Assessing the Sustainability of Jordan’s Public Debt:
The Importance of Reviving the Private Sector and Improving Social Outcomes

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Policy Note 11
August 2023
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Acknowledgements

The authors acknowledge, with thanks, the support and comments received from Ishac Diwan and Ibrahim Elbadawi; the peer reviewers Mary Kawar, Adnan Mazarei, and Nesreen Barakat, as well as Kevin Carey, Alia al Mahdi, and Mustafa Nabli; and the participants of meetings held in Amman in March 2023 and Cairo at the ERF Annual Conference in May 2023. The authors also thank Laith Al Ajlouni for his earlier involvement in the preparation of the paper and contribution to the collection of data used in the analysis.
Abstract

This paper examines debt sustainability in Jordan. First, it notes Jordan’s economic trajectory, which has been characterized by long stop-go cycles; real GDP per capita peaked in the early 1980s followed by a precipitous decline in 1992, then peaked again in the early 2010s and has since declined to levels last seen in the early 2000s. Second, these long swings have been associated with increasing reliance on international support. Much of this international support has contributed to increasing levels of public debt, the composition of which is shifting from domestic to external borrowing – something that should be examined against the exchange rate that has remained pegged for three decades. Third, due to unprecedented high rates of economic growth during the 2000s, the debt-to-GDP ratio was reduced by half during the 2000s even though the debt level doubled. Having nearly reached a fiscal cliff by the end of the 2010s, the government announced hundreds of reforms supported by Jordan’s international partner, which aim to improve macroeconomic management and accelerate private sector development. For now, debt sustainability seems feasible for the next three to four years, but in the future, it will depend on how quickly, consistently, and effectively the reforms will be pursued and whether there will be any adverse external shocks. We conclude that the right policy mix to reduce the debt-to-GDP ratio should focus on policies that promote economic growth, rationalize – not necessarily reduce – public expenditures, raise revenues in a non-regressive way, and take into account several implicit liabilities such as those arising from the pension system and climate change adaptation measures.

**Keywords:** Public debt, sustainability, Private sector, Social outcomes, Jordan

**JEL Classification:** H6, F3
1. Introduction

This paper examines the sustainability of public debt in Jordan. It does so by exploring, at a rather broad level, the recent trends and current fiscal and economic situation while recognizing the sizeable impact that the multitude of external shocks have inflicted upon Jordan in the last decade. It does not, and cannot, reach the sophistication and depth of broader approaches or specific recent analyses for Jordan. Such a task would have required more detailed information regarding the debt structure in terms of its maturity (short or long), the currency composition (domestic or external and, in the latter case, in what currency), the repayment schedule (smooth or lumpy), the bondholders’ profile, and much more information than what is currently available to the authors.

Instead, the paper focuses on the divergence between expenditures and revenues that results in budget deficits and high(er) rates of debt, including servicing the debt, the nature of expenditures – the composition of which can become more growth enhancing (e.g. by promoting investment) and more socially effective (e.g. through more equitable social spending) – and the outcomes of the private sector in terms of economic growth/productivity gains, employment, and labor earnings, all of which can create a virtuous cycle and reduce resistance to reforms.

The analysis of this paper suggests that Jordan’s debt stress has arisen from persisting budget deficits and increasing borrowing that has more recently come from external sources, and concludes that future debt sustainability should more promisingly rely on achieving fast economic growth. The needed reforms to avoid falling off the fiscal cliff in the short run and to accelerate growth in the longer run are well known, as they have repeatedly been included in the many vision and strategy documents that Jordan has adopted in the past and have also been included in donor agreements in the last three decades. Though agreed upon internally and externally, these reforms have not been pursued consistently over time. Although Jordan has made progress in several areas, it has not moved ahead as fast as others in the world economy. In a globalized world, it does not matter how fast you move, but how fast you move relative to others.

Jordan may not be confronted with unsustainable debt until the better part of the current decade. In the words of the most recent assessment, the envisaged “fiscal adjustment maintains debt on a firmly downward trajectory, with risks to debt sustainability remaining elevated but manageable ... [being] mitigated by ... expectations of continued robust donor financing at favorable terms.”

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1 See IMF (2022a).
2 See IMF (2022b).
3 Other critical components of debt that have different implications for debt sustainability include several debt instruments such as debt securities, loans, currency and deposits, special drawing rights (SDRs), account payables, and insurance, pension, standardized guarantee schemes, or repurchase agreements (or repos). Additional information requirements include the laws governing the debt such as the domestic laws applicable to domestic debt, foreign laws that apply to debt owed to external creditors, or multilateral debt that might be issued in international markets and may be subject to laws from different jurisdictions. Such laws do not constitute a risk but have implications for the modalities and costs of debt restructuring should this be required and agreed on. The IMF analyses go even further by examining debt risks from changes in natural resource exploitation/revenues, climate-related impacts and adaptation costs...etc.
However, Jordan is facing sovereign stress amid persistently low economic growth. Moving ahead, Jordan should continue its efforts in debt stabilization, which it began attempting after the London Initiative in 2019. Though on an explosive debt trajectory during the last decade, the average maturity of domestic debt has now been extended significantly. In the absence of some unforeseen event, the rollover risk is low and there is time to introduce reforms limiting the intensity of austerity measures and enabling the economy to start accelerating.

In conclusion, debt stabilization would depend less on decreasing the numerator and more on increasing the denominator in the debt-to-GDP ratio. The former would require austerity measures that are difficult to implement due to their social implications – which also explain, to a great extent, why Jordan delayed introducing the necessary reforms in the past – along with the many shocks that have emerged in the meantime. The increase in GDP would require a departure from the apparent development paradigm and social contract that Jordan has been following in the last three decades or so. Thus, the paper also examines the health of the private sector and the social conditions in Jordan. Much will depend on what Jordan does to address its short-term liquidity issues and how quickly it does so while also addressing structural issues before they create insolvency pressures that are tough to counter.

The paper is organized as follows. Section 2 offers a bird’s eye view of the trajectories of debt and total and per capita GDP and their likely future course. Section 3 reviews the external/internal composition of debt and its service. Sections 4 and 5 provide a snapshot of the evolution and composition of public expenditures and public revenues. Section 6 examines the trends and current state of the private sector. Section 7 departs, in some sense, from what is conventionally included in debt-sustainability analyses by delving into the conditions of the social sectors, especially labor market outcomes that are critical from a political economy perspective. Section 8 summarizes the prospects of debt sustainability in Jordan and concludes.

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5 Excluding treasury bills. IMF (2022b): p. 46. Short-term debt was reduced from 60 percent (as a percentage of total external debt) in 2009 to 37 percent in 2021 (World Bank Development Indicators). According to the Ministry of Finance, the average maturity of domestic debt as of 2022-01 was 4.4 years and 9.9 years for external debt (GoJ, 2022b).
2. The unpleasant trajectories of GDP, incomes, and debt, and their likely future course

Jordan had high increases in per capita incomes in the 1970s and early 1980s that were followed by periods of low or negative growth (Figure 1). It also experienced two periods of rapid growth each lasting for almost a decade. The first one benefitted from the regional oil boom after 1973, which ended in 1982. The economy went into a downward spiral after 1983, culminating in a fiscal crisis by 1989 that necessitated external support and the significant devaluation of the national currency.

The economy recovered relatively well throughout the 1990s despite the shock from the arrival of nearly half a million Jordanian returnees from Kuwait and other Gulf countries in 1992 after the Gulf War, at a time when the domestic population was barely four million. In the early 2000s, economic growth was revived, partly because of the conflict elsewhere in the region, especially the war in Iraq in 2003 that resulted in “dramatic changes” in FDI.6 As a result, the debt-to-GDP ratio was reduced by half (from around 100 percent to just 50 percent) during the 2000s even though public debt doubled during that period from around USD six billion to USD 12 billion.

