



THE HASHEMITE KINGDOM OF JORDAN

General Budget Department

Budget in Brief

for the Fiscal Year 2012

May 2012

Our Vision

A transparent public budget that enhances the pillars of sustainable development and presides over good international practices

Our Mission

The best allocation of available financial resources, in accordance with advanced methodologies that enable the ministries, government departments and units to achieve the national objectives and priorities, surpassing service recipients' expectations

Core Values

Learning

Transparency

Collaboration

Impartiality

Responsibility

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Foreword

The General Budget Department (GBD) is pleased to introduce its second edition of the **Budget in Brief for 2012** after the noticeable success realized by the first edition of the Budget in Brief for 2011. Indeed, the regular preparation of this annual analytical document contributes to better assessment for the Kingdom's budget management by competent international agencies, particularly in terms of transparency, budget preparation and execution reporting, and the promotion of the principle of informed participation in this regard.

The **Budget in Brief for 2012** provides a brief presentation on the General Budget Law for 2012. More specifically, it examines the following key themes:

- Summary of economic and fiscal performance for 2011;
- Budget milestones and assumptions for 2012;
- Macroeconomic projections for 2012;
- Main budget features for 2012;
- New characteristics of the 2012 Budget;
- Mechanism and phases of general budget preparation;
- Jordan's Budget Calendar; and
- Potential risks that the general budget might face in the medium-term.

The General Budget Department hopes that this document will contribute in informing all Jordanian parties, both government and private, and concerned foreign entities on latest economic and fiscal developments in Jordan in 2011, and on fiscal policy directions as well as features and estimates of the public budget as reflected in the General Budget Law for the Fiscal Year 2012.

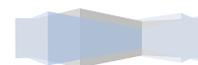
Dr. Ismail Zaghoul
DG of Budget Department

Summary of Economic and Fiscal Performance for 2011

In 2011, the Jordanian economy was affected by the repercussions of the regional political environment and the global economic situation as well as by their tangible negative consequences on different economic sectors- including the public finance sector. Additional and unfavorable factors have also contributed to deepen the domestic economic challenges despite government measures taken to tackle those challenges, most notably: the recurrent rise in world commodity prices especially oil and food; unstable gas supplies from Egypt; and the indirect consequences of the sovereign debt crisis in the Euro region.

The negative impact of the above combined factors on the performance of main sectors of the Jordanian economy was somewhat asymmetric. The external and public finance sectors were mostly affected by those domestic, regional and international developments, causing a tangible increase in the twin deficit of the current account of the balance of payments and the general budget deficit in 2011. However, many of the performance indicators of the real sector (e.g. economic growth) and the monetary sector (e.g. credit facilitates) showed a broadly stable results compared to 2010.

In more details, **gross domestic product (GDP)** at constant prices grew by 2.6% in 2011 compared to 2.3% in 2010. In parallel to the rise of GDP deflator by 6.4% in 2011 relative to a higher increase of 8.4% in 2010, GDP at current prices grew by 9.1% in 2011 compared to 10.9% in 2010. At the sectoral level, certain productive sectors (such as mining and manufacturing) achieved an above-average growth in 2011, while other sectors showed a decline (such as construction and tourism). In addition, unemployment rate slightly increased to 12.9% in 2011 compared to 12.5% in 2010.



As for the **general price developments** and due to the recurrent escalation in global commodity prices especially crude oil, inflation rate as measured by the percentage change in the consumer price index (CPI) has reached 4.4% in 2011 compared to 5.0% in 2010. Examining CPI components, it is noted that the prices of “food items” group increased by 4.1% while prices of “clothing and footwear” group rose by 6.2%. Similarly, the prices of “housing” group increased by 3.8% in 2011, while average prices of “other goods and services” group rose by 5.1%, influenced by the price increase in the transport and education items.

In the **external sector**, the Kingdom’s exports surged by a noticeable growth of 13.4% in 2011 although this growth was below its 2010 level amounted to 17.8%. Merchandise imports scored a record increase by 17.6% compared to 9.3% in 2010. Consequently, the deficit of the trade balance increased by 21.1% to reach JD 7340 million compared to JD 6060 million for the last year.

With regard to main developments in the balance of payments, the 2011 current account registered a deficit of JD 2048 million compared to JD 1336 million in 2010. This outcome was mainly a result of the increase in the import value of “crude oil and its derivatives” due to the rise in global energy prices, on one hand, as well as the decrease in workers’ remittances and tourism income in 2011, on the other hand. The Kingdom’s bill for imported “crude oil and its derivatives” scored a record increase to reach JD 3272 million in 2011 compared to JD 2037 million in 2010, registering a rise of JD 1235 million (or 61%). On the other hand, Jordan’s bill for imported “food and live animals” reached around JD 1818 million with an increase of JD 137 million or 8.1% compared to its level in 2010.

As for **monetary developments**, data issued by the Central Bank indicate that domestic liquidity grew by 8.1% at the end of 2011 compared to 11.5% at the end of 2010. The increase in domestic liquidity during 2011 came as a result of the increase

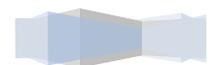


in net domestic assets of the banking system by 20.7% compared to a 9.8% increase in 2010, on the one hand, and the decrease in net foreign assets of the banking system by 7.2% at the end of 2011 compared to their 2010 increase by 13.5%, on the other.

As for the contribution of the banking system in funding various economic activities in the public and private sectors alike, total credit facilities increased about JD 1400 million or 9.7% at the end of 2011 compared to an expansion of JD 1134 million or 8.5% at the end of 2010. In contrast, foreign currency reserves of the Central Bank decreased to reach US\$ 10511 million in 2011, reflecting a decrease of US\$ 1730 million or 14.1% below their 2010 level. This new level covers about six months and a half of the Kingdom's imports of goods and services.

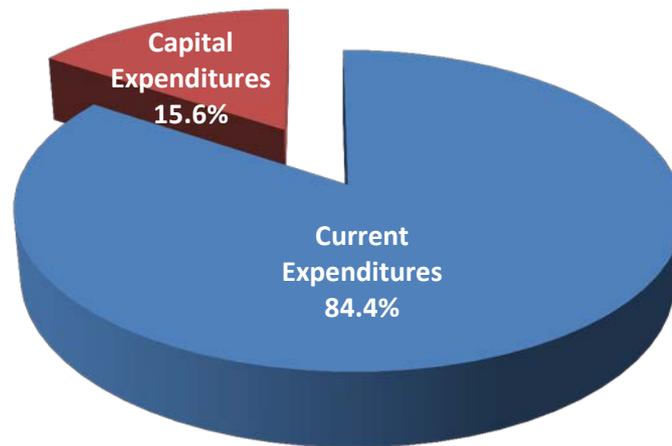
In the **public finance** (general budget and public debt), the global conditions of slowing growth, mounting financial risks, and rising commodity prices along with unstable and intense regional circumstances in some Arab countries have all contributed in decelerating economic pace in the Kingdom, thus harming domestic revenues. Furthermore, such adverse global and regional conditions have accelerated spending growth on social protection, particularly on subsidizing basic commodities. Consequently, these combined factors weakened the performance of the public finance for 2011.

In public expenditures, total expenditures according to preliminary actual data registered an increase of JD 1094 million or 19.2% in 2011 to reach JD 6802 million compared to JD 5708 million in 2010. This increase in spending came as a result of the rise in both current expenditures by JD 997 million (or 21%) and capital expenditures by JD 97 million (or 10.1%). The exceptional increase in current expenditures was mainly due to the record rise in government subsidies in addition to other measures taken by the government in 2011 with a view to protecting low- and middle-income segments. Some of these key measures are: raising living cost allowances by JD 20



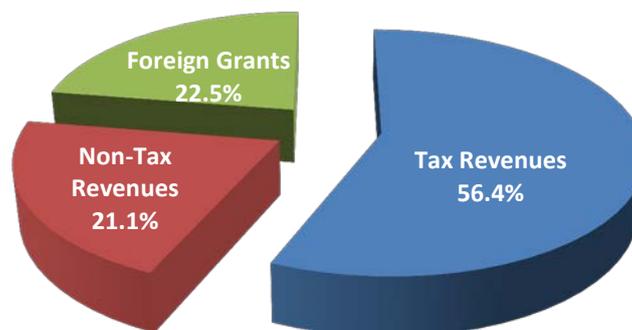
monthly for all civil and military employees and retirees, and subsidizing civil and military consumer corporations by JD10 million each, and eliminating tax on diesel and kerosene and reducing tax on gasoline Octane 90 by 6% .

