منتدى الاستراتيجيات الأردني
JORDAN STRATEGY FORUM

# A Look at the 2025 General Budget Law: The Present & Future

December 2024

Policy Paper

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# 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.

The JSF also offers a rare opportunity and space for the private sector to have evidence-based debate with the public sector and decision-makers with the aim to increase awareness, strengthening the future of the Jordanian economy and applying best practices.

For more information about the Jordan Strategy Forum, please visit our website at www.jsf.org or contact us via email at info@jsf.org. Please visit our Facebook page at Facebook.com/JordanStrategyForumJSF or our Twitter account @JSFJordan for continuous updates about Jordan Strategy Forum.

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**Policy Papers: A policy paper is a research piece which focuses on a specific issue or problem and provides clear recommendations for policy makers.**

## To evaluate the study

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## 1. Background:

All governments raise revenues (tax and non-tax) to finance their expenditures. All governments regularly decide how much to spend, what to spend on, and how to finance their spending through their respective **Fiscal Policy.** The instrument of fiscal policy is the **General Budget.** In most countries, the budget is outlined annually by the Minister of Finance to Parliament for approval.

From the outset, it must be stated that fiscal policy / budget can promote economic growth and development at the **macro and micro levels.**

**At the macro level,** fiscal policy / budget can ensure macroeconomic stability which is a prerequisite for achieving and maintaining economic growth. Stability means positive and stable real GDP growth rates and low / stable inflation rate. The budget should also keep public debt on a sustainable path. Otherwise, public debt becomes a major source of macroeconomic instability.

**At the micro level,** fiscal policy / budget, through well-designed tax and spending policies, can boost investment, productivity, employment, and real growth. For example, equitable access to good education and health care contributes to human capital accumulation. In addition, if growth-friendly reforms require fiscal space, revenue measures should focus on broadening the tax base and minimizing distortions.

**On Wednesday 22 November 2025,** the Council of Ministers approved the Draft General Budget for the fiscal year 2025 currently, it is being discussed in Parliament.

The objectives of this Policy Paper, published by the Jordan Strategy Forum (JSF) are three-fold:

**A.** To contextualize the 2025 Draft General Budget in its **"Fiscal Policy"** sense / logic.

**B.** To raise a few comments on the 2025 Draft General Budget Law.

**D.** To recommend some policy options for the present and future Budget Laws.

## 2. The 2025 General Budget Law: The Economic Context

Fiscal policy / budget is the use of government spending and taxation to influence the economy. However, before they use fiscal policy, all governments must have **clear objectives.** In addition, all governments must have a **clear rationale / justification** for their involvement in the economy.

### 2.1 What are the Objectives of Fiscal Policy / Budget?

The realization of real growth should be the key objective. However, poverty reduction and equity (income and opportunity), and protection of society against social risk and vulnerability to shocks (such as Covid-19), should also be key objectives (Figure 1).

### 2.2 What is the Rationale / justification for Fiscal Policy?

To assume a role in economic activities, any government must have clear justifications for getting involved in the first place. These rationales are three-fold (Figure 1):

**1. Maintain Macroeconomic Stability:** Stability means positive and stable real GDP growth rates and low and stable inflation rate. In addition, the fiscal deficit and debt must be sustainable. Otherwise, public debt itself would become a major source of macroeconomic instability.