Economic growth started stalling again in the 2010s. Admittedly, there have been several shocks to the economy, though not all have been unique to Jordan (see below). Throughout these years, as before, Jordan had to rely on generous external support to keep the economy floating. For example, since the early 1990s, the IMF alone provided support to Jordan in 1994, 1996, 1999, 2002, 2012, 2016, and 2020.7

Figure 1. Per capita GDP (constant JD) and unemployment rate (right axis%)

Source: World Bank Development Indicators.

6 World Bank (2018).
7 Youssef and Zaki (2021).
Since the early 1980s, real per capita income peaked in the early 1980s and late 2000s, roughly at the same level. By 2021, its level was 25 percent lower than in both years. Per capita wealth also stagnated. A comparison of the change in these two indicators between Jordan and the average upper-middle-income country is notable.
Since 1992, per capita income growth was positive during only 15 of these 37 years until 2019.\(^8\) More than half of these years were in the more recent years, from 2009 to 2020, when per capita incomes declined on average by (minus) 1.5 percent per year.

Compared to 2009, real GDP has increased by 25 percent, but per capita income has declined by nearly the same amount (Figure 4).\(^9\) The PPP conversion factor of private consumption (from JD per international USD) in Jordan increased by 0.27 since the start of the economic boom (2000) to 0.32 in 2021, implying a decline of purchasing power from 3.7 to 3.1.

It is true that the population was 6.5 million in 2009 and reached 11 million by 2021, an increase of 70 percent. However, had the population increased at the rate that was increasing in 2009 (at 3.13 annually before the Syrian influx of refugees), the population would have increased to 9.1 million (or by 40 percent compared to 2009). This difference of nearly two million is not solely due to the influx of the estimated 1.3 million refugees.\(^10\) For example, while the number of working-age Syrians increased by 625,000 from 2010 to 2016, the corresponding number of other non-Jordanians increased by more than 825,000.\(^11\) The latter reflects, in part, the preference of employers and the accommodating domestic labor policies that encourage the use of low-cost migrant workers, a point discussed later in this paper. Either way, the presence of Syrian refugees reduced the per capita GDP but not proportionately to their share of the population.\(^12\) All in all, the decline in per capita income may not have been 25 percent but may have been around half that figure.

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\(^8\) Before 1992, the growth in per capita incomes fluctuated widely. It increased at high rates in the 1970s till the early 1980s, peaking at an annual rate of 17.4 percent in 1979 and still growing at a rate of 13 percent in 1981. The latter was followed by a decade of negative per capita income growth until 1991, the year of the arrival of nearly half a million returnees from Kuwait. The returnees increased the share of the labor force with post-secondary education by more than 10 percent. Per capita incomes increased by more than eight percent the following year, in 1992. The growth in per capita incomes then fluctuated at low average annual growth rates (0.5 percent) until 1999. Between 2000 and 2008, per capita incomes increased at an annual rate that averaged 3.5 percent, peaking at 5.7 percent in 2004.

\(^9\) Over the longer historical perspective, the highest per-capita income in real terms was USD 5,055, in 1982 and toward the end of the 2000s compared to USD 3,837 in 2021 (Mansur, 2023).

\(^10\) IMF (2022b).


\(^12\) The conflict in Syria is estimated to have shaved off 1.6 percentage points in Jordan. The decrease in the transit trade through Syria took away 3.1 percentage points and increased the poverty rate by four percentage points. In comparison, the refugee arrivals boosted GDP by 0.9 percentage points and increased labor supply, but there was an impact on the demand for public services, transport, education, health services, water, energy, and municipal waste (World Bank, 2020).
In the meantime, public debt increased almost linearly since 2009 (top line, Figure 4). Its annual rate of increase has been nearly eight percent compared to the increase in real GDP by only two percent. By the end of 2022, the government-guaranteed gross debt was 114 percent of GDP and 91 percent of GDP after netting out the Social Security Corporation’s (SSC) holdings. The budget deficit averaged over seven

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13 IMF (2022b).
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percent of GDP during the 2010s (Figure 5). Admittedly, though the Global Financial Crisis in 2008 may not have had a significant effect on Jordan, the impact from other shocks has been significant, starting with the fallout of the Arab Spring in 2011 and the subsequent influx of Syrian refugees and Iraqis in 2013 after the emergence of ISIS, the disruption of trade with Iraq, the interruption of Egyptian gas supplies to the country in 2012/13, the COVID-19 pandemic in 2020, and, more recently, the food and fuel crisis of the Ukraine/Russia war. These all necessitated, to various degrees, an increase in public spending – leaving aside (for now) whether the level of additional borrowing and the composition of public expenditures were what they should have been.

As mentioned in the previous paragraph, there are two estimates of Jordan’s debt, including and excluding the pension reserves of the pension-accumulated funds at the SSC. Public debt, as defined in the IMF’s debt-sustainability analysis, refers to the consolidated gross direct and guaranteed debt of the central government and includes the deficits of the National Electricity Company (NEPCO) and Jordan’s Water Authority (WAJ), and the assets of the state-owned SSC. On this measure, the debt reached nearly 92 percent of GDP by the end of 2021 (compared to more than 110 percent if the SSC reserves are excluded).

Figure 4. Total debt (% of GDP) and real GDP (total and per capita), 2009-21 (index 2009=100)

Sources: Central Bank of Jordan and World Bank Development Indicators.
The pension reserves of the SSC are bound to decline over time due to the demographic transition increasing the share of the population above the pensionable age. On current trends, the future pension outlays are projected to exceed the revenues from PAYG contributions by the mid-2030s, and the accumulated reserves in the SSC are projected to be depleted by the mid-2040s. Estimates of the debt sustainability would differ according to which measure of debt is used.

Taking the lower estimate into account implies that debt refers to current (i.e., not contingent) liabilities. The IMF’s latest forecast suggests that “the debt will fall below 80 percent of GDP by 2027 but its decline would decelerate significantly thereafter.” This should be considered in tandem with the pension payments that are already accelerating over time. In fact, another IMF scenario that includes climate change adaptation expenditures (estimated at two percent of GDP) suggests that the debt ratio will stagnate after 2027 and will be two percent higher in 2034 compared to the baseline scenario. The latter year very much coincides with the estimated end of positive revenues for the SSC over pension payments funded from the PAYG system. Furthermore, the latest IMF assessment is projecting that debt stabilization is already expected to take place two years after the beginning of the program.

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3. The increasing share of external debt and its service

The level of external debt is lower than that of domestic debt. External debt is at JD 16.6 billion compared to JD 19 billion of domestic debt, resulting in their respective shares reaching 46 percent and 54 percent of the total debt. However, the external debt has increased at a much faster rate than the latter. While the external debt as a percentage of GDP has more than tripled since 2009, the share of domestic debt fell short of doubling (Figure 6). The public external debt increased to 40.6 percent of GDP in 2021 and further to 42.3 percent in 2022, mainly due to the impact of the pandemic and the rising energy costs following the Russia-Ukraine war, in an upward trend had started earlier in the 2010s.

By the end of 2021, the debt service reached 4.5 percent of GDP. In line with the increasing share of external debt mentioned above, the interest paid to external debt increased much faster than that going to service the domestic debt (Figure 7). However, the cost of domestic borrowing accounts for 3.1 percent of GDP compared to 1.4 percent of GDP being paid to external debt, notwithstanding the fact that each kind of debt accounts for almost half of the total debt. The reason is that the interest paid to domestic debt has consistently been higher than that paid to external debt. Since 2009, the interest on domestic debt has averaged 4.3 percent compared to 2.3 percent for external debt. The difference has increased over time, reaching 5.5 percent for domestic borrowing and less than half of that (2.7 percent) for external borrowing by 2021.

