ANNEX 4

Objectives, Strategies, and Policies in Jordan's IMF-Supported Programs

Objectives and Strategies	Macroeconomic Policies	Structural Reforms and Social Po icies
1989 SBA		
Broad objectives Increase the rate of economic growth while maintaining relative price stability, and substantially reduce the budget and balance of payments deficits. ***Key targets/projections*** (1) Steady recovery from negative economic growth in 1988 to 4 percent in 1992 and beyond. (2) Reduce inflation rate from 14 percent in 1989 to less than 7 percent by 1993. (3) Eliminate the external current account deficit (including official transfers) by 1993; from 6 percent of GDP in 1988. ***Strategies*** (1) Boost investment incentives. (2) Eliminate government dissaving to raise domestic savings. (3) Seek rescheduling of external debt-service obligations in order not to constrain imports unduly.	Measures to reduce the government budget deficit included (1) increases in petroleum product prices; (2) increases in tax rates on cigarettes, and new taxes (royalties) on phosphate and potash; and (3) reduction in subsidies (on food items and for domestic production). Measures to contain monetary expansion included reduction in government borrowing from domestic banking system. Exchange rate to be managed flexibly with a view to maintaining the real effective exchange rate at a competitive level.	***Structural reforms*** Specific policies for trade liberalization and tariff reform to be discussed with a forthcoming World Bank mission. ***Social policies*** Protect the poor through continued subsidies on basic food items, but improve targeting.
1992 SBA		
Broad objectives Restore and sustain economic growth in a non-inflationary environment, generate employment, and achieve budgetary and balance of payments viability. ***Key targets/projections*** (1) Increase real GDP growth rate to 4 percent by 1997 (from a negative average rate during 1989–91). (2) Reduce inflation from 10 percent in 1991 to below 5 percent in 1997. (3) Reduce the external current account deficit (excluding official transfers) from 24 percent of GDP to near balance by 1998. ***Strategy*** Gradually increase domestic savings and investment and improve the efficiency of investment.	Reduce budget deficit excluding grants from about 18 percent of GDP in 1991 to 5 percent in 1998 (8 percentage point reduction in current expenditure, 4 percentage point increase in revenue). Pursue a tight credit policy to contain liquidity expansion to a level consistent with the inflation target. Maintain flexible exchange rate policy (to help achieve an expansion of exports and contain import demand).	***Structural reforms*** (1) Tariff reform, including lowering of maximum rate. (2) Rationa ize petroleum pricing. (3) Introduce GST by 1/1/93. (4) Strengthen banking supervision. ***Social policies*** (1) Continue targeted subsidies of selected food items. (2) Salary increase in 1992 to partially offset the effect of subsidy removals and price increases.

(continued)