The Structure of Public Expenditures in 2011



As for public revenues, they amounted to JD 5414 million in 2011, reflecting a rise of 16.1% over their 2010 level. This growth was a result of the exceptional increase in foreign grants by 202.5% to reach JD 1215 million, in addition to the decline in domestic revenues by 1.5% compared to 2010 to reach JD 4199 million.

The Structure of Public Revenues in 2011



Accordingly, budget deficit for 2011, including foreign grants, reached about JD 1388 million, or 6.8% of GDP, compared to JD 1045 million, or 5.6% of GDP in 2010.

Based on the developments of both sides of the general budget, net public debt for 2011 increased by 16.9% compared to its level at the end of 2010, reaching JD 13402 million, or 65.4% of GDP in 2011 compared to JD 11463 million, or 61.1% of GDP in 2010.

Developments in Main Economic Indicators

Indicator	2010	2011
GDP growth at constant prices	2.3%	2.6%
Inflation rate	5.0%	4.4%
Unemployment rate	12.5%	12.9%
Growth of domestic exports	17.8%	13.4%
Growth of merchandise imports	9.3%	17.6%
Import bill for crude oil & its derivatives (million JD)	2037	3272
Current account deficit as a percent of GDP	-7.1%	-10.0%
Growth of domestic liquidity	11.5%	8.1%
Official foreign currency reserves (billion US\$)	12.2	10.5
Growth of credit facilities granted by commercial banks	8.5%	9.7%
Public expenditures (million JD) as a percent of GDP	5708 30.4%	6802 33.2%
Public revenues (million JD) as a percent of GDP	4663 24.9%	5414 26.4%
General budget deficit including foreign grants (million JD) as a percent of GDP	-1045 5.6%	-1388 6.8%
External debt (million JD) as a percent of GDP	4611 24.6%	4487 21.9%
Domestic debt (million JD) as a percent of GDP	6852 36.5%	8915 43.5%

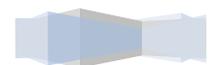


As for adopted government measures, the government took many fiscal actions for 2011 aiming at strengthening control of public funds, protecting the low- and middle-income segments, and improving economic performance, as follows:

In accordance with the 2011 Constitutional amendments, the draft General Budget Law and Government Units' Budget Law shall be submitted to the National Assembly at least one month prior to the beginning of the fiscal year for hearing. In addition, the Financial Control Bylaw for 2011 was issued. This Bylaw tackles *prior* internal auditing of financial transactions in all government ministries, departments, and units. The issuance of this Bylaw is a further step to strengthen control of public funds through establishing clear pillars for corruption prevention. Similarly, a new Bylaw was passed for organizing the use of government vehicles by government departments. The Bylaw aims at assessing departments' needs of vehicles, regulating gas provision, providing maintenance and ensuring proper use.

In order to contribute in protecting the living standards for limited-income segments, living cost allowances for civil and military employees and retirees were increased by JD 20, including daily workers and capital projects' employees as of early 2011. In addition, the prices of oil derivatives (kerosene, diesel, and gasoline) were fixed to lighten the burden placed on citizens and avert any possible harm caused by this year's increase in world fuel prices. The government also continued subsidizing gas cylinder, wheat, and fodders during 2011.

To enhance the economic performance of certain priority sectors with tangible linkages, the Council of Ministers took a decision to extend the exemption/ reduction of land registration fees till the end of 2011. In addition, the retention period of a real estate was reduced for companies and legal persons. These decisions were taken to activate the real estate sector and strengthen investment inflows to the Kingdom. Tax exemptions were also extended for micro-finance institutions (MFIs) for one year,



including income tax and sales tax, with a view to reducing the burden on MFI borrowers, realizing financial and operational sustainability in these institutions, and expand their capacity for broader provision of funding services and approaching the poor.



Budget Milestones and Assumptions for 2012

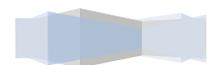
Reflecting the government's commitment to pursue fiscal and economic reforms, restoring public finance balance, and mobilizing savings and investments conducive to sustainable growth at acceptable levels to enable more job opportunities, the government is seeking to strengthen fiscal discipline at the national and sectoral levels. Moreover, the government is seeking to ensure the optimal allocation of financial resources at the sectoral and geographical levels and to improve the efficiency and productivity of public spending. Taken together, this shall reduce the general budget deficit and contain government indebtedness in order to maintain fiscal and monetary stability in the Kingdom that is considered the main pillar of sustainable economic growth.

The comprehensive economic and political reforms in addition to the implementation of an integrated package of public sector reform and governorate development shall lay the key milestones to reinforce the principles of accountability, transparency, as well as monitoring and evaluation, and to deepen the practice of Results-oriented Budgeting (ROB). This shall, in return, strengthen the national economic capacity to efficiently and ably meet economic and fiscal challenges, and improve the local investment environment and investors' faith in the Jordanian economy. Such reforms shall also stimulate economic growth with a view to witnessing its noticeable positive effects by the citizens in all governorates in light of the government's intentions to take necessary administrative and legislative steps to strengthen local community participation in the development process.



The estimates of the draft General Budget Law for 2012 are based on a set of milestones as follows:

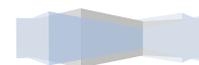
- 1- Pursuing fiscal and economic reform process that aims at enabling the national economy to efficiently and flexibly tackle evolving economic and political conditions and developments, both regionally and globally. In the current phase, the national priorities require the adoption of a national program to reduce government fiscal deficit and public debt to safe levels. Such a step ensures strengthening the pillars of economic stability, enhancing the investment environment, and upgrading the credit rating of the national economy in international financial markets.
- 2- Continue the enactment of a legislation package necessary for attracting foreign investment and promoting local investment, in a way that encourages the private sector to sign partnership agreements with the public sector to implement mega development projects in key sectors, and to ensure the ease of financial burden placed on the general budget.
- 3- Pursue the adoption of good governance concepts in monitoring, evaluation, and accountability according to best international practices, with a view to realizing the optimal utilization of available financial resources and maximizing economic and social returns to all governorates in the country.
- 4- Adopt a clear and time-framed plan to approve appropriate options for financing the budget deficit, in line with the General Framework of Public Debt Management. The aim is to reach safe levels of public debt, and reinforce the credibility of the Kingdom on regional and international levels in terms of pursuing fiscal reform that shall reduce the costs of domestic and international borrowing.



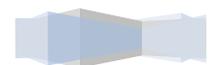
- 5- Improve the level of self-dependence through increasing the coverage ratio of domestic revenues to total expenditures for the period 2012-2014. In addition, government units should adopt effective monitoring systems to raise their self-reliance in funding their expenditures while reducing the dependence on public treasury support.
- 6- Focus on development projects that shall strengthen the productivity of human capital (such as education and health sectors) as well as on infrastructure projects (such as those in electricity and water sectors).
- 7- Distribute the development gains to all regions of the Kingdom to achieve social equity and equal opportunity through establishing a Fund for financing the key developmental needs of all governorates of the Kingdom.

Furthermore, the revenue and expenditure projections for 2012-2014 are based on the key assumption that the government will adopt the following policies and measures:

- 1- Continue allocating necessary financial appropriations for the armed forces and security bodies to protect the country and the citizen, which constitutes the core pillar of Jordan's economic growth and development.
- 2- Secure necessary financial appropriations for the social safety net to maintain the living standards of the Jordanian citizen through: maintaining food and gas subsidies; providing adequate housing for the poor and limited-income groups; expanding health insurance coverage and school nutrition program; supporting the Needy Student Fund; pursuing the implementation of vocational training programs; and reinforcing the Social Productivity Program.
- 3- Control operating expenses, particularly items of fuel, electricity, water, telephone, and travel. In addition, limit the use of government vehicles and confine delegations' travel to urgent cases.



- 4- Secure financial appropriations needed for financing key and priority development needs in all governorates of the Kingdom.
- 5- Allocate appropriations for the project of Public Sector Salary Re-structuring as of early 2012.
- 6- Allocate appropriations for the early retirement fund for military employees covered by the social security system.
- 7- Allocate appropriations to cover the increase in pension salary for both civil and military retirees.
- 8- Provide needed appropriations to implement the National Strategy on Employment, with a view to creating job opportunities for Jordanian labor force.
- 9- Set up clear and transparent rules and controls for eligibility to medical treatments, which should be confined to needy citizens uncovered by health insurance.
- 10- Redirect fuel subsidy to eligible segments of low- and middle-income groups, eliminate distortions caused by the current system, and avoid duplication in subsidy provision.
- 11- Confine electricity and water subsidy to eligible segments of low- and middle-income citizens. Electricity and water prices should reflect their costs for other segments gradually over the medium-term for 2012-2014.
- 12- Amend taxes and fees for a limited number of luxury goods that do not affect the limited-income groups. Further, certain exemptions from sales tax enjoyed by some goods and services should be eliminated as such exemptions proved ineffective.
- 13- Improve tax collection efficiency and reduce tax evasion.