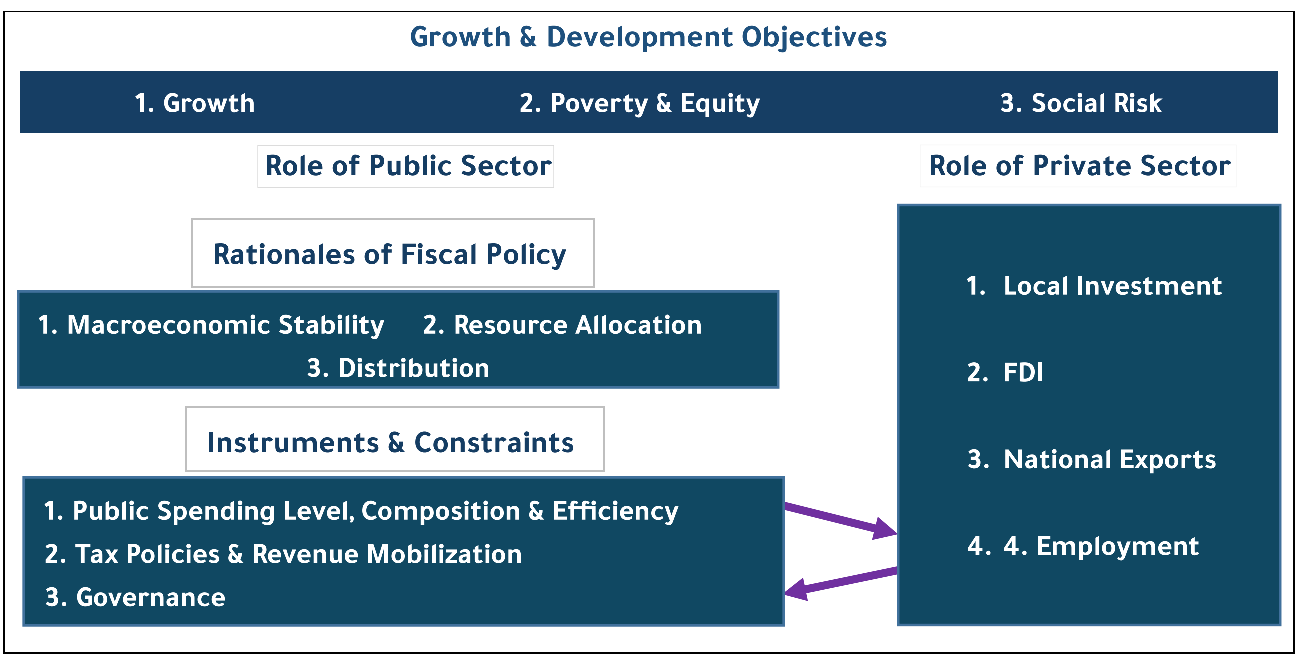



**Figure 1: A Framework for Inclusive Growth & Development**

**2. Improve Resource Allocation and Efficiency:** Improve economic performance through public spending and tax policies. Sufficient and efficient spending on public services (i.e. education, health, law, physical infrastructure) should promote investment and growth in the private sector.

**3. Address Distributional Disparities:** Adjust distribution (income and opportunities) in a way that reflects the views of society (social contract).

Having clear justifications for applying fiscal policy notwithstanding, key decisions must be made about the appropriate fiscal policy instruments to use, financing implications of public spending or tax policies, and the institutions which are available to implement such policies **(governance).**

**In a Nutshell,** fiscal policy / budget should be looked at as the **"infrastructure"** of the private sector to become a real partner in the realization of growth and development. The fiscal arm of the government sets the framework within which the private sector operates (local investment, Foreign Direct Investment (FDI), exports, and employment).
**To further contextualize the 2025 General Budget Law,** it is worth stressing that in June 2022, His Majesty King Abdullah II launched the **"Economic Modernization Vision".**
In the published document, it is worth noting the following statements:

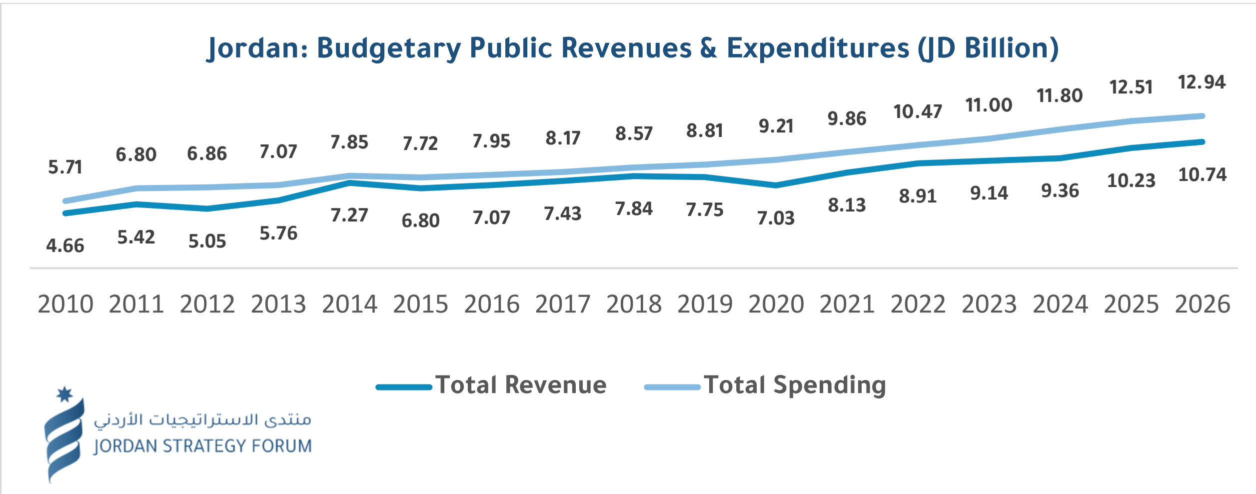
1. "The ambition is to increase real GDP from JD 30.2 billion to JD 58.1 billion, which represents an increase of JD 27.9 billion and a **growth of 5.6% per annum".**

2. "Increase the real income per capita by **3%** per year on average".

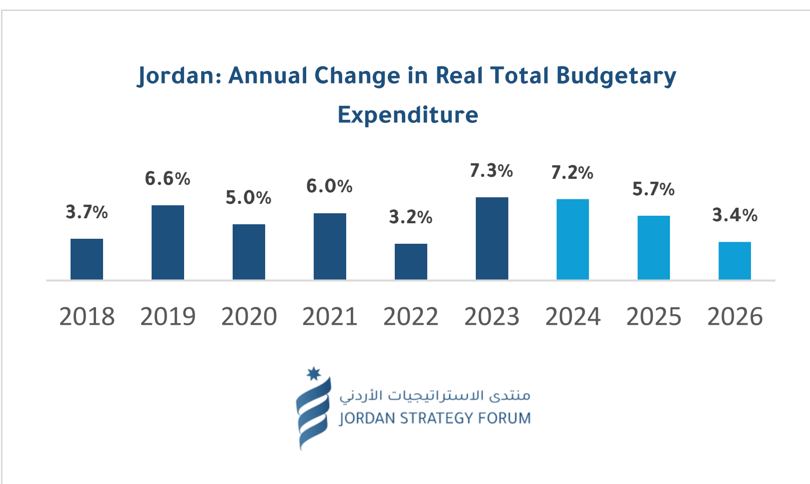
3. "Create **1+ million** new income opportunities **for Jordanians by 2033".**

## 3. Main Features of the 2025 Draft General Budget Law

- Local public revenues (including grants) have always been less than public expenditure. This norm **(persistent budget deficits)** has not changed in the 2025 budget and in the 2026 indicative figures. This is **"incremental budgeting".** An incremental budget is a budget that takes the current period's actual performance, and uses it as a base, and then adjusts it by incremental amounts.

