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Jordan-IMF Relations & Programs, 1989-2004, 2012-YTD

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I. Introduction

The following paper, examining Jordanian-IMF relations, is divided into two main parts. The first will look at the Kingdom's IMF affairs spanning the period 1989 through 2004, while the second part will examine current interactions and programs beginning in 2012. The common denominator for both periods is that Jordan found itself cash-strapped and in crisis and needed the fund's help in averting economic disaster. This entailed soft loans and attempts to ameliorate the situation with ambitious fiscal and debt-reduction measures.

After 15 years of almost continuous involvement in IMF-supported programs, Jordan announced it was "graduating" from reliance on such programs in July 2004. Following the introduction, section II of this paper will assess how well IMF support helped Jordan tackle the major adjustment challenges it faced from the late 1980s through 2004. The primary focus is on the effectiveness of Jordan's IMF-supported programs. Part III will very much do the same, only this time by looking at Jordan-IMF relations since 2012 to date while highlighting differences, if any, from the first wave of structural adjustment programs (SAPs). This section will also underscore the current economic problems these programs have to redress.

In between the two periods covered in this paper, it is interesting to note that large inflows of "hot" money – defined in economics as the flow of funds from one country to another in order to earn a short-term profit on interest rate differences and/or anticipated exchange rate shifts – and speculative capital buoyed the economy shortly (2004-08), with GDP growth topping 8% in real terms, but spelt disaster for most Jordanians later, eroding the wealth of a fading middle class, expanding poverty pockets, and creating a new rank of business elites that was content to sacrifice political reforms in order to benefit from the new status-quo.

This paper continues the work that its author has conducted individually and with others over the past 20 years. This includes working as a consultant and contributing two background papers for the IMF's Independent Evaluation Office (IEO) mission on Jordan in late 2004, as part of a team headed by economist Tsidi Tsikata, and comprising Steve Kayizzi-Mugerwa, Daouda Sembene, and Inder Sud (consultant). However, these are in no way guilty of any errors or omissions in this paper, for which only the author is entirely responsible. As with previous work, the present analysis has relied on both primary and secondary sources. The latter included official data, reports, studies and research papers. Primary sources involved interviews with selected current and former Jordanian officials.

II. Jordan and the IMF: A Never-Ending Story

II.I 1989-2004

The first wave of Jordan-IMF programs was supported under three Stand-by Arrangements (SBA) (approved in 1989, 1992, and 2002), and three Extended Fund Facility (EFF) arrangements (approved in 1994, 1996, and 1999) (IMF IEO 2005)[1].

Table I: Jordan's IMF Arrangements, 1989-2004

Type of Arrangement	Approval Date	Expiration/Cancellation Date	Duration (in Months)	Amount Agreed (in SDR Million)	Amount Drawn (in SDR Million)	Disbursement Ratio (in Percent)
SBA	14/7/1989	13/1/1991	18	60.0	26.8	44.7
SBA	26/2/1992	25/5/1994	24	44.4	44.4	100.0
EFF	25/5/1994	9/2/1996	21	189.3	130.3	68.8
EFF	9/2/1996	9/2/1999	36	238.0	202.5	85.1
EFF	15/4/1999	31/5/2002	38	127.9	127.9	100.0
SBA	3/7/2002	2/7/2004	24	85.3	10.7	12.5

Source: Adapted from IMF IEO 2005

Table II: Jordan: Some Stylized Facts About the Composition of Targeted Adjustment

Arrangements	Size of Targeted Adjustment
1989 SBA	Large Reduction in Current Account Deficit (by 9.2% of GDP)
1992 SBA	Large Reduction in Current Account Deficit (by 12.7% of GDP)
1994 EFF	Large Reduction in Current Account Deficit (by 8.7% of GDP)
1996 EFF	Modest Reduction in Current Account Deficit (by 2.6% of GDP)
1999 EFF	No Significant Change in Current Account
2002 SBA	Moderate Widening of Current Account Deficit (by 1.7% of GDP)
2004 Post-Program Monitoring	Large (Temporary) Widening in the External Current Account, Financed by Sharply Higher Grants.

