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Two Budgets in One Law

The Binding Deficit and Conditional Investment in Jordan's Draft 2027 Budget

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This paper draws on the roundtable held by the Politics and Society Institute on 12 November 2026 on the Draft General Budget Law for 2027. It uses the participants' contributions as a source, alongside data published by the Ministry of Finance, the General Budget Department, the Central Bank of Jordan and the International Monetary Fund up to 22 November 2026, and builds the 2016–2026 budget execution series from Ministry of Finance reports and the annual budget laws.

Summary

Public debate on the draft 2027 budget has revolved around almost a single question: can domestic revenue grow by 11 percent without new taxes? The question is legitimate, but the execution record directs attention to what happens when the answer turns out to be wrong. Across 2016–2026, cuts to capital spending accompanied every year in which domestic revenue fell short, and the correlation between the two gaps reached 0.88. Keeping the deficit at its budgeted level, by contrast, is a feature of particular periods: it held in 2023–2026, with deviations of no more than 3.1 percent, and it broke down between 2018 and 2020, when the revenue gap exceeded what capital spending and savings on current spending could absorb. The paper reads this record as two commitments of unequal firmness within a single law: a deficit target whose breach carries specific external costs, and capital allocations that are executed only to the extent that collected revenue allows once rigid items have been paid. Most of the issues raised at the roundtable fall into place around this mechanism: the fragility of the revenue base and the quality of collection; the rigidity of military spending, wages and interest; the link between fiscal policy and the dinar peg; weak impact measurement and the qualifications of budget preparers; the marginalization of the governorates; and the limits of Parliament's role, alongside the social gains the draft contains. Under a baseline scenario with stated assumptions, the paper estimates executed capital spending in 2027 at around JD 1.57 billion, within a range of JD 1.42–1.67 billion: an increase of about 8 percent over 2026, against the 18 percent announced. It also estimates that a revenue gap above roughly JD 830 million would make it difficult to hold the deficit without explicit decisions on taxes, current spending or the deficit target itself. It proposes seven packages of recommendations to turn the implicit condition into a declared rule, build a tiered framework for managing budget risks, raise the quality of revenue, lower the cost of debt, tie project selection to value and employment impact, improve budget preparation and the accountability of implementing agencies, and sharpen social targeting.

The Paradox of Precision

The government estimated domestic revenue for 2024 at around JD 9.58 billion and collected JD 8.73 billion, a gap of JD 844 million, or almost 9 percent of the estimate. Yet the deficit after grants ended at JD 2.098 billion against JD 2.069 billion in the law, a deviation of no more than 1.4 percent.[1] The pattern recurred in 2025, when the actual deficit came in JD 2 million below target, and again in the 2026 re-estimate: in a war year that cost the treasury some JD 350 million of its estimated revenue, the re-estimated deficit came in about JD 65 million below the figure in the law.[2] The Ministry of Finance described the match between the 2025 results and the law as one

[1] Ministry of Finance, "General Budget Execution Report – Fourth Quarter 2024" (including the 2024 budget law estimates) (in Arabic); and Ministry of Finance, "General Budget Execution Report – Second Quarter 2025" (including actual data for 2024) (in Arabic). Estimated domestic revenue for 2024: JD 9,578.8 million; actual: JD 8,734.5 million. Estimated deficit after grants: JD 2,068.6 million; actual: JD 2,098.5 million.

[2] Ministry of Finance, "General Budget Execution Report – First Quarter 2026" (in Arabic): actual figures for 2025 (domestic revenue JD 9,312.3 million, of which JD 6,838.9 million tax and JD 2,469.3 million non-tax; grants JD 684.0 million; current spending JD 10,852.2 million; capital spending JD 1,400.4 million; deficit after grants JD 2,256.3 million), and the estimates of the 2025 and 2026 budget laws (in the 2026 law: tax revenue JD 7,656 million and non-tax revenue JD 2,536 million, capital spending JD 1,600.2 million and a deficit of JD 2,125.2 million).
Salameh Darawi, "The 2026 Budget: Passing the Review and the Test of Fiscal Transit," Roya News, 8 November 2026 (in Arabic). The article gives the 2026 re-estimate (domestic revenue JD 9.846 billion, grants JD 851 million, current spending JD

of the rare cases in about two decades.[3] More precisely, what was rare in 2025 was that revenue and capital spending came close to their estimates; the deficit had hit its target in the two preceding years as well.

This precision is recent. In 2018 the deficit exceeded its budgeted level by 39 percent, in 2019 by 64 percent, and in 2020, the pandemic year, by more than double; in 2021 and 2022 it came in some 11–12 percent below.[4] What distinguishes the last four years, then, is the combination of large revenue forecasting errors with a deficit that barely moves, and this is hard to attribute to forecasting quality, since the revenue forecast itself missed by hundreds of millions. The question with which the roundtable opened, whether the 2027 budget marks a new phase or a continuation of a deficit-based approach,[5] thus receives a preliminary answer: the draft extends a control mechanism that has been in place since 2023, in which the deficit is managed until it is met and another item pays the cost of managing it. Most current readings assume that a revenue shortfall, should it occur, would show up as a larger deficit and higher debt, an assumption voiced explicitly at the roundtable by a participant who argued that a fall in revenue growth to 7 percent would raise the deficit and the debt.[6] The record of the last four years points to a different path, as long as the gap stays within limits that can be estimated.

The thesis of this paper is that Jordan's budget law carries two commitments of unequal firmness: a deficit target whose breach carries specific external costs, and capital allocations that are executed only to the extent that collected revenue and grants allow once rigid items have been paid. When the deficit target is binding and the revenue gap stays within what capital spending and current savings can absorb, capital spending serves as the main adjustment instrument: the deficit holds, and the cost shifts to projects, the governorates and the quality of debt. The external costs in question are three: the quantitative performance criteria in the reviews of the IMF program, on which the disbursement of tranches depends (about $197 million at the fifth review and $294 million at the sixth);[7] the assessments of rating agencies; and market pricing of a debt whose gross financing needs exceed JD 8.7 billion a year. An unexecuted capital allocation, by contrast, triggers no action by anyone during the year. It follows from the thesis that the useful question about the 2027 budget concerns the likely size of the revenue forecasting error, how its absorption will be distributed among grants, current spending, capital spending and the deficit, and who decides that distribution.

The question carries weight at this moment for three reasons that converge on the current draft. 2027 is the last full year of the four-year Extended Fund Facility arrangement approved in January 2024, under which the government committed to reducing debt to about 80 percent of GDP by

11.306 billion, capital spending JD 1.450 billion, deficit after grants JD 2.060 billion) alongside 2027 estimates attributed to the IMF under the sixth review. The original IMF document for these estimates could not be accessed.

[3] "2025 Fiscal Results Match the Budget Estimates," Al-Dustour, 2026, citing a Ministry of Finance statement (in Arabic).

[4] See Table 1 and its sources in the section "The Fixed Deficit and Moving Investment."

[5] Contributions by participants in the Politics and Society Institute roundtable on the Draft General Budget Law for 2027, Amman, 12 November 2026.

[6] Roundtable contributions, op. cit.

[7] "IMF: Jordan's economy stays on track despite regional challenges," Zawya, April 2026, citing Petra: completion of the fifth EFF review would provide about $140 million and the second RSF review about $57 million.
Arab News, op. cit.: completing the two reviews would make about $294 million available.

2028.[8] The IMF mission considers the near-term outlook highly dependent on the duration and intensity of the war,[9] which leaves the revenue estimate exposed to an external variable. And the draft is headlined by an 18 percent increase in capital spending, in the month in which implementation of the National Water Carrier began and the agreement launching its works was signed at a value of $6.6 billion, with most of its financing outside the budget.[10] The three reasons converge on a practical question: how much of the announced investment will actually be built, and who decides?

What the 11 Percent Measures

The Minister of Finance presented domestic revenue growth of about 11 percent in 2027, against 5.3 percent the previous year, as the fruit of electronic invoicing and the fight against tax evasion and avoidance, while stressing that the draft contains no tax increase.[11] The rate, however, is calculated on the 2026 re-estimate of JD 9.846 billion, which is about JD 350 million below the figure in the 2026 law (JD 10.196 billion). Measured against the 2026 law rather than its re-estimate, the 2027 target of JD 10.925 billion implies growth of 7.2 percent, about one and a half points above the assumed nominal GDP growth (5.6 percent).

The required increase of JD 1.079 billion can be broken down into three approximate components:[12] about JD 551 million generated by nominal GDP growth if revenue grows at the same pace; about JD 370 million representing recovery of what the war cost the treasury in 2026, after allowing for growth; and only about JD 158 million, or 1.6 percent of revenue, attributable to a genuine improvement in collection. The component that leads the official narrative is the smallest of the three. The rate is not without precedent: domestic revenue grew 17.4 percent in 2021 and 10.9 percent in 2022, but that followed a 10.4 percent contraction in 2020, whereas in 2026 revenue still grew about 5.7 percent despite the war,[13] so the base from which recovery is measured is less depressed this time. **Most of the 11 percent depends on the war subsiding,**

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[8] IMF, Press Release No. 24/467, "Jordan—IMF Executive Board Concludes 2024 Article IV Consultation and Second Review Under the Extended Fund Facility," 13 December 2024: four-year arrangement approved on 10 January 2024.
IMF staff statement on the staff-level agreement on the sixth review under the Extended Fund Facility and the third review under the Resilience and Sustainability Facility, 3 November 2026, as reported in: "IMF Staff Backs Two Jordan Reviews, But No Funds Have Been Released," Securities.io, November 2026; and "Jordan, IMF reach staff level agreement on reviews, paving way for $294m," Arab News, November 2026. The IMF's own text could not be accessed; quoted phrases are taken from these two reports.

[9] IMF staff statement, 3 November 2026, op. cit.

[10] "Jordan's Government Approves 2027 Draft Budget with Expenditure Exceeding $19 Billion," Anadolu Agency, 9 November 2026 (in Arabic).
"Jordan Begins Implementing the National Carrier Project Today to Strengthen Its Water Security," Al-Mamlaka TV, 18 November 2026 (in Arabic).
"Jordan Signs $6.6 Billion Water Desalination, Conveyance Project Agreement with Meridiam," Petra (Jordan News Agency), 19 November 2026.

[11] "Finance Minister to Al-Mamlaka: No Tax Increase in the 2027 Budget," Al-Mamlaka TV, 9 November 2026 (in Arabic); the interview states that the government contribution to the National Water Carrier is JD 60 million in the 2026 budget and the same in the 2027 draft, bringing the total contribution to about JD 300 million by 2028.