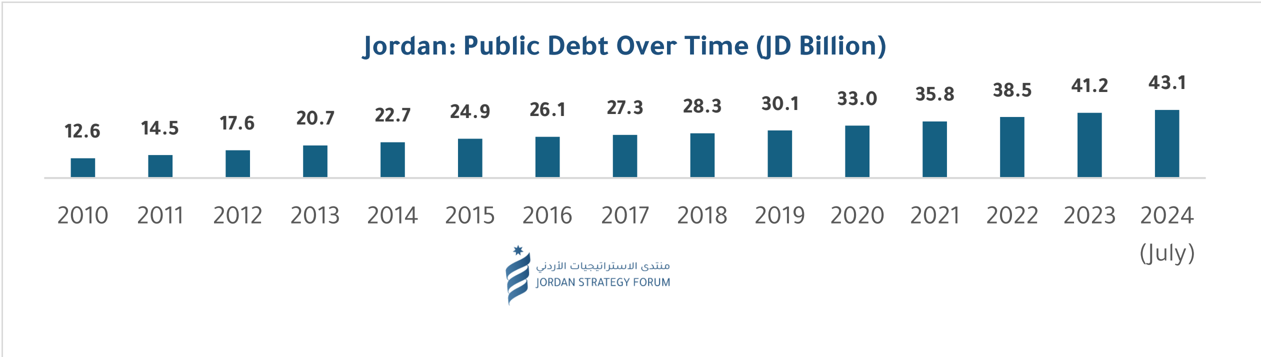



- The 2025 budget figures show that **real public spending will increase by 5.7% in 2025 (down from 7.2% in 2024), and by 3.4% in the 2026 indicative figures.** This spending level (irrespective of public spending efficiency) is not encouraging given that the economy is expected to grow by **2.4%, 2.9%, and 3.0% in 2024-2026.**

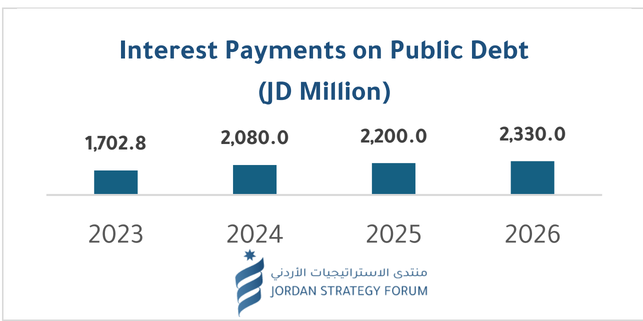


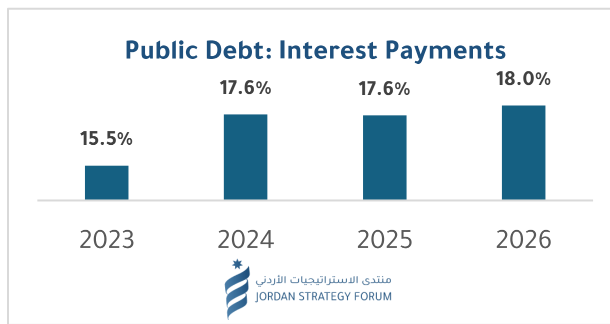


- As expected, the annual budget deficits have caused public debt to increase from **JD 12.6 billion in 2010 to more than JD 43 billion by the end of July 2024.**

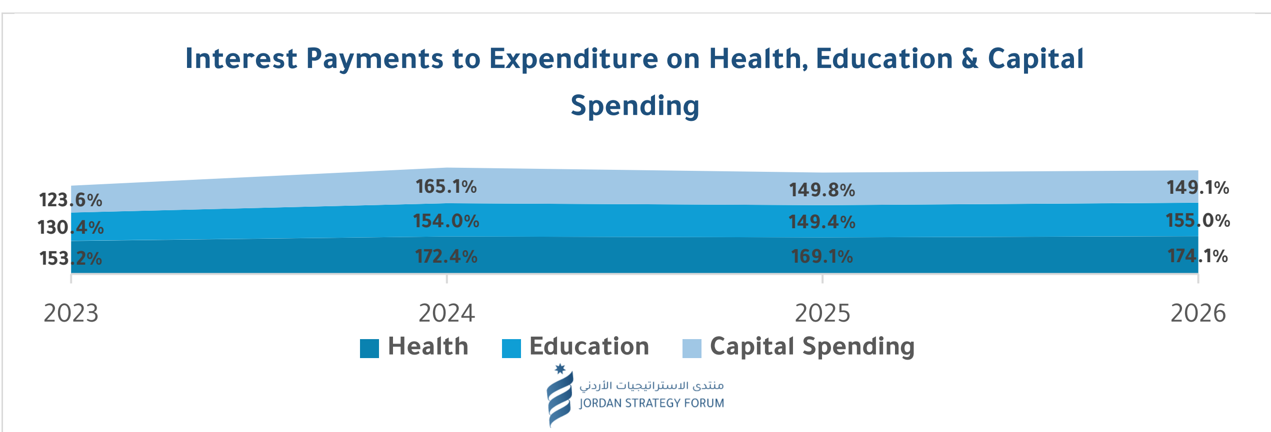



- **Regardless of where public debt to GDP ratio has reached,** the increases in this financial burden have led to reciprocal increases in interest payments. In 2024, interest payments on public debt were equivalent to **17.6% of total budgetary spending.** This proportion is expected to remain unchanged in 2025, and to increase to **18.0% in the 2026** indicative figures.