Source: Adapted from IMF IEO 2005

In short, the abovementioned targeted adjustment programs banked on raising the domestic savings rate, which is akin to taming balance of payments pressures, and fiscal adjustment, mainly from rationalizing expenditures (IMF IEO 2005).

Reflecting on the two instances where IMF-led economic reforms in Jordan led to riots over the period covered in this section (1989-2004), one must underscore the important role of parliament. In a special paper for the World Bank published in 2004, Rima Khalaf Hunaidi, a former minister of planning in the Jordanian government and the ex-head of UNDP, indicated how this engagement was critical to sustaining the momentum for reforms. Hunaidi compares the fallout from two social unrests related to the removal of subsidies – the fuel riots of 1989 and the bread riots of 1996 – and attributes the more muted impact of the latter to the government's active engagement of the House in the formulation of the measure. She argues that by contrast, the government (under IMF advice) was seen as acting alone in 1989, when the price of petroleum products (highly subsidized at the time) was raised substantially, and triggered riots in major cities. She notes that part of the problem with the 1989 measure was that it

[1] A SBA is an economic program of the IMF involving financial aid to a member state in need of financial assistance, normally arising from a financial crisis, while an EFF is an IMF lending facility to help members with balance of payments problems that need an adjustment period longer than that provided for under a SBA.

had been taken in haste, without a thorough assessment of its implications on other sectors (Hunaidi 2004).

The IEO's overall assessment of the IMF's role in Jordan for the period beginning in 1989 and ending in 2004 is that it has been "moderately" successful. According to the IEO report, the IMF helped the Jordanian authorities address macroeconomic stabilization challenges successfully, though some of the main structural rigidities that underlay the financial crisis that led Jordan to its first IMF-supported program in 1988/9 continued to linger, particularly on the fiscal side, as will be discussed in the third part of this paper below covering more recent programs. It is important to recognize that, as in all programs that are the outcome of a complex negotiating process, "the IMF and Jordan were required to make judgments reflecting considerations of domestic ownership and political feasibility. The result is inevitably tempered by this reality" (IMF IEO 2005).

II.II Initial Conditions

At the start of its long period of participation in IMF-supported programs in 1989, Jordan faced a severe balance of payments deficit, as well as deep-rooted macroeconomic and related structural problems. The country had virtually run out of foreign exchange reserves and was on the verge of defaulting on its external debt payment obligations. It faced a high external public debt, and large deficits in the external current account and government budget. At the same time, a rigid fiscal structure and structural impediments to economic growth meant that sustainable adjustment was going to be hard to achieve, and would require time to be addressed effectively. In addition, Jordan's always-close regional ties made it susceptible to shocks related to economic (e.g. fluctuating petrodollars) and political developments in the Middle East (Kardoosh, M IMF IEO 2005).

According to the IMF's own assessment, the origins of the 1988/89 crisis lay primarily in a failure to adjust to the abrupt end of an earlier regional economic boom fueled by high oil prices. The boom had buoyed demand for Jordan's exports and facilitated large inflows of official transfers (averaging almost 15% of GDP per annum during the first half of the 1980s) and private work remittances from Jordanians employed in oil-exporting countries. Falling oil prices led to substantial drops in these inflows during the mid-1980s. The decline in grants substantially affected the budget, but the authorities failed to adjust and the fiscal deficit started to balloon. Initially, the authorities turned to external borrowing to finance rising government spending and, when foreign credit began to dry up in 1987-88, they resorted to domestic financing, which led to a heavy loss of external foreign reserves and quickly proved unsustainable. The subsequent crisis involved a large devaluation of the JD and was also compounded by the collapse of Petra bank, Jordan's third largest financial institution. Output contracted by almost 11% in 1989 and inflation surged to over 25%. (IMF IEO 2005).

Some of the overarching evaluation questions relevant to 1989-2004 (but also possibly relevant for 2012-YTD in section III), may thus be summarized as follows (IMF IEO 2005):

1. "Was the overall design of programs relevant and appropriate to Jordan's circumstances?
2. What was achieved in terms of the broad objectives of programs, and what can be said about the contribution of the IMF to observed outcomes?
3. What has been the contribution of IMF support in addressing fundamental structural and institutional rigidities in Jordan, and helping the country to strengthen its capacity to cope with shocks?
4. Did Jordan receive preferential treatment from the IMF on account of geopolitical considerations, being a fragile economy in a strategically-important country?"