[12] Institute calculations. Assuming a revenue elasticity of one, nominal GDP growth (5.6 percent) on a base of JD 9,846 million generates about JD 551 million; recovery of the 2026 loss (JD 350 million, the difference between the 2026 law and its re-estimate), after allowing for growth, amounts to about JD 370 million; about JD 158 million remains of the total increase of JD 1,079 million. The decomposition is illustrative and assumes that the 2026 law figure was realistic in peacetime, an assumption that tends to inflate the recovery component, since the 2026 law itself assumed revenue growth of about 9.5 percent over 2025 actuals.

[13] See Table 1.

tourism returning and energy prices normalizing, more than on the administrative efficiency that leads the official narrative.

Low inflation narrows the margin of the bet. One participant noted that inflation "works in the government's favor" because it raises the nominal tax base, and that in its absence revenue growth of 11 percent is "on the face of it, not easy."[14] The data support the observation: inflation stood at 2.2 percent in the first eight months of 2026, against 1.86 percent in the same period of 2025, and at 2.66 percent in August alone,[15] a rise that another participant noted and saw as eating into real growth,[16] but which remains below a level that would raise the tax base appreciably. The draft implicitly assumes a GDP deflator of about 2.4 percent, the difference between nominal (5.6 percent) and real (3.1 percent) growth. The export assumption, which the roundtable chair asked to be tested for realism along with the other assumptions,[17] is supported by the data so far: total exports grew 10.3 percent in the first seven months of 2026.[18] In other words, revenue finds no automatic lever in prices and must extract the increase from recovering lost revenue and from compliance.

Is the 2026 loss really temporary? The evidence is mixed but leans partly that way. Growth held up remarkably: real GDP grew 3 percent year on year in the first half of 2026, according to the IMF mission, while revenue in the same half fell short by the equivalent of 0.8 percent of GDP, which the Minister of Finance put at about JD 400 million.[19] Tax revenue grew only 1.6 percent in the first half.[20] A revenue gap of this size without an output contraction points to the composition of the shock more than to its size. Tourism receipts fell 9.5 percent in the first four months,[21] then began to recover, posting growth of 2.9 percent in the first eight months to about $5.56 billion, after a 17.2 percent jump in August.[22] The government itself took relief decisions with a direct fiscal cost, most notably the fuel price freeze, which cost the treasury about JD 212 million up to August 2026, along with waiving some taxes and raising some forms of support in the first weeks of the war.[23] Part of the loss is therefore a policy decision that can be reversed by decision, and

[14] Roundtable contributions, op. cit.

[15] Department of Statistics, Consumer Price Index for August 2026, as published by Al-Mamlaka TV (in Arabic); and "Inflation in Jordan Eases to 2.66% in August," Erem Business, September 2026 (in Arabic).

[16] Roundtable contributions, op. cit.

[17] Roundtable contributions, op. cit.

[18] "Department of Statistics: Total Exports Grew 10.3% in the First Seven Months of 2026," Al-Mamlaka TV, 2026 (in Arabic).

[19] IMF staff statement, 3 November 2026, op. cit.

"Finance Minister: Next Budget at JD 13.7 Billion, No Tax Increase," Nesan, November 2026 (in Arabic): revenue collection in the first half of 2026 fell short by about JD 400 million, and the minister expected capital execution to be no less than 90 percent of the estimate, at about JD 1.45 billion.

[20] "Jordan's Tax Revenue Grows to JD 3.45 Billion in the First Half of 2026," Al-Mamlaka TV, 2026 (in Arabic): tax revenue reached JD 3.457 billion, up 1.6 percent, of which JD 2.173 billion from the tax on goods and services.

[21] "Tourism revenue at $2.17 billion amid regional challenges," Petra (Jordan News Agency), 11 May 2026.

[22] "25-Basis-Point Interest Rate Increase Takes Effect Today," Al-Mamlaka TV, 21 September 2026, citing Central Bank data (in Arabic): tourism receipts in the first eight months of 2026 rose 2.9 percent to $5,557.6 million.

"Central Bank Foreign Reserves Rise at End-June 2026," Al-Mamlaka TV, July 2026 (in Arabic), reporting that tourism receipts rose 17.2 percent in August 2026.

[23] "Government freezes fuel prices to cushion global energy shocks and protect national economy," Petra, 1 August 2026, citing disclosures by the Fuel Pricing Committee. The report does not separate forgone tax revenue from subsidy within this cost.

"Jordan feels pinch to economy from Iran war," The National, 31 March 2026.

another part depends on the course of the war. The 2027 estimates assume that both parts will return in full within a single year.

Measuring the tax burden requires separating two indicators that are often conflated. Domestic revenue comprises taxes and non-tax revenue such as fees, property income and dividends. Tax revenue in the 2027 draft amounts to about JD 8.125 billion out of JD 10.925 billion,[24] or about 16.7 percent of estimated GDP, against 22.5 percent for domestic revenue as a whole; taxes actually collected in 2025 amounted to about JD 6.839 billion, or 15.6 percent of GDP.[25] The breakdown reveals something absent from the debate: relative to the 2026 law, estimated taxes for 2027 grow by 6.1 percent, close to nominal GDP growth, while non-tax revenue grows by 10.4 percent to about JD 2.8 billion, contributing more than a third of the increase (36 percent) although it makes up only a quarter of the base. This partly answers the question raised at the roundtable as to whether the tax freeze also covers fees:[26] a sizable part of the projected "revenue growth" comes from items not called taxes. The fairness of the burden depends on the composition of taxes more than on their level: taxes on goods and services account for about two-thirds of tax revenue and income tax for about a quarter,[27] so tighter collection without changes in rates falls mostly on consumption. The promise of "no new taxes" also intersects with the IMF's expectations: the Fund's report issued in late 2025 refers to an acceleration of fiscal consolidation in 2027 and 2028 totaling 1.8 percent of GDP, supported by measures under the medium-term revenue strategy, including a new framework for gradually eliminating customs exemptions from 2027.[28] The two promises are compatible if the measures broaden the base and remove exemptions without raising rates, but the draft budget presents neither the measures nor their estimated yields.

The clearest signal comes from outside the budget. Figures published and attributed to the IMF's 2027 estimates under the sixth review put domestic revenue at JD 10.934 billion, almost exactly the budget figure.[29] The 11 percent estimate is thus a number shared by the program and the government, which weakens the ability of the debate over its realism to distinguish between their positions. The more productive question is what happens when the estimate misses, and the IMF's own numbers hint at the answer: they put grants at JD 700 million, about JD 84 million below the budget figure (JD 784 million), and capital spending at JD 1.641 billion, about JD 69

[24] General Budget Department, Main Tables of the Draft General Budget Law for 2027: tax revenue of JD 8,125 million out of estimated domestic revenue of JD 10,925 million; non-tax revenue derived as the difference (about JD 2,800 million). Ratios to GDP are Institute calculations.

[25] Ministry of Finance, Budget Execution Report for Q1 2026, op. cit.

Approximate Institute calculations: 2025 GDP derived from the end-2025 public debt stock (JD 36.237 billion) and its stated ratio to GDP (82.8 percent), about JD 43.8 billion; re-estimated 2026 GDP (JD 46.0 billion) and estimated 2027 GDP (JD 48.567 billion) according to Darawi, "The 2026 Budget: Passing the Review…," op. cit. Ratios are approximate because the GDP series has been revised.

[26] Roundtable contributions, op. cit.

[27] Al-Mamlaka TV, tax revenue in H1 2026, op. cit.

Politics and Society Institute, "Jordan's 2027 General Budget: Fiscal Policies and Their Impact across Sectors," background paper prepared for the roundtable, 12 November 2026 (in Arabic).

[28] "IMF: Jordan Aims to Raise 2026 Budget Revenue by 0.9% of GDP," Al-Mamlaka TV, late 2025 (in Arabic): the IMF expects fiscal consolidation to accelerate in 2027 and 2028 by a cumulative 1.8 percent of GDP, a new framework for customs exemptions paving the way for the gradual elimination of some from 2027, and a government commitment to tighten the fight against illicit tobacco trade.

[29] Darawi, "The 2026 Budget: Passing the Review…," op. cit.

million below the budget figure, with almost identical current spending and a nearly identical deficit after grants (JD 2.053 billion against JD 2.026 billion). **In the figures attributed to the program framework, the expected shortfall in grants turns into lower capital spending before the year even begins.**

The same logic applies to the indicator with which the roundtable chair opened the discussion, noting with satisfaction that domestic revenue covers 91 percent of current spending against 88 percent the previous year.[30] Another participant used the same figure as a measure of sustainability, but estimated that the ratio usually fluctuates between 92 and 95 percent and could reach about 94 percent, noting that full coverage of current spending has occurred only rarely.[31] The data support the chair's comparison: the ratio is 90.9 percent in the 2027 draft against 87.1 percent in the 2026 re-estimate.[32] They also support the other participant's observation about the rarity of high coverage, since the actual ratio exceeded 92 percent only once in 2016–2026 (94.6 percent in 2017) and ranged between 74 and 95 percent; the series does not, however, support a usual range of 92 to 95 percent.[33] More important, the 91 percent figure is a budget-law estimate: the 2024 law promised coverage of 90 percent and execution ended at 84.2 percent. Had revenue grown by 7 percent instead of 11, coverage in 2027 would settle at 87.6 percent, its current level. In this sense the indicator measures an intention, and its actual value appears only at the end of the year.

A Fragile Revenue Base and Ambiguous Collection

How much is cut from capital spending each year depends on two things: the fragility of the base from which revenue is collected, and the quality of collection itself. The roundtable raised observations on both fronts that acquire their full meaning within this mechanism.

On the base, one participant noted that some JD 4.5 billion of government income comes from cigarettes, soft drinks, cars and fuel, sectors that "will cost the government huge sums" in health care in the future, and described this as a structural imbalance.[34] The budget does not publish a classification that allows the aggregate figure to be verified, but the size of its components is known: special taxes on petroleum products alone yielded about JD 1 billion a year according to the energy minister in 2021,[35] the tax on goods and services accounts for about 63 percent of tax revenue collected in the first half of 2026,[36] and another participant estimated that 85 percent of tax revenue comes from income and sales taxes.[37] Three features make this base fragile. First, it is the same base the government uses as an instrument for absorbing social shocks: the 2026 fuel

[30] Roundtable contributions, op. cit.

[31] Roundtable contributions, op. cit.

[32] Salameh Darawi, "The 2027 Budget: Domestic Revenue versus Obligations," Al-Ghad, November 2026 (in Arabic).

[33] Institute calculations from the data in Table 1: the ratio of actual domestic revenue to actual current spending was 90.1 percent in 2016, 94.6 percent in 2017, 91.1 percent in 2018, 88.2 percent in 2019, 74.4 percent in 2020, 84.0 percent in 2021, 90.7 percent in 2022, 88.5 percent in 2023, 84.2 percent in 2024, 85.8 percent in 2025 and 87.1 percent in the 2026 re-estimate; in the 2024 law it was about 90.0 percent.

