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The Acting Chair's Summing Up
Independent Evaluation Office—An Evaluation of IMF Support to Jordan, 1989–2004
Executive Board Meeting 05/98
November 21, 2005

Executive Directors commended the Independent Evaluation Office (IEO) for preparing a thorough and valuable assessment of the Fund's support to Jordan during 1989–2004. They noted that the report addresses important questions about the Fund's program engagement in Jordan during that period, and seeks to draw valuable lessons and recommendations in key areas of the Fund's work, including program design, surveillance, and technical assistance. Directors welcomed the opportunity to reflect on the report's assessment of that longer-term program engagement.

Directors recalled that the period covered by the IEO report began when Jordan faced a severe balance of payments and debt crisis, and ended, some fifteen years and six Fund arrangements later, with Jordan's decision not to request another arrangement after the successful completion of the Stand-By Arrangement in July 2004. They agreed with the report's overall assessment that Jordan's long engagement in Fund-supported programs had helped the authorities address macroeconomic stabilization challenges successfully, although some of the main structural rigidities that underlay the financial crisis that led Jordan to its first IMF-supported program still remain to be addressed.

Directors shared the view that Jordan still faces the challenges of adjusting to the sharply lower level of foreign grants and reducing fiscal rigidities. Most Directors noted that these challenges would have been less daunting had more progress been made on critical reforms during Jordan's longer-term program engagement, including an increase in the flexibility of public expenditure and introduction of an automatic formula to allow domestic fuel prices to fully reflect world oil prices. They considered that a longer-term perspective, with greater emphasis at an earlier stage on the formulation of key institutional reforms in the fiscal area, would have increased the effectiveness of Fund-supported programs in Jordan, even if the reforms were to be completed only at a later stage. In this regard, a number of Directors also pointed out that any single budget deficit measure—before or after grants—has limitations as a short-term performance criterion and needs to be interpreted with caution, focusing on the implications for the medium-term fiscal path and debt sustainability.

Directors took note of the evolution of the Fund's advice on exchange rate policy, while recognizing that the peg has generally served Jordan well during the period under review. Many Directors shared the perception that the advice to Jordan for a shift to a more flexible exchange rate regime has been more a reflection of the evolution of the Fund's view on exchange rate policy in general rather than based on Jordan's circumstances. They felt that the staff's advice could have taken more fully into account Jordan's specific susceptibility to real and nominal shocks, as well as its vulnerabilities. Many other Directors observed, however, that the increasing emphasis on the merits of a flexible exchange rate regime in the later part of its longer-term program engagement had been appropriate in light of the increasing importance of real and external shocks. In any event, Directors continued to see a need for candor in the treatment of exchange rate policy in Board documents. They also observed that assessments should be based on a careful analysis of the costs and benefits of alternative regimes for each country.

Directors concurred with the IEO's lesson that a wider dissemination of IMF technical assistance (TA) reports for Jordan could have contributed to more informed public discourse and shed light on the IMF policy advice on key issues. Wider dissemination could also prove beneficial to other countries in similar circumstances. At the same time, Directors noted that decisions on disseminating such reports are ones for the authorities to take. A number of Directors observed that, in some cases, wider dissemination of TA reports could also increase resistance to reforms, particularly by creating the perception about policy changes being externally imposed. They considered that the country authorities are best placed to determine whether increased awareness of TA reports would help in reform implementation.

Directors welcomed the IEO's analysis of issues related to the Fund's internal processes and policies. They noted that the analysis found no significant evidence that the nature of Jordan's longer-term program engagement reflects preferential treatment because of this member's geopolitical position. A number of Directors, however, felt that the IEO report could have explored more deeply the external and political factors influencing the Fund's decisions to assist Jordan, for instance, through a more direct assessment of how decisions were actually made.

Directors considered that the findings of the evaluation report are generally consistent with the Ex-Post Assessment prepared by Fund staff. Some Directors questioned whether the preparation of two reports with significant overlap had been necessary, and thought that the analysis in the two reports could have been more differentiated. While Directors were generally pleased with the broad coverage of the report, they considered that further discussions of some issues—such as program ownership, poverty alleviation efforts, and quality of fiscal adjustment—would have been useful.

Many Directors agreed that the Jordanian experience reinforces the need for Board papers to provide clearly the underlying rationale for key elements of program design. They also supported the IEO's call for greater candor in staff report assessments, especially of the risks to the program and recommendations on how best to mitigate and manage them. These steps were seen as ensuring accountability by staff and management, and enabling the Board to take more informed decisions and to exercise its oversight responsibilities more effectively. While agreeing that structural conditionality had been well designed, many Directors also pointed to the lessons for the timing of these conditions offered by the

Jordanian experience. In particular, they noted the importance of ambitious but realistic timetables that take into account a country's implementation capacity as well as the prevailing political and social environment.

Directors welcomed the broad policy lessons for the Fund offered by the IEO case study of Jordan, while recognizing the limitations in distilling general policies from the experience of a single country. Directors noted that similar lessons have been drawn before, including in earlier IEO reports, and have resulted in a number of policy changes that have contributed to improving the effectiveness of Fund operations, including in Jordan. Directors urged the staff to pursue their efforts to ensure that the policy changes introduced in these areas continue to be implemented as effectively as possible across the entire membership.