The Kingdom of Jordan is a unitary country with a one-tier subnational government system, made up of the municipal level. As of today, the country has a strong tradition of deconcentration with 12 governorates keeping most of the powers related to local policies and public service provision. The implementation of the 2007 Municipal Act introduced a considerable shift towards greater decentralization and the direct election of municipal councils, with the exception of the Greater Amman Municipality. The decentralization process is still on-going and should lead to a future empowerment of municipalities, with extended competences. Among these new powers, municipalities would be able to form inter-municipal alliances to promote their independence and enhance the public services they offer. The future reforms could also lead to direct election of governorates councils, instead of being appointed by the central government, which would become self-governing entities. The law should also review the allocation of financial system funds distributed by the state to make it more equitable.

### Main Subnational Governments Responsibilities

According to the Municipal Act, municipalities are responsible for urban planning, public health, education, culture and sport; public safety, etc. However, it should be noted that the central government had a tendency to privatize certain competences that should be a priori devolved to municipalities, and the range of their responsibilities is now limited to solid waste management, street lighting, storm water drainage, public markets and others. Nevertheless, in parallel, there has been a consolidation of municipalities in their duties through the opportunity offered to them to gather in inter-communal entities in order to implement more effectively the public services they are responsible for.

### Subnational Government Finance

Both States and municipalities are significant economic and social actors. They represent a large share of public spending and have important spending responsibilities in key sectors. The share of staff expenditure in public staff expenditure and in SNG expenditure is above the OECD average. SNGs also play a significant role in public investment.
Investment expenditures represented almost a quarter of the general government public investment, mostly to fulfill the needs of cities in matter of urban development. Nevertheless, these needs are not fully addressed as the devolution of financial resources does not follow the delegation of competences to the municipal level, generating overlaps between resources and needs. The lack of financial autonomy of the municipal entities doesn’t allow them to adjust their fiscal policy in order to address these gaps.

The only source for financing capital expenditure, in addition to central fiscal transfers, is borrowing from the Cities and Villages Development Bank (CVDB) which is the official lending agency and intermediary for fiscal transfers and grant administration in the municipal sector.

To fulfill their competences, municipalities benefit from a budget funded by local taxation, fees and charges, and for a major part by transfers from the central government. Municipal revenues hence represent a share of more than 2% of GDP, which is a high level in comparison to regional standards, but own-source revenue mobilization is still weak because of inefficient tax and fees enforcement and collection. Moreover, there is a very big inequality between the Great Municipality of Amman and all of the other Jordanian municipalities.

**TAX REVENUE.** Municipalities can perceive two taxes: the tax on fuel, and the tax on property. The later has been defined as a local tax by the Municipal Law, however, the central Government, which collects the tax on the behalf of municipalities, is also for both the determination and the actualization of the tax rate, and also has a role in the determination of the amount transferred to the municipalities.

**GRANTS AND SUBSIDIES.** Municipalities budgets are for a large part funded by financial allocations from the central government whose amount varies depending on the number of inhabitants. However, these transfers are for a large part accounted on other accountability categories.

**OTHER REVENUES.** According to distribution criteria, 6% of produced oil derivatives made by Jordan Oil Refinery Company is redistributed between municipalities taking into account their population, their level of contribution to state revenue, the specificity of their situation and their responsibilities. This budget is severely limited compared to the national budget and the governorates. Other revenues also include income coming from fines, customs taxation.

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