Figure 6. Evolution and composition of debt (% of GDP; index 2009=100)

![Graph showing the evolution and composition of debt (external and domestic)](source: Central Bank of Jordan)

16 Predicted share based on increases in the last four years that average 0.03 pp increase. For example, interest payment was 4.2 percent of GDP in 2020, 3.7 percent in 2019, 3.4 percent in 2018, and three percent in 2017.
On the one hand, the increasing reliance on external borrowing can expose Jordan to currency risk, something that can be avoided by taking into account the benefits and risks of domestic borrowing. So far, Jordan has avoided the risks associated with external borrowing in foreign currency by pegging the national currency to the dollar at a rate of 1.41 for three decades. This may have significantly contributed to making exports expensive while reducing the cost of imports, thereby adversely affecting domestic production, employment, and the balance of payments. However, as Jordan has increased the share of foreign currency denominated debt, the debt is subject to greater exchange rate risk to the extent that there is exchange rate misalignment (overvaluation) that may result in depreciation, thereby leading to debt spikes.\(^\text{16}\)

On the other hand, the substantial share of domestic in total debt has implications and carries risks for the domestic banks.\(^\text{17}\) By borrowing domestically, the demand for funds raises the domestic interest rates, and this can be one of the reasons that servicing the domestic debt in Jordan is twice as costly as servicing the external debt. High interest rates discourage the private sector from borrowing. This crowding out of private borrowing reduces investment, current economic activity, and future growth.\(^\text{18}\) An additional complication arises if, through the incentive of high returns on holding government debt or compulsion, the banks do not effectively make independent decisions regarding their portfolio structure, thereby

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\(^{16}\) IMF (2022); pp. 24-25.

\(^{17}\) The share of domestic credit provided to the government by the banking system has invariably hovered between 20 percent and 25 percent in the last decade (IMF 2022b); p. 29.

\(^{18}\) The annual rate of growth of credit to the private sector averaged 5.6 percent in 2020 and 2021 compared to 12.6 percent to the central government (IMF, 2022b); p. 5. The IMF (ibid., p. 13) notes that “private sector credit growth slowed, but to a still-healthy level of around five percent y-o-y in 2021 and 5.7 percent y-o-y in March 2022.”
holding large amounts of government debt compared to what would otherwise be considered optimal. This can lead to defaults should the government be unable to repay or restructure the debt. In extreme (but not that rare) cases, this can lead to a domestic financial meltdown.

The IMF currently assesses the contagion risk among banks to be limited while the official gross reserves at the Central Bank of Jordan (CBJ) remain adequate. It, however, notes the sizeable external support of bilateral and multilateral donors, the IMF’s Special Drawing Rights (SDR) allocations, and the large exposure of banks to the sovereign. It further notes that credit concentration risk is substantial and at-risk non-financial corporations’ debt could increase significantly in an adverse case scenario. The identified areas for improvement are many and challenging. They include a more risk-based and forward-looking banking supervision approach, the need for supervisory assessments to be developed for more risk-sensitive capital requirements and for Anti-Money Laundering/Combatting the Financing of Terrorism (AML/CFT), a more refined strategy, and the bridging of data gaps for the implementation of stress tests, systemic foreign currency liquidity analyses, and the assessment of household and corporate sector vulnerabilities to guide the calibration of borrower-based macro-prudential tools. These proposals include a call for the creation of a multi-agency crisis management committee.¹⁹

A critical factor for the adequacy of foreign reserves and servicing the debt will be the future course of exports that have been around half the volume of imports. This is bound to affect the exchange rate that has been fixed for almost 30 years at 0.71 to the US dollar. However, the real effective exchange rate (REER) has shown a recent tendency to decline. The CBJ estimates that the REER declined by 9.5 in 2020 and 0.6 in 2021, reflecting a reduction of exports to Syria and Lebanon, mainly due to non-price reasons. This, along with other flows (including SSC investment outside the general government and off-budget project loans), puts some upward pressure on debt/GDP, the capital account balance and foreign exchange reserves, and inflation – the latter adversely affecting the purchasing power of citizens when buying imported goods, leading to a decline in their standard of living.

Current projections suggest that the share of the domestic debt will keep increasing until 2027 compared to that of 2022.²⁰ On the other hand, gross external financing needs are projected to decline from 13.2 percent of GDP in 2021 to 11.3 percent of GDP by 2026.²¹ It will be important to balance the risks from giving more weight to one compared to the other, taking into account the crowding out of credit to the private sector arising from greater reliance on raising debt from the domestic banks.

4. Public expenditures: Their composition matters more than their level

Public expenditures were around 30 percent of GDP in 2022. The biggest shares of public expenditures (in the following order) go to public sector employees, pensions, military, security, domestic debt payments, and external debt payments. Among them, they account for 75 percent of public expenditures equivalent to 23 percent of GDP. Another 14 percent of public expenditures go to investment (just over four percent of GDP), while the remaining items account for 11 percent of expenditures (3.4 percent of GDP) (Figure 8).

In terms of evolution, public expenditures (excluding interest payments) increased by half between 2009 and 2021. This measure is more appropriate as it relates to policy decisions made by the government. Military expenditures had the lowest increase very much in line with the increase in total expenditures (excluding interest payments). The wage and salary bill increased substantially more, with public pension outlays experiencing the highest increase (Figure 9).

Overall, despite the government often acting as an employer of last resort, the wage and salary bill is among the lowest in the region. Security and military spending, which, combined, constitutes the biggest share of public expenditures, is hard to assess. However, two components of expenditure that stand out are pensions and support to the poor, the former being sizeable and the latter being small.

Generally, poverty-targeted assistance has oscillated at low levels over time. However, it is recognized that Jordan’s social safety is one of the most efficient for reaching the needy among emerging markets, but spending on it has historically been low compared to regional and global peers, raising the question of the adequacy of the social safety net. Other kinds of assistance (subsidies) have had a stop-go cycle; the general trend has been to reduce/eliminate them over time, but they are reintroduced temporarily during times of crisis. Effectively, social protection is provided through employment in the broad public sector (civilian and military) and pensions are mainly provided to these two groups, as discussed next.

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22 Tamirisa and Duenwald (2018).
23 Mainly through the National Aid Fund (NAF).
24 Kawar et al. (2022).
Figure 8. Composition of public expenditures, 2022 (% of GDP)

Note: The 4.9 percent for pensions refers to public civilian and military pensions. SSC paid another four percent of GDP to privately insured pensioners.
* Other includes subsidies, energy arrears and other transfers
Source: IMF (2022b), Table 2a (3rd revision); World Bank (2021).

Figure 9. Evolution of public expenditures, 2009-21 (total* and major components, index 2009-100)

* In nominal terms; the “total” excludes interest payments.
Source: Central Bank of Jordan.
Pension spending is worth noting not only for its increasing size over time (Figure 9) but also for its high share in GDP despite the age composition of the population. Pension outlays in other countries do not reach Jordan’s expenditure in terms of their GDP until the share of the population aged 60 years and above becomes four times higher than that in Jordan (20 percent vs five percent) (Figure 10). Their implicit liability has been well-noted in analytical and actuarial studies, as is the difference between the two estimates of debt that include or exclude them. It is equally important to note that:

- Almost half of pension expenditures go to early retirees.27
- Military personnel can retire after 20 years of service and civilian workers after 25 years.28
- A large share (12.5 percent) of pensions is paid for disability.29

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27 By the mid-2010s, the average actual retirement age decreased from 55 years to 51 years since 2001, and the percentage of those who retired early increased from 53 percent to 70 percent (ILO, 2015a).
28 Workers under the SSC with 25 years of service can retire as young as 45 years of age. Around 60 percent of contributors retire early before the legal retirement age of 55/60 for women/men, respectively (World Bank, 2021).
29 For example, the corresponding share of sickness and disability benefits in OECD countries is only 1.6 percent. https://stats.oecd.org/index.aspx?queryid=30197
In terms of beneficiaries, the low coverage of social security outside the public sector implies that formal sector workers benefit the most and, among them, those in better-off households. This has implications...
for inequality, vulnerability, and poverty. Less than five percent of the total value of the pension bill is paid to those in the poorest quantile (Q1=20 percent), increasing from 10 percent (Q2), 15 percent (Q3), 21 percent (Q4), and reaching 48 percent for the richest quantile (Q5).

