International Monetary Fund

Jordan and the IMF

Press Release:
IMF Executive Board Completes First Review Under the Stand-By Arrangement with Jordan and Approves US$385 Million Disbursement
April 11, 2013

Jordan: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

March 27, 2013

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LETTER OF INTENT

Ms. Christine Lagarde
Managing Director
International Monetary Fund
Washington, DC, 20431
USA

Amman, March 27, 2013

Dear Madame Lagarde:

The external environment has been worse than we expected when our IMF-supported program was announced in August 2012. Oil prices have been higher than projected in 2012, and are forecast to remain higher than what the program envisioned over the medium term. At the same time, the conflict in Syria has escalated, resulting in a stronger inflow of refugees, and grants fell short of what we had expected. These developments have put additional pressure on the balance of payments and fiscal accounts.

Despite the challenging external environment, our performance under the program has been strong:

- *Quantitative performance criteria and indicative targets.* We met all the end-September 2012 quantitative performance criteria (on net international reserves, the primary fiscal deficit, and the electricity company (NEPCO) losses) as well as the indicative targets on net domestic assets of the Central Bank of Jordan and the stock of accounts payable of the central government. The indicative target on NEPCO's stock of arrears was missed, but, nonetheless, NEPCO's underlying performance is in line with projections. We met all end-December targets with two exceptions. We did not meet the end-December 2012 performance criterion on net international reserves but took corrective action. We also did not meet the end-December 2012 performance criterion on the primary fiscal balance, but by a very small margin (0.03 percent of GDP). We thus request waivers of nonobservance. We met the continuous performance criterion on non-accumulation of external arrears.

- *Structural benchmarks.* We met most structural benchmarks for 2012, although some with slight delays: we have submitted to parliament an income tax reform law, and increased the price of diesel by more than what was envisioned under the program. In fact, we raised prices on all fuel products, effectively eliminating almost all fuel subsidies, and at the same time introduced targeted transfers to mitigate the impact of such price increases on the poor and vulnerable segments of the population. We are in the process of completing a medium-term energy strategy, which will be announced to the public after consultation with parliament. We are making efforts to improve our expenditure management system. Though we did not meet the January 2013 benchmark on introducing a commitment control system, we are committed to do so by December 2013.

In view of our strong performance and our implementation of strong policies for 2013, we request completion of the first review under the Stand-By Arrangement and waivers of non-observance of performance criteria. We also request a re-phasing of the undrawn Fund purchases under the Stand-By Arrangement in one installment of SDR 170.5 million and eight equal installments of SDR 85.25 million spread over the program period.

The attached Memorandum of Economic and Financial Policies (MEFP), which was approved by the prime minister and the cabinet on March 17 (cabinet decision no. 1526), describes the economic policies that we intend to implement to achieve the objectives of our economic program of preserving macroeconomic stability and fostering inclusive growth. We believe that these policies are adequate to meet the program goals, but we stand ready to take further measures that may become appropriate for this purpose. We will consult with the Fund on the adoption of these measures, and in advance of any revisions to the policies contained in the MEFP, in accordance with the Fund's policies on such consultations. We will also provide the Fund with the data and information necessary to monitor performance under the program.

We authorize the Fund to publish this Letter of Intent and its attachments, as well as the accompanying staff report.

Sincerely,

/s/	/s/
Suleiman Hafez	Ziad Fariz
Minister of Finance	Governor of the Central Bank

ATTACHMENT 1. MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

Exogenous shocks due to global and regional developments continue to give rise to significant external and fiscal challenges. Compared with our original program, these developments include increases in international oil and food prices and a stronger-than-expected influx of refugees from Syria. To preserve macroeconomic stability, we have implemented significant measures to keep our external and fiscal balances on a sustainable path while providing targeted support to the vulnerable parts of the population. We have, therefore, been able to keep our national program broadly on track. We describe below the macroeconomic developments and our policy response this year as well as our program for 2013.

BACKGROUND AND PROGRAM OBJECTIVES

1. **The external environment has been more challenging than envisaged when we designed the program.** International oil and food prices have been higher than anticipated, and forecasts suggest that they will be slightly higher as well over the medium term. Also, the conflict in Syria has escalated, resulting in an acceleration of influx of refugees, currently estimated at over 500 thousand and expected to register almost one million by end-2013. The humanitarian assistance is preliminarily estimated to have absorbed about 0.7 percent of GDP in central government spending, including through higher health, education, and security costs, in 2012. Moreover, grants did not materialize to the extent we had expected during that year. These developments have put further pressure on our external and fiscal accounts. On the positive side, the flow of gas from Egypt has increased significantly since early November 2012 to an average of about 130 million cubic feet per day, compared with 42 million cubic feet per day during January–October. In addition, $1.2 billion in grants were received from GCC countries in early 2013.

2. **Economic performance has remained broadly positive.** Driven in part by tourism and remittances, GDP growth stood at 2¾ percent during January-September of 2012 (0.4 percentage points higher than the rate observed during the same period in 2011). Private sector credit growth has been gradually recovering, registering 6¾ percent year-on-year in December, up from 5.9 percent in June, and financial markets have been generally calm, with spreads narrowing and the stock market stabilizing since late July. However, higher food prices along with higher energy prices have taken a toll on inflation, with CPI inflation reaching about 7.2 percent year-on-year in December. Also, the external current account deficit during the third quarter of 2012 was higher than

expected, due to a higher volume of oil imports and weaker-than-envisioned current transfers. But that deterioration was more than offset by better-than-expected capital account developments, due mainly to larger FDI inflows.

3. Sound policies have ensured strong performance under the program:

- **Fiscal policy.** Domestic revenue exceeded the target by 0.4 percent of GDP. We also kept expenditure tight, largely as transfers and spending on the military and goods and services were lower than programmed. As a result, we met the September performance criterion (PC) on the central government's primary fiscal deficit and the indicative target on its accounts payable. While we also met such indicative target for end–December, our primary fiscal deficit was marginally above the target because the central government had to temporarily finance the debt service of our national electricity company (NEPCO). Excluding the provision of financing for NEPCO, we would have stayed well within the target.
- **Structural fiscal measures.** We submitted to parliament an income tax reform law, which is expected to yield substantial revenue gains starting in 2014 (September 2012 benchmark). An important measure has been the removal of general subsidies on all fuel products on November 14, except a small subsidy on LPG, making Jordan the only country in the MENA region that has achieved such a step—the program had envisaged a considerably smaller increase in the price of diesel in October (structural benchmark). At the same time, we introduced targeted transfers to mitigate the impact of those price increases on our population (benchmark for January 2013). We were not able to meet the January 2013 benchmark on implementing a commitment control system because it is taking more time than anticipated to change our information systems, but we are committed to do so in the course of 2013 (paragraph 17).
- **Energy policy.** Electricity tariffs were increased in May and June 2012 for selected sectors and for large domestic corporations and households. With the increase in gas inflows from Egypt in November, this enabled NEPCO to meet the September and December performance criteria on its borrowing by a wide margin (1.2 percent of GDP and 1.9 percent, respectively). However, the company incurred arrears (breaching the indicative targets) in the course of last year as it had difficulties in obtaining financing; the program had assumed that arrears of about 2 percent of GDP at end-2011 would be cleared in 2012. We have not yet announced a medium-term energy strategy, which would allow to bring NEPCO back to cost recovery

(September benchmark). This is because of the need to first consult with parliament on this issue (paragraph 21).