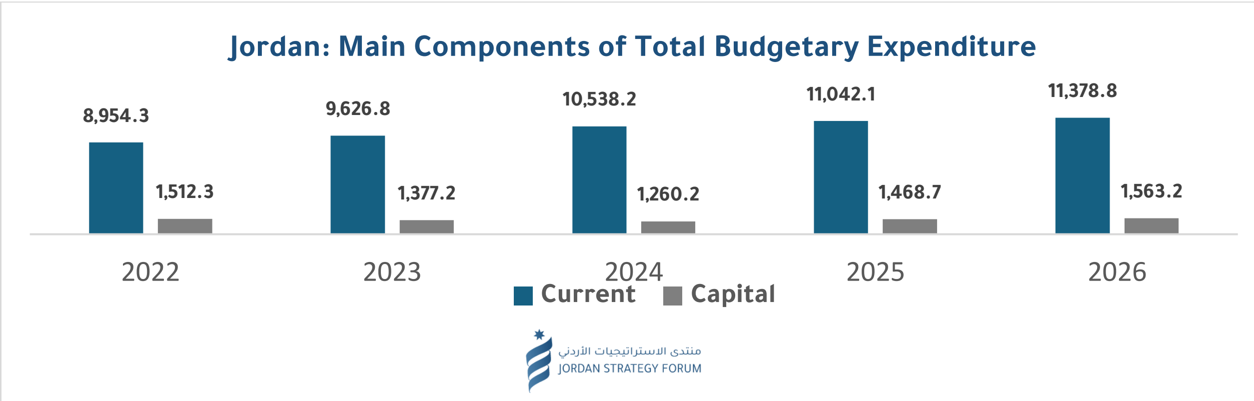



- Regardless of where public debt to GDP ratio has reached, the stark reality of this burden cannot be ignored. In 2024, interest payments on public debt were equivalent to **172.4% of what was spent on "health", or 165.1% on "capital investment", or 154.0% on "education".**



- As far as capital spending is concerned, the 2025 budgeted amount **(JD 1,468.7 billion)** is spread over a total of **73 ministries, commissions, and other public institutions.**




- Relative to amount of capital spending **(JD 1,468,7 billion),** it is important to note that the number of the **"NEW"** capital investment projects in the fiscal year 2025 is equal to **36 projects.** This implies that the mean size of new capital investment is equal to **JD 2,131,694 per project.** The number of **"to-be-executed"** projects is equal to 51. Their budgeted amount is equal to JD 606,229,000. This implies that the mean amount is equal to **JD 11,886,843 per project.** The number of **"on-going"** projects is equal to 68. Their budgeted amount is equal to JD 785,740,710. This implies that the mean amount is equal to **JD 11,555,000 per project.**

**These figures indicate that capital investment is spread too thin.**

**Capital Investment Projects / 2025 (JD Million)**

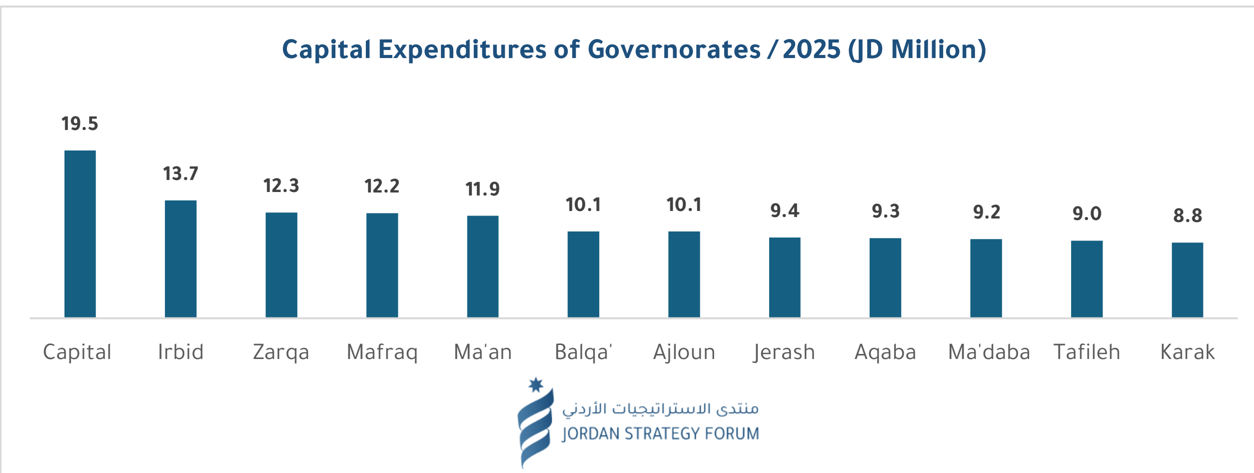
| Type | Number of Projects | Amount | Amount Per Project |
|---|---|---|---|
| **New** | 36 | 76,741,000 | 2,131,694.4 |
| **To-be-Executed** | 51 | 606,229,000 | 11,886,843.1 |
| **On-Going** | 68 | 785,740,000 | 11,555,000.0 |
| **Total** | 155 | 1,468,710,000 | |

- **Total budgetary spending is still too rigid.** In other words, any room for **"cutting expenditure"** is limited. Who can argue for reducing spending on **"civil service (mostly salaries)", "pensions and compensation", "military", public safety", and "capital spending", never mind on the "service of public debt"?** Together, these items constitute around **93% of total budgetary spending.** The rest of the spending (around 7%) goes to **"goods subsidy", "cash aid", "public universities subsidy", "medical treatments and exemptions",** and others. These figures indicate that the government cannot afford to adopt fiscal policy. The Ministry of Finance is simply a bookkeeper.