The effect of pension spending on other forms of social spending cannot be overstated. The high and increasing pension spending competes with other forms of social spending. Most subsidies, e.g., on energy and food, were eliminated during the 2010s, justifiably or less so. The subsidy cuts between 2012 and 2018 reduced public expenditures by around JD 870 million (around four percent of GDP). This compares to the pension bill of JD 1.3 billion in 2021. More broadly, social services, such as education and health that used to be publicly provided, are now provided by the private sector. In addition to the issue of affordability by the less better-off Jordanians, the quality of public services is perceived to have declined, and citizen satisfaction with public services has been declining over time.30

Similarly, high pension expenditure crowds out other forms of spending, notably capital spending. Public investments used to account for more than 15 percent of GDP before the 1990s, but their share has continuously declined in every decade that followed, even during the high growth years of the 2000s.31 They reached a low of 2.7 percent of GDP in 2020 and are projected to still be below four percent of GDP until 2027.32

5. Public revenues: Increasing but still low, and their composition is still wanting

After taking a hit from the pandemic, revenues from all sources increased in the last two years. The latest estimate (end of 2022) brings them to just over 23 percent of GDP (excluding grants), a share that is expected to prevail until 2027 amid continuing negative primary balances (again, excluding grants) that are only gradually expected to be reduced by 2027.33 This is despite the government’s successful recent efforts to increase revenues that countered, to some degree, the decline in domestic revenues by nearly 10 percent in 2020 due to COVID-19 and resulting from temporary fiscal measures that deferred tax payments, reduced social security contributions, and lowered the sales tax rate for the tourism sector.

Figure 12. Composition of and change in revenues 2019–21 (% of GDP)

30 Kawar et al. (2022).
31 JSF (2018).
The ongoing efforts to raise revenues have broadened the tax base and increased the efficiency of collection by strengthening the tax administration capacity, including the digitalization of tax services; setting up a dispute resolution procedure for outstanding income and sales taxes; adopting risk-based approaches to audits; boosting anti-smuggling measures for tobacco products; and improving compliance through campaigns, fighting tax evasion, closing tax loopholes, and tightening tax exemptions.

A wide range of ways to increase revenue mobilization are under consideration in the ongoing Jordan Reform Matrix and also included in the latest IMF assessment.\(^{34}\) They are all what one would expect them to be, but two are worth mentioning. The first is the well-placed emphasis on efforts to increase property taxes, probably the most preferred kind of raising revenue. Property taxes in Jordan remain particularly low at around 0.25 percent of GDP (for example, compared to Morocco at nearly 1.5 percent of GDP).\(^{35}\) Second, not only would a total reduction in the primary balance by 4.5 percent of GDP be required to meet the target of debt sustainability by the end of 2027; additional discretionary measures of 1.7 percent of GDP would need to be introduced to this effect.\(^{36}\) Given the rather timid growth rates that are envisaged (especially in comparison to natural population growth) and the loose conditions in the labor market as evidenced by the high rates of unemployment, fiscal consolidation attempts can have an adverse effect on public investment (as the case has been in the recent past), aggregate demand, and household incomes.

\(^{34}\) IMF (2022b): Annex V.
\(^{35}\) IMF (2022b): p. 73.
6. The private sector: Reversing past trends would require more effort and time

Other than the fiscal adjustment and public sector efficiency pillars included in the Jordan Reform Matrix and the pillar dedicated to social protection, the coverage of the remaining no fewer than eight pillars include hundreds of reform actions.\(^{37}\) This is suggestive of the number and magnitude of the effort required to change Jordan’s deep-seated economic structure and move the established rentier development paradigm to a productive one in order to overcome constraints arising from the regulatory environment, corruption, inadequate infrastructure, limited finance, and exposure to geopolitical instability.\(^{38}\) The difficulty in introducing just the Public-Private Partnership (PPP) Law is indicative of the effort required to address the multiple challenges facing the private sector (Text Box 2).

Figure 13. TFP and labor productivity growth, 2001-14

[Graph showing TFP and labor productivity growth from 2001 to 2014]

Source: Penn Tables and ILO.

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\(^{37}\) The nine pillars include the business environment, FDI and exports, access to finance, the labor market, transportation, energy, water and agribusiness, and tourism. See GoJ (2021).

\(^{38}\) Razzaz (2013).
A partial look at the composition and outcomes of the private sector is adequate to reveal its lack of dynamism and deteriorating performance over time. Over the last couple of decades, the value of the Economic Complexity Index has shown a consistent deterioration.\(^{39}\) Second, the structure of production has shifted toward lower value-added activities. Third, and related to the above, both labor and total factor productivity (TFP) have continuously declined (Figure 13). Overall, the private sector has been moving from low-productivity and low-wage sectors to even lower-productivity and lower-wage sectors as indicated by the employment of non-Jordanians, whose share in total employment has been increasing at a much faster rate than that of Jordanians, along with stagnating real wages.

The critical role that the private sector can play in employment creation among Jordanian job seekers has repeatedly been recognized by the government. The evidence has long been compelling; by 2010, it was already recognized that the economy should grow consistently at an annual rate of more than six percent if it were to absorb the new entrants into the labor market.\(^{40}\) The Jordan National Employment Strategy 2011-20 identified the need to adopt policies that would lead to private sector development and fast economic growth, a reduction in the duality between employment in the public sector and the private sector, and better migration management.\(^{41}\)

Moreover, the Jordan National Vision and Strategy 2025 also stressed the need to increase the labor demand by the private sector but documented that employment had been increasing faster in the public sector than in the private sector between 2009 and 2014 and more so in proportional terms, as total employment in the former was lower than in the latter by more than 40 percent.\(^{42}\) To this effect, it aspired to increase private employment by more than twice the rate of the increase in public sector employment between 2014 and 2025.\(^{43}\) The Vision also expected the public debt to be reduced to 47 percent by 2025, a figure that has been far surpassed, partly due to the multiple shocks to which the economy has been subjected since then, and partly because whatever reforms were introduced after 2018 have yet to show their full effects. It also doesn’t seem that the then-envisioned reduction of the unemployment rate to under 10 percent by 2025 will materialize; on the latest count and before the pandemic, unemployment stood at 19 percent of the labor force (and much more than that as a percentage of employment in the private sector).

\(^{39}\) JSF (2018).
\(^{40}\) ILO (2015a).
\(^{41}\) GoJ (2011).
\(^{42}\) GoJ (2014).
\(^{43}\) In precise terms, by 2.9 percent and 6.3 percent (GoJ, 2014).
The Public-Private Partnership Program (PPP) was initially launched in 2008 as part of the privatization strategy. The scope of the PPP was further developed with the government’s introduction of an improved legal framework (Public-Private Partnership Law No. 31/2014) that was largely based on the Privatization Regulation No. 8/2008 and previously on Article 20 of the Privatization Law No. 25/2000. The 2014 law also introduced sector-specific laws dealing with privatization as well as permitting PPPs within the water, electricity, and telecommunications sectors. A subsequent regulation (Regulation No. 98/2015) clarified and strengthened the provisions set down in the 2014 law.

However, not a single project has been implemented under the 2014 law. The procedures for approving newly initiated projects were cumbersome and the private sector was driven away from engagement in PPP projects. Under the 2014 law, the Ministry of Finance was responsible for the procurement and implementation of any PPP project in Jordan. The role of the ministry was constrained to providing a sovereign guarantee for projects that satisfy certain criteria, and this remains the situation today, though in a limited manner, as doing so would add to the contingent liabilities and become part of the public debt.