- **Monetary policy.** The better balance of payments outcome helped the Central Bank of Jordan (CBJ) to build up reserves. As a result, we met the September performance criterion on net international reserves (NIR) by a large margin, as well as the indicative target on net domestic assets of the CBJ. In November, however, pressures on CBJ reserves re-emerged related to regional uncertainties as well as those associated with the removal of the general fuel subsidy. These pressures subsided in December following the CBJ increase in interest rates by 75 basis points, and the CBJ started to accumulate reserves in 2013. Thus, while we missed the end-December performance criterion on NIR by $1.7 billion, NIR increased since then by $1.6 billion, reaching $7.1 billion by March 14, 2013.

PROGRAM OBJECTIVES, ECONOMIC PERFORMANCE, AND OUTLOOK

4. The objectives of our program remain threefold:

- **Maintaining macroeconomic stability.** We will continue to implement appropriate policies aimed at reducing macroeconomic vulnerabilities in what could be an increasingly difficult and uncertain global and regional economic setting. As part of this effort, we will implement a medium-term strategy to bring NEPCO and other utilities back to cost recovery.

- **Fostering equity and inclusion.** This includes targeted subsidies and better opportunities for the vulnerable parts of the population while eliminating subsidies for those with a higher ability to pay. We have already done that for fuel subsidies. We are now tackling electricity subsidies, studying how to gradually eliminate them while providing targeted support to the poor and vulnerable.

- **Removing structural constraints on growth.** This involves improving the investment climate, including by removing impediments to access to finance for viable small and medium-size enterprises (SMEs)—key vehicles for growth and employment creation—and improving the business climate and promoting private investment in skill-intensive sectors, where Jordan has a comparative advantage and large export potential.

5. We expect the macroeconomic outlook to evolve as outlined below:

- **Growth.** GDP growth is estimated at 2.8 percent for 2012, slightly below the program forecast. For 2013, we expect the higher-than-programmed oil prices to weigh on growth, and have therefore conservatively revised our GDP growth projection to 3–3.5 percent. We believe that there is considerable upward potential, in particular in light of the large number of Syrian refugees contributing to consumption. Looking to the medium term, we expect growth to increase steadily—reaching 4.5 percent by 2018—largely reflecting expectations of increased investor confidence, reduced political uncertainty, the crowding-in of private sector investment that fiscal consolidation could bring about, higher and better public investment, and the implementation of growth-enhancing structural reforms.

- **Inflation.** Inflationary pressures intensified toward the end of 2012 following the increase in fuel prices in November. Additional price pressures are expected next year with the planned adjustments in electricity tariffs. We have therefore raised our average CPI inflation forecast for 2013 to about 6 percent. Over the medium term, the expected moderation in food and fuel prices would put inflation on a downward trend.

- **Current account.** Reflecting higher projections for oil and food prices, the external current account deficit is foreseen to be higher than originally anticipated. For 2012, we estimate the current account deficit (including grants) at 18.1 percent of GDP. The deficit is forecast to decline to 9.9 percent of GDP in 2013, and to decline further over the medium term—reaching 4–5 percent in the medium term—largely as a result of fiscal consolidation and diversification of Jordan's energy sources, as well as an expected moderation in import prices.

ECONOMIC POLICIES

6. To achieve these objectives, we will pursue strong policies on several fronts.

- **We will reduce the central government's primary deficit and public companies' losses, in particular those of NEPCO.** This is crucial because the financing needs of the general government are adding to public debt and are crowding out the private sector. In this regard, revenue and expenditure reforms will help to contain the fiscal deficit. Moreover, strategies will be implemented to bring NEPCO and other public companies, including the water companies, back to cost recovery by the end of 2017. In doing so, measures will be taken to protect the poor and the vulnerable segments of the population, as we have already demonstrated when we lifted the general fuel subsidies.

- **Our monetary policy will continue to be based on strict adherence to the currency peg.** The peg has served Jordan well by anchoring inflation expectations, supporting macroeconomic and financial stability, and encouraging FDI. With the peg as an anchor, we will continue to use the policy tools (including those introduced in 2012) to improve liquidity conditions and build needed buffers.

- **We will pursue structural reforms to foster inclusive growth.** To minimize adverse effects on economic activity that our fiscal consolidation might have, we are implementing reforms aimed at tackling unemployment, improving the functioning of financial markets (including through providing easier access to credit for viable businesses), encouraging SMEs financing and microfinance, as well as making Jordan an even more attractive destination for investment.

A. Fiscal Policy

7. **We are strengthening our public finances.** We made substantial efforts in 2012. We envision further consolidation in 2013 and over the medium term, aided by measures already taken in 2012. These efforts, together with policies to bring NEPCO to cost recovery, will put our public debt on a downward path.

2012

8. **We have taken the politically difficult step to eliminate fuel subsidies.** This measure and ensuing price increases were inevitable because the external shocks that hit Jordan had considerably weakened our fiscal position. Thus, on November 14, we raised prices on all fuel products by 14–54 percent, which effectively eliminated fuel subsidies. In January 2013, we resumed the monthly pricing adjustment on fuel products, which had been suspended since early 2011. This measure is expected to reduce expenditure by JD 800 million (equivalent to 3.5 percent of GDP) based on 2012 oil prices. Part of these savings is being used for a compensation scheme (see next paragraph).

9. **At the same time, we introduced a compensation scheme to mitigate the impact of fuel price increases on low and middle income Jordanians.** A cash transfer (estimated at JD 300 million or 1.1 percent of GDP in 2013) will compensate families with an annual income below JD 10,000. The transfer amounts to JD 70 per person per year, and is capped at a maximum of six family members. It is being paid in three installments, the first of which was disbursed in 2012. The transfer will remain effective as long as international oil prices (Brent) are above $100 per barrel. About 862,000 families or 4.6 million individuals (over 70 percent of the population) will benefit. The poor will be fully compensated for the cost of the fuel price increases while the well-off will not be subsidized.

