	191.8	182.7	167.9	254.3

IV Revenue Analysis

• As revenues and grants decreased in the first half of 2017 by 2.3% when compared to the same period last year, total revenues and grants decreased by 15% until end of June 2017 when compared to the budget estimates for the same period. Reasons for the decrease are:

1. Foreign grants decreased by JD 262 million (receipt of grants usually happens in December 2017). The government receives about 49% of total scheduled grants of the year in the last month of the year, while the remaining 51% are distributed throughout the year.

2. The government has to approve the actions and commitments that have been agreed upon with the International Monetary Fund these measures include an increase in revenues to about 450 million in year 2017 and about 515 million through 2018. This is effective as of March 1st 2017, but will not reveal the final impact of the action taken, thereby reducing the amount of targeted tax collections.

3. These included actions required by the IMF program to reduce the public debt to GDP ratio. It is expected that the ratio of total public debt / output be decreased annually by 77%.

V. Economic and Functional Classification of Current and Capital Expenditures.

DISTRIBUTION OF CURRENT EXPENDITURES OF BUDGETARY CENTRAL GOVERNMENT ACCORDING TO FUNCTIONAL TYPE

JD Million

	2017	2016	2015	2014	2013
	Budget	Actual			
General public services	1469.5	1415	1326.6	1398.6	1089.3
Defense	1095.6	986.6	905.7	869.2	820
Public order and safety	1109.2	1038.9	979.6	941.4	863.8
Economic affairs	142.9	141.3	130.3	119.6	108.4
Environmental protection	2.3	2.2	1.7	1.5	1.3
Housing and community amenities	24.6	24.8	21.5	20.1	18.3
Health	730.5	789.4	760.7	730.5	570.2
Recreation, culture and religion	129.6	121.4	110.6	102.0	97.3
Education	925.8	941.0	899.7	902.2	874.3
Social protection*	1965.7	1724.6	1488.1	1628.5	1613.2
Total	7595.7	7185.1	6624.5	6713.6	6056.1

* Includes goods subsidies.

**DISTRIBUTION OF CAPITAL EXPENDITURES OF BUDGETARY CENTRAL GOVERNMENT
ACCORDING TO FUNCTIONAL TYPE**

JD Million

	2017	2016	2015	2014	2013
	Budget	Actual			
General public services	61.1	63.4	44.3	45.9	45.6
Defense	44.0	39.8	30.1	30.0	29
Public order and safety	87.4	81.3	64.1	64.1	55.2
Economic affairs	444.2	531.3	382.0	458.0	299.1
Environmental protection	21.9	33.3	42.1	39.2	63
Housing and community amenities	272.7	224.7	217.3	199.5	260.9
Health	104.1	142.5	115.5	140.4	144.6
Recreation, culture and religion	53.9	57.0	44.8	38.5	38
Education	113.6	121.4	142.7	104.2	69.1
Social protection	14.1	15.9	15.5	17.7	16.5
Total	1216.9	1310.6	1098.4	1137.5	1021.0

**ECONOMIC CLASSIFICATION OF CAPITAL EXPENDITURES
OF BUDGETARY CENTRAL GOVERNMENT**

JD Million

		2017	2016	2015	2014	2013
		Budget	Actual			
Compensations of employees		9.6	10.2	9.1	12.2	20.2
Wages, Salaries and Allowances		9.6	9.8	8.8	11.1	18.9
Social Security Contributions		0.0	0.4	0.3	1.1	1.3
Purchase of Goods and Services		150.2	120.8	123.0	200.2	144.7
Grants		256.9	231.0	251.4	249.8	178.4
Grants to other General Government Units\Capital		256.9	231	251.4	249.8	178.4
Other Expenditures		35.3	27.5	20.2	15.7	16.8
Miscellaneous Expenditures		35.3	27.5	20.2	15.7	16.8
Non- Financial Assets		580.5	500.8	566.7	532.1	541.9
Fixed Assets		530.2	437.9	478.1	486.9	441.6
Inventories		6.6	42.6	57.0	31.8	15.6
Unproductive Assets		42.9	20.4	31.6	13.4	84.7
Military Expenditures		184.5	139.0	139.0	127.5	119.0
Total		1217.0	1029.3	1109.4	1137.5	1021.0