A new PPP law introduced amending the 2014 law (PPP Law No.17/2020) was said to be largely adherent to international best practices regarding the framework within which PPP projects can be observed, developed, and facilitated. The most notable change under the most recent law is the introduction of a PPP Projects Unit (Directorate) hosted at the PM office to oversee the progress of PPP projects, a matter that can strengthen inter-ministerial coordination. However, very few and rather small projects have been implemented under the new law so far.
Despite the official pronouncements for reforms that would support private sector development, the composition of output has been moving toward low-value-added sectors and the economy remains dominated by micro and small establishments where 60 percent of workers are found in very small firms (one to four employees) while firms employing 10 or fewer workers account for 90 percent of all firms. Yet the informal sector contributes only one-quarter to Jordan’s GDP despite employing more than 40 percent of all workers.

Economic complexity, which refers to the extent of the diversification of production that is a driver for growth, has also been declining over time as the economy has largely failed to make use of capital-intensive technologies and move to high-value-added products (Figure 14). From 2000 to 2015, employment grew disproportionately among the least productive sectors, which in Jordan are wholesale

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44 World Bank (2019).
45 IMF (2017).
46 ECOSOC (2023).
and retail, restaurants and hotels, and basic manufacturing. Therefore, the economy has been locked in a low-productivity/low-wage equilibrium affecting both productivity and also that of households.

**Figure 14. Jordan's economic complexity index**

![Jordan's economic complexity index](source)


Many countries transformed their economies with the introduction of modern technologies and high-value-added products, notwithstanding more recent reforms aiming at private sector development. Of concern to the private sector is the decline of Jordan’s score on the Index of Economic Freedom. The value of the Index has fallen from 66.5/100 in 2019 to 58.8/100 in 2023 (Figure 15). The country’s latest score places the country in the 93rd global position among the 183 countries for which there is information for

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47 World Bank (2019).
48 The Index of Economic Freedom is published by the Heritage Foundation and is estimated across around 180 economies on a scale of 0 to 100. It captures the “economic and entrepreneurial environment over which governments typically exercise policy control” using four pillars each including three indicators. The four pillars (and indicators) are: (i) rule of law (property rights, judicial effectiveness, government integrity); (ii) government size (tax burden, government spending, fiscal health); (iii) regulatory efficiency (business freedom, labor freedom, monetary freedom); and (iv) market openness (trade reform, investment freedom, financial freedom).
2023. The Index takes into account the free functioning of the domestic economy by assessing the state of “personal choice,” “voluntary exchange,” “market competition,” and “protection of persons and property.” It can be used for the improvement of institutional and legal structures and the related enforcement system. From a debt sustainability perspective, Jordan’s lowest score in the above index is assigned to the Government Size pillar and the Fiscal Health indicator for which Jordan is ranked 163rd of the 183 countries assessed (Appendix Table A-1). Moreover, Jordan has shown a consistent deterioration in its global positioning with regard to rule of law and innovation (Figure 16).

**Figure 15. Jordan’s scores (out of 100) in the Economic Freedom Index 2019–23**

66.5
66.0
64.6
60.1
58.8

Source: JSF 2023.

Among Arab countries for which information exists, Jordan with a score of 58.8/100 ranks below UAE (70.9), Qatar (68.6), and Bahrain (62.5), is practically on par with Oman (58.5), Morocco (58.4), and KSA (58.3), and ahead of Kuwait (56.7), Tunisia (52.9), Egypt (49.6), Lebanon (45.6), Algeria (43.2), and Sudan (32.8).
The private sector would need a policy environment that would reverse the negative tendencies and move away from the widespread low value-added, labor-intensive, and largely informal activities that favor the use of migrant labor and discourage Jordanians from being employed in the domestic labor market. While widely acknowledged in official documents, the structural reasons contributing to sluggish private sector growth and low employment creation among Jordanians have not been addressed to a degree that would have significantly changed the situation on the ground. The declining rates of both gross capital formation...
and FDI attest to the lack of contestability in the private sector that would enable it to engage more substantially in domestic production (Figure 17).

**Figure 17. Ratio of capital formation and FDI to GDP, 2009-21**

Assuming that the fiscal imbalances and poor state of the private sector are included in the reform agenda, they would still require improvements in the institutional framework, a stronger administration, and more consistent implementation of policies compared to what has prevailed in the past.

Source: World Bank Development Indicators.
The last decade has witnessed several attempts to define visions and outline strategies and development programs and projects aiming at boosting economic growth and addressing social issues. In 2015, King Abdullah II presented “Jordan Vision 2025,” which was launched under PM Abdullah Ensour and aimed to revitalize the economy and reduce the fiscal deficit, unemployment, and poverty via three consecutive Executive Development Programs (EDPs). The first program was to conclude by the end of 2018 but was abandoned after the resignation of that government in 2016.

The subsequent government under PM Hani Al Mulqi introduced an Economic Incentive Plan in 2017 with objectives similar to those included in Vision 2025. However, following protests and the subsequent resignation of the government in 2018, the plan was short-lived, and public debt continued to rise.

Omar Razaz was then appointed as the new PM and pledged to address the economic and social challenges that had been piling up. His government introduced a “Renaissance Program” in 2018 with three main pillars consisting of Productive Sectors, Rule of Law, and Social Protection. The program was simple but ambitious as its success would have depended on its consistent execution over a long period of time. The program was formally adopted in 2020 but that government also resigned in the same year.

The new government under PM Bishr Khasawneh (2020 till today) is largely following what was agreed on between Razzaz's government and donors (including the IMF and the World Bank) at a London conference in 2019 to avert the then-loomming fiscal crisis. The current program has been adjusted following the onset of the pandemic and is claimed to be "homegrown."

More recently in November 2022, an “Economic Modernization Vision” was introduced by the Royal Court with wide participation from various stakeholders. This implementation of the Vision will be monitored by a dedicated unit at the Royal Court and reported to the head of the state.

This selective review of recent attempts to ignite economic growth, put the debt on a sustainable path, and address unemployment highlights the importance of not only having a long-term view but a consistent implementation in the near term, notwithstanding unexpected derailments such as the pandemic and the more recent food and fuel crisis from the war in Ukraine.

Consistent implementation requires both a political will to apply the required and known policies as well as adequate institutional capacity to monitor progress and evaluate results. This would, in turn, require lower turnover of governments, clearer mandates of different authorities, and less reassigning of responsibilities between them that would enhance policy coherence. An additional constraint is the ability to publicly fund different initiatives but this is currently not that pressing following the funds secured at the London conference, which are being replenished and expected to continue for some time. Successful implementation of what needs to be done will also strengthen the trust of stakeholders in the ability and intention of the government to boost the economy and improve social conditions for ordinary citizens.
7. The social sectors: Declining incomes and an underperforming labor market

The above discussions on fiscal and private sector issues are useful for addressing the “expenditure cuts/revenue increase” approach for making public debt sustainable. However, fiscal rationalization needs to consider its social impact in terms of productivity, employment, and household incomes. Household incomes have been declining over time in line with the reduction in per capita GDP along with a reduction in the share of labor earnings across the whole spectrum of the income distribution.  

An examination of these issues can provide insights into the likely speed of fiscal consolidation. The unavoidable austerity that will follow, no matter how small might it be, may cross a critical living standards threshold of citizens who have seen their prosperity decline over time (Figure 18). This can raise their discontent as is also acknowledged by the IMF, which states that “a slower fiscal consolidation is necessary to entrench the recovery and avoid scarring and social unrest.”  

This caution is well founded. On the one hand, poverty has been increasing over time. On the other hand, inequality is high in Jordan; the incomes of those in the top decile of the income distribution are nine times higher than those in the lowest decile and nearly four times higher than the median incomes. Such big differences are more commonly found in Latin America and are double or even more compared to those found in OECD member countries.