Macroeconomic Projections for 2012

The 2012 Budget is based on the following main projections:

1. The performance of the national economy is expected to remain modest in light of the global economic slowdown as well as political and security events witnessed by some countries in the region. GDP in nominal terms is projected to grow by 8.5 % in 2012, and 9.0% on average for 2012-2014. At constant prices, GDP is projected to grow by 3.0% for 2012 and 3.5% on average for 2012-2014.
2. Inflation rate is expected to reach about 5.5% in 2012 and 5.0% on average for 2012-2014.
3. Domestic exports are projected to grow by 11.0% on average for 2012-2014.
4. Imports are projected to grow by 9.0% on average for 2012-2014.
5. World oil prices are expected to reach an average of US\$ 100 per barrel for 2012-2014.
6. The deficit of the current account in the balance of payments is projected to register 9.0% of GDP in 2012, gradually falling to reach 7.0% in 2014.
7. Foreign reserves at the Central Bank are expected to remain at comfortable levels necessary to maintain the stability of the JD exchange rate.



Macroeconomic Projections for 2012–2014

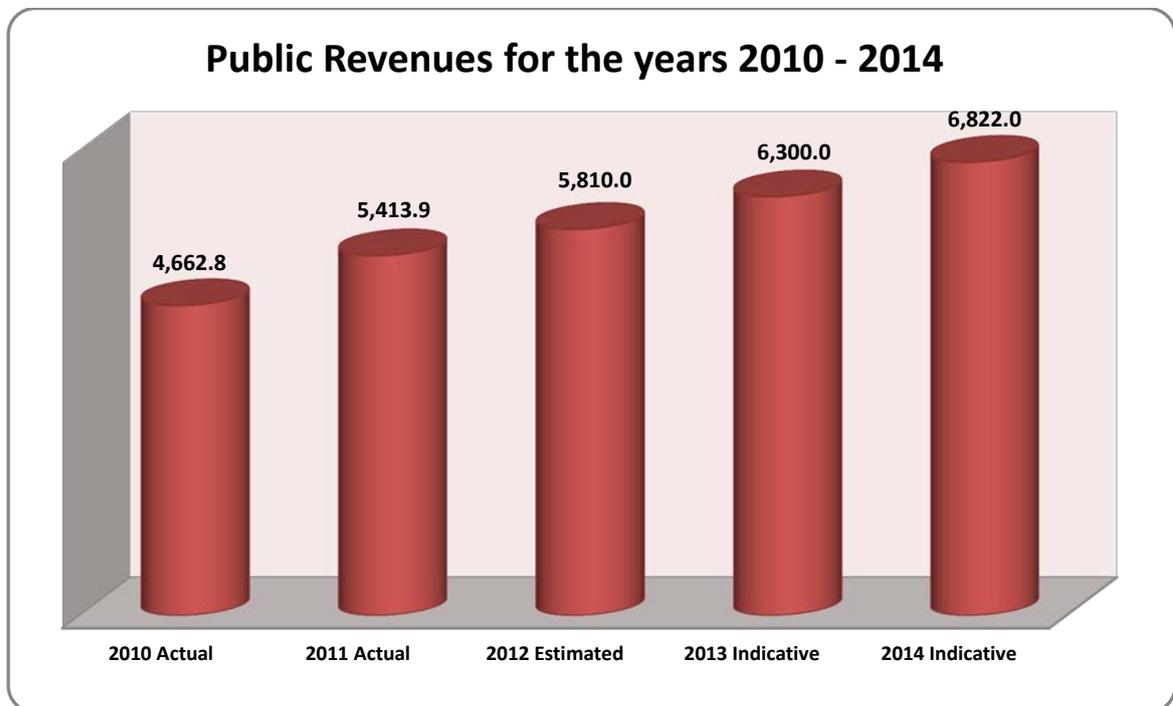
Indicator	2012	2013	2014
GDP growth rate at current prices (%)	8.5	9.0	9.0
GDP growth rate at constant prices (%)	3.0	3.5	3.5
Inflation rate (CPI) %	5.5	5.0	5.0
Growth rate of merchandise exports %	11.0	11.0	11.0
Growth rate of merchandise imports %	9.0	9.0	9.0
Current account deficit (as a percent of nominal GDP)	9.0	8.0	7.0



Main Budget Features for 2012

I. Public Revenues

Public revenues for 2012 are estimated at around JD 5810 million, forming 26.6% of GDP compared to 26.4% in 2011. However, this percentage is expected to reach 26.1% and 25.7% in 2013 and 2014, respectively.



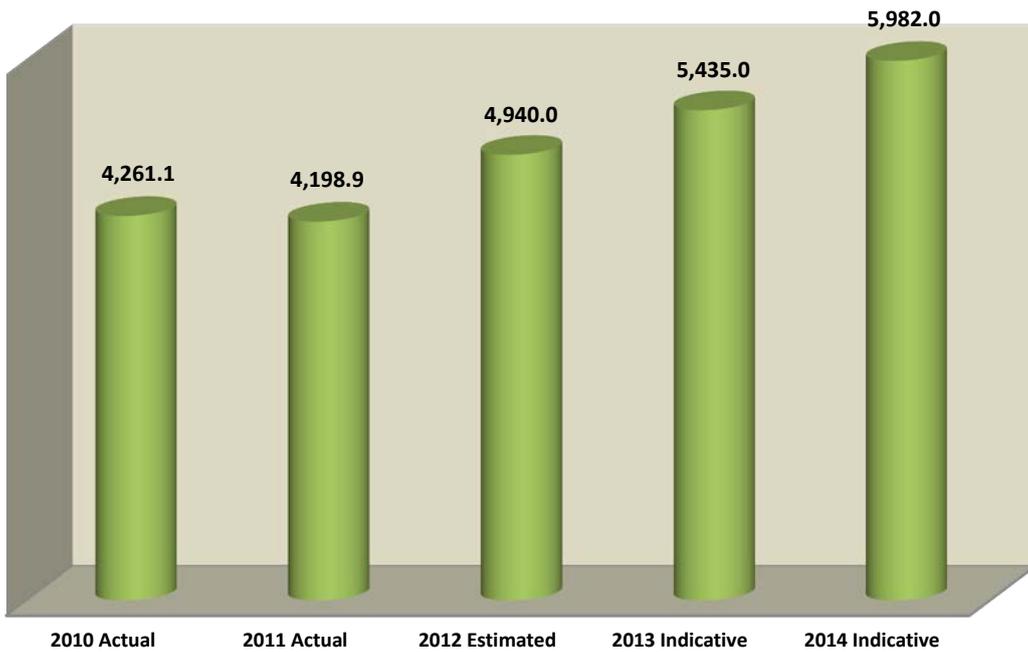
Public revenues are distributed as follows:

1. Domestic Revenues:

Domestic revenues are estimated to reach JD 4940 million in 2012, with a growth of 17.6% over their level in 2011, thus forming 22.3% of GDP compared to 20.5% in 2011.