I. Developments in Government Debt.

- As a result of the recent developments of internal and external debt, the total public debt at the end of the first half of 2017 was JD 26472.1 million, or 94.4% of the estimated GDP of the end of the first five month of 2017, compared to about JD 26092.7 million or 95.1% of GDP at the end of 2016. The debt of the National Electricity Company and the Water Authority is about 6.7 billion dinars. The total public debt is expected to sustain the ratio to GDP at the end of this year as of last year at about 95%.

The net public debt at the end of the first half of 2017 showed an increase of JD 941.8 million or 3.9% in comparison to the end of 2016. This is due to finance both the public budget deficit and the loans granted to the National Electricity Company and the Water Authority. Accordingly net public debt is expected to reach about JD 25021.3 million or 89.2% of estimated GDP for the end of the first six month of 2017. When compared to GDP for 2016, it is to reach about JD 24079.4 million or 87.7%.

- Outstanding external public debt (government and government-guaranteed) increased by JD603.1 million to reach JD 10902.1 million at the end of first half of 2017, an equivalent to 38.9% of projected 2017 GDP by the end of first half of 2017, compared to JD 10299 million or 37.5% of GDP at the end of 2016.
- Net outstanding domestic debt (budgetary and own-budget agencies) increased at the end of first half of 2017 to reach JD 14119.2 million or 50.3% of projected 2017 GDP compared to JD 13780.4 million or 50.2% of GDP at the end of 2016, reflecting an increase of JD 338.8 million.