10. **The primary fiscal deficit was slightly above target in 2012 because the government financed NEPCO's debt service.** Excluding this financing, we would have stayed well within the target. There were other pressures on expenditures. The higher-than-programmed oil and food prices resulted in additional spending of 0.3 percent of GDP, which were included in a supplementary budget. We also spent an extra ½ percent of GDP on cash transfers, and reduced accounts payable by 0.7 percent of GDP. The central government payments of NEPCO debt service amounted to JD 67 million (0.3 percent of GDP). Some of this additional spending was offset by higher-than-programmed revenue (0.4 percent of GDP); and cuts in low-priority capital expenditure (0.3 percent of GDP), military spending (0.2 percent of GDP), and goods and services (0.4 percent of GDP). We also maintained the freeze on public sector hiring.

2013 and beyond

11. **We remain committed to further strengthening Jordan's fiscal position.** We will target a further reduction in the primary fiscal balance (excluding grants) from 7.7 percent of GDP in 2012 to 5.5 percent of GDP in 2013. Below, we explain in detail the measures taken both on the revenue and expenditure sides. In addition, the central government will raise financing to cover NEPCO's operating losses (4.3 percent of GDP; see paragraph 20).

12. **Revenue measures will yield 0.6 percent of GDP.** This will partly offset a slight decline in nontax revenue by 0.2 percent of GDP in 2013.

- On tax revenue, we removed sales tax exemptions on international roaming phone calls and on hotels, and increased sales and excise tax rates on luxury goods, certain fuel products, and air flight tickets (0.3 percent of GDP).

- Regarding nontax revenue, we increased the government's share in the profits of telecommunication companies (0.1 percent of GDP), and increased various fees (including on visas, vehicle licenses, money transfers to overseas, and work permits with a yield of 0.2 percent of GDP).

- A revised income tax law is with parliament. While we do not expect higher revenues from this law in 2013, it will increase revenue in 2014 by about one percent of GDP (the implementation of the law is a structural benchmark for September 2013). The law envisages, among other things, a reduction in personal income tax thresholds and an increase in the top personal and corporate tax rates to 32 percent and 35 percent, respectively. A review and costing of tax incentives is underway and will be finalized in October (structural benchmark), which is expected to provide a blueprint for further medium-term revenue measures.

13. Additional expenditure measures amount to 0.9 percent of GDP.

- We will cut military spending by 0.6 percent of GDP from its 2012 level.

- To better target public assistance, we will streamline the eligibility for public pension. We will also tighten the qualification for the compensation scheme that has replaced the previous general fuel subsidies (savings of 0.2 percent of GDP).

- We will reduce spending on land acquisitions (0.1 percent of GDP).

- However, the largest savings in expenditure comes from the removal of fuel subsidy in November 2012, which absorbed 2.4 percent of GDP in 2012. Notable is also that, as in 2012, the budget includes an allocation of about 0.7 percent of GDP for assistance to Syrian refugees. Most of the expenditure cuts are in current spending, which gives room to increase capital spending by about 2 percent of GDP.

14. We will improve the targeting of cash transfers. To ensure that only those who need support get it, we will modify the application criteria to include other welfare variables in addition to income, such as ownership of land, buildings, cars, and some other identifiable assets. We will establish a "program unit" in the Ministry of Finance responsible for implementing the program and developing the national unified registry for targeting of subsidies by October 2013 (structural benchmark).

15. We are considering a Eurobond issue to reduce domestic financing, which would also further strengthen reserve buffers. Grants to the budget in 2012 fell short by $855 million relative to the program, but we expect grants in 2013 to be substantially higher than originally programmed. We plan to issue a Eurobond of at least $1.2 billion in the course of 2013 and seek a U.S. government guarantee for it. This will also help us to establish presence in international capital markets. We fully expect that the programmed grants of $1,420 million and loans of $1,516 million (including the Eurobond) in 2013 will be received in line with discussions with our development partners, who have provided us with financing assurances.

Structural fiscal reform

16. We are further improving tax administration. We have updated the taxpayer register with new company and professional data from the license database of the Ministry of Industry and Trade; classified existing arrears by size, age, collectability, etc. with a focus on cases over JD 1 million; started public auctions of seized property from insolvent taxpayers with arrears according to law; and based on the 2012 income tax filings, implemented a new audit approach with an emphasis on more in-depth quality auditing rather than high coverage. Going forward, we are committed to taking the following steps. By end-May, we will lift filing compliance to 100 percent in the large taxpayer office (LTO) and 90 percent in the medium taxpayer offices (MTO) (structural benchmark), as well as fully implement the new audit approach on both income and sales taxes. Furthermore, by December 2013, we will bring the taxpayer register fully up to date with proper classifications and implement further measures to reduce tax arrears, with continued input from IMF TA.

17. We will also continue strengthening public financial management. We have largely reconciled the above-the-line and below-the-line discrepancy for government financial statistics. A joint MOF-CBJ team has re-examined all the government bank accounts and agreed on the coverage of the budgetary central government, which will be used to report reconciled government financing data on a monthly basis. In 2013, we are committed to deepening the reforms as follows:

- Establish a reporting system by June 2013 to report stocks of arrears quarterly, which include all types of pending invoices and claims for current and capital expenditure (structural benchmark); if the report for end-2012 shows that there are arrears, we will repay these in the course of 2013 within the deficit target.

- Amend the commitment control module in GFMIS by December 2013, which will cap expenditure commitments by the smaller amount of the periodical releases of MOF cash forecast and the General Budget Department budget allocation to prevent fresh arrears (structural benchmark). We have requested IMF technical assistance for this.

- We will continue to roll out GFMIS, which will cover Ministry of Health by June 2013 and the 10 Ministry of Finance financial centers by November 2013.

18. **We will start tackling the losses of the water company.** Annual losses could be about one percent of GDP, reflecting inefficiencies (in particular systems losses) as well as problems with revenue collection. We will finalize and announce to the public by October 2013 an action plan on how to reduce the company's losses over the medium term (structural benchmark).

B. Energy Policy

19. **We met the end-2012 target for NEPCO operating losses and borrowing (quantitative performance criterion).** While the company has paid unsubsidized prices on fuel inputs since September, the doubling of gas inflows from Egypt since early November helped to keep electricity purchase costs at the programmed level. Despite operating performance in line with the program, arrears in December were higher than expected due to difficulties in obtaining financing.

20. **The ministries of energy and finance have developed a plan aimed at eliminating NEPCO arrears and ensuring that NEPCO's cash needs are met.** The government will raise financing to cover NEPCO's losses of JD 1,037 million, which will transfer to the company. NEPCO is expected to tap commercial financing of about JD 300 million in order to start clearing its stock of arrears; the remaining arrears of JD 145 million will be cleared in 2014.