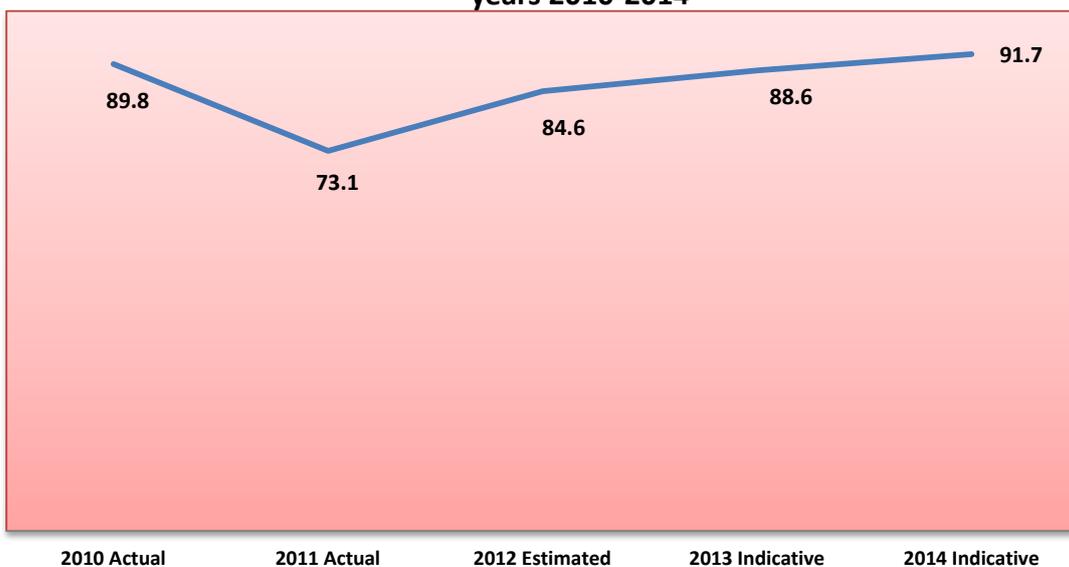


Local Revenues for the years 2010 - 2014



Accordingly, the coverage ratio of domestic revenues to current expenditures is expected to rise from 73.1% in 2011 to 84.6% in 2012, and to continue improving to 88.6% and 91.7% in 2013 and 2014, respectively.

Coverage Ratio of Local Revenues to Current Expenditures for the years 2010-2014

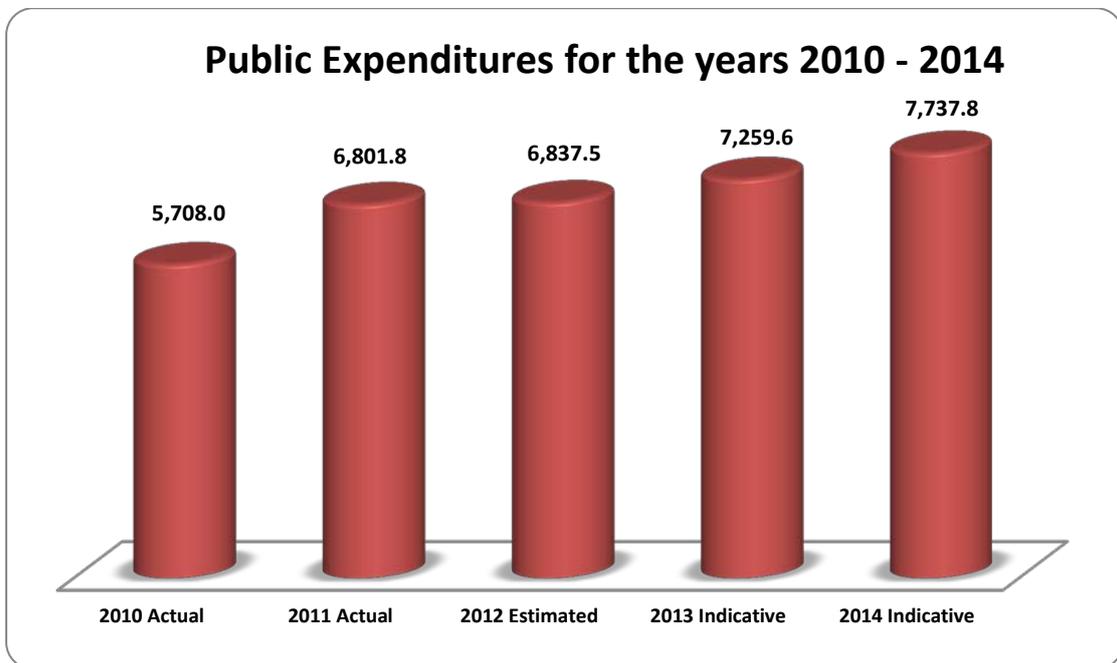


2. Foreign Grants:

Foreign grants are estimated at JD 870 million in 2012 compared to JD 1215 million in 2011.

II. Public Expenditures

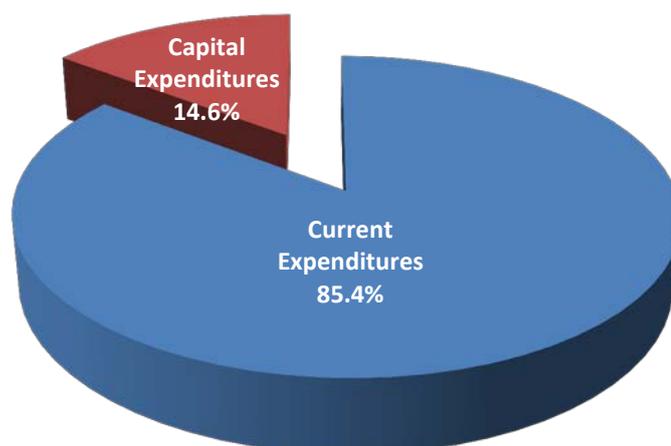
Public expenditures are estimated at JD 6837 million in 2012 compared to JD 6802 million in 2011, reflecting an increase of just JD 35 million or 0.5%. In percent of GDP, public expenditures constitute 30.9% in 2012 compared to 33.2% in 2011.



It is expected that this percentage would decrease to 30.0% of GDP in 2013 then to 29.2% in 2014. Total public expenditures in 2012 are distributed as follows:



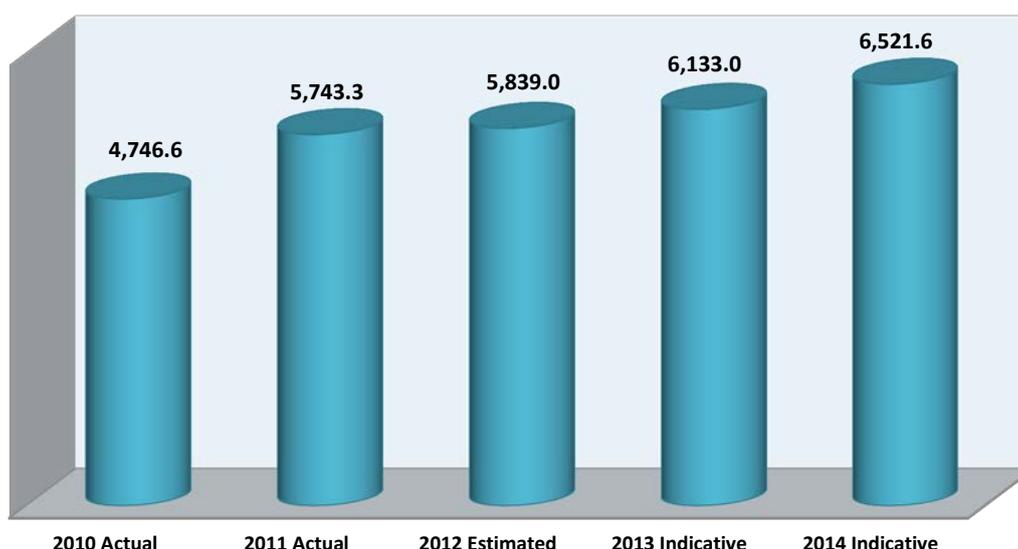
The Structure of Public Expenditures in 2012



