



منتدى الاستراتيجيات الأردني  
JORDAN STRATEGY FORUM

# Analysis of Draft General Budget and Government Units Budgets Laws for 2017

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This study is the property of the Jordan Strategy Forum (JSF). For further information please contact the research department at: [info@jsf.org](mailto:info@jsf.org) or by phone at 06-566-6476.



## منتدى الاستراتيجيات الأردني JORDAN STRATEGY FORUM

The Jordan Strategy Forum (JSF) is a not-for-profit organization, which represents a group of Jordanian private sector companies that are active in corporate and social responsibility (CSR) and in promoting Jordan's economic growth. JSF's members are active private sector institutions, who demonstrate a genuine will to be part of a dialogue on economic and social issues that concern Jordanian citizens. The Jordan Strategy Forum promotes a strong Jordanian private sector that is profitable, employs Jordanians, pays taxes and supports comprehensive economic growth in Jordan.

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@JSFJordan

/JordanStrategyForumJSF

Jordan Strategy Forum

Amman, Jordan

T: +962 6 566 6476

F: +962 6 566 6376

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## **Analysis of Draft General Budget and Government Units Budgets Laws for 2017**

This paper is a brief summary of the “Analysis of Draft General Budget and Government Units Budgets Laws for 2017” original paper that was published by Jordan Strategy Forum to discuss both the Draft General Budget and Government Units Budgets Laws for 2017 that were prepared and issued by the government on 11/28/2016.

This paper analyses the most important features of the two draft laws and sheds light on government revenues, expenditure, and deficit compared in both draft laws to that of the previous year (2016). This paper also highlights observations on both draft laws. The full version (Arabic) of this paper can be found on:

<http://jsf.org/sites/default/files/General%20budget%202017.pdf>

## Summary

### Draft General Budget Law

**Public expenditure** as part of the General Budget is estimated to be 8946 million JD, exceeding 2016 re-estimated figure by 621 million JD(7.5%), as compared to a 602 million JD (7.8%) increase in 2016.

Current expenditure constituted of 7629 million JD, exceeding 2016 figure by 472 million JD (6.6%). Meanwhile capital expenditure constituted 1317 million JD, exceeding 2016 figure by 149 million JD (12.8%). Examining previous financial commitments, we record a notable increase in 2017 of 210 million JD (140%). These expenditures are not considered part of 2017 expenditure, but payments for previously accumulated loans.

Capital expenditure is distributed as follows: 467 million JD for ongoing capital projects, around 545 million JD for capital projects that are currently underway, and around 305 million JD for new capital projects. 791 million JD (60%) of the capital expenditure is directed towards Buildings and Construction, while 180 million JD (13.7%) is directed to Operation and Maintenance costs.

On the other hand, public revenue is estimated around 8119 million JD, exceeding 2016 figure by 891 million JD (12.3%). Noticeably there is a large increase of 1011 million JD (16%) in domestic revenues, which accounts for 7342 million JD in 2017. However, external grants which are estimated to be 777 million JD decreased by 120 million JD (13.4%) compared to 2016. However, looking at the distribution of domestic revenues between taxable and non-taxable revenue one notices that taxable revenue constitutes 70.8% of domestic revenues for 2017, which is an unprecedented increase of 865 million JD (20%) compared to that of the previous year, that will result in a heavy tax burden on tax payers. The non-taxable revenues on the other hand witnesses and increase of 146 million JD (7.3%) compared to that of 2016.

As a result, the deficit after external grants is estimated to be 827 million JD (2.8%) of Nominal Gross Domestic Product (NGDP) estimated to be 29560 million JD, compared to the deficit of 4% in 2016. Before external grants, the deficit was estimated to be 1604 million JD or 5.5% of the GDP compared to 7.2% of GDP in 2016 that was estimated to be 27972 million JD.

### Draft Government Units Budgets Law

**The public expenditure** of the 57 government units is estimated to be 1782 million JD, a 42 million (2.4%) increase compared to that of 2016. Current expenditure constitutes to an estimated 1125 million JD or 63.1% of the total expenditure, where capital expenditure is estimated to be 657 million JD or 36.9% of the total expenditure.

On the other hand, **government units' total revenues** for 2017 are estimated to be 1666 million JD, a 44 million JD (2.6%) decrease compared to the re-estimated figure of 2016.

One of the most notable sources of government unit revenue is revenue from selling goods and services which is estimated to be 1376 million JD or 82.6% of total revenue, followed by the 154.7 million JD government support towards government units, and external grants of 53.4 million JD.

Net deficit before government units funding in 2017 is estimated to be 116.1 million JD or 0.4% of NGDP compared to the net deficit of 30.2 million JD or 0.1% of NGDP in 2016.

### Observations on the Draft laws of 2017

Careful reading of the Budget Draft law of 2017 leads to the following observations:

- Increasing taxable revenues for 2017 by 20% compared to 2016 due to the government's determination to take tax reform measures of 450 million JD according to its current tax reform program will increase the tax burden significantly. Even if we exclude the impact of these actions, tax revenues increase by 9.6%, which is high and exceeds NGDP growth rate of 5.7% by 3.9%, and is unrealistic in the light of the labor market conditions in the past years.
- The 2017 general budget included under the name of "payment of previous commitments" 150 million JD in 2016, 360 million JD for 2017, 390 million JD for 2018 and 245 million JD

for 2019, which sums up to 1145 million JD. This figure is expenditures that pertain to budgets of years prior to 2016, and do not pertain to budgets of the following years.

- The important social aspect did not receive the adequate attention in allocations, as there is no notable increase in its 2017 budget. Similarly, the general budget draft law ignored the unemployment target rate of 2017 and the upcoming years, which exceeded safe rates. This indicates the lack of programs adopted by the government to combat this phenomenon.
- The expected economic growth rate according to the 2017 general budget speech does not rely on solid foundations as to reduce the ratio of public debt to GDP to 77% in 2021.
- Stressing the importance of linking the implementation of new capital and development projects in the event of financing which does not include borrowing and/or having poor and middle classes financing.
- The need to focus significantly and intensively on applying “results orientated budgeting”, which aims for following up, evaluation and accountability according to clear and measurable indicators which will lead to efficiencies in labor and production rather than increase public spending and reduce accountability.