21. **The government will consult the parliament regarding the energy strategy.** After incorporating parliament's views, we will announce the strategy to the public. If the financial targets for NEPCO agreed under the program cannot be met, the central government will stand ready to implement offsetting measures. Our policy intentions are outlined in the following paragraphs.

22. **We intend to implement an increase in electricity tariffs by July 1.** An increase in the bulk sales tariff will enable NEPCO to save around JD 115 million (0.5 percent of GDP). This tariff increase, together with higher gas from Egypt, will ensure that NEPCO's losses will stay within

JD 1,035 million in 2013 (4.2 percent of GDP). Our calculations are based on the receipt of 100 million cubic feet of gas per day from Egypt. If NEPCO's operating balance during January–May is worse than anticipated under the program, including from lower gas inflows or higher oil prices, the anticipated tariff increase will be adjusted so that NEPCO's losses stay within target. Alternatively, the central government would implement measures to ensure that the combined primary deficit of the central government and NEPCO operating losses stays at 9.7 percent of GDP. We are working to complete a schedule of end-user tariffs that is consistent with the planned savings without raising the tariff for poorer households. Tariffs for government buildings and entities will be set at cost-recovery level. We will consider complementing the tariff increases with appropriate demand measures to maximize savings, including possible selective black-outs based on a planned rotation, and a turn-down of selected commercial activities during night hours.

23. The key features of the strategy to address Jordan's energy challenges are:

- *A time-table for further tariff increases to bring NEPCO back to cost recovery by 2017.* In the meantime, electricity bills will show the fuel costs to ensure price transparency. Automatic adjustments to the bulk tariff will be introduced, so that full recovery of fuel costs is guaranteed to NEPCO.

- *A roadmap toward an effective diversification of energy sources*. It includes timeframes and deadlines for awarding contracts and infrastructure completion of an LNG facility in Aqaba, due to start operations by 2015. In particular, (i) the bids for the lease of a floating storage and re-gasification unit will be signed by June 2013 (structural benchmark) and the construction will be completed by end 2014; (ii) bids for the port infrastructure (jetty) have been launched and signing of the contract is expected by the end of September 2013; and (iii) negotiations for the supply of gas have started. Measures on alternative sources also include a final decision on the exploitation of oil shale by mid-2014, with potential operations starting by end 2017 ; and an acceleration in renewable energy capacity installation, with the first large-scale wind and solar farms to be operational by 2015.

- *Starting in 2016, natural gas imports may reach 500 million cubic feet per day and include gas from Egypt and LNG.* The share of gas in generating electricity may reach over 80 percent if the prices of LNG are less than that of heavy fuel oil; otherwise, the share will be about 70 percent.

- *A revised regulatory framework for distribution companies, to enter into force by end 2014.* The new framework will include appropriate financial incentives and sanctions to ensure distribution companies undertake critical investments to reduce distribution losses to industry standard levels. Currently Electricity Regulatory Commission (ERC) is evaluating bids to create a methodology aimed at reducing distribution losses. This contract will be awarded by the end of April 2013.

- *Fast-tracking of the new power plants (IPP3 and IPP4),* in coordination with our international partners, to ensure generation capacity meets peak load demand in the medium term. NEPCO has entered into contract agreements for both (IPP3 and IPP4) projects. These projects will start commercial operation in 2014.

- *Measures to enhance energy efficiency in the medium term*, including through stricter building regulations and higher efficiency requirements for industries and on consumer appliances and light bulbs. Some of these measures are already in place and we plan to complete the legislative and regulatory framework for energy efficiency by end-2014.

C. Monetary and Exchange Rate Policy

24. During the first half of 2012, the CBJ updated its monetary policy toolkit. We introduced a weekly repo facility and built a portfolio of short-term government securities to influence liquidity levels in the market. These tools, in addition to forward forex operations with banks introduced in September, helped the CBJ inject needed dinar liquidity during 2012. With the improvement in liquidity in 2013, the CBJ withdrew some of the injected liquidity. The CBJ will continue monitoring liquidity conditions and stands ready to use available tools to preserve the attractiveness of JD-denominated assets.

25. To preserve price stability, the CBJ raised interest rates three times in 2012 reflecting in part rising global and regional uncertainty. The latest rate increase was a substantial 75 basis points in early December, which helped calm markets in a time of growing uncertainties. Although our action did not help us meet our target on net international reserves, it contributed to a reversal in the dollarization of deposits and restoration in confidence in the JD-denominated assets. Compared to end-December 2012, NIR increased through early March 2013 by $1.6 billion.

26. Looking forward, the CBJ stands ready to adjust monetary policy as needed. The exchange rate peg will remain the anchor of monetary policy, with the CBJ continuing to focus on limiting inflationary pressures and sustaining the attractiveness of JD-denominated assets. This system has served Jordan well for the past seventeen years. To safeguard an appropriate level of international reserves, the CBJ stands ready to use all available policy instruments.

D. Financial Sector Policies

27. Jordan's banking system remains sound. Data for end-June 2012 show that nonperforming loans and provisioning ratios have improved, following a period of deterioration triggered by the global financial crisis. Capital adequacy and liquidity ratios remain solid, exceeding by far the CBJ's requirements. Banks are showing healthy rates of credit growth, and their returns on assets and equity remain strong, at 1.2 percent and 9.6 percent, respectively. Despite the recent increase in foreign exchange deposits, exchange rate risk remains limited due to regulatory requirements and prudent risk management by banks, reflected in small open positions in foreign currency.[1] Bank exposure to interest rate risk is also limited, due to (i) short re-pricing horizon of most assets and liabilities; (ii) small trading portfolios; and (iii) limited exposure to corporate bonds. Most importantly, our stress testing analysis suggests that the banking system remains resilient to potential shocks, due to large capital buffers.

28. Further strengthening the supervisory framework is one of the CBJ's top priorities. The CBJ has recently created a Financial Stability Department with a mandate to strengthen its capacity to assess and manage systemic risks. The new department will focus on risk analysis in the financial system, stress testing, as well as producing and publishing a Financial Stability Report. In October 2012, the CBJ issued new regulations on treating customers fairly, which increase the transparency of bank customer rules. The CBJ also continues to work on a number of other supervisory initiatives as per our MEFP of July 27, 2012. Some of these initiatives are expected to take longer, in particular (1) supervisory reviews of the Internal Capital Adequacy Assessment Process (ICAAP) for banks, expected now to be completed during the first half of 2013; and (2) analysis of banks' submissions for the quantitative impact study for the implementation of Basel III, which we expect to complete in 2013. The CBJ will also develop a framework for Pillar 2 of Basel 3 that will

[1] Lending to unhedged borrowers is prohibited by CBJ regulations.

enable supervisors to assign individual capital ratios for banks. Furthermore, the CBJ is updating the corporate governance code and will issue by mid-2013 fit and proper regulation which will strengthen further the governance in the banking system. The recently passed sukuk legislation is an important step in developing Islamic finance instruments. The legislation passed in September allows both government and private sector companies to issue sukuk in domestic and international markets. The necessary regulations are now being prepared by the securities regulator.