**Main Components of Budgetary Expenditures**

| Fiscal Year | Civil Service | Interest | Pension & Compensation | Military | Capital Spending | Public Safety | Total |
|---|---|---|---|---|---|---|---|
| 2023 | 24.0% | 15.5% | 15.1% | 14.2% | 12.5% | 13.0% | **94.3%** |
| 2024 | 24.0% | 17.6% | 14.3% | 13.9% | 10.7% | 12.7% | **93.3%** |
| 2025 | 24.6% | 17.6% | 14.0% | 13.3% | 11.7% | 12.1% | **93.3%** |
| 2026 | 24.2% | 18.0% | 14.0% | 13.2% | 12.1% | 12.0% | **93.4%** |

- Like in previous budgets, the 2025 budget allocated "capital expenditures of Governorates according to the determined ceilings for the Fiscal Year 2025" are simply miniscule. Regardless of their allocations, these amounts imply that they are spread too thinly.




- **J.** The composition of tax revenues is still too concentrated. Together, sales tax and corporate tax account for more than **85% of total tax revenues.**
  In addition, it is worth noting that about 55% of the collected corporate tax emanate from **licensed banks in Jordan, Arab Potash, and Phosphate Mines.** These proportions are not expected to change in 2025 and in 2026.

**Composition of Tax Revenues: Large Contributors (% of Total)**

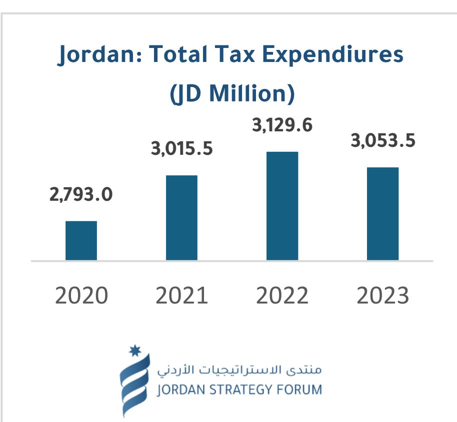
| Year | Tax Revenues (Million) | Sales | Corporate | Total |
|---|---|---|---|---|
| **2023** | 6,184.2 | 65.9% | 20.6% | 86.6% |
| **2024** | 6,318.0 | 68.2% | 18.4% | 86.5% |
| **2025** | 7,122.5 | 68.1% | 17.7% | 85.7% |
| **2026** | 7,625.0 | 68.1% | 17.6% | 85.7% |

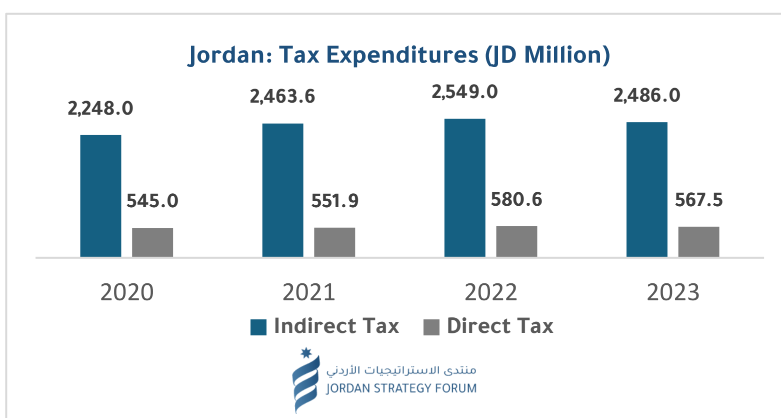
- The remaining taxed sectors still contribute very little. **"Salaried individuals" and "international trade"** contribute around 4% each towards total tax revenues. What is surprising, however, is the fact that **"individuals" contribute 1.1% towards total tax revenues.** This term (individuals) refers to private businesses (outside the large corporate sector) such as medical doctors, lawyers, retailers, butchers, garages, restaurants, cosmetic shops, pharmacies, and many others.

**Composition of Tax Revenues: Small Contributors (% of Total)**

| Year | Tax Revenues (Million) | Salaried Individuals | Internationa l Trade | Individuals | National Contributions | Real Estate | Grants |
|---|---|---|---|---|---|---|---|
| **2023** | 6,184.2 | 4.8% | 3.9% | 1.0% | 2.0% | 1.7% | 0.0% |
| **2024** | 6,318.0 | 4.9% | 3.5% | 1.1% | 2.2% | 1.7% | 0.1% |
| **2025** | 7,122.5 | 4.5% | 4.1% | 1.1% | 2.5% | 1.8% | 0.4% |
| **2026** | 7,625.0 | 4.6% | 4.0% | 1.1% | 2.4% | 1.8% | 0.4% |