[34] Roundtable contributions, op. cit.

[35] "Special taxes on oil derivates channelled JD1b to Treasury — Zawati," The Jordan Times, 2021.

[36] Al-Mamlaka TV, tax revenue in H1 2026, op. cit.

[37] Roundtable contributions, op. cit.

price freeze cost JD 212 million, vehicle taxes were cut in June 2025, and the special tax on e-cigarettes and heated tobacco products in December 2025.[38] Second, it is prone to erosion: the government committed to the IMF to tighten the fight against illicit tobacco trade,[39] a sign of existing leakage from the base. Third, and this is what the first participant meant, revenue collected from harmful consumption creates future health liabilities that enter the rigid block of current spending, narrowing the margin that protects capital spending. **The revenue base that finances the budget today shrinks when it is used for social protection, and when it is used for financing it generates costs that add to the rigid part of spending.**

On collection, the tools look stronger than before: the number of taxpayers registered in the national e-invoicing system rose from about 17,000 in 2023 to about 178,000 in 2026, more than 90 percent of the target, and 321 million invoices were issued through it during 2026;[40] the system's volume grew fivefold in 2025,[41] and the Income and Sales Tax Department announced that the use of artificial intelligence in audits had uncovered thousands of evasion cases.[42] Yet the roundtable conveyed another side of the picture. One participant pointed to chronic evasion of the presumptive tax on traders since 2016,[43] while another pointed to tax assessments lacking clear legal criteria, such as multiplying the declared income of some professionals by four, and to tax seizures on well-known companies that are already struggling, calling for e-invoicing and artificial intelligence to be used within defined standards.[44] At the same time, the mandate of the tax settlement and reconciliation committees keeps being extended, most recently to the end of June 2026 for claims due by the end of 2024.[45] Taken together, these facts explain what one participant called "paper booking" (ta'shir), revenue recorded as an assessment and then re-estimated,[46] and what the roundtable chair asked about when he wondered whether what is paid is "a bubble or real collection."[47] **Undisciplined administrative assessment produces revenue on paper that cannot be collected; the gap between estimates and collections widens, and capital spending pays the difference in execution.** Disciplined tax administration, with legal standards and fair assessment, is therefore a condition for protecting public investment as much as for raising revenue.

A related source of volatility, raised by one participant, is tourism. The sector touches "every nerve" of the economy, in his words; its biggest problem is its volatility, and it needs a national

[38] "Jordan Decides to Cut Vehicle Taxes as Part of a Structural Reform Package," The Banker News, 28 June 2025 (in Arabic). "Special Tax on E-Cigarettes and Heated Tobacco Products Reduced," Al-Mamlaka TV, 21 December 2025 (in Arabic).

[39] Al-Mamlaka TV, IMF report of late 2025, op. cit.

[40] "178,000 Taxpayers on the National Invoicing System and 321 Million Invoices in 2026," Al-Mamlaka TV, 2026 (in Arabic).

[41] "Jordan 2025 fiscal results show strong alignment with budget projections — report," Zawya, 2026: the e-invoicing system's volume grew fivefold in 2025; arrears repaid were JD300 million in 2024 and JD320 million in 2025, with JD300 million scheduled for 2026, totalling JD920 million.

[42] "Tax Department Director: Artificial Intelligence in Tax Audits Uncovered Thousands of Evasion Cases," Al-Mamlaka TV, 28 June 2025 (in Arabic).

[43] Roundtable contributions, op. cit.

[44] Roundtable contributions, op. cit.

[45] "Tax Department Calls for Settlement Applications for Exemption from Fines," Al-Mamlaka TV, 12 May 2026 (in Arabic).

[46] Roundtable contributions, op. cit.

[47] Roundtable contributions, op. cit.

strategy that includes raising women's participation in it.[48] Tourism receipts reached about JD 5.1 billion in 2024,[49] and some sources put the sector's weight at about 14 percent of the economy,[50] higher than the figure mentioned at the roundtable because of differences in measurement. Its volatility passes to the treasury through sales tax on visitor spending and through income and employment, and then, in execution, to capital spending. **From this angle, stabilizing tourism income is a policy for protecting public investment as much as a sectoral policy.**

The Fixed Deficit and Moving Investment: An Eleven-Year Record

The following table sets the budget law against execution over eleven years, from 2016 to the 2026 re-estimate, and shows the difference in each item across which any revenue shock is distributed: grants, current spending, capital spending and the deficit. A simple accounting identity links these items: the deviation of the deficit from its budgeted level equals the domestic revenue gap plus the grants gap, minus the savings on current and capital spending, with small accounting adjustments in some years.

Year	Domestic revenue	Grants	Current spending	Capital spending	Capital execution rate	Deficit after grants
2016	−541 (−8.0%)	+22	−266 (−3.7%)	−282 (−21.5%)	78.5%	−28 (−3.1%)
2017*	−625 (−8.5%)	−69	−499 (−6.6%)	−137 (−11.2%)	88.8%	+59 (+8.5%)
2018	−851 (−10.9%)	+195	−247 (−3.1%)	−205 (−17.8%)	82.2%	+204 (+39.0%)
2019	−1,044 (−13.0%)	+188	−116 (−1.4%)	−327 (−26.3%)	73.7%	+413 (+63.9%)
2020	−1,516 (−19.6%)	−16	+55 (+0.7%)	−450 (−35.4%)	64.6%	+1,136 (+108.6%)
2021*	+27 (+0.4%)	+226	−10 (−0.1%)	+24 (+2.1%)	102.1%	−240 (−12.2%)
2022	+58 (+0.7%)	−56	−152 (−1.7%)	−34 (−2.2%)	97.8%	−188 (−10.8%)
2023*	−247 (−2.8%)	−90	−213 (−2.2%)	−215 (−13.5%)	86.5%	−2 (−0.1%)
2024	−844 (−8.8%)	−19	−274 (−2.6%)	−560 (−32.4%)	67.6%	+30 (+1.4%)
2025	−186 (−2.0%)	−50	−170 (−1.5%)	−68 (−4.7%)	95.3%	−2 (−0.1%)
2026 re-estimate	−350 (−3.4%)	+116	−150 (−1.3%)	−150 (−9.4%)	90.6%	−65 (−3.1%)

Table 1: Difference between actual execution and the budget law, 2016–2026 (JD million; in parentheses, as a share of the budgeted figure)[51]

[48] Roundtable contributions, op. cit.

[49] "66 of 83 Economic Modernization Vision Projects Completed Last Year," Al-Mamlaka TV, 2025 (in Arabic): tourism receipts for 2024 amounted to about JD 5.132 billion.

[50] "Jordan tourism sector faces downturn as visitor numbers plunge amid Iran war," ICE (Italian Trade Agency), 11 May 2026, citing Middle East Eye: tourism accounts for around 14 percent of Jordan's economy.

[51] Institute calculations. 2016 law: General Budget Law for the fiscal year 2016, Article 2; 2016 actual and 2017 law: Ministry of Finance, Mid-Year Review of the Central Government Budget 2017; 2017 actual: preliminary figures announced by the

The figures can be read as four patterns. First, the capital spending gap tracks the revenue gap in every period: the correlation between them, each relative to its estimate, is 0.88, and it remains 0.84 when the pandemic year is excluded. A simple regression shows that each dinar of revenue shortfall is accompanied by a cut of about a third of a dinar in capital spending, on top of a chronic delay of about JD 40–55 million that occurs even when revenue meets its estimate.[52] Capital execution reached its allocation in only one year out of eleven, 2021, measured against the original law before its supplement. Second, savings on current spending move within a narrow range, especially in recent years: between JD 150 and 274 million in 2023–2026, or 1.3 to 2.6 percent of allocations, regardless of the size of the revenue gap. These savings were wider in 2016–2017, reaching JD 499 million in 2017, so the composition of the adjustment changes with circumstances and measures; the mechanism is a strong tendency whose extent varies from year to year. Third, grants work in both directions: they exceeded their estimate by about JD 190 million in both 2018 and 2019 and by about JD 116 million in 2026, and fell short of it by about JD 90 million in 2023. Fourth, and this defines the scope of the thesis, the stability of the deficit is tied to particular periods: its deviation did not exceed 3.1 percent in 2016 and 2023–2026; it overshot its budgeted level by between 39 and 109 percent in 2018–2020; and it came in about 11–12 percent below in 2021–2022, when revenue met its estimate and some spending was delayed.

Aggregating by period shows what changes and what stays the same.[53] In 2023–2026 capital spending was cut by 15.5 percent of its allocations against 1.9 percent for current spending; it thus provided 55 percent of total spending savings while accounting for only 12.9 percent of allocations, and the deficit ended practically at its target. In 2018–2020 capital spending was cut by a larger margin, 26.8 percent, and provided 76 percent of the savings, but the revenue gap was too large for it to contain, and the deficit absorbed about half of it (JD 1.75 billion of JD 3.41 billion). **Capital spending is cut almost whenever revenue falls short; what changes from one period to another is whether the deficit is allowed to carry the rest of the shock.** In the last four years it was not.

Ministry of Finance in January 2018, as published by The Jordan Times and Ammon News; 2018 law: General Budget Law for the fiscal year 2018, Article 2; 2018–2020 actual, 2019 and 2020 laws and the original 2021 law: Ministry of Finance, Budget Execution Report for Q1 2021; 2021–2022 actual and 2022 law: Q4 2023 report; 2023 actual and 2023 and 2024 laws: Q4 2024 report; 2024 actual: Q2 2025 report; 2025 actual and 2025 and 2026 laws: Q1 2026 report; 2026 re-estimate: Darawi, "The 2026 Budget: Passing the Review…," op. cit. Negative values mean the actual figure came in below the law; positive values in the deficit column mean it exceeded it. (*) 2017: preliminary figures; with the final deficit of JD 747.9 million reported in the Ministry's consolidated deficit report, the deviation becomes +7.9%. (*) 2021: compared with the original law; the budget supplement raised estimated grants to JD 839.8 million and capital spending to JD 1,299.2 million without changing the deficit, and capital execution measured against it becomes 87.6%. (*) 2023: the reported deficit includes adjustments of about JD 88 million, so its components do not add up arithmetically to the reported figure.

[52] Institute calculations from the data in Table 1. Pearson correlation between the domestic revenue gap and the capital spending gap, each relative to its figure in the law: 0.88 for 2016–2026 and 0.84 excluding 2020. A simple linear regression of the capital gap on the revenue gap in absolute values gives a slope of 0.30 (0.34 excluding 2020) and a constant of about JD 54 million (JD 40 million excluding 2020). Aggregation by period: in 2023–2026 the capital cut was JD 993 million (15.5 percent of allocations) and current savings JD 806 million (1.9 percent); in 2018–2020 the capital cut was JD 982 million (26.8 percent) and current savings JD 308 million (1.3 percent), and the deficit exceeded its targets by a total of JD 1,754 million against a total revenue gap of JD 3,411 million. Interest effect: 25 basis points on financing needs of JD 8,741 million. Threshold: 35 percent of estimated capital spending (about JD 598 million) plus 2.6 percent of current spending (about JD 313 million), minus the assumed grant shortfall (JD 84 million). National Water Carrier: 300 million cubic meters at $2.7, at an exchange rate of JD 0.709 per dollar. The calculations are descriptive and do not represent a causal estimate.