29. We remain committed to further enhancing the anti-money laundering and countering financing of terrorism (AML/CFT) regime. We have prepared a second follow-up report, which documents progress made in strengthening the AML/CFT regime and addresses the deficiencies outlined in the mutual evaluation report adopted by the Middle East and North Africa Financial Action Task Force (MENA FATF) in 2009. This report was discussed and adopted by MENA FATF in November 2012. We recently joined the Egmont group, which will enhance mechanisms of cooperation and exchanging information with our counterparts. During 2013, we will review the AML/CFT legislation to ensure compliance with revised FATF recommendations.

E. Growth Enhancing Policies

30. Improving access to finance, particularly for Micro and Small and Medium Enterprises (MSMEs), will help make growth more inclusive. In this regard, we are moving on two complementary fronts. First, we are actively seeking international support to secure resources for MSMEs. For example, the OPEC fund is providing 75 percent guarantee for SME loans up to JD 1 million with a portfolio limit of JD 500 million. In addition, we have signed a $70 million loan agreement with the World Bank for MSMEs— the targeted clients are especially those MSMEs owned by women and youth, and located in underserved areas. Second, to reduce banks' risk perception associated with MSME financing, we are improving the legal framework in favor of such financing, by focusing on four complementary axes—credit information, secured lending, insolvency law, and microfinance law—which we are committed to adopt and plan to transfer the related legislations and regulations to parliament before the end of June 2013.

- *Credit Information*: The by-laws for the credit information bureau are now effective. The first licensing of a credit bureau is expected by June 2013 (structural benchmark), and the institution would become operative by the beginning of 2014. Also, in close collaboration with IFC, CBJ is building capacity to supervise the credit bureau industry and issue credit bureau licenses.

- *Secured Lending*: The recent legislation on secured lending and the creation of a registry of collateral assets would allow businesses to utilize their movable assets, including equipment, inventory and accounts receivable, as collateral. Hence, secured lending will contribute to improving access to finance, particularly for small- and-medium-size enterprises (SMEs) and low-income individuals.

- *Insolvency Law*: Complex bankruptcy and insolvency procedures are likely to reduce incentives to invest and to increase the reluctance to engage in MSME financing. We are currently examining the new insolvency law with the support of the World Bank (IFC and IBRD) and USAID.

- *Microfinance Law*: This sector is currently operated by companies and NGOs who benefit from specific licensing procedures and rely on concessional bilateral lines of credit. The new microfinance law will be an umbrella legislation governing the functioning of microfinance companies and would allow them to raise resources from the domestic market.

31. We will continue to pursue reforms aimed at promoting employment, especially for the youth. We are committed to enhancing the scope for job creation in the private sector. In this regard, we will promote growth of skill-intensive sectors— such as information services, pharmaceuticals, business services, financial services, education services, and health services—that have the potential for employing large numbers of educated Jordanians. We will also look to traditional labor intensive sectors, where Jordan has a comparative advantage, such as tourism retail trade, and textile and clothing. Improving working conditions and enhancing real wages would help attracting skilled Jordanians to these sectors. We have already initiated the design of initiatives dealing with both supply and demand constraints facing youth employment. In line with the National Employment Strategy adopted in 2012, we have initiated in early 2013 the design of "Jordan Job Compact", an initiative aiming to assist unskilled, semi-skilled, and skilled youths to find jobs. The initiative combines trainings, better skills matches, stimulus packages to employers, and MSME finance in order to generate more and better jobs for Jordanians.

32. A draft new investment law is an important move toward promoting longer-term growth and employment. The investment law has been withdrawn from parliament and is being discussed again in the cabinet. In line with the World Bank's Development Policy Report recommendations, we will enhance the text of the law in order to improve the accountability of industrial policymakers to the wider public or media by: (1) measuring the performance of public agencies and making the results publicly available; and (2) monitoring and evaluating the performance of firms that benefit from public interventions (tax exemptions, for example). The enhanced law streamlines the number of tax exemptions and defines the conditions under which the council of ministers can grant privileges to economic activities. Also, the privileges will have to be published in an official gazette. We will ensure that that these measures will lead to a reduction in tax exemptions. We will also pursue approval of the law in the cabinet and transfer it to parliament no later than end-June 2013. Once the law is approved by the new parliament, we will establish a "one-stop-shop" at the new Higher Investment Commission to license economic activities and review and simplify licensing procedures.

33. Investing in infrastructure, whether publicly funded or through public-private partnerships (PPPs), is a cornerstone in our longer-term strategy. We negotiated with GCC countries $5 billion funding for investment projects over the period 2013–16. These projects are being selected and include, among others, investing in energy and renewable energies. In addition, we transferred a new PPP law to parliament, which we plan to be an umbrella legislation for all PPP initiatives in Jordan, given the current challenging environment where fiscal space is limited, while demand for quality public services remains high.

PROGRAM MONITORING

34. We are implementing the recommendations of the CBJ safeguards assessment concluded in January 2013 in the context of Jordan's Stand-By Arrangement approved on August 3, 2012. In particular:

- With assistance from the IMF, the CBJ will undertake a full review of its law by December 2014 to strengthen oversight arrangements and legal underpinnings of its autonomy. The revisions will include, inter alia (1) CBJ's Board composition and mandate; (2) lending to the government; (3) providing the CBJ with the sole discretion to grant emergency liquidity assistance; and (4) prohibiting the CBJ from providing solvency support.

- The CBJ will also develop a time-bound plan to remove audit qualifications and ensure fair and transparent presentation of assets on its balance sheet by June 2013. CBJ board members will oversee the audit of the annual financial statements for the FY2012 audit.

- The CBJ's Internal Audit Department will review the procedures and controls over the program monetary data compilation process and perform reconciliation with the accounting records, within six weeks after each test date, beginning from the December 2012 test date.

35. Progress in the implementation of our policies will continue to be monitored through quarterly reviews, quantitative PCs, indicative targets, and structural benchmarks. These are detailed in Tables 1–3, with definitions provided in the attached Technical Memorandum of Understanding.