1. Current Expenditures:

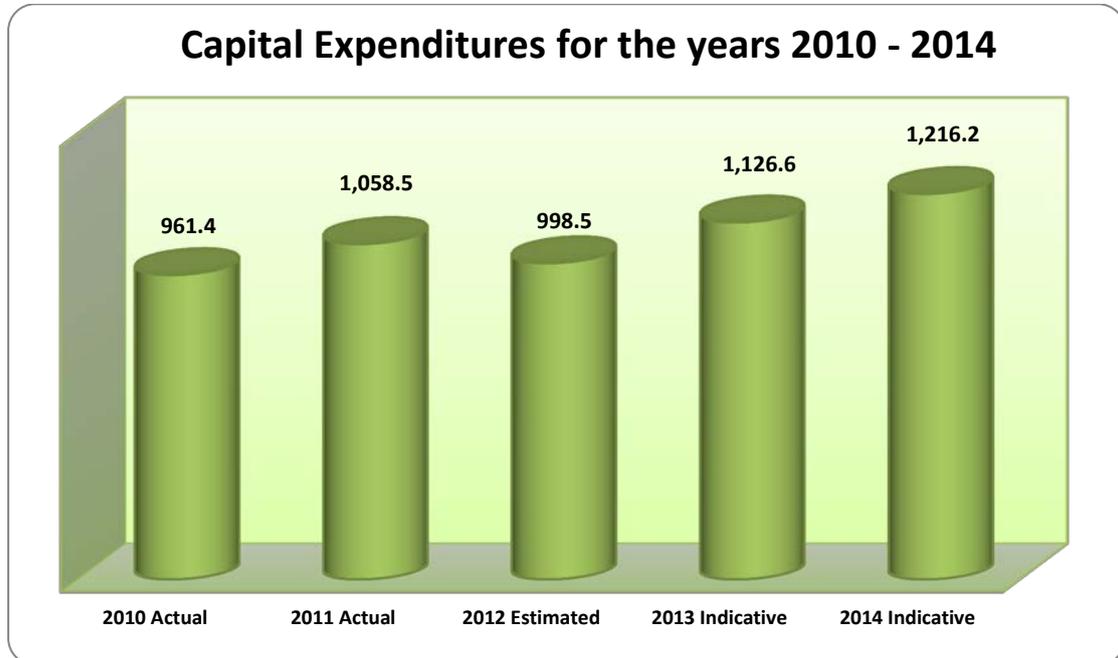
Current expenditures are estimated at JD 5839 million in 2012, registering a 1.7% growth over their level in 2011, and forming 26.4% of GDP in 2012 compared to 28.0% in 2011. It is also expected that this percentage would decrease to 25.4% of GDP and 24.6% of GDP in 2013 and 2014, respectively.

Current Expenditures for the years 2010 - 2014

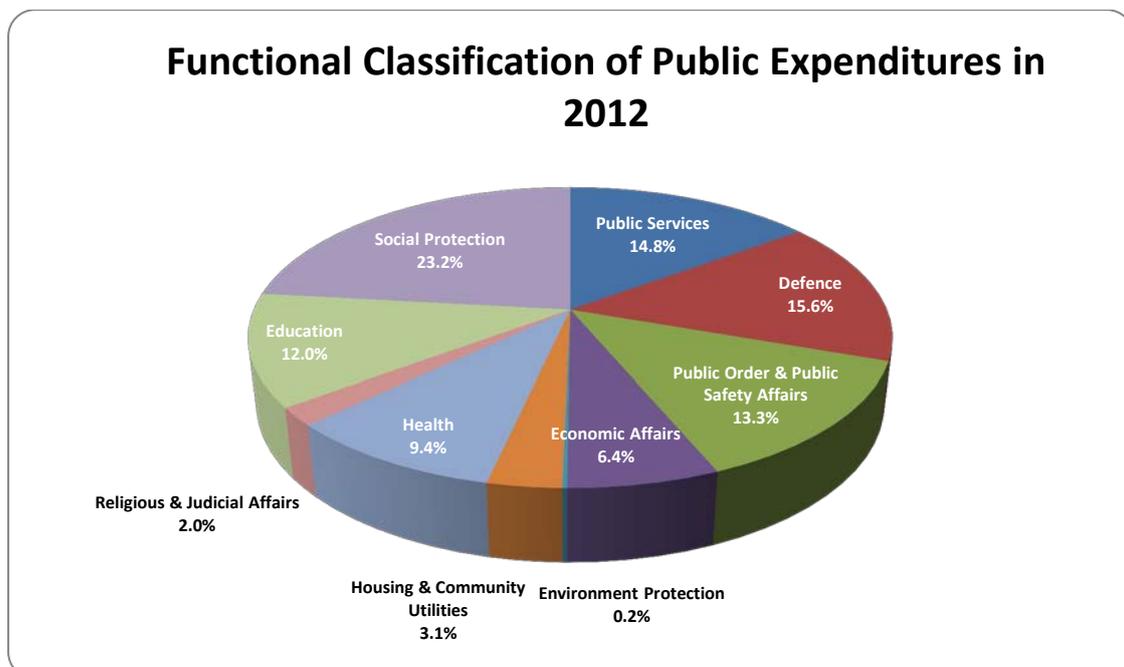


2. Capital Expenditures:

Capital expenditures are estimated at JD 998 million in 2012, forming 4.5% of GDP, with a drop of about JD 60 million or 5.7% under their 2011 level. These expenditures are projected to form around 14.6% of total public expenditures.

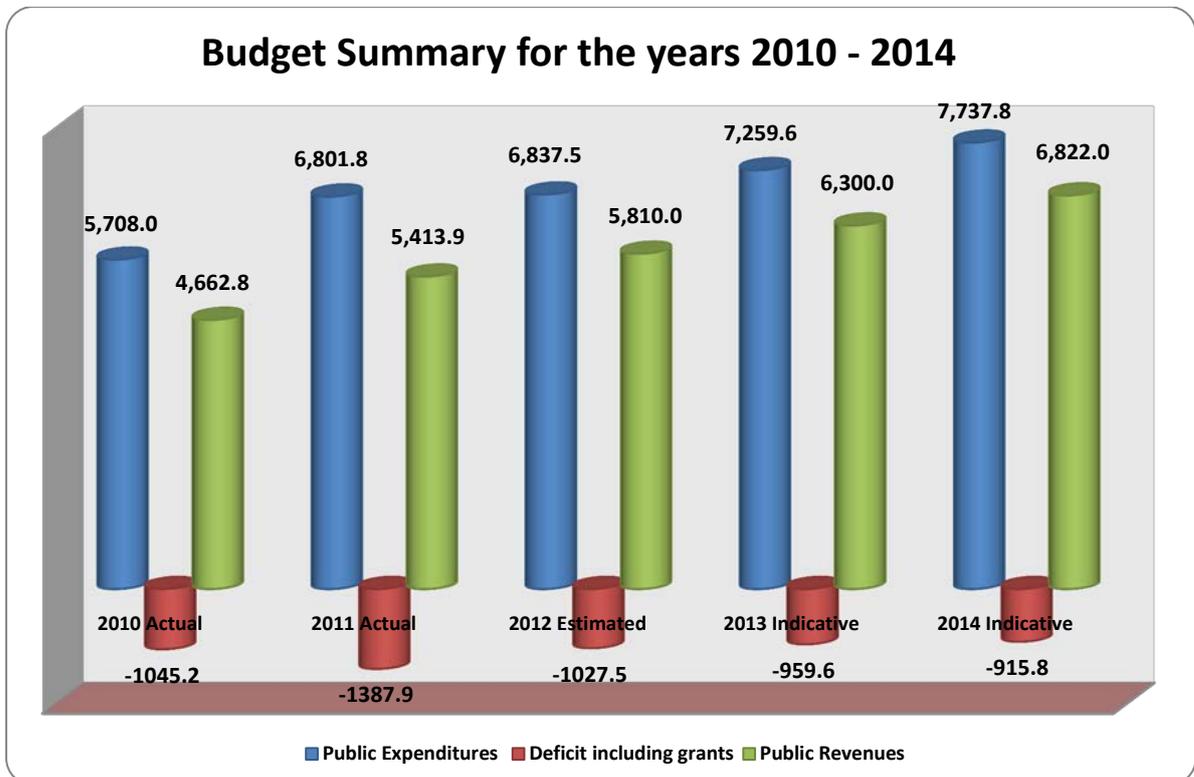
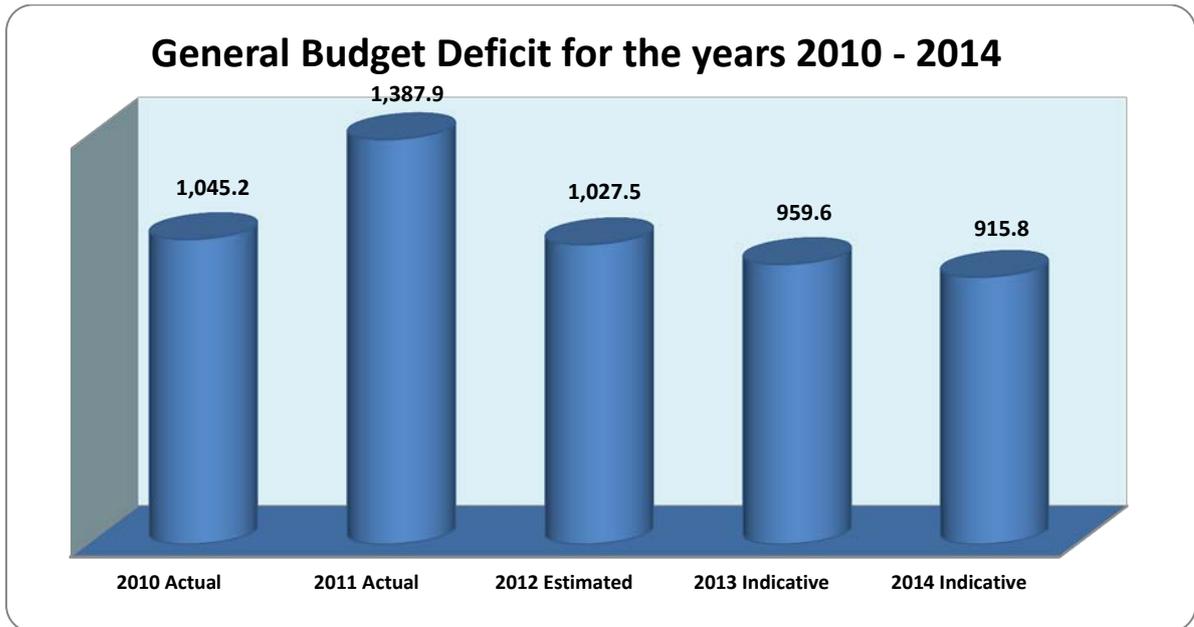


It is expected that the ratio of capital expenditures to GDP would increase to 4.7% in 2013 and then to reach 4.6% in 2014.