[53] Institute calculations from the data in Table 1, op. cit.

The language of the International Monetary Fund confirms this reading in polite terms. In December 2024 the Fund stated that the year's deficit was contained "by careful spending prioritization,"[54] and in April 2025 it announced that the 2024 deficit target had been met after "strong measures offset the loss in revenues."[55] The clearest phrase came in the first review report in July 2024, which relaxed the 2025 primary deficit target "to allow catching up on delayed capital spending."[56] In November 2026 the Fund again noted that Jordan had met the end-June primary deficit target with a comfortable margin because spending restraint offset the revenue shortfall.[57] The word "delayed" is the key: unexecuted capital spending is carried forward to return in a later budget.

And it does return, in the form of growth. The 2025 law allocated JD 1.469 billion to capital spending, re-estimated at about JD 1.370 billion; the 2026 law then presented JD 1.600 billion as a 16.8 percent increase; that figure was in turn re-estimated at JD 1.450 billion, and the 2027 draft presents JD 1.710 billion as an 18 percent increase.[58] Executed capital spending, by contrast, grew from JD 1.400 billion in 2025 to an expected JD 1.450 billion in 2026, about 3.6 percent, slower than nominal GDP growth. The announced increase for 2027 falls to 6.9 percent when measured against the 2026 law instead of its re-estimate.[59] One participant caught this when he described the figures as "misleading" because capital spending was cut in the re-estimate and the increase then measured against it,[60] although his estimate of the real increase at about 25 percent does not match either of the two published bases of comparison. The practice is closer to a presentational convention than to deliberate deception: each year's re-estimate becomes the base of the following year's headline, and the cut disappears inside the comparison. When the Minister of Finance expects capital execution in 2026 to be no less than 90 percent of the estimate,[61] the remaining tenth drops out of the discussion, although it amounts to about JD 150 million.

Why capital spending in particular? The first answer lies in the structure of spending. In the 2027 draft, military spending amounts to JD 3.519 billion, interest on debt JD 2.360 billion, civil service wages and salaries JD 2.272 billion, and pensions JD 1.922 billion;[62] together, JD 10.073 billion, or 84 percent of current spending and 73 percent of total spending. Estimated domestic revenue exceeds these four items by only about JD 852 million, which is all the room available for the rest of current spending, from bread and gas subsidies to the National Aid Fund and medicines, and for capital spending in its entirety. One participant expressed the same phenomenon in the

[54] IMF, Press Release No. 24/467, op. cit.: "this year's budget deficit is contained by careful spending prioritization."

[55] IMF, Press Release No. 25/113, 17 April 2025: "strong measures offset the loss in revenues."

[56] IMF, "Jordan: First Review Under the Extended Arrangement Under the Extended Fund Facility and Request for Modification of Performance Criteria," IMF Country Report No. 24/197, July 2024: the 2025 primary deficit target was relaxed "to allow catching up on delayed capital spending."

[57] IMF staff statement, 3 November 2026, op. cit.

[58] 2025 law: "JD 1.4 Billion in Capital Expenditure in the 2025 Budget," Al-Mamlaka TV, 2024 (JD 1,468,710,000) (in Arabic); 2025 re-estimate (JD 1.370 billion): "Jordan's Parliament Calls for Raising Salaries and Curbing Inflation," Al-Araby Al-Jadeed, December 2025 (in Arabic); the 16.8 percent increase in the 2026 law: Husna Radio (see Sources); 2027 figures: Anadolu Agency, op. cit.; actual capital spending in 2025: Al-Dustour, op. cit.

[59] "The 2027 Budget: Will Jordanians' Lives Improve, or Only the Numbers?" Ammon News, November 2026 (in Arabic).

[60] Roundtable contributions, op. cit.

[61] Nesan, November 2026, op. cit.

[62] Darawi, "The 2027 Budget: Domestic Revenue versus Obligations," op. cit.

language of practice: the second and third chapters of the budget are fixed, every ministry makes sure its spending is not touched, and the budget has not become a new economic structure or an instrument for changing economic behavior.[63] The rigidity is long-standing: the IMF's Independent Evaluation Office estimated that "rigid" expenditure exceeded 70 percent of spending in the years of the early programs with Jordan,[64] and after three decades of successive programs the four items alone amount to 73 percent. Within such a structure, the only items that can be squeezed during the fiscal year, without a law, without laying anyone off and without breaching a contract, are operating expenditure, which the Prime Minister's circular on preparing the 2027 budget directed to be cut by 15 percent,[65] and capital spending.

The second answer lies in the legal structure. Article 112 of the Constitution requires the budget to be voted chapter by chapter, prohibits the transfer of any amount from one chapter to another except by law, allows the National Assembly to reduce expenditure but bars it from increasing it, and requires the government to submit the final accounts six months after the end of the year.[66] The budget law itself provides in its fourth article that spending from allocations takes place "on the basis of general and/or special financial orders and by monthly financial allotments" approved by the Director General of the General Budget Department.[67] An allocation is thus a ceiling on spending: spending above it requires a supplementary budget passed by Parliament, while spending below it requires nothing more than refraining from issuing the allotment. **This asymmetry makes squeezing capital spending the path of least institutional resistance: an executive decision invisible during the year, which appears in the final accounts after the following year's budget has already been approved.**

This asymmetry explains three parliamentary observations made at the roundtable. One participant described the budget before deputies as "take it or leave it," and asked why they are denied the ability to negotiate transfers between items and whether that would require a constitutional amendment.[68] Another described how budget debate turns from "filtering" the figures into sparring between a bloc for the government and a bloc against it, ending every year with the budget being approved.[69] The roundtable chair proposed that the fourteen standing committees examine the budgets of their sectors, instead of the Finance Committee alone meeting 118 institutions.[70] The three observations describe facets of a single fact: Parliament debates the declared document, while the actual decision is taken in the executed one. The answer to the constitutional question is simpler than it seems: paragraph 3 of Article 112 allows transfers between chapters "by law," which means a mid-year review through an amending budget law is

[63] Roundtable contributions, op. cit.

[64] IMF Independent Evaluation Office, Evaluation of the IMF Support to Jordan, 1989–2004 (Washington, DC: IMF, 2005), chapter 1.

[65] "2027 Budget Circular Sets Preliminary Ceilings for Ministries and Governorates and Requests Submission of Budgets by Mid-July," Al-Mamlaka TV, 2026 (in Arabic).

[66] Constitution of Jordan, Article 112, as amended and published in the Official Gazette, issue 5770, 31 January 2022. See also "Article on Including Government Units' Budgets in the General Budget Law Approved," Al-Mamlaka TV (in Arabic).

[67] "Finance Minister Issues Financial Order No. 1 for 2026," Al-Mamlaka TV, 6 January 2026 (in Arabic), citing Article 4(a) of the General Budget Law for 2026, a provision that recurs in the annual budget laws.

[68] Roundtable contributions, op. cit.

[69] Roundtable contributions, op. cit.

[70] Roundtable contributions, op. cit.

available without a constitutional amendment. The instrument has a recent precedent, used in the opposite direction: in 2021 a supplementary law to that year's budget was passed to finance relief measures "without incurring any additional deficit," and Ministry of Finance reports show two figures for the 2021 law, with capital spending rising from JD 1.115 billion to JD 1.299 billion against additional grants and an unchanged deficit, consistent with the effect of the supplement.[71]

The third answer is political and is explained by the concept of audience costs: a commitment gains credibility to the extent that breaching it is costly before an audience that sees and holds to account. The deficit target has three specific channels of accountability: the quantitative performance criteria in program reviews linked to tranches; rating agencies, with Jordan's credit rating upgraded in 2024 for the first time in two decades;[72] and the markets in which most of the debt is refinanced each year. All three channels operate within the same year or at the next review. The audience for a capital allocation, by contrast, is a Parliament that cannot restore what has been cut and reviews the final accounts eighteen months after approving the budget, and citizens in the governorates who see an unpaved road without any figure linking it to a decision. This audience is weakened further by what one participant noted about the turnover of ministers without people knowing why a minister came or why he left,[73] as accountability for project execution dissipates with each reshuffle. **The two commitments differ in firmness as much as their channels of accountability differ.**

This mechanism meets two well-known strands of literature and adds a variation to them. Easterly and Servén showed, in their study of Latin American experience, that deficit targets measured on a cash basis record the cost of investment while ignoring the asset it creates, so that fiscal adjustment falls disproportionately on infrastructure.[74] Frankel and Schreger showed that eurozone governments subject to the 3 percent deficit ceiling produced systematically optimistic forecasts, especially when they were above the ceiling, and that the outcome was repeated breaches of the ceiling.[75] The Jordanian case in 2023–2026 offers a third variation: optimism under a binding rule that does not break the rule, because in execution it turns into pressure on investment, while 2018–2019 resembles the European pattern. The variation depends on four conditions whose limits the series reveals: that the constraint be monitored from outside and linked to financing, with the program on track, which was not fully the case in 2018, when the combined deficit reached 4.3 percent of GDP against a target of 1.8 percent;[76] that the rigidity of

[71] "Draft Law Supplementing the General Budget Law for the Fiscal Year 2021 Approved," Al-Mamlaka TV, 2021 (in Arabic): approved to cover the costs of the relief and stimulus measures announced on 31 March 2021 "without incurring any additional deficit on the budget." Ministry of Finance reports show grants of JD 576.8 million and capital spending of JD 1,114.7 million for the original law, and JD 839.8 million and JD 1,299.2 million for the law after the supplement, with the deficit unchanged at JD 1,970.3 million.
Table 1 and its sources, op. cit.

[72] "Jordan's Economy in 2024: A High Credit Rating, Stable Growth and Resilience in the Face of Crises," Al-Mamlaka TV (in Arabic).

[73] Roundtable contributions, op. cit.

[74] William Easterly and Luis Servén, eds., The Limits of Stabilization: Infrastructure, Public Deficits, and Growth in Latin America (Stanford: Stanford University Press; Washington, DC: World Bank, 2003).

[75] Jeffrey Frankel and Jesse Schreger, "Over-optimistic Official Forecasts and Fiscal Rules in the Eurozone," Review of World Economics 149, no. 2 (2013): 247–272.

