

Signing of Japanese ODA Loan Agreement with the Hashemite Kingdom of Jordan

—Fiscal Consolidation Development Policy Loan—

Yesterday, the Japan International Cooperation Agency (JICA) signed a loan agreement with the Government of the Hashemite Kingdom of Jordan in the Jordanian capital of Amman to provide a Japanese ODA loan of up to 12 billion yen for the Fiscal Consolidation Development Policy Loan.

The economy of Jordan grew steadily in the mid-2000s at an average annual growth rate of 8 percent, supported by foreign direct investment from Gulf Countries and others, but began to decelerate with the global economic recession caused by the worldwide financial crisis that began in the U.S. in 2008. With the effects of regional political instability that came with the Arab Spring at the end of 2010, the tourism industry stagnated and foreign direct investment slowed, resulting in a real economic growth of just over 2 percent from 2010 to 2012. In addition, the regional instability of the political situation impacted the country's public finances as well. Refugees fleeing from civil war in neighboring Syria poured into Jordan in great numbers, resulting in a large expansion of fiscal expenditures to maintain public services (such as education, health care, water and electricity). In particular, due to the political instability in Egypt, the gas pipeline from Egypt to Jordan has been bombed many times, and with no options but to rely on costly fuel imports, the fiscal deficit has ballooned.

Given these circumstances, the Government of Jordan has implemented tax reforms to strengthen revenue, abolished fuel subsidies, introduced targeted subsidies, and applied a gradual increase in the electricity tariff while tightening government expenditures (primarily capital expenditures). Although measures to reduce the size of the fiscal deficit have thus been strengthened, in the short term, the country must give priority to addressing the contagion from regional unrest. Going forward, establishing a base for long-term development is a priority, which will be accomplished by expanding tax revenue through job creation and growth by the promotion of private sector activities, as well as by streamlining public agencies to enhance the efficiency of the public sector for fiscal consolidation.

With this background, the present loan is structured around three pillars: (i) increasing transparency and accountability; (ii) improving debt management and the efficiency of government spending; and (iii) promoting private sector-driven growth to support stronger fiscal management and promoting private sector growth by implementing policies for fiscal consolidation and economic growth. The World Bank is undertaking parallel financing to support this project.

To support the objectives of this program, JICA is now working with the World Bank to provide technical cooperation for debt management capacity development. Technical cooperation currently underway also includes the dispatch of an advisor to the National Electric Power Company that is a major reason for the government's fiscal deficit as a result of soaring fuel costs, and preparation of an Electricity Master Plan. In addition, JICA is promoting partnerships in technical cooperation for improving the management/administration capacity in the water sector where power consumption is high to improve the fiscal condition of the Government of Jordan. Monitoring of this project, including operation and execution, will be jointly handled with the World Bank.

(Reference)

1. Terms and Amount of Loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
Fiscal Consolidation Development Policy Loan	12,000	1.70	-	25	7	General untied

2. Executing Agency

Ministry of Planning and International Cooperation
Address: P.O. Box 555, Amman 11118, Jordan

3. Planned Implementation Schedule

- (i) Completion of project: March 2014 – with completion of the loan disbursement
- (ii) Consulting services: Not planned.
- (iii) Tender announcement of initial procurement package for international competitive bidding on project construction: Not planned.



Signing ceremony