III. Fiscal Deficit

As an outcome of developments in both public revenues and expenditures, the fiscal deficit (including foreign grants) is estimated at JD 1027.5 million or 4.6% of GDP in 2012, compared to 6.8% of GDP in 2011. This deficit is also expected to continue to fall, reaching 4.0% of GDP in 2013 and 3.5% in 2014, approaching safety levels as internationally recognized.

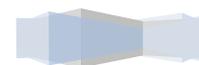


Summary of the General Budget for 2010 – 2014

Description	Actual 2010	Actual 2011	Estimated 2012	Indicative 2013	Indicative 2014
Domestic revenues	4,261.1	4,198.9	4,940.0	5,435.0	5,982.0
Foreign grants	401.7	1,215.0	870.0	865.0	480.0
Total public revenues	4,662.8	5,413.9	5,810.0	6,300.0	6,822.0
Current expenditures	4,746.6	5,743.3	5,839.0	6,133.0	6,521.6
Capital expenditures	961.4	1,058.5	998.5	1,126.6	1,216.2
Total public expenditures	5,708.0	6,801.8	6,837.5	7,259.6	7,737.8
General budget deficit					
Including grants	-1,045.2	-1,387.9	-1,027.5	-959.6	-915.8
Excluding grants	-1,446.9	-2,602.9	-1,897.5	-1,824.6	-1,755.8
General budget deficit as a percentage of GDP					
Including grants	-5.6%	-6.8%	-4.6%	-4.0%	-3.5%
Excluding grants	-7.7%	-12.7%	-8.6%	-7.5%	-6.6%
GDP at current prices	18,762.0	20,476.5	22,146.2	24,183.6	26,529.4

Financial Solvency Indicators

Description	Actual 2010	Actual 2011	Estimated 2012	Indicative 2013	Indicative 2014
Ratio of public revenues to GDP	24.9%	26.4%	26.2%	26.1%	25.7%
Ratio of domestic revenues to GDP	22.7%	20.5%	22.3%	22.5%	22.5%
Ratio of foreign grants to GDP	2.1%	5.9%	3.9%	3.6%	3.2%
Ratio of public expenditures to GDP	30.4%	33.2%	30.9%	30.0%	29.2%
Ratio of current expenditures to GDP	25.3%	28.0%	26.4%	25.4%	24.6%
Ratio of capital expenditures to GDP	5.1%	5.2%	4.5%	4.7%	4.6%
Ratio of capital expenditures to public expenditures	16.8%	15.6%	14.6%	15.5%	15.7%
Coverage ratio of domestic revenues to public expenditures	74.7%	61.7%	72.2%	74.9%	77.3%
Coverage ratio of domestic revenues to current expenditures	89.8%	73.1%	84.6%	88.6%	91.7%



Estimated Public Expenditures for the Fiscal Year 2012

(JD)

chapter		Expenditures				Total of Chapter
No.	Title	Current	Capital			
			Treasury	Loans	Total	
0101	Royal Hashemite Court	40267000	0	0	0	40267000
0201	Parliament	14875500	0	0	0	14875500
0301	The Cabinet and Prime Minister's Office	21918000	11015150	0	11015150	32933150
0302	The Cabinet and Prime Minister's Office / Legislation and Opinion Bureau	718000	51000	0	51000	769000
0303	The Cabinet and Prime Minister's Office/Joint Procurement Department	546100	155550	0	155550	701650
0304	The Cabinet and Prime Minister's office/Jordan News Agency	2562000	51000	0	51000	2613000
0350	Ombudsman Bureau	873500	89250	0	89250	962750
0380	Ministry of Parliament Affairs	645100	42500	0	42500	687600
0401	Audit Bureau	6900000	984300	0	984300	7884300
0501	Ministry of Public Sector Development	1224000	1725500	0	1725500	2949500
0601	Civil Service Bureau	1802000	1257150	0	1257150	3059150
0701	Ministry of Political Development	540600	85000	0	85000	625600
0801	Ministry of Defence	1042500000	35500000	0	35500000	1078000000
0802	Royal Medical Services	140400000	36700000	0	36700000	177100000
0901	Jordan Royal Geographic Centre	1578000	544000	0	544000	2122000
1001	Ministry of Interior	15815000	2082500	0	2082500	17897500
1002	Ministry of Interior/Civil Status and Passports Department	6283000	2096950	0	2096950	8379950
1003	Ministry of Interior/Public Security	479800000	35000000	0	35000000	514800000
1004	Ministry of Interior/Civil Defence	141000000	32000000	0	32000000	173000000
1005	Ministry of Interior / Gendarmerie Forces	136200000	16000000	0	16000000	152200000
1101	Ministry of Justice	41725000	10568900	0	10568900	52293900
1201	Supreme Judge Department	9304000	2643500	0	2643500	11947500
1301	Ministry of Foreign Affairs	39019000	3187500	0	3187500	42206500
1401	Ministry of Foreign Affairs / Palestinian Affairs Department	2123100	20400	0	20400	2143500
1501	Ministry of Finance	2282704000	201478000	0	201478000	2484182000
1502	Ministry of Finance/General Budget Department	1765000	455000	0	455000	2220000
1503	Ministry of Finance/Customs Department	17610000	6541000	0	6541000	24151000
1504	Ministry of Finance/Lands and Survey Department	11684000	888000	0	888000	12572000
1505	Ministry of Finance/General Supplies Department	1096000	366000	0	366000	1462000
1506	Ministry of Finance/Income and Sales Tax Department	38228000	510000	0	510000	38738000
1601	Ministry of Industry and Trade	8177000	6541000	0	6541000	14718000
1602	Ministry of Industry and Trade/Companies Control Department	924000	153000	0	153000	1077000
1701	Ministry of Planning and International Cooperation/National Planning Council	1102000	35359250	48540000	83899250	85001250
1702	Ministry of Planning/Department Of Statistics	3727000	1041250	0	1041250	4768250
1801	Ministry of Tourism and Antiquities	8670000	4900000	0	4900000	13570000
1802	Ministry of Tourism and Antiquities/Antiquities Department	4786000	2083000	0	2083000	6869000
1901	Ministry of Municipal Affairs	4539000	79601000	3710000	83311000	87850000
2001	Ministry of Energy and Mineral Resources	4507000	21594000	0	21594000	26101000
2002	Ministry of Energy and Mineral Resources/Natural Resources Authority	3371000	2922000	0	2922000	6293000
2101	Ministry of Public Works and Housing	20470000	77393000	0	77393000	97863000
2102	Ministry of Public Works and Housing/gov't Tenders Dept	945000	117000	0	117000	1062000
2103	Ministry of Public Works and Housing/Government Buildings Department	8082000	12495000	0	12495000	20577000
2201	Ministry of Agriculture	31085000	18109000	1400000	19509000	50594000
2301	Ministry of Water and Irrigation	1609000	37759000	0	37759000	39368000
2302	Ministry of Water and Irrigation/Jordan Valley Authority	8293000	18259000	2705000	20964000	29257000
2401	Ministry of Environment	1334000	2309000	0	2309000	3643000
2501	Ministry of Education	668829000	53252500	0	53252500	722081500
2601	Ministry of Higher Education and Scientific Research	63971000	15597500	0	15597500	79568500
2701	Ministry of Health	363385900	66865250	0	66865250	430251150
2801	Ministry of Social Development	103773200	12493650	570000	13063650	116836850
2901	Ministry of Labour	11615000	4696000	400000	5096000	16711000
3001	Ministry of Culture	2590000	5325000	0	5325000	7915000
3002	The Cabinet and Prime Minister's Office/Press and Publication Department	758500	51000	0	51000	809500
3003	Ministry of Culture/National Library Department	598000	55500	0	55500	653500
3101	Ministry of Transport	5799000	50145750	0	50145750	55944750
3103	Ministry of Transport/Meteorology Department	1613000	195500	0	195500	1808500
3201	Ministry of Information Technology and Communications	2740500	9814000	0	9814000	12554500
	Total	5839000000	941165300	57325000	998490300	6837490300