VII. Programs of Special Interest

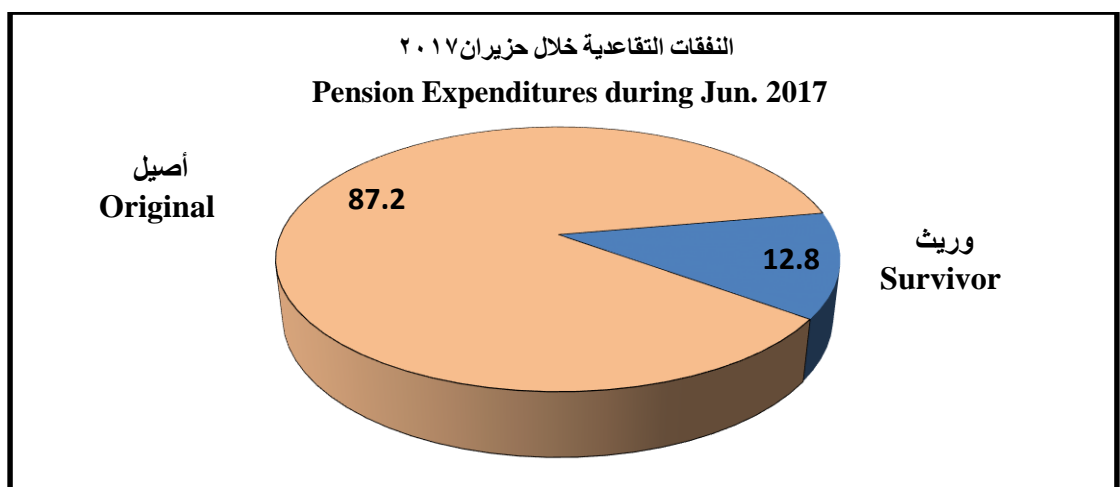
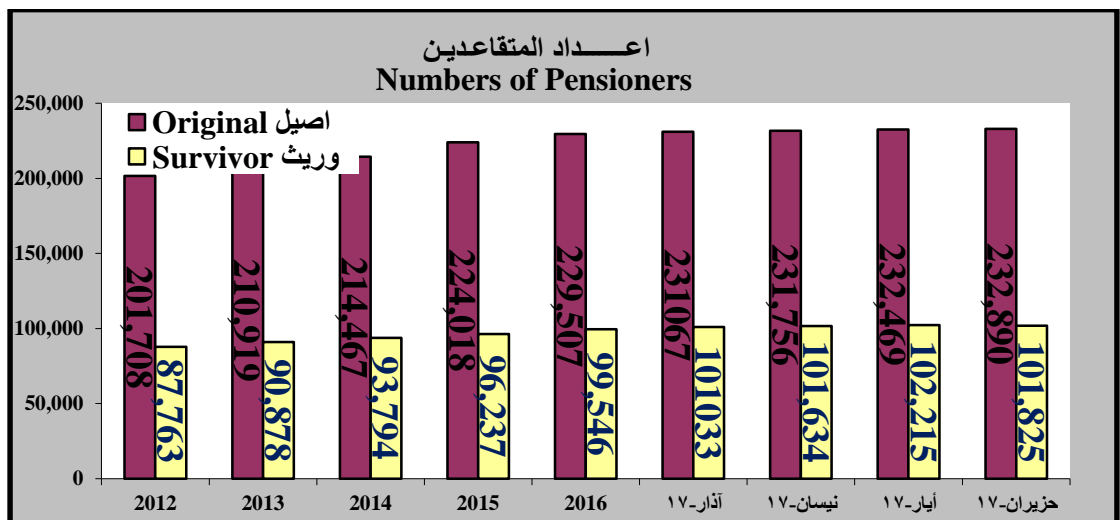
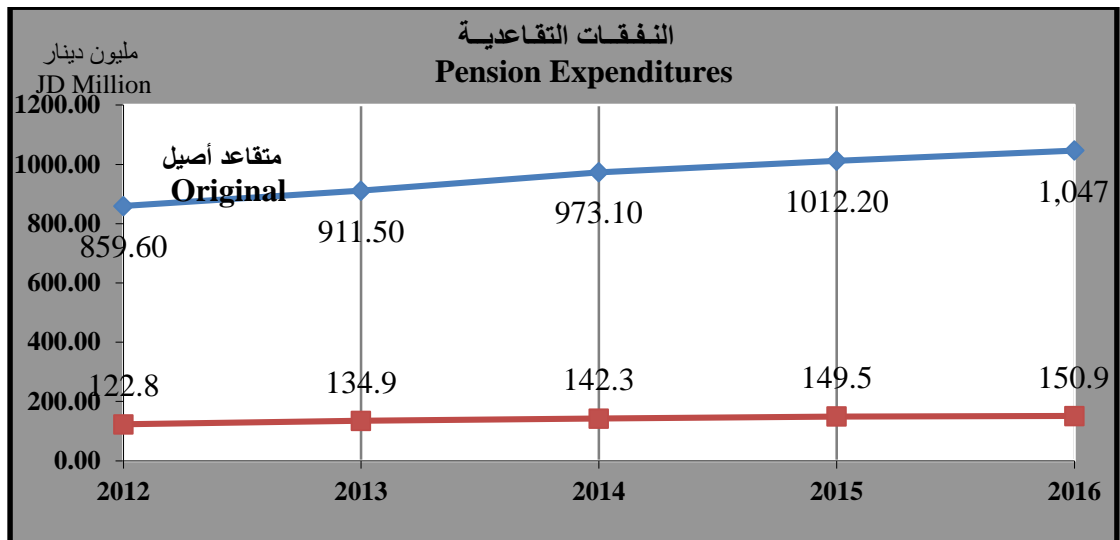
Any issues of particular concern that parliament and public are interested in namely, gender, child, education and pension funds:

Numbers of pensioners and pension Expenditures

JD Million JD

Pension Expenditures			Numbers of Pensioners			
Total	Survivor	Original	Total	Survivor	Original	
982.4	122.8	859.6	289,471	87,763	201,708	2012
1046.4	134.9	911.5	301,797	90,878	210,919	2013
1115.4	142.3	973.1	308,261	93,794	214,467	2014
1161.8	149.5	1012.2	320,255	96,237	224,018	2015
1197.7	150.9	1046.8	329,053	99,546	229,507	2016
						2016
98.9	12.5	86.4	323,817	97,466	226,351	June
99.2	12.6	86.6	324,613	97,993	226,620	July
99.5	12.6	86.8	324,890	98,169	226,721	August
99.7	12.7	87.1	325,317	98,230	227,087	September
104.7	13.0	91.7	326,513	98,799	227,714	October
101.7	12.8	88.9	328,031	99,353	228,678	November
102.1	12.8	89.3	329,053	99,546	229,507	December
						2017
102.6	13.2	89.4	330,324	100,319	230,005	January
102.6	13.2	89.4	330,652	100,261	230,391	February
103.3	13.4	89.9	332,100	101,033	231,067	March
103.7	13.4	90.3	333,390	101,634	231,756	April
104.3	13.4	90.9	334,684	102,215	232,469	May
104.0	13.3	90.7	334,715	101,825	232,890	June

Memorandum Items	2016	2015	2014	2013
%Total Pension Expenditures/GDP	4.4	4.3	4.4	4.4
%Total Pension Expenditures/Current Expenditures	17.3	17.2	16.6	17.3
%Total Pension Expenditures/Total Expenditures	15.1	14.8	14.2	14.8



Ministry of Education Programs for women

<u>NO.Prog</u>	<u>Programs</u>	2019 <u>Million JD</u>	2018	2017	2016	2015
4401	Administration and Support Services	34.8	32.2	30.4	28.8	32.0
4405	Vocational Education	14.8	14.6	14.4	13.7	13.6
4410	Social, Sports and Educational Activities	1.2	1.2	1.2	1.1	1.3
4415	Special Education	2.3	2.2	2.2	2.1	2.0
4420	Kindergarten Education	3.6	3.8	2.6	2.9	2.9
4425	Basic Education	418.8	406.8	392.1	398.8	404.5
4430	Secondary Education	65.5	60.5	55.3	61.3	54.9
4435	Eradication of Illiteracy and Adult Education	.3	.3	.3	.4	.0
Total		541.2	521.5	498.4	509.0	511.2

Ministry of Education Programs for child

<u>NO.Prog</u>	<u>Programs</u>	2019 <u>Million JD</u>	2018	2017	2016	2015
4401	Administration and Support Services	61.0	56.4	53.2	50.5	56.1
4405	Vocational Education	26.0	25.7	25.2	24.0	23.9
4410	Social, Sports and Educational Activities	2.1	2.1	2.1	1.9	2.2
4415	Special Education	4.0	3.9	3.8	3.7	3.5
4420	Kindergarten Education	6.2	6.6	4.5	5.1	5.1
4425	Basic Education	734.7	713.5	687.8	699.6	709.7
4430	Secondary Education	115.1	106.3	97.1	107.5	96.3
Total		949.0	914.4	873.7	892.3	896.9

Ministry of Health programs for women

<u>NO.Prog</u>	<u>Programs</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
		<u>Million JD</u>				
4601	Administration and Support Services	7.1	7.0	7.1	6.5	7.8
4605	Manpower Development	3.3	3.3	3.2	2.8	3.2
4610	Primary Health Care/ Health Services Centers	53.0	51.1	49.3	49.5	52.4
4615	Secondary Health Care/ Hospitals	192.4	184.4	166.3	177.5	149.8
4620	Serums, Vaccines, Medicines and Medical Consumables	79.1	68.1	60.4	60.4	56.9
4625	Expanding Health Insurance Coverage	55.0	55.0	55.0	86.0	86.0
	Total	389.8	368.9	341.4	382.7	356.1

Ministry of Health Programs for child

<u>NO.Prog</u>	<u>Programs</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
		<u>Million JD</u>				
4610	Primary Health Care/ Health Services Centers	39.7	38.3	36.9	37.1	39.2
4615	Secondary Health Care/ Hospitals	117.3	112.5	101.3	102.7	86.7
4620	Serums, Vaccines, Medicines and Medical Consumables	52.0	44.8	39.7	39.7	37.4
625	Expanding Health Insurance Coverage	36.0	36.0	36.0	55.8	55.8
	Total	245.0	231.5	214.0	235.3	219.1