[76] IMF, Jordan: Second Review Under the Extended Arrangement Under the Extended Fund Facility, IMF Country Report, 2019: the combined public deficit reached 4.3 percent of GDP in 2018, compared to a program target of 1.8 percent at the time of the first review.

current spending reach a point where capital spending is the only large flexible item; that the executive control the release of cash without returning to the legislature; and that the revenue gap remain within what capital spending and current savings can absorb. The fourth condition approached its limit in 2024, when a gap of JD 844 million was absorbed by cutting a third of capital allocations, and the paper's 2027 scenarios estimate that the threshold lies close to that size.

The Closed Space: From the Dinar Peg to the Spending Decision

The priority given to the deficit becomes fully intelligible when one follows the chain linking the dinar peg to the decision to release a capital allocation, which has two links.

The first link is the cost of financing. Gross financing needs in 2027 amount to about JD 8.741 billion, of which JD 6.715 billion, or 77 percent, goes to repaying and refinancing existing debt and other uses besides financing the deficit,[77] equivalent to about 18 percent of estimated GDP. Interest on debt amounts to JD 2.360 billion, or 21.6 percent of estimated domestic revenue, exceeding capital spending by about JD 650 million.[78] At this size, any wobble in credibility is priced across the entire refinanced debt: a rise of 25 basis points, if fully passed through to one year's needs, adds about JD 22 million a year to the interest bill, or about 1.3 percent of the capital budget.[79] This is why policymakers guard the deficit target as a means of containing the risk premium before it is an accounting figure.

The second link is the execution decision. Interest is a contractual obligation paid on time, as are wages and pensions, whereas a capital allocation is spent through monthly allotments issued by the Ministry of Finance. When the cost of financing rises or revenue falls short, the in-year adjustment falls on the capital allotment. **The effect of the dinar peg reaches public investment first through the interest bill and then through the capital allotment, which is set to whatever remains.**

This chain is the setting for the roundtable's observations on debt and money. One participant put debt service, principal and interest combined, at about JD 8 billion, and described much of the borrowing as "robbing Peter to pay Paul" (talbees tawaqi): borrowing to repay existing debt in a way that suggests it has been retired while its burden accumulates.[80] The financing budget confirms the substance of this description through the figures above. The standard he attributed to international institutions, that debt service should stay at 10 percent and could be tolerated up to 15 percent, does not exist in that form; the closest to it is a threshold adopted by the IMF in its 2013 framework for debt sustainability analysis in market-access countries, which subjected emerging economies with gross financing needs above 10 percent of GDP to higher scrutiny, before it was replaced by a new framework.[81] The IMF estimates that the median emerging

[77] Adli Qandah, "Public Debt Sustainability in Jordan: Testing the 2027 Budget (4)," JO24, 12 November 2026 (in Arabic).

[78] Darawi, "The 2027 Budget: Domestic Revenue versus Obligations," op. cit.

[79] Institute calculations from the data in Table 1, op. cit.

[80] Roundtable contributions, op. cit.

[81] Reza Baqir (IMF), "Debt Sustainability Analysis in Market Access Countries: The IMF's New Approach," presentation hosted by the World Bank: under the risk-based approach, emerging markets with public gross financing needs above 10 percent of

market spends more than 12 percent of its revenue on servicing its external debt,[82] an indicator defined differently from Jordan's interest ratio, but the comparison shows how much the past takes from the present. The same participant also asked about "the link between fiscal and monetary policy," since the Central Bank's assets are growing and so is government debt.[83] Foreign reserves reached $28.4 billion at the end of August 2026, enough to cover 9.2 months of imports,[84] and dollarization fell to 18.1 percent in February 2026.[85] The paradox reflects coordination more than contradiction: reserves are the shield of the peg, part of them is fed by external borrowing and grants, a disciplined deficit gives the shield its credibility, and the cost shows up in the interest bill. As for his point about the effect of cryptocurrencies on the seigniorage of the dollar, any shift that affects the standing of the dollar affects the foundation of the peg and deserves systematic monitoring by the Central Bank.

The call made at the roundtable for a national debt strategy and lower-cost borrowing methods, including Islamic finance,[86] acquires its direct meaning within this chain: every dinar saved on interest widens the margin that protects investment. There are existing experiences to build on. The government has issued Islamic sukuk at a cost of 4.8 percent,[87] and a $700 million seven-year Eurobond at 5.75 percent under a declared strategy of replacing high-cost debt with cheaper debt,[88] and the first sukuk issuance financing Greater Amman Municipality projects, worth JD 400 million, succeeded in November 2026.[89] Islamic finance accounts for no more than 12 percent of financial assets in Jordan according to the IMF, against 25 percent in Malaysia and 32 percent in Saudi Arabia.[90] Another participant pointed to blended finance formulas that combine aid and commercial loans into a cheaper "financial mix."[91] The tools exist; what is missing is to tie them explicitly to the goal of protecting public investment.

Testing the Explanation: Weak Execution or Cash Rationing?

The strongest rival explanation holds that low capital execution reflects weak project management: slow tenders, stalled land acquisitions, weak feasibility studies and limited contractor capacity. This explanation has supporting evidence within the government apparatus

GDP fall under higher scrutiny; and IMF, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for Market Access Countries (2022), which replaces the earlier framework.

82 IMF, "Debt Vulnerabilities and Financing Challenges in Emerging Markets and Developing Economies—An Overview of Key Data," Policy Paper, February 2025: the median emerging market spends over 12 percent of revenues (excluding grants) on servicing external debt.

83 Roundtable contributions, op. cit.

84 "Central Bank Foreign Reserves Rise to $28.4 Billion at End-August 2026," Al-Mamlaka TV, 6 September 2026 (in Arabic).

85 "Central Bank of Jordan Decides to Keep Interest Rates Unchanged," Al-Mamlaka TV, 2026 (in Arabic): dollarization fell to 18.1 percent at end-February 2026, compared with 18.8 percent a year earlier.

86 Roundtable contributions, op. cit.

87 "Finance Minister Expects Public Debt to Decline by the End of the Month," Al-Mamlaka TV, 2025 (in Arabic): issuance of Islamic sukuk at a cost of 4.8 percent.

88 "Jordan Issues $700 Million Eurobond at a Competitive 5.75% Interest Rate," Al-Mamlaka TV, 2025 (in Arabic).

89 "Central Bank: First Islamic Sukuk Issuance to Finance Greater Amman Municipality Projects, Worth JD 400 Million, Succeeds," Al-Mamlaka TV, 16 November 2026 (in Arabic).

90 Erem Business, report on a mudaraba sukuk issuance in Jordan, 2026 (in Arabic), citing the IMF: Islamic finance accounts for 12 percent of financial assets in Jordan, against 25 percent in Malaysia and 32 percent in Saudi Arabia.

91 Roundtable contributions, op. cit.

itself. A financial official in one ministry described projects that receive allocations without any tools to measure their impact, so that they either succeed, stall or are carried over to a later schedule, and asked about the qualifications of those who set the figures in the first place.[92] Another participant held that "our problem is management—the person who executes the numbers,"[93] a third called for administrative reform,[94] and a fourth asked whether the government has an assessment of each institution's spending.[95] The longer series gives this explanation more weight than the last four years alone. In 2021 and 2022, when revenue met its estimate, capital execution fell short of its allocation by about 12 percent in 2021, measured against the law after its supplement, and by 2 percent in 2022, and the deficit ended below target; part of the delay therefore occurs even when cash is available, which is what the constant in the regression captures. But executive capacity is a slow-moving variable, shaped by institutions, procurement systems and staff, and it can hardly explain on its own a 19-point fall in the execution rate in one year followed by a 28-point rise the next, as happened between 2023 (86.5 percent), 2024 (67.6 percent) and 2025 (95.3 percent), or track revenue fluctuations with a correlation of 0.88 over eleven years. Moreover, the IMF itself described the lagging spending as "delayed" and adjusted a fiscal target to allow it to catch up, which implies that some of the projects were ready for execution and that it was the cash that was withheld.

There are confounding factors that must be acknowledged. 2024 saw parliamentary elections in September and the formation of a new government in the same month, and transition periods slow tenders and approvals; in 2020 the pandemic halted some works for reasons unrelated to cash. But 2023, a year with neither a change of government nor a pandemic, shows the same gradient on a smaller scale, as do 2016–2019. The reasonable conclusion is that cash rationing explains most of the year-to-year variation in execution, while the weak administrative capacity described by participants explains the chronic delay and the ceiling that execution rarely exceeds. The two explanations converge in their result: when cuts are decided by the availability of cash rather than by project impact, what is squeezed is what is easiest to postpone, not what yields least. The evidence has its limits: eleven annual observations suffice to establish a strong association but not a decisive causal claim, and the Ministry of Finance does not publish monthly project-level execution data that would make it possible to distinguish a project postponed for lack of cash from one that stalled for executive reasons. One further piece of evidence suggests that part of the pressure in past years took the form of delayed payments, the least visible margin: the government repaid JD 300 million of arrears in 2024 and JD 320 million in 2025, and plans to repay JD 300 million in 2026, under a plan to clear JD 920 million of pre-2024 arrears.[96]

The second rival explanation defends the mechanism more than it denies it: this is sound prudential policy, and its results speak for it. The credit rating has been upgraded, dollarization is falling and confidence in the dinar peg persists according to the IMF,[97] and the debt ratio is

[92] Roundtable contributions, op. cit.

[93] Roundtable contributions, op. cit.

[94] Roundtable contributions, op. cit.

[95] Roundtable contributions, op. cit.

[96] Zawya, 2025 fiscal results, op. cit.

[97] IMF staff statement, 3 November 2026, op. cit.

declining toward 80 percent. Defending the deficit at the expense of investment in a war year preserves the state's ability to meet financing needs beyond the deficit of more than JD 6.7 billion a year at a reasonable cost. This paper accepts the premise of the argument in full: the constraint is worth defending. But the argument answers a different question. **The prudential argument justifies holding the deficit; choosing investment as the shock absorber requires a separate justification that has yet to be offered.** The comparative evidence weighs in favor of the objection: an Inter-American Development Bank study of 70 economies between 1980 and 2019 found that the output cost of fiscal consolidation depends on the behavior of public investment relative to public consumption during the consolidation.[98] Cutting the item with the greatest growth impact to protect the deficit means defending today's figure at the expense of the growth that repays tomorrow's debt, in an economy where unemployment among Jordanians stands at 21 percent.[99] This is what participants from the private sector and academia meant when they called for moving from "a budget that preserves stability" to a budget that contributes to the economic structure,[100] and when one participant held that a successful budget achieves three goals at once, fiscal sustainability, equity and growth, and that the 2027 budget "does not generate an economy."[101] The existing mechanism has consistently achieved the first goal in recent years, and pays for it out of the other two.