II.III Appropriateness of Program Design

Under IMF programs for Jordan, the core elements of the strategy to foster sustainable economic growth remained the same under all arrangements: the private sector was expected to be the main locomotive of growth; "significant declines in public sector dissaving would help sustain domestic investment" and would contribute to ameliorating the public debt overhang; and structural reforms would bolster productivity and export competitiveness (IMF IEO 2005). As abovementioned, the IMF aimed to achieve its targets of a narrower external current account deficit by increasing the domestic savings rate and cutting expenditures.

According to the IMF's IEO report, while there was some improvement over the years, most Board papers on Jordan did not provide a clear rationale for the magnitude and composition of targeted adjustment. This made it difficult to make judgments on the factors underlying any subsequent failures to achieve key objectives, and on the appropriateness of any program modifications. Moreover, "analysis of the links between growth objectives and program design was limited for most of the program period", the report went on to conclude.

Many senior Jordanian officials credited IMF conditionality with helping to implement politically-sensitive reforms such as the introduction of the General Sales Tax (GST) in the early 2000s, rationalization of subsidies, and pension reforms, but also cited examples in which pressure from the IMF for speedy action actually backfired as was the case, for example, with the submission of a draft income tax law to parliament after little prior consultation with members of the house (IMF IEO 2005).

II.IV Macroeconomic Outcomes and the Role of IMF Support

Jordan has made major progress over the 15-year period (1989-2004) of its IMF program involvement in achieving macroeconomic stability, restoring external viability, and transforming the structure of its economy. At the same time, a deepening of the export base and a large build-up of external foreign exchange reserves have reduced the economy's vulnerability to exogenous shocks. While attribution of specific final outcomes to IMF involvement is clearly not possible, this paper's overall judgment – in concert with the findings in the IEO report – is that IMF-supported programs did make "an important contribution". This view is shared by many Jordanian officials, past and present, who indicated in the course of writing the IEO paper, as well as this one, that the presence of the IMF alongside successive Jordanian governments was important in reinforcing necessary macroeconomic discipline and in helping advance some key economic reforms. That macroeconomic indicators deteriorated during the IMF's relative "absence" in 2004-2012 only makes this argument stronger.

However, fiscal sustainability has been only partly achieved, as the economic downturn of more recent years has shown. While total and external public debt ratios have fallen substantially by 2004, only some of the underlying fiscal rigidities had been resolved, and these continued to linger until a second crisis swept the country in 2012. For 1989-2004 specifically, less successful were the following areas (IMF IEO 2005):

First, direct taxes still had significant exemptions that eroded potential revenue. Second, Jordan did not adopt a system of pricing for domestic petroleum directly linked to world prices – in spite of significant policy dialogue and technical assistance on the part of the IMF. Third, and in spite of IMF documents constantly reminding readers about the *in*flexibility of public expenditures, little progress was achieved in these areas. In retrospect, the IMF did not put sufficient emphasis at an early stage of its program involvement on efforts at civil service reform aimed at reducing the share of the public sector wage bill in GDP.

II.V Lessons from the period 1989-2004

Overall, the Jordanian government ought to remember that IMF SAPs are recessionary by nature; they can help stabilize an economy, but do very little to relieve the suffering of the poor and needy, who instead need pro-poor growth plans to be put in place, *a la* the now-abandoned Program for Social and Economic Transformation (PSET), launched in 2002.

Meanwhile, any attempt to shift from one economic model to another must provide citizens with at least the same levels of wellbeing and basic needs that have been provided to them by the older paradigm, problematic as that may have been. This is not to say that subsidies should be replaced with cash handouts. Rather, the reform process should aim at enabling Jordan to become more financially self-reliant and economically self-sustaining, so as to reduce its vulnerability to external shocks, political or economic (Kardoosh 2005).