Figure 18. Jordan’s rank in the prosperity index


50 Kawar et al. (2022).
52 GoJ (2019).
53 In 2017, the interdecile ratio P90/P10 (the ratio of incomes at the highest decile to those at the lowest decile) was 9.1 while the P90/P50 ratio (the highest to median deciles) is 3.6 and the P50/P10 (the median to lowest decile) is 2.5. For comparison among OECD countries, the corresponding ratios in OECD countries are 4.3, 2.0, and 2.1 with the high ratios in Jordan found only in some Latin America member countries, such as Mexico and Chile (OECD, 2018; Kawar et al., 2022).
7.1. Employment creation: Sluggish and in low value-added sectors

Jordan has low employment rates even among Arab states. This applies to both men and women. In the mid-2010s, the employment rate of Jordanian men was less than 90 percent of the average in the other Arab countries. In the case of the employment rate of women, Jordan is only ahead of Iraq, Algeria, and Syria. Their rate is only 55 percent of the average in other Arab countries.\(^{54}\)

The low employment effort can be related to the low labor market rewards and partly to the possibilities of early retirement. In addition, the evolution and current nature of the labor market have become increasingly labor-intensive following the gradual move of production toward lower value-added activities. The employment/output elasticity is near unity (at 0.93), which is far above the more commonly observed value of around 0.5 and is as low as 0.3 in other regions.\(^{55}\)

The high value of employment/output elasticity would have been good news if the economy grew quickly. For example, it has been estimated that absorbing the new Jordanian labor force entrants in the 2010s would require an annual rate of private sector growth of no less than six percent.

Moreover, many of the new jobs created even at the prevailing low economic growth rates are being taken up by non-Jordanians: Since 2003, the employment share of non-Jordanians in total employment has (officially) increased from less than five percent to more than 30 percent.\(^{56}\) In the more recent period between 2010 and 2016 alone, more than half of new jobs were taken by non-Jordanians.\(^{57}\) While Syrian refugees have taken several jobs, their share in new employment has not been higher than 10 percent. The share of Jordanians in total employment has now dropped under 60 percent and more so in the private sector.

The other side of the high employment-to-output elasticity is that labor productivity growth has been declining, as has also been the case for TFP (Figure 13). Between 2010 and 2018, labor productivity (output per person employed) declined annually by 0.8 percent, one of the highest negative rates in the world.\(^{58}\) Related to this change is the aforementioned fact that the majority of workers are found in very small firms employing fewer than five workers. Unsurprisingly, amid these conditions where it is difficult to find a job, many workers report that they found their jobs through personal contacts such as family members, relatives, and friends. The use of social networks is as high as 35 percent in large firms employing 50 or more workers.\(^{59}\) This compromises the beneficial effects that the labor market can have on production through efficient employer-worker matching.

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\(^{54}\) ILO (2015b).

\(^{55}\) In fact, the value of the elasticity projected in the Development Plan 1993–97 was 0.9. More recently, Vision 2025 (published in 2014) expected that annual employment would have increased on average by 5.4 percent and output by 5.7 percent by 2021, implying an elasticity of 0.95. These values have subsequently been empirically confirmed for Jordan (ILO, 2012).

\(^{56}\) GoJ (2019).

\(^{57}\) Crafft and Assaad (2018).

\(^{58}\) JSF (2018).

\(^{59}\) ILO (2016).
7.2. Wages: Declining, but not in the public sector

Wages are low in Jordan no matter which perspective they are examined from. First, they are low as a share of GDP (Figure 19). Second, they are low compared to productivity; the wage-to-productivity ratio in Jordan is 42 percent compared to 45 percent in the MENA region and much higher in other world regions. This, however, does not mean that employers can easily pay higher wages as this will depend on the level of profits. As production is dominated by usually family-owned micro and small enterprises, the possibility of granting higher wages is reduced. Third, they are too low to sustain households, as there is typically only one working family member per household.

Figure 19. Wage share in GDP, latest year

Source: World Bank Development Indicators.

These employment/productivity/wage outcomes can be related to deliberate policies regarding public sector employment and a rather paternalistic approach to wage setting in the private sector. Public sector employment has been seen as an employer of last resort though the rate of recruitment has declined over time. Still, despite the low economic growth rates of the 2010s, public sector employment increased annually by more than three percent between 2011 and 2017. In terms of wages, those in the public sector are higher than those in the private sector (except at very high wages) despite government employment

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60 For example, the ratio of wages to productivity is 53 percent is South Asia (World Bank, 2019).
61 Kawar et al. (2022).
being more attractive in terms of job security, shorter hours, and, perhaps, easier working conditions. The difference between public and private wages has increased over time; against consistent wage increases in the public sector, wages in the private sector have stagnated over time (Figure 20).

Figure 20. Public and private sector wages for Jordanians (Index 2007 = 100)

In addition to this “social” role served by public sector employment, the government sets the economy-wide minimum wage in consultation with employers and workers, but the final decision rests with the Ministry of Labor. As private sector wages have been under pressure due to the presence of non-Jordanian workers and an excess labor supply of Jordanians, the government has kept increasing the minimum wage above the increase, and often decline, in per capita incomes (Figure 21). At the same time, the prescribed minimum wage for non-Jordanians has been set at lower levels while certain sectors, like agriculture, have remained uncovered.

63 Dougherty (2010).
64 The minimum wage was introduced in 2002 at JD 85 per month and has since been raised to JD 95 in 2005, JD 110 in 2006, JD 190 in 2012, JD 220 in 2017, and JD 260 in 2021 (Mansur, 2021). In February 2003, the Trilateral Labour Affairs Committee decided to keep the minimum wage at JD 260 to be reconsidered in 2025 (Al Muheisen, 2023).
The effect of the minimum wage on private sector wages is as expected. The wages of those with primary or less education have increased significantly over time following the hikes in the minimum wage as these workers are typically low-paid. This has also been acknowledged by the International Labour Organization that noted “the minimum wage has been reasonably effective in improving the position of low-paid workers relative to the overall labour workforce.”

The other side of the coin is that the wages of those with secondary education have increased but not as much as the wages of the less educated. The wages of those with tertiary education have been declining after the end of the high growth of the 2000s. A parallel development is that the rates of return to education have declined substantially in the 2010s, as have the returns to experience for all workers irrespective of their age.

Public sector employment and wage setting for both the public and private sectors seem to have focused on the labor market symptoms in the short run rather than setting in motion the drivers for more productive and skill-demanding private sector growth.

### 7.3. Education: Retracting public provision and declining quality

Jordanian job seekers are increasingly becoming more educated. Between 2004 and 2015, the share of Jordanians with tertiary education increased by 50 percent, from 20 percent to 30 percent. Many of them emigrate, making Jordan one of the countries with the highest skilled emigration rates in the world at around 50 percent. Educated workers face low demand supply in Jordan as indicated by their declining

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65 ILO (2013).
67 OECD (2014).
wages. Unsurprisingly, among the youth who are in Jordan, more than one-third have expressed a desire to emigrate permanently.  

Still, the emerging picture for education is not free of issues. Public spending on education has been reduced over time, from five to six percent of GDP in the early 2000s to three percent in 2019, and the percentage of government budget allocated to education has been reduced from 22 percent in the mid-1990s to 10 percent by 2019. The share of students attending private education has increased while there are signs that education quality has been decreasing. These developments have implications for inequality, on the one hand, to the extent that students from poorer socioeconomic backgrounds are left behind, and on the other hand, for future productivity gains domestically and the ability of Jordanians to work abroad – the latter contributing to national income by as much as 10 percent in the form of remittances.

Inequality can increase following a fiscal consolidation with implications for the incomes of the poor (and productivity). Panel A in Figure 22 shows that children from poorer households have a low probability of getting an education beyond the primary level, and this is more so among girls, while practically all their counterparts from better-off households enter secondary education, and this is also more common among girls. This suggests that gender issues in Jordan are not only related to social factors but also to income (i.e., growth-related) ones.