Table 1a. Jordan: Quantitative Performance Criteria and Indicative Targets, 2012

	Sep-12 Target	Sep-12 Adj. Target	Sep-12 Actual	Dec-12 Target	Dec-12 Adj. Target	Dec-12 Actual
Performance Criteria:						
Primary fiscal deficit of the central governement, excluding grants in JD million (flow, cumulative ceiling) 1/	1,199	1,159	1,088	1,754	1,674	1,690
NEPCO borrowing in JD million (flow, cumulative ceiling)	1,273	1,273	1,005	1,568	1,568	1,143
Net International Reserves of the Central Bank of Jordan in USD million (stock, floor)	6,585	6,576	7,002	7,175	7,173	5,381
Ceiling on accumulation of external payment arrears 2/	0	0	0	0	0	0
Indicative Targets:						
Net Domestic Assets of the Central Bank of Jordan in million JD (stock, ceiling)	-620	-614	-1,687	-695	-693	-865
Stock of accounts payable of the Central Government in million JD (ceiling)	682	682	409	682	682	543
Stock of arrears of NEPCO	0	0	328	0	0	512
Memo items for adjusters (in US$ millions):						
Budgetary grants received by the government (flow, cumulative) 3/	91	...	36	1,317	...	461
Other grants (flow, cumulative) 4/	137	...	310	200	...	1,021
Net external financing excluding project loans (flow, cumulative)	65	...	-62	-18	...	14
Privatization proceeds (flow, cumulative)	0	...	0	0	...	0
Cap for fiscal adjustor (TMU par.11, in million JD)	40	...	40	80	...	80
Exchange rate ($ per dinar)	1.41	...	1.41	1.41	...	1.41

1/ Actual numbers are adjusted at the program exchange rates.
2/ Continuous.
3/ Does not include external budgetary grants that were received by the CBJ but not transferred to the government.
4/ Includes external budgetary grants that were received by the CBJ but not transferred to the government during the reference period.
For example, a $100 million grant was received by the CBJ in September, but transferred to the government in October, due to grant conditionality.
Also, $750 million of grants from the GCC was received by the CBJ in Q4, but will be transferred to the government in 2013.

Table 1b. Jordan: Quantitative Performance Criteria and Indicative Targets, 2013

	Mar-13 Projection	Jun-13 Target	Sep-13 Target	Dec-13 Target
Performance Criteria				
Primary fiscal deficit of the central governement, excluding grants in JD million (flow, cumulative ceiling)	691	1,041	1,766	2,365
NEPCO net loss in JD millions (flow, cumulative ceiling)	258	508	779	1,037
Net International Reserves of the Central Bank of Jordan in USD million (stock, floor)	6,284	5,581	7,324	6,867
Ceiling on accumulation of external payment arrears 1/	0	0	0	0
Indicative Targets				
Net Domestic Assets of the Central Bank of Jordan in million JD (stock, ceiling)	-666	-236	-851	-200
Stock of accounts payable of the Central Government in million JD (ceiling)	682	682	682	682
Stock of arrears of NEPCO 2/	370	295	220	145
Memo items for adjusters				
Foreign budgetary grants and loans received by the government (JD millions, flow,	183	539	1,595	2,082
Foreign budgetary grants and loans received by the CBJ (US$ millions, flow, cumulative)	1,201	1,413	2,863	3,618
Transfers from the central government to NEPCO (flow, cumulative, JD millions)	258	508	779	1,037
Cap for the downward adjustor on the NIR	...	900	900	900
Cap for the fiscal adjustor (JD millions)	...	40	60	80

1/ Continuous.
2/ Excludes debt to the central government, which is not expected to be repaid, with central government having assumed the costs.
The starting stock of arrears in 2013 is therefore JD 66.7 million lower than the end-2012 number in Table 1a.

Table 2. Jordan: External Financing in 2013
(in millions of U.S. dollars, unless otherwise indicated)

	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2013 Total
Grants excluding GCC	**201**	**28**	**0**	**263**	**492**
EU	0	0	0	79	79
Saudi Arabia	200	0	0	0	200
US	0	28	0	184	212
Other	1	0	0	0	1
GCC grants					
GCC grants received by CBJ	1,000	0	250	360	1,610
GCC grants received by MOF	57	290	290	290	928
Loans	**0**	**184**	**1,200**	**133**	**1,516**
France	0	66	0	0	66
Japan	0	18	0	0	18
WB DPL	0	100	0	0	100
Other	0	0	1,200	0	1,200
EU	0	0	0	133	133
Memorandum :					
Cumulative total (MOF)	258	760	2,250	2,936	2,936
Cumulative total (MOF) in JD	183	539	1,595	2,082	2,082
Cumulative total (CBJ)	1,201	1,413	2,863	3,618	3,618

Sources: Jordanian authorities; and Fund staff estimates and projections.

Table 3. Structural Benchmarks		
Structural Benchmarks	**Test Date**	**Status**
Raising revenue		
Submit to parliament an income tax reform law, which include changes on mining sector taxation.	By end-September 2012	**Met.**
Review and costing of tax incentives	By end-October 2013	
Implement an income tax law yielding additional revenue of about one percent of GDP	By end-September 2013	
Lift filing compliance to 100 percent in the large taxpayer office (LTO) and 90 percent in the medium taxpayer offices (MTO)	May 2013	
Improving public financial management		
Introduce a commitment control system through the GFMIS to register, report, and account for expenditure commitments against cash allocations issued by the Ministry of Finance.	January 2013	**Not met,** but progress is being made and the target has been set for December 2013.
Establish a reporting system to report stocks of arrears quarterly, which include all types of pending invoices and claims for current and capital expenditure; report the end-2012 stock of arrears.	End-June 2013	
Amend the commitment control module in GFMIS	By December 2013	
Energy and Water Sector Reform		
Announce a medium-term electricity/energy strategy incorporating the inputs provided by the World Bank, including a time table and measures for bringing NEPCO back to cost recovery.	By end-September 2012	**Not met.** Expected to be met before the second Stand-By Arrangement review.
Implement a step increase in the price of diesel by 6 percent.	October 2012	**Met with delay.** Diesel prices were increased by

		33 percent in the context of increases in all fuel prices on November 14.
Signing of a floating storage and re-gasification unit leasing agreement	June 2013	
Announce to the public an action plan on how to reduce the water company's losses over the medium term	By end-October 2013	
Inclusive Growth		
Introduce targeted transfers, which would protect the poor from higher oil prices should they increase beyond $100 per barrel.	January 2013	**Met.**
Licensing of a credit bureau	End-June 2013	
Implement a national unified registry for targeting of subsidies.	October 2013	

ATTACHMENT 2. TECHNICAL MEMORANDUM OF UNDERSTANDING (TMU)

1. This memorandum sets out understandings between the Jordanian authorities and IMF staff regarding the definitions of quantitative performance criteria and indicative targets, as well as respective reporting requirements for the Stand-By Arrangement.