Objectives and Strategies	Macroeconomic Policies	Structural Reforms and Social Policies
1994 EFF		
Broad objectives Sustain economic growth in a noninflationary environment, enhance job opportunities, and improve iving standards. ***Key targets/projections*** (1) Real growth of 6 percent a year on average during 1994–98 (estimated growth for 1993 was 5.8 percent). (2) Hold inflation at 4–5 percent (was 5.1 percent in 1993). (3) Eliminate exceptional financing by end-1997. (4) Maintain a comfortable level of foreign exchange reserves. ***Strategy*** Increase domestic savings to sustain investment levels needed to meet growth objectives.	Reduce fiscal deficit excluding grants, from 6.4 percent of GDP in 1993 to 2.5 percent in 1998. Specific measures included (1) reduce non-interest current outlays—e.g., reduce subsidies by a combination of price adjustments and better targeting of benefits; and (2) contain public sector wage bill and military and security outlays. Maintain flexible exchange rate po icy. Accept obligations under IMF Article VIII (i.e., abo ish restrictions on external current account transactions).	***Structural reforms*** (1) Reorient tax system from import-based to broader domestic-consumption-based system (including the introduction of GST by May 1994). (2) Switch to indirect monetary control. ***Social policies*** Improve the targeting of food subsidies (TA requested from the IMF to help improve social safety net system).
1996 EFF		
Broad objectives Improve living standards, expand employment opportunities, and lower the debt and debt-service burden. ***Key targets/projections*** (1) Annual growth rates of 6.5 percent during 1996–98 (slight increase over average 6.1 percent during 1993–95). (2) Inflation rates projected to go from 3.1 percent in 1995 to 2.5 percent in 1998. (3) Narrow the external current account deficit including grants, from 4.6 percent in 1995 to 2.8 percent in 1998. (4) Build up gross official reserves to the equivalent of about 3 months of imports (from 1.6 months at end-1995). ***Strategies*** (1) Maintain high investment ratio (34 percent of GDP), but also allow for an increase in real per capita consumption (reversing some of the sharp dec ine during 1994–95). (2) Further fiscal consolidation; needed to reduce external debt burden and increase fiscal flexibility. (3) Accelerate structural reforms to improve environment for private-sector-led and outward-oriented growth.	Overall budget deficit excluding grants targeted to dec ine from 4.8 percent of GDP in 1995 to 2.5 percent by 1998, notwithstanding losses in revenue associated with some envisaged structural reforms. Noninterest current outlays to be reduced. Monetary policy: active interest rate policy to be used to maintain attractiveness of Jordanian-dinar-denominated assets. Exchange rate policy: maintain nominal stabi ity of the Jordanian dinar vis-à-vis the U.S. dollar (to bolster confidence in the Jordanian dinar).	***Structural reforms*** (1) Enhance revenue elasticity and efficiency of the tax system (e.g., through amendments to GST and income tax laws). (2) Public pension system reform. (3) Strengthen banking supervision and prudential regulations. (4) Promote development of secondary financial markets. (5) Trade reforms (e.g., lower the maximum tariff rate and number of tariff bands). (6) Reform of pub ic enterprises, including privatization. ***Social policies*** Extend the coverage of the National Aid Fund's income support program, while curtailing untargeted subsidies.
1999 EFF		
Broad objectives Steadily raise economic growth, maintain low inflation, and strengthen the international reserves position. ***Key targets/projections*** (1) Raise growth from 2.2 percent in 1998 to 3.5 percent by 2001. (2) Maintain low inflation; in the range of 2–3 percent (was 0.5 percent in 1998). (3) External current account deficit excluding grants to go from 4.8 percent of GDP in 1998 to 5.3 percent in 2001. (4) Increase foreign exchange reserves from $1.2 billion at end-1998 to $1.7 billion in 2001.	Reduce the budget deficit excluding grants, from 10 percent of GDP in 1998 to 4 percent in 2001; mainly through expenditure retrenchment. The exchange rate peg will continue to serve as a nominal anchor. The monetary program of the CBJ is designed to build up foreign exchange reserves while maintaining low inflation.	***Structural reforms*** (1) Create fiscal monitoring unit in the Ministry of Finance. (2) Tax reform (geared mainly to improving the business environment). (3) Draft VAT law. (4) Further tariff reform. (5) Power sector reforms (regulation and privatization). (6) New banking law.

(concluded)

Objectives and Strategies	Macroeconomic Policies	Structural Reforms and Social Policies
Strategies (1) Fiscal consolidation; but balance the need for sustainable fiscal policy and structural improvement in public finances, while avoiding undue recessionary effects from rapid contraction. (2) Wide-ranging structural reforms.		***Social policies*** Continue to protect the more vulnerable social groups and promote employment generation, in particular through the Social Productivity Program.
2002 SBA		
Broad objectives Raise economic growth and living standards. ***Key targets/projections*** (1) Real GDP growth of 5½ percent on a sustainable basis from 2005 (estimated at about 4 percent in 2000 and 2001). (2) Continued moderate inflation (about 2 percent). (3) A modest deficit in the external current account including transfers (from near balance in 2001 to 1.4 percent in 2004). (4) Reduction in external debt/GDP ratio to about 52 percent by 2007 (from about 80 percent in 2001). (5) Maintenance of external official reserves at levels averaging about 25 percent of broad money during 2002–07 (steady decline from about 30 percent in 2001 to 20 percent in 2007). ***Strategies*** (1) Deepen structural reforms. (2) Fiscal consolidation.	Reduce the overall fiscal deficit to less than 3 percent of GDP by 2007 (from targeted 4.1 percent in 2002); grants are projected to decline. A major portion of privatization proceeds to be used for debt reduction. Monetary policy to continue to support price stability and the exchange rate peg. Reserves and monetary stability will be protected through an active interest rate policy.	***Structural reforms*** (1) Pension reform. (2) Further tax reform and strengthening of tax administration. (3) Implement single treasury account system. (4) Privatization and legislative reforms. ***Social policies*** Provision is made for increases in income transfer programs (administered by the National Aid Fund), and in spending for health and education under the Program for Social and Economic Transformation.

Source: IMF program documents.