Who Pays the Cost, Where and When

The first cost falls on the quality of debt, which is what one participant asked about when raising the question of "debt quality," and what another asked about when questioning the return on debts accumulated since 2011 and the value created by each public dinar.[102] The difference between revenue and grants on the one hand and current spending on the other measures the part of borrowing that finances government consumption and interest rather than assets. The 2024 law planned for this part to finance about 16 percent of the deficit; in execution it reached 44 percent: the deficit stayed within 1.4 percent of its target, while the share of borrowing directed to current spending nearly tripled. The 2027 draft promises roughly the same ratio, 16 percent. Over the longer term, the current balance moved from an actual surplus of between JD 150 and 330 million in 2016–2018 to an actual deficit of more than JD 850 million in 2024 and 2025.[103] The deficit target measures the quantity of borrowing and ignores its destination, and every capital dinar squeezed to defend the deficit shifts a dinar of borrowing from financing an

[98] Martín Ardanaz, Eduardo Cavallo, Alejandro Izquierdo, and Jorge Puig, "The Output Effects of Fiscal Consolidations: Does Spending Composition Matter?" IDB Working Paper (Washington, DC: Inter-American Development Bank, December 2021).

[99] Department of Statistics, unemployment report for Q2 2026, as published by Al-Mamlaka TV: "Unemployment among Jordanians Falls to 21% in Q2 2026," 31 August 2026 (in Arabic).

[100] Roundtable contributions, op. cit.

[101] Roundtable contributions, op. cit.

[102] Roundtable contributions, op. cit.

[103] Institute calculations. The current balance is domestic revenue plus grants minus current spending. The current balance deficit was JD 339.3 million in the 2024 law (16.4 percent of the estimated deficit), JD 928.9 million in 2024 actuals (44.3 percent of the actual deficit), and JD 316 million in the 2027 draft (15.6 percent of the estimated deficit). The actual current balance showed a surplus of JD 150.5 million in 2016, JD 328 million in 2017 and JD 220 million in 2018, and a deficit of JD 855.9 million in 2025, from the data in Table 1.

asset to financing interest or wages. **Holding the deficit by squeezing investment preserves the quantity of debt and weakens its quality.**

The second cost is geographic. The 2027 capital budget contains items that are protected in practice, such as the contribution to the National Water Carrier (JD 60 million) and the development of the Risha gas field (JD 33 million), both tied to contracts and external financing that make touching them costly, within an envelope for Economic Modernization Vision projects of JD 504 million. On the other side are exposed items: JD 671 million in ministries' capital allocations, including JD 151 million for education, JD 81 million for health and JD 116 million for public works, and JD 225 million for municipalities.[104] These are schools, health centers and roads in the governorates, the investment closest to the daily lives of citizens far from the center. The budget classifies capital allocations into three categories: continuing projects, projects under implementation, and new projects starting in the budget year, with allocations in the 2027 draft of JD 902.7 million, JD 697.6 million and JD 109.9 million respectively.[105] These are the figures the roundtable chair presented in rounded form (900, 700 and 110 million).[106] One participant's estimate of about JD 200 million for new projects[107] does not correspond to any category in this classification, and the paper uses the official figure, equivalent to 6.4 percent of capital spending. This distribution means that pressure, when it comes, lengthens completion times for continuing and ongoing projects more than it cancels projects, and that new projects, small as they are, are the easiest to postpone. What one participant said, that successive budgets changed nothing in the villages of Rahma and Qatar in Wadi Araba, or in the Jordan Valley and the north, and that the road to Ruwaished and infrastructure outside Amman are more painful than inside it,[108] reads in light of this mechanism as a structural outcome: investment in the governorates is the first thing squeezed when the deficit is defended. Another participant opened his intervention on an optimistic note, citing a global prosperity index that measures well-being and general satisfaction alongside the economy;[109] the paper adds, on its own account, that an index of this kind measures a national average that may conceal the spatial disparity the mechanism produces. The observation repeated by several participants about the lack of linkage between the budget and the Economic Modernization Vision, "as if each body works on its own,"[110] is to be understood on the same basis: the Vision meets the budget precisely in the capital item, and as long as that item is an adjustment instrument, the Vision's fiscal component remains a commitment conditional on revenue.

This classification lacks any measure of what each project means for employment and private investment, although both issues featured strongly at the roundtable: one participant linked the

[104] Darawi, "The 2027 Budget: Domestic Revenue versus Obligations," op. cit.

[105] Awni Al-Dawoud, "In Detail and in Figures: How Will the 2027 Budget Differ from 2026?" Akhbarna, November 2026 (in Arabic), citing the tables of the draft law: JD 902.66 million for continuing projects, JD 697.64 million for projects under implementation and JD 109.9 million for new projects; the same figures appear rounded in "The 2027 Budget: Development Spending Advances to Support Growth and Investment," Al-Rai, November 2026 (in Arabic).

[106] Roundtable contributions, op. cit.

[107] Roundtable contributions, op. cit.

[108] Roundtable contributions, op. cit.

[109] Roundtable contributions, op. cit.

[110] Roundtable contributions, op. cit.

budget's usefulness to cutting expenditure and creating jobs, and another compared the small size of new projects with the unemployment rate.[111] The budget does not publish, for any project, the number of direct jobs it generates in construction and operation, its indirect effect through supply chains, or the private investment it attracts per public dinar. The gap bears directly on the mechanism: maintenance works, local roads and municipal projects, which are usually among the most labor-intensive, are among the easiest items to postpone, so cash-driven cuts are likely to fall on what generates more jobs per dinar without this appearing in any document. Leverage, on the other hand, can be measured, and large projects offer an example: the National Water Carrier's developer is raising about $2.9 billion of financing against a government contribution of about $722 million,[112] roughly four dollars for every public dollar, and the Aqaba railway relies entirely on commercial partners. The Economic Modernization Vision aims to create one million jobs over a decade,[113] a target that cannot be linked to the capital budget unless the impact of each project is measured.

Against these costs, the draft carries social gains that one participant mentioned explicitly: a JD 30 salary increase for those earning less than JD 600, covering retirees and the civil, military and security sectors; increased allocations for municipalities; and increases in some social allocations, at a time of regional and international pressure.[114] The gains are real and can be estimated. Judging by its cost, the increase reaches about 720,000 employees and retirees, raising the gross income of someone earning JD 590 by about 5.1 percent and of someone earning JD 400 by about 7.5 percent, more than two or three years of inflation at current rates, and it goes to households that spend most of their income on daily consumption in their local markets. It costs JD 260 million, of which JD 50 million for civilians, JD 100 million for the military and JD 110 million for civil and military retirees, or about 0.5 percent of GDP and 2.2 percent of current spending, a permanent cost that recurs every year.[115] The draft maintains subsidies for bread and gas and cancer treatment,[116] and allocates JD 280 million to the National Aid Fund and JD 225 million to municipalities in capital spending.[117] But the three gains are distributed unevenly across the two documents: the increase and the social allocations are current spending, paid in full and on time, so their gain is secured as long as the deficit is met; the municipal allocations, mostly capital, sit in the exposed part of the budget, and how much of them actually reaches the governorates depends on revenue performance. **The social gain closest to the governorates is the one most exposed to pressure in execution.**

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111 Roundtable contributions, op. cit.

112 "Prime Minister witnesses water carrier agreement, paves way for project rollout," Petra, 21 April 2026.
Ministry of Water and Irrigation, "Miyah" newsletter, third issue, 2026 (in Arabic).

113 Economic Modernization Vision 2023–2033, Royal Hashemite Court, 2022, which aims to create one million jobs over ten years.

114 Roundtable contributions, op. cit.

115 Darawi, "The 2027 Budget: Domestic Revenue versus Obligations," op. cit.
"Jordan Targets 5.6% Nominal Growth and a Budget Deficit Cut to JD 2 Billion in 2027," Al-Eqaria, November 2026 (in Arabic).

116 Politics and Society Institute, "Jordan's 2027 General Budget: Fiscal Policies and Their Impact across Sectors," background paper prepared for the roundtable, 12 November 2026 (in Arabic).

117 Darawi, "The 2027 Budget: Domestic Revenue versus Obligations," op. cit.

The increase drew three objections at the roundtable that fit together within the argument. One participant held that it "does not move markets,"[118] a reasonable judgment at the macroeconomic level for an increase equivalent to about 0.5 percent of GDP, and one that does not contradict its tangible effect at the household level. Another noted that it goes to salary earners while unemployment stands at 21 percent and poverty has not been measured anew,[119] an accurate observation: the latest official poverty rate, 15.7 percent, dates from the 2017–2018 survey, the results of the 2021–2022 survey have not yet been published,[120] and the cost of the increase is close to the entire allocation of the National Aid Fund. A third described it as "a distorted increase,"[121] and the description has a technical basis: the condition that the gross salary be below JD 600 creates a threshold at which someone earning JD 595 overtakes a colleague earning JD 610, unless the implementing instructions include a phase-out mechanism. From this paper's perspective, the increase enlarges the part of the budget that is untouchable in execution and so narrows the margin that protects investment.

One participant raised a complementary question about military and security spending, which he estimated at about JD 3.5 billion, and whether it competes with health, education and social protection for limited resources, while acknowledging that events require improving military capabilities and absorbing technology.[122] In the text of the law the competition does not appear, since both items are funded. The competition is settled in the order of execution: rigid items are paid in full and on time, and capital spending waits for what remains. At a time when Jordan was exposed to 281 Iranian missiles and drones up to April 2026, according to the army,[123] security spending remains a defensible priority; what this paper adds is that its actual trade-off falls on investment in the governorates, and that this trade-off deserves to be called by its name.

There is an avoidable cost within current spending itself, which one participant raised regarding waste in health and education. He estimated waste at between 15 and 20 percent, illustrating it with tests repeated across hospitals at a cost of hundreds of dinars per patient, pointed to spending of about JD 212 million on tests and treatment, and argued that savings there would suffice to finance capital projects.[124] Official data support the direction of the argument even though their figures differ: total health spending reached JD 2.67 billion in 2022, or 7.7 percent of GDP, a ratio the health minister describes as exceeding both global and regional averages,[125] and the 2025 law allocated JD 135 million to medical treatment and exemptions alone.[126] The problem, then, lies in the efficiency of spending more than in its size, as another participant put it

[118] Roundtable contributions, op. cit.

[119] Roundtable contributions, op. cit.

[120] World Bank, Macro Poverty Outlook: Jordan, April 2026: the national poverty rate was 15.7 percent based on the 2017–18 Household Income and Expenditure Survey; results of the 2021–22 survey have yet to be released.

[121] Roundtable contributions, op. cit.

[122] Roundtable contributions, op. cit.

[123] "In Jordan, Arab Travelers Fill Amman While Petra Waits for the West," Skift, 2026, citing the Jordanian Armed Forces.

[124] Roundtable contributions, op. cit.

[125] "Health spending in Jordan reaches JD2.67b, exceeding int'l, regional averages," The Jordan Times, citing the Health Minister at the launch of the National Health Accounts 2020–2022.