The learning outcomes of the relatively fewer students from disadvantaged backgrounds that reach Grade 8 are lower than those from the richest households by 30 percent, one of the highest differences among the MENA countries for which there is information (Panel B).

Figure 22. Education: Selected outcomes

A. Probability (%) of children reaching secondary school by income quantile

<table>
<thead>
<tr>
<th></th>
<th>Boy</th>
<th>Girl</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest quintile</td>
<td>52</td>
<td>46</td>
</tr>
<tr>
<td>Highest quintile</td>
<td>91</td>
<td>100</td>
</tr>
</tbody>
</table>

Notes: (a) quintile: 20%; (b) simulated probabilities.

B. Difference (%) in science scores between Grade 8 students from the lowest and highest quintile

<table>
<thead>
<tr>
<th>Country</th>
<th>Boy</th>
<th>Girl</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>7</td>
<td>17</td>
</tr>
<tr>
<td>Morocco</td>
<td>21</td>
<td>25</td>
</tr>
<tr>
<td>Tunisia</td>
<td>23</td>
<td>30</td>
</tr>
<tr>
<td>Syria</td>
<td></td>
<td>31</td>
</tr>
<tr>
<td>Jordan</td>
<td></td>
<td>43</td>
</tr>
<tr>
<td>Egypt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lebanon</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


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68 See “The Silatech Index: Voices of Young Arabs: November 2010.” Silatech (Qatar).
69 World Bank Development Indicators.
70 World Bank (2019).
An additional issue is the declining learning outcomes of Jordanian students in an international comparative context. With reference to the results of the Trends in International Mathematics and Science Study (TIMSS), which assess the mathematics and science knowledge of students around the world, the performance of Jordanian students has been declining over time and more so for Jordanian boys. Though cross-country comparisons can vary because of changes in the country composition in different waves of TIMSS, Figure 22 (Panel C) shows a clear declining trend for Jordanian students. In 1999, the first time Jordan participated in the TIMSS study, Jordanian students scored 50 percent more than the least-performing country but have since been among the least performing ones. The decline has been less continuous and smaller when benchmarked against the international average scores, but the trend is clear. Jordanian girls outperform Jordanian boys even in math and more so in sciences, though this difference has historically been expected to be the other way around, especially in patriarchal societies. For both subjects, the Jordanian boys’ underperformance was the second highest among all the participating countries.

These findings raise several issues, including how Jordanians view their education system. The share of those satisfied with the quality of their education (at 61 percent) is the lowest among countries in the MENA region. This share is 63 percent in Lebanon, 65 percent in Kuwait and Saudi Arabia, 67 percent in oPt, 72 percent in Qatar, and 83 percent both in Bahrain and the UAE.71

7.4. Is the private sector short of skills?

In a quantitative sense, the private sector in Jordan is short of skills as many educated workers tend to emigrate. However, the ILO estimates the share of underqualified workers in the activities in which they are engaged across several reports on Arab countries. The results are shown in

71 UNDP (2014).
Figure 23. The share of underqualified workers in Jordan is not only lower than that found among its neighbors; it is practically negligible – perfect matching is never possible. The ILO further finds that there were practically no or few (less than 10 percent) underqualified workers at the two ends of the skills distribution, on the one hand, among legislators, senior officials, managers, professionals and, on the other hand, among clerks, service workers, shop and sales workers, and those in elementary occupations. The highest rates of underqualification were found among skilled agriculture workers (42 percent), followed at a distance by plant and machine operators and assemblers, craft and related trade workers, technicians, and associate professionals, with the share in each group being 20 percent or lower. These shares are still below the rates reported for other Arab countries in
Figure 23. Unsurprisingly, the share of Jordanian firms offering formal training is found to be among the lowest in the world.\textsuperscript{72}

\textsuperscript{72} Hertog (2023).
**Figure 23. Percentage of workers deemed underqualified* (selected Arab countries, mid-2010s)**

*ILO staff estimates based on Jordan's Employment and Unemployment Surveys, the School to Work Transition Surveys for oPt, and the Labor Force Surveys for the remaining countries.

7.5. **Unemployment: More of a structural than (only) a youth and gender issue**

Another undesirable feature of the Jordanian labor market is the high and persistent rate of unemployment. The rate has been largely invariant over time, oscillating between 12 percent and 14 percent even during the years of high growth (Figure 24). However, the unemployment rate increased to just under 20 percent in the second half of the 2010s when economic growth slowed down, and it reached nearly 25 percent as a result of the pandemic.

Three characteristics of unemployment in Jordan stand out. First, most unemployment is long term (more than one year). Second, the unemployment rates of educated job-seekers are much higher than those of the less educated workers. In fact, the unemployment rate for those with advanced education is nearly three times higher than that for those with basic education – respectively 25 percent and eight percent. Third, from a social protection perspective, the unemployment rates have been increasing for all income groups since 2010, with the highest unemployment rates found among households with lower incomes reaching 20 percent for those in the lowest income decile. Fourth, the 20 percent increase in unemployment rates among households in the middle of the income distribution has been the highest compared to those with lower incomes (Figure 25). In other words, unemployment is increasingly affecting middle-class households whose voices are harder to counter when fiscal consolidation is attempted.

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73 Razzaz and Iqbal (2008).
74 World Bank indicators.
The high unemployment rate of Jordanian women is an issue, but the number of unemployed Jordanian men is more than double that of Jordanian women. Moreover, while five percent of working-age women are unemployed whether they are in the poorest or richest income decile, 16 percent of working men in the

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Kawar and Tzannatos (2017).
poorest decile and seven percent of men in the richest decile are unemployed.76 Though Jordanian women face several legal, institutional, and cultural restrictions, these are also found, and in some cases to a greater extent, in other Arab countries.77

Under its proposed structural reforms, the IMF includes the need to increase employment and reduce the unemployment of women and youth. Practically all policymakers and analysts highlight this need. However, while the importance of policies to reduce the high unemployment rates of these two groups cannot be overstated, it should be noted that (a) even if all female unemployment were eliminated, nearly 70 percent of the unemployed who remain unemployed would be men; and (b) even if all youth unemployment were to be eliminated, 57 percent of the unemployed who remain unemployed would be adults.78

In other words, unemployment is less of a youth and gender issue and more of a structural nature but of another kind that is commonly believed to be. The anemic private sector does not create enough jobs, and those jobs that are created demand low skills, are of low productivity, and pay low wages. This makes migrant workers attractive to employers (on the labor demand side) while they do not meet the expectations of prospective workers (on the labor supply side). As mentioned earlier, the employment share of non-Jordanians in total employment has (officially) increased from less than five percent to more than 30 percent since 200379 and between 2010 and 2016 more than half of jobs have been taken by non-Jordanians.80

A way the government has tried to address unemployment has been through active labor market policies (ALMPs) under the perception (countered above) that Jordanians lack the education and skills required by (the rudimentary) production techniques deployed by the private sector in the context of a largely informal economy.81 Such active labor markets programs in Jordan have attracted large amounts of public expenditure, have taken place largely without the effective involvement of the private sector, and training provision has been entrusted to the military. Such training and subsidy programs have been found to have little or no effect on the demand for Jordanian trainees by the private sector.82 This is not unexpected; the increasing shares of low-educated non-Jordanians are manifestations that much of the demand for labor is for the unskilled and at low wages: Between 2004 and 2015, the share of non-Jordanian workers with primary or less education increased by 10 percent.83

How labor (and private sector) issues are addressed in the near future can help or hinder the fiscal consolidation program. For example, in its latest Letter of Intent of the ongoing IMF program, the government seems to be paying less attention to the bigger unemployment issue by noting that “the unemployment rate for Jordanians has witnessed a moderate recovery” by the end of 2021 (post-

76 GoJ (2019).
77 World Bank (2021).
78 Kawar and Tzannatos (2017) and Tzannatos (2022).
79 GoJ (2019).
80 Krafft and Assaad (2018).
81 Informality measured as the share of workers without social insurance has increased from around 45 percent to nearly 60 percent (World Bank, 2019a, using JLMPS surveys) with a decline only in small firms and among the self-employed.
83 World Bank (2019).
pandemic) and noting that it increased for “youth and young females.” This seems to be missing a point that is all too obvious in Figure 26.