Allocations Estimated for Female by Chapter for the years 2010- 2014

(JD)

Chapter		2010	2011	2012	2013	2014
No.	Description					
0101	Royal Hashemite Court	3217244	2759231	3483648	3562752	3769856
0201	Parliament	1852517	2852080	3154400	3166400	3216060
0301	The Cabinet and Prime Minister's Office	5636573	5300360	7394167	7422052	7433552
0302	The Cabinet and Prime Minister's Office / Legislation and Opinion Bureau	203495	178000	202293	245457	253890
0303	The Cabinet and Prime Minister's Office/Joint Procurement Department	142736	168341	184789	196932	203021
0304	The Cabinet and Prime Minister's office/Jordan News Agency	380100	438700	448500	460500	473500
0350	Ombudsman Bureau	162800	163000	223000	218000	225000
0380	Ministry of Parliament Affairs	0	126096	144072	145152	144720
0401	Audit Bureau	1511077	1792221	1887917	1935931	1761470
0501	Ministry of Public Sector Development	697190	1181773	1389872	1481456	1484000
0601	Civil Service Bureau	987675	713990	1017176	726816	732610
0701	Ministry of Political Development	323000	275000	285000	293000	300000
0901	Jordan Royal Geographic Centre	416588	434240	518720	562880	577920
1001	Ministry of Interior	4713627	5154439	5596321	5840264	6087935
1002	Ministry of Interior/Civil Status and Passports Department	1650207	1829579	1910380	1981420	2035520
1101	Ministry of Justice	6654290	7896083	8768903	9054575	9378092
1201	Supreme Judge Department	13000	140000	80000	200000	320000
1301	Ministry of Foreign Affairs	2272461	2619993	2927880	3004500	3147570
1401	Ministry of Foreign Affairs / Palestinian Affairs Department	818459	874000	892500	898000	921600
1501	Ministry of Finance	310876262	350578740	406007200	431848800	460064150
1502	Ministry of Finance/General Budget Department	222591	230470	261200	282100	285100
1503	Ministry of Finance/Customs Department	753754	825000	928000	976000	1027000
1504	Ministry of Finance/Lands and Survey Department	2466981	2695250	2953888	3060742	3163618
1506	Ministry of Finance/Income and Sales Tax Department	3420685	3735672	3942566	4016906	4093306
1601	Ministry of Industry and Trade	2070518	2228654	2353958	2391186	2460749
1602	Ministry of Industry and Trade/Companies Control Department	246884	270834	296387	317537	327557
1701	Ministry of Planning and International Cooperation/National Planning Council	9863255	10291997	9345312	8512416	4709941
1702	Ministry of Planning/Department Of Statistics	2028003	2439490	2146653	2231094	2312864
1801	Ministry of Tourism and Antiquities	528539	522504	559975	578175	597025
1802	Ministry of Tourism and Antiquities/Antiquities Department	902223	864765	935928	976760	1001100
1901	Ministry of Municipal Affairs	511043	495468	570099	599715	623634
2001	Ministry of Energy and Mineral Resources	604145	697000	1220000	1253000	1273000
2002	Ministry of Energy and Mineral Resources/Natural Resources Authority	658551	609000	660000	680000	701000
2101	Ministry of Public Works and Housing	1727775	2059185	2413000	2487000	2562000
2102	Ministry of Public Works and Housing/gov't Tenders Dept	455736	465339	485491	496341	507787
2103	Ministry of Public Works and Housing/Government Buildings Department	2328221	3010166	3219074	3280568	3382873
2201	Ministry of Agriculture	5727074	6500000	7017000	7576000	7797000
2301	Ministry of Water and Irrigation	368670	422200	497300	536000	553000
2302	Ministry of Water and Irrigation/Jordan Valley Authority	764979	852520	838000	868800	893100
2401	Ministry of Environment	196160	228500	247000	268500	278000
2501	Ministry of Education	328398682	389701148	401170490	420704720	432447460
2601	Ministry of Higher Education and Scientific Research	4346006	32325800	43114800	43222000	43259200
2701	Ministry of Health	228034728	225643763	222997630	234223286	241063403
2801	Ministry of Social Development	60550727	70698000	72338000	73486000	73586000
2901	Ministry of Labour	3722530	4503720	5011700	5119890	5126000
3001	Ministry of Culture	1629000	1773000	1854500	1906500	1924000
3002	The Cabinet and Prime Minister's Office/Press and Publication Department	239000	259500	270500	275000	281000
3003	Ministry of Culture/National Library Department	189100	172000	180500	188500	198000
3101	Ministry of Transport	245608	536400	549600	570000	582900
3103	Ministry of Transport/Meteorology Department	440414	476400	496800	529200	545400
3201	Ministry of Information Technology and Communications	5789186	6586380	6398820	7245250	7197520
	Total	1011960069	1157595991	1241790906	1302104073	1347291003



Allocations Estimated for Child by Chapter for the years 2010- 2014

(JD)

Chapter		2010	2011	2012	2013	2014
No.	Description					
1201	Supreme Judge Department	9800	105000	60000	150000	240000
1501	Ministry of Finance	300000	27000	300000	300000	300000
1701	Ministry of Planning and International Cooperation/National Planning Council	4297482	1053000	300000	50000	0
2501	Ministry of Education	546351808	651953000	665803500	698994900	718203700
2701	Ministry of Health	155413804	147323379	146014636	155072847	160203649
2801	Ministry of Social Development	44021059	47929000	48415000	49196000	49919000
2901	Ministry of Labour	665447	922000	1031000	1042000	1053000
3001	Ministry of Culture	322500	380000	450000	510000	570000
	Total	751381900	849692379	862374136	905315747	930489349



Capital Expenditures by Governorate for the Fiscal Year 2012

(JD)

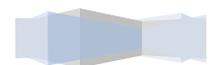
Governorate		Capital Expenditures
11	Center	586741365
21	Irbid Governorate	43785166
22	Ma'raq Governorate	36300505
23	Jarash Governorate	29224526
24	Ajloun Governorate	24419771
31	Amman Governorate	75269248
32	Balqa' Governorate	31452204
33	Zarqa Governorate	41668293
34	Ma'daba Governorate	23339947
41	Karak Governorate	30929884
42	Ma'an Governorate	27971748
43	Tafilah Governorate	24511172
44	Aqaba Governorate	22876471
	Total	998490300



New Characteristics of 2012 Budget

The 2012 Budget has many salient characteristics aiming at developing the governmental administrative body, improving living standards, reinforcing equity among civil servants, and upgrading the Kingdom's international ranking in managing and preparing the general budget. However, limited financial resources had negative impact on launching many **new** capital projects that stimulate the economic pace. **The main new characteristics are summarized as follows:**

- I. Allocation of appropriations needed to cover the financial expenses of the public sector salary re-structuring project, which amounted JD 82.5 million, in addition to the establishment of a Fund for financing the key development needs of all governorates;
- II. Identification of financial appropriations allocated for children in different programs by chapter in 2012 Budget. It is noteworthy that the Kingdom is a pioneer in the region in implementing child- and gender-sensitive budgeting (see the Table on page 27).
- III. Continue implementing a number of mega strategic projects that the government started in the last year, most notably the National Railway Construction Project, the Disi Water Conveyance Project, and the Amman Ring Road Project.
- IV. Drawing due attention to priority sectors in 2012 Budget, namely education, health, and social protection, in view of the crucial services they provide to the Jordanian society. The share of financial appropriations allocated for those sectors to total public expenditures reached 12.0%, 9.4%, and 23.2%, respectively. Total combined allocations for



the three sectors increased to JD 3050 million, forming 44.6% of 2012 total public expenditures.