[126] House of Representatives, "Main Tables of the Draft General Budget Law 2025" (in Arabic): domestic revenue JD 9,498.3 million, of which JD 7,122.5 million tax and JD 2,375.8 million non-tax; medical treatment and exemptions JD 135 million.

when he said that what matters to him is "the efficiency of government spending, not its size."[127] **Every dinar recovered from waste in current spending creates a structural shock absorber that can stand in for capital spending.** A small but telling example presented at the roundtable was a study prepared by the Ministry of Justice to cover the forty-four court buildings with solar panels by leasing their rooftops, providing electricity at no capital cost to the treasury, together with court fees that are not collected as they should be:[128] a project that was not taken up, and that would have reduced current spending and raised non-tax revenue at the same time.

The third cost is temporal. In 2026 the fuel price freeze protected consumers from the jump in global prices at a cost of JD 212 million up to August.[129] Because the deficit is fixed, the bill for this protection effectively shifts to the capital item, becoming a transfer from the future to the present and from the periphery to consumers at large. The decision is socially defensible in a war year, but its proper place is a declared decision with its price stated, taken and accounted for, rather than a side effect of execution.

The fourth cost is deferred to the next decade and affects the mechanism itself. Published cost figures for the National Water Carrier vary because they measure different scopes: $4.3 billion in capital cost for construction and $5.8 billion in total cost including financing, as announced when the final technical and legal agreement was signed in April 2026;[130] $6.6 billion as the value of the agreement signed with Meridiam to launch the works on 19 November 2026, according to the Jordan News Agency;[131] and $6.7 billion in total investment according to Meridiam under a thirty-year partnership, with $6.66 billion in financing according to the Green Climate Fund.[132] Published sources do not break down the difference between $5.8 billion and $6.6–6.7 billion, so the paper uses $4.3 billion as a measure of the scale of construction and the $6.6–6.7 billion range as a measure of the total investment commitment. The project is being implemented on a build-operate-transfer basis, with a government contribution of about $722 million and grants of about $663 million,[133] of which about JD 60 million is allocated in the 2027 budget, bringing the cumulative government contribution to about JD 300 million by 2028,[134] with an annual capacity of 300 million cubic meters and pumping due to begin in 2030.

Its recurrent effect on the budget calls for caution. Purchasing the full capacity at the reference price of about $2.7 per cubic meter[135] implies a gross purchase obligation of about $810 million a year, or about JD 574 million, or JD 1.91 per cubic meter, before the inflation indexation formula, which has yet to be settled. Converting this figure into a budget burden, however, depends on

[127] Roundtable contributions, op. cit.

[128] Roundtable contributions, op. cit.

[129] Petra, 1 August 2026, op. cit.

[130] Petra, 21 April 2026, op. cit.

[131] "Jordan Signs $6.6 Billion Water Desalination, Conveyance Project Agreement with Meridiam," Petra (Jordan News Agency), 19 November 2026.

[132] "Jordan breaks ground on US$6.7bn Aqaba-Amman desalination and conveyance project," Smart Water Magazine, November 2026: Meridiam puts total investment at US$6.7bn under a 30-year public-private partnership; the Green Climate Fund reports financing of US$6.66bn.

[133] Ministry of Water and Irrigation, "Miyah" newsletter, third issue, 2026 (in Arabic).

[134] Al-Mamlaka TV, interview with the Minister of Finance, 9 November 2026, op. cit.

[135] Petra, 21 April 2026, op. cit.

four elements that published documents do not allow to be calculated: the form of the purchase obligation in the final contract, that is, whether the government pays for available capacity or for delivered quantities; what water companies collect from selling water to consumers; the size of the water tariff subsidy the government has said it will maintain; and how the obligation is divided between the general budget and the budgets of the Water Authority and the companies, bearing in mind that the Water Authority's debt represents about 12 percent of public debt.[136] For illustration only, each JD 0.1 per cubic meter of difference between the purchase cost and what is recovered equals about JD 30 million a year at full operation.[137] The general direction is clear despite the imprecision of the figure: as strategic investment moves into long-term contracts in which the state is the buyer, its payments become fixed obligations, the flexible share of the budget shrinks, and the absorber that has protected the deficit grows thinner.

Partnerships differ, however, in their effect on the budget, which sheds light on an observation made at the roundtable about the Aqaba railway, calling for it to be offered as a logistics hub around which value-adding projects are built rather than as a standalone transport project, and warning that projects that are not marketed turn into a new burden.[138] The Aqaba–Shidiya–Ma'an railway, whose foundation stone was laid in October 2026, is a 403-kilometer network costing about $2.5 billion, built and operated by a company owned equally by the UAE's Lmad Holding and a Jordanian consortium that includes the Jordan Phosphate Mines Company, to carry phosphate and potash from production sites to the port.[139] Revenue here comes from commercial users who are themselves partners in the project, so no fixed payments arise for the budget, while the project to build a national railway network receives only about JD 6 million in the 2027 budget.[140] **A partnership in which the user pays preserves the budget's flexibility; a partnership in which the state is the sole buyer consumes it.** If the second pattern prevails, revenue shocks in the 2030s will find less flexible capital spending to land on, and will hit the deficit directly or require explicit measures on taxes or current spending, the very costs the mechanism has so far made it possible to avoid.

The 2027 Baseline Scenario: Assumptions, Sensitivity and Revision Indicators

The 2027 estimates are presented here as scenarios conditional on stated assumptions, because the record of a fixed deficit is short, four years, and because the year begins amid an exceptional regional shock. The baseline scenario rests on five assumptions: that the intensity of the war in 2027 stays within the bounds of the second half of 2026, without an escalation affecting Aqaba or energy supplies; that the cost of the fuel price freeze is gradually lifted from the treasury; that tourism continues the recovery that began in the summer without reaching pre-war levels; that grants come in closer to the IMF estimate (JD 700 million) than to the budget figure (JD 784

[136] Petra, 21 April 2026, op. cit.

[137] Institute calculations from the data in Table 1, op. cit.

[138] Roundtable contributions, op. cit.

[139] "Sheikh Khaled and King Abdullah launch $2.5 billion Jordan rail link," The National, 6 October 2026.

[140] "JD 6 Million Allocated for Building a National Railway Network in the 2027 Budget," Al-Mamlaka TV, 11 November 2026 (in Arabic).

million); and that no revenue measures are taken beyond those in the medium-term revenue strategy. Under these assumptions, domestic revenue grows by between 6.5 and 9 percent over the 2026 re-estimate, falling short of its target by about JD 300 million, within a range of JD 200–450 million. This range is consistent with the forecasting record: revenue fell short of its estimate by an average of 5.6 percent in 2016–2026 excluding 2020, 2.7 percent since 2021 and 4.3 percent in 2023–2026, ratios that in 2027 correspond to roughly JD 300 to 610 million. The scenario assumes that the adjustment behaves as it did in 2023–2026: savings on current spending of between JD 150 and 275 million, with capital spending bearing whatever is needed to keep the deficit close to its target. The following table shows what each instrument absorbs in each scenario.

Scenario	Revenue gap	Grant deviation	Current savings	Capital cut	Executed capital spending (growth vs 2026)	Deficit after grants
Early easing	0–100	0	150	40–55 chronic delay	1,655–1,710 (+14% to +18%)	≈1,820–1,940 below target
Baseline	300 (200–450)	−50	210 (150–275)	140 (40–290)	≈1,570 (1,420–1,670) (+8%)	≈2,026 at target
Stress: 2024 path	800	−84	275	≈610	≈1,100 (−24%)	≈2,026 at target
Stress: 2018–2019 path	800	−84	150	≈300	≈1,410 (−3%)	≈2,460 (+21%)

Table 2: Absorption of the 2027 revenue gap by scenario (JD million)[141]

In the baseline scenario, executed capital spending reaches about JD 1.57 billion, within a range of JD 1.42–1.67 billion, growth of about 8 percent over 2026 that ranges between a decline of about 2 percent and an increase of about 15 percent, and the deficit comes close to JD 2 billion. The central figure agrees with what the regression estimated from the series predicts, a cut of about JD 130–155 million at a gap of JD 300 million; agreement between two methods raises confidence in the center of the range without narrowing the range itself. In the early-easing scenario, revenue comes close to its target and only the chronic delay limits execution, so capital spending reaches JD 1.65–1.71 billion; the IMF estimate (JD 1.641 billion) lies close to this path. In the stress scenario, in which an escalation affecting Aqaba or energy supplies, or a delay in grants, raises the gap to about JD 800 million, the government faces two paths that the series has seen: the 2024 path, which holds the deficit and brings capital spending down to about JD 1.1 billion, the historical low point of execution; and the 2018–2019 path, which settles for a moderate capital cut and lets the deficit exceed its target by about a fifth.

The series defines an approximate threshold for moving from the first path to the second. If the lowest capital execution seen in past years is about 65 percent of the allocation, the largest current savings about 2.6 percent of current spending, and grants fall short by about JD 84 million,

[141] Institute calculations. In each scenario, the capital cut is calculated as what is needed to keep the deficit at the draft figure (JD 2,026 million) after allowing for the grant deviation and current savings, but not less than the chronic delay estimated at about JD 40–55 million. Ranges in the baseline scenario reflect a revenue gap of between JD 200 and 450 million with the other assumptions held at their central values. Capital spending growth is calculated on the 2026 re-estimate (JD 1,450 million). The 2018–2019 path assumes capital cuts and current savings close to those achieved in 2019. Figures are rounded.

the largest revenue gap that can be absorbed while holding the deficit is about JD 830 million, or 7.6 percent of estimated revenue.[142] Anything beyond it requires explicit decisions: halting contracted projects, revenue measures, deeper cuts in current spending, or negotiating the target for the final year of the program. The gap exceeded 8 percent of the estimate in five years out of eleven, four of them before 2021.

The estimate has two easily remembered sensitivity rules: each 1 percent of domestic revenue equals about JD 109 million,[143] and each JD 100 million of revenue gap, with the deficit and current savings held constant, takes about 7 percentage points off the growth of executed capital spending relative to 2026.

The scenario should be revised during the year against specific indicators: the ratio of domestic revenue collected to the annual estimate at the end of the first quarter, which stood at 21.3 percent in 2024 and was the first warning of that year's gap,[144] with a fall below 22 percent calling for a shift toward the stress scenario; the pace of monthly capital spending in the Ministry of Finance bulletin relative to a quarter of the allocation; the decisions of the fuel pricing committee; the timing of grant disbursements in light of the difference between the budget figure and the IMF estimate; monthly tourism receipts published by the Central Bank; the Central Bank's interest rate decisions; and the content of the financial orders issued by the Minister of Finance for the capital chapters. If the baseline scenario materializes, the pattern of past years suggests that the 2028 budget will present double-digit capital growth relative to a re-estimate lower than the law.

