

Structural Conditionality

Objectives	Summary of Prior Actions and Performance Criteria	Were Conditions Met?
Public finance (1) Broaden the base of GST and raise its efficiency; (2) increase the role of income tax in total revenue generation; (3) improve tax administration; and (4) rationalize expenditures.	1992 SBA • One PC on the introduction of the GST. 1994 EFF • A prior action on the parliamentary passage of the GST law. 1996 EFF • Three prior actions on amendments to the GST and income tax laws; capping the budget for food subsidies; rationalization of food subsidies. • In 1998, two PCs on the extension of the 10 percent service tax on international calls to domestic subscribers and extension of taxes to commercialized SOEs. 1999 EFF • A prior action on the creation of a fiscal monitoring unit in the Ministry of Finance. • Two PCs on setting maximum import tariff at 35 percent and raising the GST to 12 percent and introducing VAT legislation. • In 2000, two PCs on amendments to income tax laws and on introduction of VAT.	The bulk of the prior actions and performance criteria in the area of public finance were implemented, albeit with some delay. • Implementation of the GST law was delayed (and the condition was waived). • The GST law was finally approved by parliament in June 1994. • The PC in the 1999 EFF on reducing the maximum tariff to 35 and raising the GST rate to 12 percent was not met (delayed by a month to July 20, 1999). • More substantive delays related to PCs on the introduction of VAT and amendments to the income tax law. The VAT was eventually presented as part of the 2001 budget, while the income tax amendment was not done until May 2001.
Financial sector Improve the structure, efficiency, and transparency of monetary and financial sector operations—ensure attainment of international standards.	1999 EFF • Two prior actions on trust funds at CBJ and commercial banks and submission of new banking law to parliament.	While the banking law was submitted to parliament as planned, the reform of trust funds operations was delayed by six months.
Trade policy Integrate Jordan into global economy, increase domestic competition, and create conditions for export-led growth.	1996 EFF • A prior action on the implementation of the tariff reform agreed with the World Bank 1999 EFF • A PC on the reduction of maximum tariff rate to 35 percent (together with GST increase of at least 12 percent). • A PC on the reduction of maximum tariff to 30 percent with the submission of the 2000 budget.	Conditions in the trade policy area were eventually met—although attempts to synchronize with GST reforms caused delays. There was also considerable cross-conditionality with the World Bank.
Privatization and other SOE reforms Enhance economic efficiency, improve the regulatory environment and boost investment—make the private sector the “engine of growth.”	1996 EFF • Three PCs on allocation of privatization proceeds, raising of municipal water tariffs and a management contract for the Jordan Water Authority. 2002 SBA • Two prior actions on raising electricity tariffs and imposing taxes on petroleum.	The management contract for the Jordan Water Authority was delayed to 1998. However, raising tariffs for electricity and increasing petroleum prices were done promptly.

(concluded)

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Pension reform Ensure that the pension system is fiscally sustainable.	2002 SBA <ul style="list-style-type: none"> • A prior action related to the initiation of the pension reform process along the lines of a government review. • Two PCs related to the inclusion of all new military recruits in the pension plan administered by the Social Security Corporation and tightening of eligibility for military disability benefits. 	Pension reforms were delayed, but the inclusion of the new military recruits in the SSC was done by March 2003, while the tightening of disability benefits was not done until early 2004.

Source: IMF program documents.