- v. Reduction in the financial appropriations allocated for funding new capital projects due to limited financial resources as well as the fiscal burden arising from the public sector salary re-structuring. New capital project appropriations in 2012 Budget reached about JD58 million compared to JD 121 million in 2011 Budget, representing a decrease of 52%.



Mechanism of General Budget Preparation

Jordan has made noticeable progress in the field of budget preparation and management in accordance with latest international practices and classifications, considering local economic and fiscal circumstances. Many improvements were incorporated into the preparation process of the general budget and the classification of public expenditures and revenues. Moreover, a new methodology to link the general budget to the strategic planning and to apply the Results-oriented Budgeting (ROB) concept within the medium-term budget framework was adopted as of 2008. Furthermore, a new Organic Budget Law was developed and issued in lieu of the Law for 1962. Such reforms aim at making budget preparation and execution based on forward-looking financial planning that takes into consideration national goals and priorities.

Based on the new ROB concept, government ministries and departments have defined their **vision, mission, strategic objectives, programs, projects, and performance indicators** on the level of strategic objectives and programs. The objectives must be SMART¹ objectives and in line with the ministry's or department's vision.

The medium-term budget framework was also implemented to upgrade the general budget preparation process. It currently covers three years instead of one year for all revenue and expenditure items to enable the government to formulate the fiscal policy and develop the Kingdom's general budget based on a clear financial vision in order to realize a sound fiscal position. In addition, a new Chart of Accounts (COA) consistent with international standards was approved. It includes various classifications- **geographic, functional, economic,**

¹Stands for: Specific, Measurable, Attainable, Relevant, and Time-bound.



organizational, and funding- that assist Jordan’s financial management in providing comprehensive analytical reports that fulfill the needs of official and private parties.

Later in 2009, H.E. the Prime Minister approved the annual budget calendar that was adopted as of 2011 Budget. The following table outlines the Kingdom's Budget Calendar:

Jordan’s Budget Calendar

Date	Action	Responsible Agency
End of January	Request from all government ministries and departments to submit to GBD an annual summary of their budget priorities and policies within the medium-term. The summary should include all current activities, especially HR and operating costs, as well as capital projects stating their importance and expected results.	GBD
End of February	All ministries and departments shall submit their summary of budget priorities and policies to GBD.	All ministries, departments & units
Mid-March	Prepare an annual comprehensive Budget Priorities and Policies Paper for the medium-term and submit it to the Council of Ministers.	MOF and GBD
End of March	Discuss the Budget Priorities and Policies Paper and approve it after making necessary changes.	Council of Ministers
Early May	Prepare a general framework for the public budget over the medium-term, including main macroeconomic indicators for the status quo and medium-term future projections. In addition to preparing estimates for public expenditures (both current and capital) and public revenues (covering domestic revenues and foreign grants). The framework should also include the budget deficit before and after foreign grants and in absolute figures and as a percentage of GDP. Then, submit it to the Council of Ministers.	MOF and GBD
5 May	Discuss the medium-term general framework of the public budget and approve it after making necessary changes.	Council of Ministers
Mid-May	Request from all ministries, departments, and government units to submit their medium-term budget proposals to GBD.	GBD



Date	Action	Responsible Agency
Mid-July	All ministries and departments should submit their medium-term budget proposals to GBD.	All ministries, departments & units
Mid-August	Complete the study of all budget proposals, and prepare a medium-term expenditure framework for ministries and departments and a medium-term budget framework for government units.	GBD
End of August	Prepare the Budget Circular, including the overall expenditure ceiling in addition to partial expenditure ceilings for ministries and departments, in accordance with the updated medium-term budget framework and medium-term expenditure framework.	MOF and GBD
Early September	Issue the Budget Circular after approval.	Council of Ministers
20 September	All ministries, departments and units shall submit their medium-term budget proposals to GBD in line with the Budget Circular.	All ministries, departments & units
Mid-October	Prepare main features and dimensions of the draft General Budget Law, and present it to the Consultative Board for discussion and any changes.	GBD & Consultative Board of the General Budget
20 October*	Submit the draft General Budget Law to the Council of Ministers for discussion and approval, after making necessary changes*.	GBD and Council of Ministers
End of October*	Submit the draft Law to the Parliament*.	Council of Ministers
End of December*	Discuss and approve the draft General Budget Law, awaiting its ratification by the Royal decree*.	Parliament

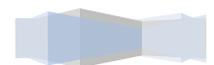
*In accordance with the 2011 Constitutional amendments, the draft General Budget Law and Government Units' Budget Law shall be submitted to the National Assembly at least one month prior to the beginning of the fiscal year for hearing according to the provisions of the constitution. Both laws are subject to the same budget provisions prescribed in the Constitution.



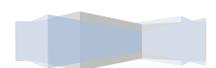
Stages of General Budget Preparation

The stages of the general budget preparation in Jordan can be summarized as follows:

- Provide GBD with the priorities and policies of various government ministries and departments;
- Complete the Budget Priorities and Policies Paper by GBD, covering the general features of the budget and identifying the fiscal space, which equals (expected domestic revenues + foreign grants + target deficit “bearable”) – (expected current expenditures + expected continuous and underway capital expenditures);
- Submit the Paper to the Council of Ministers. Conduct the meetings of the ministerial committees (first round), with the participation of the representatives of the Government Plan Implementation Unit at the Prime Minister’s Office. This shall produce a list of sectoral priorities for the government plan;
- Have ministries and government departments submit their budget proposals to GBD, and finalize the process of updating the general budget framework. Then, all project and program details are submitted by government agencies to GBD. Next, the GBD shall update the general budget framework, including the fiscal space, on which the second round of the committees’ meetings will be based;
- Hold ministerial committees’ meetings to study the general framework and update the fiscal space (second round). The meetings will produce a preliminary government plan that includes a list of priority projects;
- Provide GBD with capital projects approved by the ministerial committees that will be considered in specifying the ceilings;



- Specify expenditure ceilings for ministries and departments;
- Review budget forms, and revise as deemed necessary;
- Draft the budget circular and attach budget ceilings and forms to the same;
- The budget circular is issued by the Prime Minister;
- Send the budget circular to all ministries and departments with budget ceilings and forms;
- Have ministries and departments send their budget proposals to GBD. GBD analysts shall review the proposals to assure their compliance with ceilings specified in the circular issued by the Prime Ministry;
- Have budget proposals entered onto the computer by GBD budget analysts, audit the resulting draft budget law and submit it to the Minister of Finance for approval;
- Forward the draft budget law to the Consultative Board for approval, then ratification by the Council of Ministers; and
- Submit the draft General Budget Law to the Parliament for approval, in accordance with the constitutional phases.



Potential Risks that the General Budget Might Face in the Medium-term

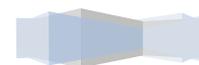
Jordan's general budget may face certain risks in the medium-term for 2012– 2014. Some of the risks are uncontrollable while others are the result of the absence of necessary policies and measures, which were supposed to be taken. The main risks can be briefed as follows:

I. Uncontrollable risks:

- A significant increase in world oil prices, and thus a rise in inflation rate. This shall negatively reflect on social dimensions as well as on procurement costs of goods and services and costs of projects listed in the general budget;
- An increase in the prices of basic foodstuffs, such as wheat whose current subsidy bill constitutes a noticeable burden on the public treasury;
- Continuous unrest in some Arab countries that adversely affected the performance of our national economy, and thus our domestic revenues;
- Frequent discontinuity of natural gas provision from Egypt; and
- Fall in the exchange rate of US Dollar against other main currencies such as the Euro and the Japanese Yen. This shall increase the cost of government procurement of imported goods.

II. Controllable risks:

- Postponement of government decisions on monthly fuel pricing, and granting exceptions in employment for ministries and departments other than the Ministries of Education and Health;



- Continuation of domestic price distortions in electricity and water, especially with the increase in off-budget guarantees for debt financing of the National Electric Power Company (NEPCO), and accelerating growth in the water sector spending;
- Absence of government commitment to the decision of ceasing guarantees given to the borrowing of independent public institutions. Such guarantees shall increase net public debt, consequently raise its ratio to GDP;
- Issuance of budget supplementary laws for funding additional current and capital expenditures when more-than-expected foreign grants are received. Such action will burden the budget in the future due to the resulting increase in the costs of maintenance and sustainability of capital projects;
- Weak participation of the private sector in implementing mega projects through partnership with the public sector (PPP). In addition, insufficient local banks' responsiveness to the financing needs of businessmen in Jordan; and
- Government guarantees for loans provided for funding mega PPP projects.



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