III. 2012-YTD

III. I Early Conditions

Jordan's recent economic woes are well documented. Anemic GDP growth figures show that the country can expect to grow at only about 2.2% in 2019 (World Bank), a major decrease from the average growth of 8.1% recorded between 2004 and 2008 (Department of Statistics), and well below the government promised target of 5%. This is clearly *in*sufficient to create the jobs its young population needs. Unemployment, therefore, is likely to stick to the official rate of over 19%, with young joblessness (20-24) particularly high, estimated at 38.5%, according to the latest official data for 2019. To compound this, the country is facing severe fiscal imbalances: a large budget deficit and a very high projected debt-to-GDP ratio of 94.6% by year-end (IMF 2019).

III.I.I Fiscal Malaise II: Back to Square One

Social stability in Jordan is still assured as a large segment of the population remains dependent on public sector employment and services.

After a period of largely hollow overtures towards fiscal retrenchment in the late 1990s and up until 2004, when Jordan effectively disengaged from the IMF, things took a turn for the worse in 2007 and 2008. From a distance, the political soil seemed ready to yield an impressive set of budgetary reforms, with public promises to eliminate oil and farm subsidies, while linking for the first time in Jordan's history future government expenditure to performance indicators. However, reality and theoretical promises have notably diverged, and there has been a general trumping of economic considerations in favor of patronage politics, especially after the Arab Spring started sweeping across the region.

One problem is that the coherence of these and other policies is highly questionable In the end, with or without the IMF, the only way to significantly reduce government spending in Jordan is to reshape the two biggest items in the budget: the public-sector wage bill and security spending.

III.I.II Public Debt: Getting Out of Control…Again

For its part, the public debt-to-GDP ratio, which as aforementioned is projected to reach 94.6% by year-end, is expected to decline to about 84% of GDP by 2024 (still well above the 70% high-risk Market Access Countries (MAC) Debt Sustainability Assessment (DSA) benchmark conducted by the IMF). Adverse shocks to the recovery and/or financing conditions, policy slippages, or contingent liabilities could test this baseline trajectory. While significant Eurobond rollovers will need to be undertaken in 2019–22, the concessional financing committed under the Jordan Compact and recently in the London Initiative may help mitigate financing needs (IMF 2019). The foregoing underscores the importance of steadfast implementation of program commitments and timely disbursements of external financing in order to ensure debt sustainability. The IMF's external DSA points to "moderate but increasing external indebtedness, mainly reflecting continued market access and concessional borrowing under the Jordan Compact and recent commitments under the London Initiative". Meanwhile, external debt remains vulnerable to current account and real exchange rate shocks. All at once, the Kingdom's previously sturdy foreign exchange reserves position has also been drawn down slightly in recent times.

III.I.III The Neighborhood Effect

To complicate matters, Jordan in the last few years has continued to face a difficult economic environment and complex socio-political challenges. It has faced a series of shocks, including the disruption of critical export routes and markets from protracted regional conflicts, the hosting of over

1.3 million Syrian refugees, and rising oil prices and borrowing costs. Low GDP growth, high unemployment and extensive poverty, as well as concerns about insufficient political will to tackle corruption, are adding to public discontent, and eroding support for politically-difficult reform efforts.

Slippages in the implementation of critical reforms and in program targets in 2018 delayed the completion of the IMF review (IMF 2019). Notwithstanding some initial progress, including in meeting fiscal targets, a number of key fiscal and growth-enhancing reforms were delayed time and again. Foremost among these were amendments to the new Income Tax Law (a missed structural benchmark, originally planned for end-2016 and reset to end-2017), which was a critical piece of the authorities' plan to secure a fairer and more sustainable fiscal framework. Fiscal slippages, along with a weak external environment, resulted in shortfalls in international reserves targets.

These dire economic indicators, in place since 2012 more or less, have been *in*sufficient to prompt Jordan's traditional donors to spring to its aid, with recent reports suggesting that the Kingdom has been receiving a fraction of the support it really needs from the US and the EU, two of its primary sources of outside assistance. Needless to say, this is likely to have changed now, especially after the London Initiative.