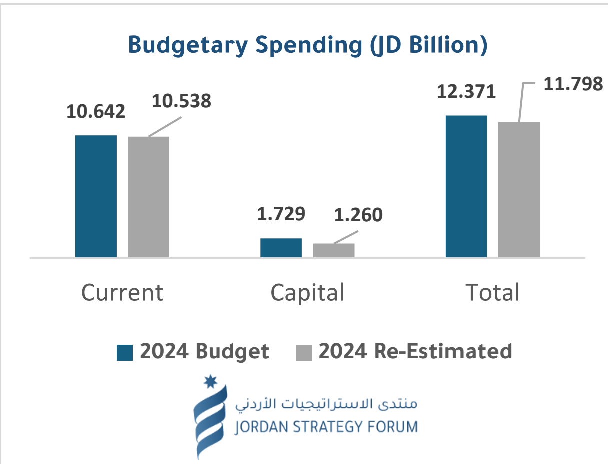
- Many countries grant **"tax concessions".** The cost of these concessions is called **"tax expenditures".** Based on the 2025 Draft General Budget Law, tax expenditures in Jordan in 2022 and 2023 were equal to **JD 3.13 billion and JD 3.05 billion** respectively. These amounts are equivalent to 9.3% and 8.4% of GDP respectively. This ratio is equal to 0.88% in Germany (2022), 2.94% in Chile (2021), 2.49% in Morocco (2021), 4.32% In Italy (2022), and 4.07% in Turkey (2020).

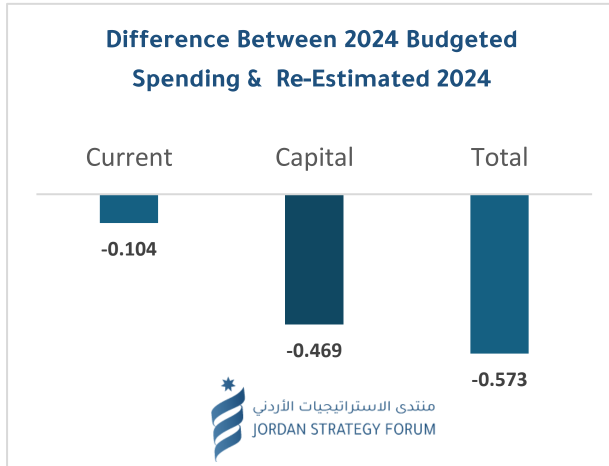


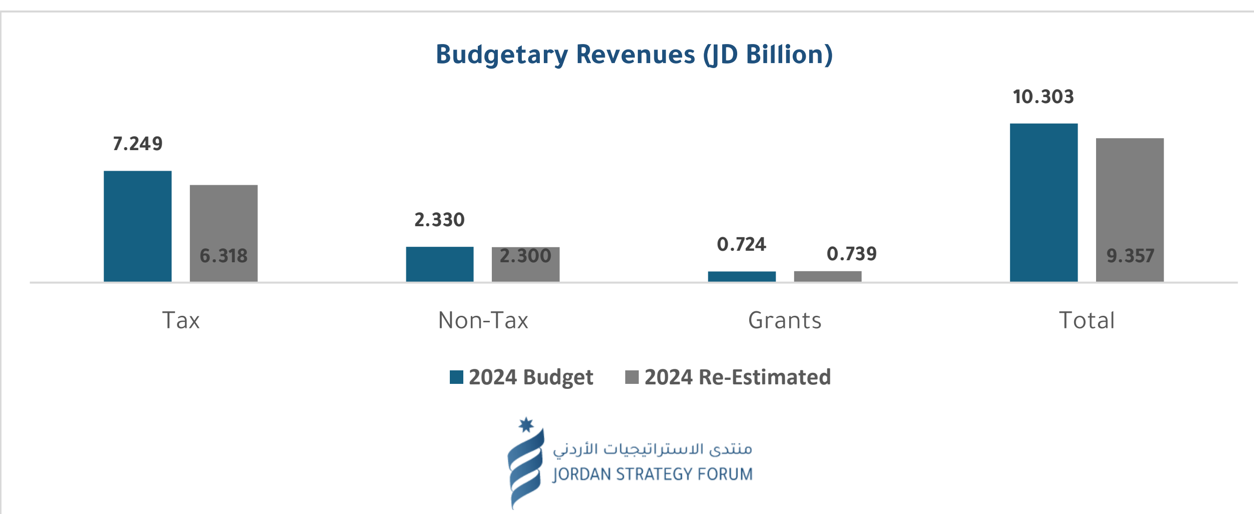
- In the **2024** General Budget Law, the budget deficit was estimated at **JD 2.069 billion.** In the **2025** General Budget Law, this deficit is **re-estimated at JD 2.441 billion.** The reason behind this increase is **not budgetary spending. It is a decrease in tax revenues.**

- The 2024 budgeted total spending stood at **JD 12.371 billion.** The re-estimated amount **is equal to JD 11.798 billion. A decrease of JD 573 million. This reduction is largely due to the decrease in capital spending.**