Recommendations

Calls to "protect capital spending" have recurred in successive IMF statements,[145] and the mechanism has continued to operate. The following recommendations take the deficit constraint as given and group what participants proposed at the roundtable into seven packages, each addressing one link in the mechanism, with an indication of how it would be implemented and of its limits.

Package 1: Turning the implicit condition into a declared rule. Capital spending in the budget law would be divided into a binding core and a conditional tranche. The core would comprise projects with signed contracts and payment schedules, projects financed by earmarked loans or grants, and government contributions to partnerships; its payments would be exempt from allotment rationing, with monthly publication of arrears due on it so that pressure does not turn into payment delays. The conditional tranche would comprise the remaining projects and be released quarterly according to a published rule linking it to the ratio of collected revenue to the seasonal estimate, with the draft law accompanied by a schedule ranking its projects by priority and by the criteria of Package 5. Paragraph 4 of Article 112 sets the limits of Parliament's role here: it may reduce allocations but not increase them, so its role would be framed as approving

[142] Institute calculations from the data in Table 1, op. cit.

[143] Qandah, "Public Debt Sustainability in Jordan…," op. cit.

[144] Ministry of Finance, "General Budget Execution Report – First Quarter 2024" (in Arabic).

[145] See, for example, IMF, Press Release No. 24/467, op. cit. ("protecting priority social and capital spending"); and the IMF staff statement of 3 November 2026, op. cit. ("protecting priority social and development spending").

the ranking and amending it by deletion or postponement, and as imposing disclosure conditions in the articles of the law, without adding projects. The standing parliamentary committees would examine the budgets of their sectors, as the roundtable chair proposed, making the ranking within the tranche an actual subject of their decisions. An article in the budget law would oblige the government to submit a mid-year review in July, including a draft amending law if revenue collected through June falls below 95 percent of its seasonal estimate or projected capital execution falls below 90 percent; the draft would be prepared using the procedures followed for the 2021 budget supplement, specifying transfers between chapters and the cut to each project on the basis of paragraph 3 of Article 112. This would achieve the role in transfers that was called for at the roundtable for deputies without a constitutional amendment, and shorten the eighteen-month gap between the vote and the review of final accounts. A parliamentary budget office or an independent fiscal council would be established to issue parallel revenue estimates; Frankel and Schreger found that independent forecasts reduce optimism bias.[146] The current balance would be included as an explicit target alongside the deficit, so that the "debt quality" participants asked about becomes measurable and accountable.

Package 2: A tiered framework for managing budget risks. Risks are currently absorbed implicitly by capital spending; the alternative is a published register accompanying the draft budget, in response to the point made at the roundtable that risk management is "very important and unresolved."[147] The register would quantify the budget's sensitivity to each source of risk: revenue, where each 1 percent equals JD 109 million and the historical average shortfall against the estimate has been about 5.6 percent; grants, whose deviation from the estimate ranged from a shortfall of about JD 90 million to an excess of about JD 195 million in years when the law was not amended; tourism, through the effect of any decline in its income on sales and income taxes; energy, through the cost of price freezes, which reached JD 212 million up to August 2026; interest rates, at about JD 22 million for every 25 basis points on a full year's needs; and contingent liabilities, from the debts of the Water Authority and the electricity sector to purchase obligations in partnerships and guarantees. The register would be reviewed quarterly with the budget execution report and updated in the mid-year review. It would be linked to a three-tier response. In the first tier, an explicit contingency allocation of about 1 percent of current spending, roughly JD 120 million, close to the minimum current savings actually achieved in recent years, would take the first shock, responding to the call made at the roundtable for flexibility that is "real, not tucked away in drawers." In the second, the conditional tranche and operating savings would be used together according to a burden-sharing rule. In the third, when the gap exceeds the estimated threshold of about JD 830 million, the decision would not be left to allotments: an amending law would be submitted that sets out explicitly the mix of revising the deficit target in negotiation with the IMF, temporary revenue measures, cuts to current spending and the suspension of specific projects.

The burden-sharing rule needs a formulation that accounts for differences in flexibility. The simple version, under which the percentage cut in capital spending may not exceed the percentage cut in operating expenditure, runs up against two facts: operating expenditure has

[146] Frankel and Schreger, op. cit.

[147] Roundtable contributions, op. cit.

already been cut by 15 percent in the budget preparation circular,[148] and total current spending has yielded no more than 1.3–2.6 percent in in-year savings in 2023–2026. Applied literally, it would push most medium-sized shocks into the third tier too early. A more suitable formulation would cap capital spending's share of in-year cuts at its share of adjustable spending, that is, capital, operating and non-entitlement transfers, with a protected floor for municipal and governorate allocations and publication of the calculation in the mid-year review. The package would be complemented by structural absorbers that extend the capacity of the first two tiers: a program to recover waste in health and education, starting with audits of repeated tests and the costs of treatment and medical exemptions, as proposed at the roundtable; and wider use of the small-partnership model presented at the roundtable, such as leasing the roofs of government buildings and courts for solar power generation, together with better collection of non-tax revenue such as court fees.

Package 3: Raising the quality and fairness of revenue collection. The expansion of e-invoicing and artificial intelligence would be tied to published legal standards for tax assessment, as proposed at the roundtable, putting an end to arbitrary assessments and limiting seizures against struggling companies. The presumptive tax regime for traders, which was said at the roundtable to have been evaded since 2016, would be reviewed, and the repeated extension of the settlement committees, which weakens the incentive to comply, would end. The draft budget would be published with a list of the revenue measures agreed with the IMF and their estimated yields, an annual report on tax expenditures and exemptions, and a breakdown separating taxes from fees and property income and showing the sources of growth in each, answering in figures the question about fees raised at the roundtable; the ratio of taxes to GDP, not of domestic revenue to GDP, would be adopted as the measure of the tax burden in budget communication. A medium-term estimate would be prepared of the erosion of the base derived from tobacco, fuel and vehicles and of its future health costs, alongside a tighter fight against illicit tobacco trade. A national tourism strategy would be adopted, as proposed at the roundtable, aimed at reducing the volatility of tourism income and raising women's participation in the sector, as part of stabilizing public revenue.

Package 4: Lowering the rigid cost of debt. A declared national debt management strategy would be adopted, as proposed at the roundtable, aimed at lengthening maturities and lowering cost, expanding Islamic sukuk at the level of the central government and municipalities on the basis of the Greater Amman Municipality experience, as well as concessional and blended finance, which was also mentioned at the roundtable. A regular coordination framework between the Ministry of Finance and the Central Bank would be established to measure the effect of interest rate decisions on the interest bill and to monitor international monetary shifts affecting the dollar and the foundation of the peg, in response to the question raised about the link between the two policies.

Package 5: Selecting projects by their value and employment impact. The criterion of value added per dinar, called for by two participants at the roundtable, would be adopted as the basis for ranking projects and for any cut decisions, so that what is squeezed is what yields least, not

[148] "2027 Budget Circular Sets Preliminary Ceilings for Ministries and Governorates and Requests Submission of Budgets by Mid-July," Al-Mamlaka TV, 2026 (in Arabic).

what is easiest to postpone. Every capital project above a certain size would require an impact card before allocations are made, as proposed at the roundtable, covering direct jobs in construction and operation measured in work-months and the share of Jordanians in them, indirect jobs estimated using the multipliers of the Department of Statistics' input-output tables, cost per job, the ratio of private investment attracted per public dinar, and the distribution across governorates. The cards would be published with the budget and results measured against them in the final accounts, so that the employment targets of the Economic Modernization Vision can be linked to the capital budget. The spending of each institution would be evaluated periodically, and loans and their operating costs assessed before they are contracted. In partnerships, formulas in which the user pays would be preferred, along the lines of the Aqaba railway, and large projects would be offered within logistics and production hubs marketed to investors. The medium-term budgets for 2027–2029 would be accompanied by a statement of the fixed payments arising from partnerships, starting with the purchase obligation of the National Water Carrier in its actual contractual form, its expected revenue and its subsidy, linking capital allocations explicitly to the indicators of the second executive program of the Economic Modernization Vision.

Package 6: Efficiency in budget preparation and accountability for deviations. This package responds to the question raised at the roundtable about the qualifications of those who set the figures, and to the observations made about management. Qualification standards and professional certification would be adopted for budget preparers in ministries and analysts at the General Budget Department, covering fiscal forecasting, cost estimation and project management, with certification required for financial director positions. A readiness test would be applied before any allocation is made for a new project or a new phase of an existing one, verifying that designs and studies are complete, land acquisition finalized, environmental and regulatory approvals obtained, and tender documents and procurement and payment plans ready; a project that is not ready would receive an allocation for studies only. Every implementing agency would be required to submit an annual report explaining any deviation above 10 percent between allocation and execution, upward or downward, referred to the relevant parliamentary committee and to the Audit Bureau, which in its report for 2018 recommended accuracy and discipline in estimating current and capital spending.[149] The performance evaluation of senior officials would be linked to both execution rates and estimation accuracy, so that neither overestimation nor slow execution is rewarded. This would address the "paper booking" phenomenon described at the roundtable, as re-estimating by the same amount becomes a deviation requiring explanation.

Package 7: Sharper social targeting and protection of the governorates' gains. Municipal capital allocations, which were counted at the roundtable among the draft's gains, would be protected by a floor not subject to allotment rationing. The implementing instructions for the JD 30 increase would be amended with a phase-out mechanism that removes the threshold effect at JD 600. The results of the 2021–2022 Household Income and Expenditure Survey would be published and the poverty line updated, so that future support decisions rest on a measure of

[149] Al-Mamlaka TV, report on the Audit Bureau's 64th annual report for 2018, 2019 (in Arabic): the Bureau recommended "the need for accuracy and discipline" in the estimation of current and capital spending by ministries and the General Budget Department.

poverty and not on the salary scale alone, and consideration would be given to directing any future increases to those not covered by salaries through the National Aid Fund. Capital spending execution would be published quarterly by governorate and by project, so that the gap between center and periphery described by participants becomes a figure that can be tracked.

Conclusion

If the 2027 revenue gap stays within the bounds of the baseline scenario, the deficit is likely to come close to its target, as in the last four years, and that credibility deserves to be protected. The open question is the price of this precision and who sets it. Today the price is set in the Ministry of Finance's monthly allotments, paid in the schools, roads, health centers and municipal projects of the governorates and in the quality of debt, and recorded in the final accounts after a new budget has already been approved under a new growth headline. Declaring this price leaves the deficit unchanged, and moves the decision from the monthly allotment to the floor of Parliament, and from side effect to declared choice. The longer series shows that the mechanism has limits, and that a shock exceeding what capital spending can absorb will force explicit choices in any case; the recommendations above make the instruments for those choices ready before they are needed.

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