III.I.IV Back to Basics: Jordan's first SBA in 12 Years

With Western aid falling short of expectations for most of the period covered in this section (2012-YTD), and Gulf appropriations not coming through as promised, Jordan in 2012 lobbied the IMF for a $2.06 billion SBA (running to a highly unusual 800% of Jordan's IMF quota), which the fund said was designed to "address macro-fiscal imbalances, shield the economy from external challenges and foster growth". In other words, this and the subsequent EFF of 2016 (to be discussed below) aim at advancing fiscal consolidation to gradually lower public debt and the budget deficit (with due regard to social protection needs), as well as broadening structural reforms to enhance the conditions for more social-friendly inclusive growth.

As part of these efforts, the Jordanian authorities committed to establish transparent and sustainable energy prices and to reverse prevailing trends at the time that saw heavy revenue losses. In this context, Jordan was determined to cut the primary budget deficit (excluding grants) by about 6% of GDP during the SBA's three-year program period while the losses of the electricity company were expected to fall by 3% of GDP. The Kingdom also vouched to focus on making economic policies more equitable and inclusive, providing among other things targeted subsidies (to be discussed in detail below) and better opportunities for the vulnerable segments of the population. Meanwhile, and to continue supporting growth and the medium-term external position, the government's reform programs aimed at improving the investment climate through targeted structural reforms, while strengthening labor-market skills.

Following the approval of the 2012 SBA, $385.35 million were made available to Jordan immediately, while the rest of the monies were dispersed over the course of 36 months "subject to quarterly reviews". Though the conditions and measures were not initially officially published by the international, Washington-based donor body, analysts contend that the 2012 SBA is actually an austerity program, otherwise known as a SAP.

It would be advisable for the government to accompany its policy directives with a robust and well thought out communications and public relations plan to explain its underpinnings and attempt public buy-in. Ordinary Jordanians have responded to the state of the economy with protests nationwide during 2012 at the peak of the Arab Spring and the months that followed. The process of globalization, together with the impact of platforms such as Facebook, Twitter or Instagram, have created more citizens-led discontent towards the IMF and its policies. This was especially true of the new Income Tax Law, which the IMF lobbied the government hard for and that would cost previous prime minister Hani Mulki his job in office.

III.I.V 2016: A New EFF for Jordan

On August 24, 2016 the IMF Executive Board approved a three-year extended arrangement under the EFF for Jordan for an amount equivalent to $723 million to support the Kingdom's economic and financial reform program (*Jordan Times*, September 2019). As part of the new agreement, the Jordanian government has committed itself to even tighter budget management. The EFF will continue the work begun on fiscal consolidation with Jordan's previous $2.06 billion SBA, but will also focus on private-sector development, as well as issues related to job creation, enhancing the business environment, encouraging investment, ensuring sustainability in the energy and water sectors, financial sector resilience, and improved accountability and governance (Economist Intelligence Unit 2016).

The EFF will also continue efforts begun under the 2012 SBA to control losses at the National Electric Power Company (NEPCO) and the Water Authority of Jordan (WAJ). Electricity and water tariffs have already been increased as part of the SBA. The government is now committed to establishing a mechanism that will link power tariffs to international oil prices, with a price of US$55/barrel the trigger point at which prices could be increased to begin with.

In May 2018, widespread protests over rising fuel and electricity prices and the submission to parliament of the delayed Income Tax Law, resulted in the resignation of Prime Minister Mulki. The new government of Prime Minister Omar Razzaz, an ex-World Bank civil servant, opened a "national dialogue" on Jordan's economic and social challenges, including tax reform. After this consultation process was set and done, the government successfully passed the new Income Tax law in December 2018, and in collaboration with international donors has formulated a comprehensive and concrete five-year reform plan.

The "London Initiative" conference, held on February 28, 2019 in the British capital, provided the Razzaz government with a valuable opportunity to demonstrate to both development partners and investors its commitment to accelerated economic reforms, and to a more outward-oriented economy. Following on from that conference, Jordan has received additional financing commitments of about $5 billion, which are critical in both supporting reform efforts and in adequately funding the program.

Meanwhile, earlier in 2019, Jordan asked the IMF to extend the current program for six more months until a decision is reached regarding a new program with the fund. The scheme aims at advancing fiscal consolidation to lower public debt and implementing broad structural reforms to enhance the conditions for more inclusive growth.