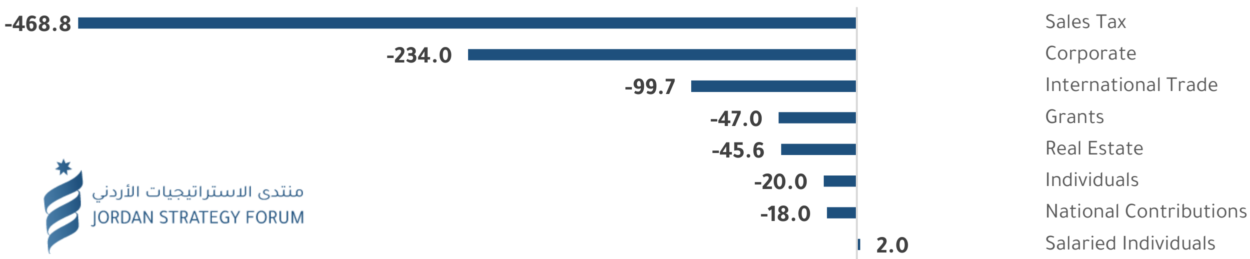




- The 2024 budgeted total revenues stood at **JD 10.303 billion.** The re-estimated amount **is equal to JD 9.357 billion. A decrease of JD 945 million. This reduction is mostly due to the decrease in tax revenues from the budgets amount (JD 7.2 billion) to the re-estimated amount (JD 6.3 billion).**



- In fact, the sources of the **largest variances** between the 2024 budgeted and the re-estimated 2024 tax revenues are **sales tax (JD -468.8 million)** and corporate tax **(JD -234.0 million).**

**Difference Between 2024 Budgeted & Re-Estimated Tax Revenues (JD Million)**



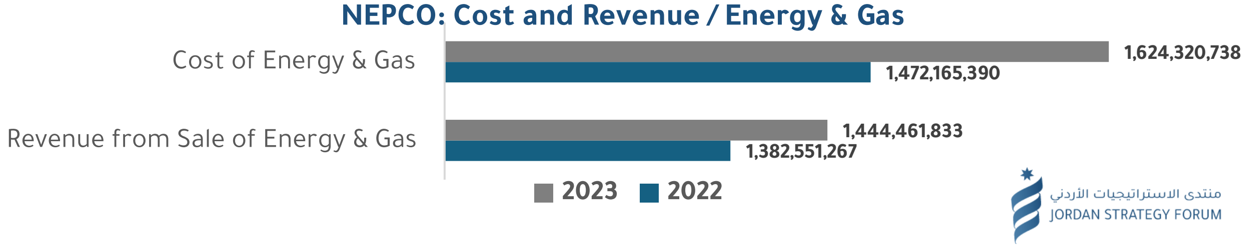

- In addition to the above-mentioned observations about the budget deficit and public debt, it is also worth noting that together, National Electric Power Company (NEPCO) and Water Authority account form more than 100% of the overall deficit of all government units. In other words, almost of the remaining 22 government units realize surpluses.

**Surplus / Deficit Before Financing of Government Units for the Years / JD Million**

| Government Units | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|
| National Electric Power Company | -400,957,262 | -482,223,000 | -481,682,000 | -479,450,000 |
| Water Authority | -246,035,086 | -294,245,000 | -341,518,000 | -339,579,000 |
| **Sum (1 + 2)** | **-646,992,348** | **-776,468,000** | **-823,200,000** | **-819,029,000** |
| Grand Total | -539,549,448 | -731,188,000 | -788,155,000 | -773,390,000 |
| **Proportion of Deficit (1+2) / Total** | **119.9%** | **106.2%** | **104.4%** | **105.9%** |

Within the context of the huge deficits of NEPCO, it is informative to note that the company's revenues from the sale of energy and gas are lower than their purchasing cost**. In other words, regardless of efficiency, this equation is a loss-making one and due to pricing (subsidies).** Adding the financing costs of this company in 2022 (JD 115.7 million) and in 2023 (JD 163.3 million) highlights an even greater disparity in the equation.

**NEPCO: Cost and Revenue / Energy & Gas**



**To Sum Up,** one can argue that the 2025 general budget law has brought nothing new to previous budgets.

**1.** The norm has been budgets with public spending and public revenues increasing by some percentage points. **Incremental budgeting is the norm.**

**2.** The norm has been persistent budget deficits.

**3.** The norm has been highly a highly rigid budgetary expenditure.

**4.** The norm has been thinly spread capital expenditure.

**5.** The norm has been public debt whose service is taking **increasingly big chunks** from public expenditure.

**6.** The norm has been the **dominance of sales tax** over total tax revenues.

**7.** The norm has been high **tax expenditures.**

**8.** Weakness in forecasting / budgeting tax revenues from sales tax and corporate tax.

**9.** The norm has been persistent deficits / losses by "National Electric Power Company" and the "Water Authority".

Relative to the fact that fiscal policy maintains the same approach as before, one must ask the following questions within the Framework for Inclusive Growth & Development (Figure 1 above).

about the extent of the general budget's ability to achieve the goals of the economic modernization vision.

**1.** To what extent can the 2025 General Budget Law promote real economic growth, reduce poverty and inequality, and manage social risk?

**2.** To what extent can the 2025 General Budget Law maintain macroeconomic stability and reduce public debt?

**3.** To what extent can the 2025 General Budget Law improve the allocational efficiency of resources by spending sufficiently and efficiently on the provision of public goods and services?

## 4. Some Recommendations for the 2025 Budget Law

**a.** It is important to adopt a pro-active fiscal policy / budget and do away with incremental budgeting. The government should become able to adopt the real characteristics of good budgets and good fiscal policy. Fiscal policy should not be used to navigate short-term needs and urgencies. Fiscal policy should be used to transform growth and development in the long term.

**b.** The hitherto existing tax system should be more **"fair" and "progressive", and less "complicated".** The tax system should provide the government with **"adequate" and "diversified"** financial resources. This is the only way to enable the government adopt "fiscal policy" and not "incremental budgeting".

