

International Monetary Fund

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Jordan: Letter of Intent

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August 3, 2012

September 23, 2012

The following item is a Letter of Intent of the government of Jordan, which describes the policies that Jordan intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Jordan, is being made available on the IMF website by agreement with the member as a service to users of the [IMF](#) website.

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INTERNATIONAL MONETARY FUND

JORDAN

Stand-By Arrangement—Request for Modification of Performance Criteria

Prepared by the Middle East and Central Asia Department
(In consultation with other departments)

Approved by Adnan Mazarei (MCD) and James Roaf (SPR)

September 24, 2012

- 1. In the attached letter, the authorities request to modify the performance criteria (PCs) on the net international reserves (NIR) for end-September and end-December, 2012.**¹ The floor on the stock of the NIR of the Central Bank of Jordan (CBJ) was specified at \$7,667 million for end-September and \$8,257 million for end-December 2012 in Table 1 of the Memorandum of Economic and Financial Policies (attachment to the Letter of Intent dated July 27, 2012). The authorities request to modify the PC to \$6,585 million for end-September and \$7,175 million for end-December. There was a technical error in setting the targets for the NIR PCs, which came to light in the context of the preparations for the safeguards assessment of the CBJ.
- 2. The issue relates to amounts due under a bilateral facility for \$1,082 million, which is overdue and not being serviced.** The facility therefore is not readily available and was erroneously included in the NIR of the CBJ. The modification of the end-September and end-December 2012 NIR PCs does not change the substance of the program and aims at setting the correct floor for the NIR. First, the facility was not included in the calculation of gross usable international reserves and the staff report's discussion on the reserve coverage remains unchanged. Second, the amount of the facility is projected to be constant in nominal terms and its exclusion from NIR does not affect the NIR flows projected under the program. Staff supports the modification of the targets for the NIR PCs.

¹ Jordan—Request for a Stand-By Arrangement, IMF Country Report No. 12/xx.

September 23, 2012

**Ms. Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, DC 20431**

Dear Ms. Lagarde,

We would like to request modifications of one of the program's performance criteria for end-September 2012 and end-December 2012. In Table 1 of the Memorandum of Economic and Financial Policies (MEFP)—attached to our Letter of Intent dated July 27, 2012—the floor on the stock of Net International Reserves (NIR) of the Central Bank of Jordan (CBJ) was targeted at \$7,667 million for end-September 2012 and \$8,257 million for end-December 2012. These targets were based on a stock of NIR of \$8,556 million as of end-June 2012, as reported in the technical memorandum of understanding (TMU). However, a bilateral account facility with an outstanding amount of \$1,082 million was inadvertently included in the NIR calculation for end-June 2012. The bilateral account under the external assets of the CBJ should be excluded from the NIR calculation as it does not meet the reserves concept definition in terms that it is not readily usable for foreign exchange. Therefore, we would like to request that the performance criteria on NIR be adjusted by the same amount to stand at \$6,585 million for end-September 2012 and \$7,175 million for end-December 2012 as set forth in the attached Table. If the facility becomes readily usable in the future, it would not be counted as a reserve asset in the calculation of the stock of NIR for program purposes, and the TMU will be revised to reflect this. Gross reserves—the main indicator of monetary policy space—exclude this facility. As such, the modification of the performance criteria on NIR for end-September and end-December does not change the thrust and substance of the program.

Sincerely yours,

/s/

Suleiman Hafiz
Minister of Finance of Jordan

/s/

Ziad Fariz
Governor of the Central Bank of Jordan

Table 1. Jordan: Quantitative Performance Criteria and Indicative Targets

	Sep-12 Target	Dec-12 Target
Performance Criteria		
Primary fiscal deficit of the central government, excluding grants in JD million (flow, cumulative ceiling)	1,199	1,754
NEPCO borrowing in JD million (flow, cumulative ceiling)	1,273	1,568
Net International Reserves of the Central Bank of Jordan in USD million (stock, floor)	6,585	7,175
Ceiling on accumulation of external payment arrears 1/	0	0
Indicative Targets		
Net Domestic Assets of the Central Bank of Jordan in million JD (stock, ceiling)	-620	-695
Stock of accounts payable of the Central Government in million JD (ceiling)	682	682
Stock of arrears of NEPCO	0	0
Memo items for adjusters (in US\$ millions)		
Budgetary grants (flow, cumulative)	91	1,317
Other grants (flow, cumulative)	137	200
Net external financing excluding project loans (flow, cumulative)	65	-18
Privatization proceeds (flow, cumulative)	0	0
Cap for fiscal adjustor (TMU par.11, in million JD)	40	80
Exchange rate (\$ per dinar)	1.41	1.41

1/ Continuous