While it might be too early to make firm conclusions regarding the programs beginning in 2012, what is clear is that IMF programs have again focused on fiscal reforms, the removal of subsidies (oil, bread and electricity, but to name a few), and the passing of a more encompassing Income Tax Law in a country where almost 98% of the population did not pay income tax previously. Going forward, big adjustment challenges that Jordan faces now is how to adapt to the continued fall in grants, as well as reforming public expenditure policies, which seem to have escaped the necessary IMF pressure. This is especially true of the public sector wage bill, as well as of security expenditures, two big items that continue to grow and make the state budget very rigid.

Jordan, like other governments in the region, responded to the unprecedented thunderous demands of its population earlier in the decade by adopting expansionist fiscal policies mainly to fund a widening of state subsidies, public sector hiring and salary increases (Zaina Steityeh 2012). Not only was this an expected policy in the short run, it is entirely unsustainable without large amounts of foreign largesse. Yet, the government now has a fresh opportunity to actually do something to, but this will need a lot of political will. As with any externally-mandated SAP, the IMF loans will certainly hurt, but that may very well push Jordan out and away from the tipping point (Zaina Steityeh 2012). In the meantime, the government needs to continue working on implementing domestic reforms across four main pillars: introducing a more targeted subsidy structure; increasing tax collection and enhancing the efficacy of tax administration; strengthening accountability and the anti-corruption mechanisms; and reprioritizing its expenditures.

There are ways to increase the fiscal space in Jordan, and through well-organized and clear policymaking, the funds can be used for two things: meeting the short-term needs of the real poor and propelling an all-inclusive, employment generating growth model in the long run (Zaina Steityeh 2012). For the latter to become concrete, governments in Jordan must stop skimping on the all-important capital expenditures while overspending on wages, security and pensions.

III.II The Thorny Issue of Subsidies

Subsidies across the entire MENA region provide vital protection for the poor. In Jordan, subsidies form a large part of the social safety net, and yet, as vast amounts of academic articles have pointed out, their effectiveness was highly questionable (Zaina Steityeh 2012). An old IMF study, using Jordan's 2008 Household Survey, concluded that energy subsidies in Jordan are, in fact, regressive. It found that the richest 20% of Jordanian households captured 40% of the subsidy benefits, while the lowest quintile gained less than 7% of the benefits. This is a similar situation to Morocco as well as Egypt, where the country's former finance minister was once quoted as saying during an interview that 40% of the high-income earners benefited from 80% of the gasoline subsidies.

Replacing universal subsidies with more efficient, targeted subsidy system has topped the list of reform requirements under the IMF's new wave of programs. The government has made public declarations of reviewing its current subsidy structure and real changes have finally been seen. Beginning in late 2012, the government announced the end of fuel subsidies in the Kingdom, which according to some estimates cost the government close to JD2.5 billion annually. While the move had been widely expected, and despite the inevitability of the decision, it did not seemingly lessen the public's ire, with protests proliferating immediately after the news broke.

For its part, the government sought to reassure the public that the poorest would not be affected, with the then prime minister asserting that compensatory cash payments will begin to be provided within 10 days to families with a monthly income below JD800 – a level that he claimed would cover some 70% of the population. The replacement of the fuel subsidies with a cash-transfer program had long been advocated by the IMF, which argues as aforementioned that the subsidy tends to favor the rich (who use most fuel) and is thus wasteful.

Yet, given the growing trust deficit between citizens and government, weaning the former away from universal subsidies and convincing them of the benefits and added effectiveness will take a massive amount of political clout (Zaina Steityeh 2012). It is vital that, as part of this continuous process, the government supports the transition between across-the-board subsidies to more targeted version with a good communication strategy to garner public buy-in. It is crucial that the government gets in front of these types of policy decisions and not dragged behind the negative backlash, as it has so many times in the past.

Equally important, officials need to continue bolstering the subsidy restructuring with mitigation measures that protect poor households from any immediate effect of redirected subsidies and from the secondary round of inflation brought on by higher commodity prices. Policy options, including the introduction of subsidy cards, vouchers and cash-transfer programs, and bolstering the National Aid Fund, may help during the teething period and are worthy of further investigation (Zaina Steityeh 2012).