**c.** The relatively high sales tax to total tax revenue in Jordan must be reduced and made comparable to other countries.

**d.** Improving **"tax collection"** from **"individuals"** will widen the tax base and bring in more tax revenues.

**e.** Managing the tax exemptions better makes sense. Tax expenditures tend to have some discretionary elements and increase the complexity of the tax code.

**f.** The variances between the budgeted tax revenues and actual tax revenues should be reduced. **Better forecasting of tax revenues' forecasting is needed.**

**g.** The electricity and water sectors need to adopt a different national and comprehensive policy to manage the finance of NEPCO and Water Authority better.

**h.** It is important to adopt targeted monetary support to families and local export-oriented industries and move away from indirect support to reflect the real costs of goods and services and enhance the efficiency of their management.

Despite Jordan's socio-economic challenges, limited fiscal space, and rigid public expenditure notwithstanding, it is imperative for the government **to accelerate the execution of public-private partnership projects (PPPs).** After all, PPPs can support the government in the provision of public infrastructure such as building highways, bridges, railways, schools, hospitals, and others by providing additional sources of funding and financing when there are insufficient public funds. Within the context of Jordan's needs for PPPs, it is encouraging to note that the Prime Minister, while submitting the government's policy statement to the Lower House, stated that the "government follows up daily the implementation schedule for major projects that constitute a real lever for growth and development and provide economic and employment opportunities. At the forefront of these projects is the National Water Carrier".

# Jordan Strategy Forum's Observations on the 2025 General Budget Draft Law

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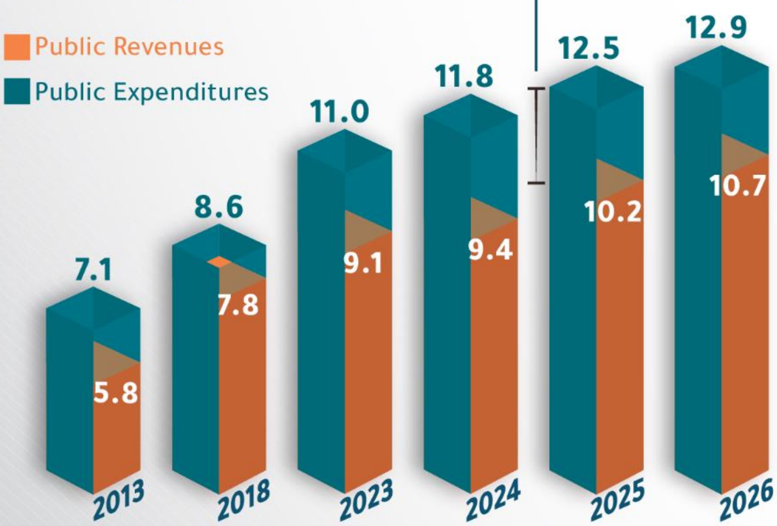
## The persistence of deficit in the general budget

(Billion JD)




The deficit in the 2025 budget amounts to

**2.3**

**billion JD**

**DROP** in the real growth of public spending

from

**7.2%** in **2024**

to

**5.7%** in **2025**

## Capital Spending

**1.469**

**billion JD**

spread over 155 projects

| 36 new projects | 51 to-be-excuted projects | 68 ongoing projects |
|---|---|---|
| average budget of 2.13 Million JD /project | average budget of 11.9 Million JD /project | average budget of 11.6 Million JD /project |

## Total Budgetary Spending 2025


93%:
- Civil Service Salaries
- Pensions and Compensation
- Military Spending
- Public Safety
- Interest Payments
- Capital Spending

7%: Goods subsidy, cash aid, universities subsidy, medical treatments and exemptions, and others

Source: General Budget Department - 2025 General Budget Draft Law

Date: December 2024

# Jordan Strategy Forum's Observations on the 2025 General Budget Draft Law

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## The public debt has risen to

**43** billion JD July 2024

**from**

**12.6** billion JD 2010

2025 **17.6%** of total public expenditures are allocated to interest payments

## The increasing interest payments on public debt affect the funding of vital sectors such as health, education, and infrastructure

Interest payments on public debt in 2024 are equivalent to…

**154%** spent on education

or

**165%** spent on capital investment

or

**172%** spent on health

## Most government units achieve a surplus, except for the following government units:

National Electric Power Company: **−481.7** million JD 2025

Water Authority: **−341.5** million JD 2025

**788.2** million JD

Is the deficit in government units for 2025

Source: General Budget Department - 2025 General Budget Draft Law

Date: December 2024

# Jordan Strategy Forum's Observations on the 2025 General Budget Draft Law

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## Sales tax, corporate tax, and other enterprises account for approximately 85% of the total projected tax revenues for 2025

### Weakness in forecasting public revenues

**Budgeted Tax Revenues**
2024 **10.3** Billion JD

**Re-estimated Revenues**
2024 **9.36** Billion JD

**A decrease of 945 million JD**

of which are tax revenues from **sales, and companies and other enterprises**

### Reasons for the decline:

A decrease in corporate tax and other enterprises by **234.0** million JD

A decrease in sales tax by **468.8** million JD

### The continued rise in the value of Tax Expenditures

The cost of tax exemptions in 2023 reached approximately

**3.05 billion JD**

This is equivalent to **8.4%** of GDP

Source: General Budget Department - 2025 General Budget Draft Law

Date: December 2024

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