2. The program performance criteria and indicative targets are reported in Table 1 attached to the Letter of Intent dated March 27, 2013. For the purposes of the program, the exchange rate of the Jordanian dinar to the U.S. dollar is set at JD (use currency acronym) 0.709 = $1 and the gold price is set at JD 1,117.025 per fine troy ounce for the measurement of the program performance criteria on net international reserves. The corresponding cross exchange rates are provided in the table below.

Program Exchange Rates

Currency	One Jordanian dinar per unit of foreign currency
British Pound	1.105
Japanese Yen	0.009
Euro	0.887
Canadian dollar	0.692
SDR	1.073

3. Any developments which could lead to a significant deviation from quantitative program targets will prompt discussions between the authorities and staff on an appropriate policy response.

QUANTITATIVE PERFORMANCE CRITERIA, INDICATIVE TARGETS, AND CONTINUOUS PERFORMANCE CRITERIA: DEFINITIONS

A. Quantitative Performance Criteria and Indicative Targets

4. The quantitative performance criteria and indicative targets specified in Table 1 attached to the Memorandum of Economic and Financial Policies (MEFP) are:

- a performance criterion (ceiling) on the primary fiscal deficit of the central government excluding grants;

- an indicative target (ceiling) on accounts payable of the central government;
- a performance criterion (ceiling) on the borrowing of the National Electric Power Company (NEPCO);
- an indicative target on the accumulation of domestic payment arrears of NEPCO;
- a performance criterion (floor) on the net international reserves (NIR) of the Central Bank of Jordan (CBJ);
- an indicative target (ceiling) on the net domestic assets (NDA) of the CBJ; and
- a continuous performance criterion (zero ceiling) on the accumulation of external arrears.

5. The performance criteria on the primary fiscal deficit of the central government excluding grants and on NEPCO's net loss, as well as the indicative targets on the accounts payable of the central government and the accumulation of domestic payment arrears of NEPCO are monitored quarterly on a cumulative basis from the beginning of the calendar year. The performance criterion on the NIR and the indicative target on NDA of the CBJ are monitored quarterly in terms of stock levels. The performance criterion on the accumulation of external arrears is monitored on a continuous basis.

B. Ceiling on the Primary Deficit of the Central Government Excluding Grants

6. The **central government** is defined as the budgetary central government that is covered by the annual General Budgetary Law (GBL). It excludes the budgets of the 27 autonomous agencies but includes all ministries and government departments which operate in the context of the central authority system of the state. The operations of the central government will be measured on a cash basis.

7. For program monitoring purposes, **the primary deficit excluding grants of the central government** is defined as the sum of: (i) net external financing of the central government; (ii) privatization receipts received during the relevant period; (iii) net domestic bank financing of the central government; (iv) net domestic nonbank financing of the central government; (v) grants

received from abroad by the central government, including grants from the Gulf Cooperation Council; *less* (vi) domestic and foreign interest payments by the central government.

8. **Net external financing of the central government** is defined as cash external debt disbursements received by the central government, *less* external debt repayments paid by the central government. The debts covered are debts of the central government (excluding off-budget military debts) and any foreign debts that are channeled through the central government to finance operations of the rest of the public sector.

9. **Privatization receipts** consist of all transfers of monies received by the central government in connection with the sale of government assets. This includes receipts from the sale of shares, the sale of non-financial assets as well as leases and the sale of licenses or exploration rights with duration of 10 years and longer.

10. **Net domestic bank financing of the central government** is defined as the change in the banking system's claims in Jordanian dinars and in foreign currency on the central government, net of the balances on government accounts with the CBJ and commercial banks.

11. **Net domestic nonbank financing of the central government** is defined as central government borrowing from, less repayments to, the non-bank sector (including the nonfinancial public sector not covered by the central government budget, and, specifically, the Social Security Corporation), and the cumulative change from the level existing on December 31 of the previous year in the stocks of government securities held by nonbanks and in the float.

12. **Adjustors:** The ceiling on the primary deficit of the central government excluding grants will be adjusted:

- Downward by the extent to which the sum of foreign budgetary grants and foreign budgetary loans—including the Eurobond but excluding non-resident purchases of domestically-issued government bonds—received by the central government (as specified in Table 2) during the relevant period falls short of the levels specified in Table 1 of the MEFP up to a maximum as specified in Table 1.

- Downward by the extent to which the amount of net transfers from the central government to NEPCO during the relevant period falls short of the levels specified in Table 1 of the MEFP.

Net transfers from the central government to NEPCO are calculated as (i) direct transfers from the central government to NEPCO or NEPCO's creditors on behalf of NEPCO (including subsidies, cash advances, and payment of debt or government guarantees if called), minus (ii) any transfers of cash from NEPCO to the central government (including repayments of debt, arrears or cash advances).

C. Ceiling on the Accounts Payable of the Central Government

13. **Accounts payable of the central government are defined** as the total stock of checks issued by the central government but not yet cashed by the beneficiary and the liability of the central government's trust accounts less deposits in the trust accounts.

D. Ceiling on the Net Loss of the National Electric Power Company (NEPCO)

14. The net loss of NEPCO is defined as the difference between total operating revenues and total costs. Total operating revenues are defined as the sum of: (i) sales of operating power and (ii) all other revenue, excluding proceeds from central government transfers or payments of NEPCO's obligation on NEPCO's behalf. Total costs are defined as the sum of: (i) purchase of electric power, including fuel costs, capacity and energy charges, and all costs related to electricity generation to be born by NEPCO; (ii) any fuel transportation costs; (iii) depreciation costs; (iv) all other maintenance and operating expenses, including on wages and remuneration of the board of directors, and provisions; and (v) interest expense and any other financial costs.

E. Ceiling on the Accumulation of Domestic Payment Arrears by NEPCO

15. **Domestic payment arrears by NEPCO** are defined as the belated settlement of a debtor's liabilities which are due under obligation (contract) for more than 60 days, or the creditor's refusal to receive a settlement duly offered by the debtor. Arrears to be covered include outstanding payments on wages and pensions; social security contributions; tax payments, and obligations to banks and other private companies and suppliers. Arrears exclude obligations to the central government arising from net transfers as specified in paragraph 14.

F. Floor on the Net International Reserves of the CBJ

16. For program monitoring purposes, **the NIR of the CBJ** in U.S. dollars are defined as foreign assets of the CBJ minus its foreign liabilities.

17. **Foreign assets of the CBJ** are readily available claims on nonresidents denominated in foreign convertible currencies. They include foreign exchange (foreign currency cash, deposits with foreign correspondents, and holding of foreign securities), monetary gold, IMF reserve position, and SDR holdings. Excluded from foreign assets are any assets that are pledged, collateralized, or otherwise encumbered (e.g., pledged as collateral for foreign loans or through forward contract), CBJ's claims on resident banks and nonbanks, as well as on subsidiaries or branches of Jordanian commercial banks located abroad, claims in foreign exchange arising from derivatives in foreign currencies vis-à-vis domestic currency (such as futures, forward, swaps, and options), precious metals other than gold, assets in nonconvertible currencies, and illiquid swaps. Excluded from foreign assets is the outstanding balance of bilateral accounts with the Central Bank of Iraq of U.S. dollar 1,081 million.