III.III The Fiscal Equation/Expenditure Rigidity

In theory, the fiscal equation is a simple one: expenditures on the one side and revenues on the other. With regards to the former, the Jordanian government has used its public sector and military as mass employment agencies. The effect is the recurrent expenditures aimed to sustain the wages and salaries of these bloated sectors take up the lion's share of overall spending.

Not only does this type of expenditure rarely lead to improved social equity, it does not contribute to growth and diverts funds away from health and education, both of which actually contribute to human capital formation and increased productivity in the long run. It also reroutes funds from capital expenditures that, in comparison, do lead to employment generation (assuming conducive labor laws) and infrastructure in the medium to long term (Zaina Steityeh 2012).

The Kingdom needs to reassess the value added of its expenditure components and attempt genuine methods of encouraging employment in the private sector. Deeper cuts into its current expenditures and a public sector employment freeze are on the IMF's stated objectives as part of its SBA, but the timing of such cuts has been negotiated given political sensitivities.

Meanwhile, in Jordan, the general sales tax continues to be the primary source of domestic government revenues. The literature suggests that not only does this provide for a certain amount of volatility given its close correlation with the business cycle, but that it is actually regressive. The poor squander a greater amount of their income in paying sales tax.

A rebalance between the sales tax and income tax structures must be attempted to ensure a more equitable redistribution of income, alongside better tax administration and collection. Furthermore, the government needs to continue re-examining and rebalancing property, real estate and capital gains taxes with two objectives in mind: increasing revenue whilst stimulating a more competitive and accessible rentals market. If the balance is properly struck, these instruments can serve to redirect investments to more productive sectors in the medium- to long-term (Zaina Steityeh 2012).

A domestic mobilization of tax revenues also has another important effect. Relying more on endogenous sources of funds and encouraging revenue performance to depend on tax efforts rather than non-tax revenues (like foreign aid and external loans) will help minimize the volatility of exogenous sources of finance in the long term. In this sense, an elections year in the US next fall and the subsequent decrease in foreign assistance are likely to have less of a negative impact on Jordan's ability to meet its fiscal obligations as it has as of late.

In an interview with *Al Ghad* daily newspaper, the former Central Bank of Jordan governor and ex-finance minister in the Jordanian Cabinet, HE Dr. Ummaya Toukan, estimated that tax exemptions have cost the country JD2.5 billion in foregone revenues. Jordan's exemptions thus need to be reconsidered in terms of the benefits derived and an altogether standardized approach to their administration is an absolute necessary component to bolstering public financial transparency (Zaina Steityeh 2012).

IV. Conclusion

So far, Jordan and the IMF have been engaged for 22 years in total; 15 years that began in 1989 and ended in 2004, and seven since the fund was called in again for help in 2012. Though the characteristics of the first era (1989-2004) are clear, allowing for more firm conclusions to be made (see section II above), the second period (2012-YTD) is still ongoing process and thus leaving lots of room for guestimates. Indeed, macroeconomic indicators, the unemployment rate and GDP growth are unlikely to return to "normal" levels anytime soon, meaning that this current engagement with the fund still has a few years left.

Either way, the abovementioned IMF-advocated policy interventions in section three of this paper come across as particularly conservative, and taken in absolute terms, project a harsh road ahead. It becomes the role of Jordanian policymakers to balance between the four axes of revising any remaining subsidies, reprioritizing expenditures, mobilizing revenue streams and increasing accountability. Timing is crucial and a staggered approach is the advisable option, with clear policy communication – something the government of Razzaz has certainly gotten better at.

Not only will these policies provide for more robust fiscal management and growth in the long run, they will also create much-needed policy space to enable the government to enact counter-cyclical policies to meet the economic demands of the Jordanian population. Austerity, as the Asian examples of South Korea shows, can work, but its success largely depends on political will to refrain from short-term patronage politics and a commitment to the long-term sustainability of the Jordanian economy. Much will also rely on the government complementing the "fiscally-responsible" IMF programs with indigenous, growth-enhancing schemes that focus on job creation, expanding the export base, and alleviating poverty, while keeping local prices in check etc. For its part, the IMF must start real negotiations with the government on deep structural fiscal reforms that would tackle the two biggest items in the state budget: wages and salaries and security.

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