18. **Foreign liabilities of the CBJ** are defined as all foreign exchange liabilities to residents and nonresidents, including commitments to sell foreign exchange arising from derivatives (such as futures, forward, swaps and options, including any portion of the CBJ monetary gold that is collateralized), and Jordan's outstanding liabilities to the IMF. Excluded from reserve liabilities are government foreign exchange deposits with the CBJ, deposits from public institutions and government departments with independent budgets, commercial companies with state participation, deposits from donors (including grants received from the GCC), the two technical swaps with Citibank Jordan for U.S. dollar 80 million, and amounts received under any SDR allocations received after June 30, 2012.

19. The stock of foreign assets and liabilities of the CBJ shall be valued at program exchange rates as described in Table 1. As of June 28, 2012 (end-June), the stock of NIR amounted to U.S. dollar 8,556.4 million, with foreign assets of the CBJ at U.S. dollar 9,707.7 million and foreign liabilities of the CBJ at U.S. dollar 1,151.3 million (at the program exchange rates).

- **Adjustors:** The floors on the NIR of the CBJ will be adjusted upward (downward) by the extent to which the sum of foreign budgetary grants and foreign budgetary loans—including the Eurobond but excluding non-resident purchases of domestically-issued government bonds—received by the CBJ (as specified in Table 2) during the relevant period exceeds (falls short of) the levels specified in Table 1 of the MEFP. The downward adjustment will be capped at the maximum level specified in Table 1 of the MEFP. The floors will also be adjusted upward by the amount that the outstanding balance of bilateral accounts with the Central Bank of Iraq is repaid, including both principal and interest payments.

G. Ceiling on the Net Domestic Assets of the CBJ

20. **Reserve money of the CBJ** is defined as the sum of: (i) currency in circulation (currency outside banks and commercial banks' cash in vaults); and (ii) non-remunerated deposits of licensed banks with the CBJ in Jordanian dinars.

21. For program monitoring purposes, **the net domestic assets of the CBJ** are defined as reserve money *less* the sum of net international reserves as defined above *plus* Jordan's outstanding liabilities to the IMF. Therefore, the ceiling on NDA is calculated as projected reserve money (as defined in Table 1) minus the target NIR.

22. **Adjustors:** The ceilings on the NDA of the CBJ will be adjusted:

- Upward (downward) by the extent to which the floors on the net international reserves of the CBJ are adjusted downward (upward)
- Downward (upward) by the extent to which the CBJ decreases (increases) reserve requirements on Jordanian dinar deposits of the banking system. The adjustment will equal the change in the required reserve ratio multiplied by the stock of deposits with licensed banks at the start of the first month when the new reserve requirement ratio applies that are: (i) denominated in Jordanian dinars and; (ii) subject to reserve requirements.

H. Ceiling on the Accumulation of External Debt Service Arrears

23. External debt service arrears are defined as overdue debt service arising in respect of obligations incurred directly or guaranteed by the central government or the CBJ to official and private creditors beyond 30 days after the due date.

DATA PROVISION

24. To permit the monitoring of developments under the program, the government will provide to the IMF (Division B of the Middle East and Central Asia Department) the information specified below.

25. Related to the ceiling on the primary deficit of the central government excluding grants: The nine standard fiscal data tables in the attached list as prepared by the Ministry of Finance cover detailed information on revenue, expenditure, balances of government accounts with the banking system, foreign grants, amortization and interest, net lending, privatization proceeds, debt swaps with official creditors, and monthly change in the stocks of uncashed checks and funds owed to donor trust accounts. The government financing information from the Treasury account, as agreed by both the Ministry of Finance and the Central Bank of Jordan, and any potential discrepancy between the government financial data and the monetary survey data (all monthly).

26. Related to the ceiling on the accounts payable of the central government: the stocks of checks issued by the central government but not yet cashed by the beneficiary; the stocks of the liabilities of the central government in the trust accounts and the deposits in the trust accounts (all monthly).

27. Related to central government arrears: all pending bills of the central government that have not been paid for more than 60 days at the end of each quarter (quarterly).

28. Related to the ceiling on NEPCO’s net loss:

- Full unaudited income statement and the stock of accounts payable and payments overdue less and more than 60 days (quarterly) in order to compute the PC on NEPCO net loss, prepared by NEPCO’s accounting department on a quarterly basis.

- Latest audited income statement signed by the auditor (usually available twice yearly with a six-month delay) with full explanation of any changes made to the unaudited version transmitted to the IMF, as soon as it becomes available to NEPCO’s management.

- Breakdown of overdue payments by major creditor, and all overdue payments vis-à-vis the central government.

- Monthly gas flows from Egypt in million cubic meters (quarterly).

29. Related to the floor on NIR of the CBJ and NDA

- CBJ's foreign exchange reserves and preliminary data on dollarization (weekly).
- Data on CD auctions (following each auction).
- Monetary statistics as per the attached reporting tables.

30. Related to the continuous performance criteria:

- Details of official arrears accumulated on interest and principal payments (both external and domestic) to creditors. External arrears data will be provided using actual exchange rates.

31. Other economic data

- Interest rates and consumer prices; and exports and imports (monthly).
- Balance of payments (current and capital accounts) and external debt developments (quarterly).
- List of short-, medium- and long-term public or publicly-guaranteed external loans contracted during each quarter, identifying, for each loan: the creditor, the borrower, the amount and currency, the maturity and grace period, and interest rate arrangements (quarterly).
- National accounts statistics (quarterly).

32. Weekly data and data on CD auctions should be sent to the Fund with a lag of no more than one week. Monthly and quarterly data should be sent within a period of no more than six weeks (for the monetary and fiscal variables), and within a period of no more than eight weeks for other data (three months for national accounts statistics and balance of payments and external debt statistics). Data related to the continuous criterion should be sent within one week after the date when the arrear was incurred. Any revisions to previously reported data should be communicated to the staff in the context of the regular updates.

DEFINITIONS OF THE PRINCIPAL CONCEPTS AND VARIABLES

33. Any variable that is mentioned herein for the purpose of monitoring a performance criterion, and that is not explicitly defined, shall be defined in accordance with the Fund's standard statistical methodology, such as the Government Financial Statistics. For variables that are omitted from the TMU but that are relevant for program targets, the authorities of Jordan shall consult with the staff on the appropriate treatment based on the Fund's standard statistical methodology and program purposes.