**Figure 26. Unemployment rate by gender (Index 2009=100)**

![Graph showing unemployment rate by gender](image)

Source: Central Bank

### 7.6. The underutilization of Jordanian womanpower

Jordanian women have among the lowest labor force participation rates in the world, including among Arab countries, with the exceptions of Syria and Iraq. This is rather unexpected given, on the one hand, the relatively high education attainment of Jordanian women, which has caught up with and in certain respects exceeds that of Jordanian men – including outperforming boys in exams. On the other hand, there has been a fast decline in fertility rates from eight births per woman in the 1970s to 2.7 births today. These two factors, namely declining fertility and increasing education attainment, are closely associated with rising female participation rates.

There are several explanations for Jordanian women’s low labor force participation rate. One is that many households receive remittances from Jordanians working abroad, a fact that results in an income effect, thereby reducing the immediate need for work. Another explanation is the relatively low level of wages in the private sector that do not provide enough incentive for work given the rather basic public facilities for transport and the limited possibilities for child care. This “pull factor” seems to be largely missing in Jordan. Regarding the large share of educated total unemployment, an additional explanation for women is the expectation of getting a job in the public sector that already employs large numbers of workers in the education and health sectors. This also explains part of the higher education performance of girls compared to boys.

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84. IMF (2022b): Letter of Intent, first point under “Structural Policies to Promote Jobs and Growth.”

85. Women in Jordan often leave employment at marriage, and this is more likely if employed in private sector wage work at the time of marriage (Assaad, Krafft, and Selwaness 2022).
Irrespective of causes, the limited role that women play in the economy has implications for economic growth (as well as households’ incomes, therefore for public spending on social protection). Though there has been some increase in the employment of Jordanian women, especially in the public sector, the employment gains have been highest and unemployment lowest among those in better-off households. In 2017, the labor force participation rate and the unemployment rate for women in the top decile of the income distribution respectively were 46 percent and nine percent compared to nine percent and 13 percent among those in the lowest decile. These differences at the micro level, if generalized, reconfirm the role that the private sector and inequality play in labor market outcomes.

At the macro level, the gender gap in labor force participation implies that the economy is missing out on a part of one of its factors of production: women’s labor. The output loss of the lower female rates than male rate has been estimated for several countries and the results are summarized in Figure 27. The loss is particularly high in the MENA countries at 20 percent of GDP despite the fact that the countries in the region are predominantly middle-income ones and the loss in other middle-income countries averages only 12 percent across the globe. The output loss is even higher in Jordan at 21 percent and surpasses that of its neighbors, Lebanon and Palestine.

The above losses are based on the assumption that women’s employment will increase and output will increase proportionally to their current contribution. This is a restricting assumption as wages, prices, and labor demand are all bound to change if factor shares change. An alternative exercise is to estimate what might happen if employment distribution and wages are equalized between women and men, taking into account capital constraints and the fact that employment increases take place slowly over time. Under these assumptions, it has been found that the GDP gains average around three to four percent across the world, but for Jordan, they can be as high as six percent. This figure is higher than what Jordan currently pays to service the debt and the public expenditure on education.

86 HIES (2017-18).
87 Tzannatos (2008).
88 Tzannatos (2016).
While the role of women in the economy and reforms to support female labor force participation cannot be overstated, an increase in women’s employment may not come before the labor market slack is taken up by sustained growth, mainly by the private sector, and wages start rising. Attempts focusing on reducing female unemployment in the absence of a structural transformation of the economy and creating a vibrant private sector are bound to have limited effects and usually attract high levels of public expenditure.

The discussion on the state of the economy and social sectors brings to the forefront the interconnectivity between them in relation to governance issues and the broader development model that Jordan has been following over the last few decades (Text Box 5). An issue that remains to be seen is whether economic contestability can be pursued in the absence of political contestability, something that can help align economic outcomes with social outcomes for the majority of the population instead of serving the narrower interest of insiders.
Since 2009, there have been eight prime ministers and many more cabinet reshuffles. A public opinion survey by the Center for Strategic Studies in 2021 found that 33 percent expressed confidence in the government and only 15 percent in the Parliament. Voter turnout in 2020 was just under 30 percent, the lowest rate ever in a parliamentary election. Results of the Arab Barometer suggest that the percentage of Jordanians who trust the government declined by nearly 40 percent between 2020 and 2011 and trust in Parliament by 70 percent between 2018 and 2011.

Despite the efforts of successive governments (supplemented by explicit accords with the IMF and the World Bank) to revitalize the private sector, an Investor Confidence Survey shows that the percentage of investors who see the business environment as “not encouraging” increased from 56 percent in 2017 to 68 percent in 2022. Jordan’s rank in the Global Innovation Index fell to the 59th percentile in 2022 from the 43rd in 2011. Banks’ ability to provide financing to the private sector is restricted by nearly one-quarter of their assets being in government loans and bonds – this also risks being exposed to state finances. The military’s business activities are not insignificant; of the 17 new companies registered during the 2006-22 period with the Jordanian Armed Forces (JAF) as a partner, 11 were registered between 2019 and 2022. While a decade ago nearly 20 percent of Jordanian firms were five years or younger, their share dropped to less than 10 percent by 2019. The share of private sector publicly connected firms is second only to Tunisia and on par with those in Egypt.
The results of the slow private sector growth have been noticeable by ordinary citizens. Today real per capita income has been around 25 percent lower than that achieved in its peak years of 1982 and 2009. A survey conducted by the Arab Center for Research and Policy Studies in 2022 revealed that 77 percent of Jordanians view their current economic situation as “bad” or “very bad,” with 35 percent believing unemployment was the biggest challenge followed by difficult economic conditions (34 percent) and high prices and cost of living (14 percent). A 2022 survey by the International Republican Institute indicated that almost 40 percent believe the country is, by and large, “headed in the wrong direction,” a 24 percent increase from 2020. Jordan’s score in the World Bank’s 2022 human capital index is lower than the average for the MENA region, implying that “a child born in Jordan just before the pandemic will be 55 percent as productive when she grows up as she could be if she enjoyed complete education and full health.”

The human geography of Jordan is characterized by spatial relationships dominated by urban development and interactions between nationals and different waves of refugees. Nepotism, tribalism favoritism, clientelism, and institutional favoritism are all mentioned as factors shaping public recruitment and elections. Large protests in the capital Amman tend to be peaceful, elicit little police interference, and “most protests hold little possibility of realizing the claims they are making, if they register at all.” In comparison, small gatherings in smaller towns may be associated with blockades and sustained sit-ins and can provoke forcible responses by the authorities but are, at times, more successful with respect to their demands, which tend to be more focused.

When the state maintains a big footprint in the economy and governance is weak, policies for increasing competition and creating contestable private markets might not unleash the expected growth potential envisaged by conventional economy theory. “Contestability” in markets might not suffice if there is no “contestability” in the public sphere.

Sources: Authors’ compilation from Gatti and Lederman (2021), World Bank (2022a, 2022b), Luck (2022), Schwedler (2022), Mansur (2023), JSF (2023), Ajlouni (2023), and Jordan News (2023a).
Summary and discussion

This paper presents a summary of how Jordan came to the difficult debt situation in the late 2010s. It first acknowledges the many and severe shocks the economy has been subjected to over the course of that decade and, more recently, since the onset of the war in Ukraine. However, it is likely that fiscal stress would have hit Jordan at some point in time, even in the absence of external shocks. The reduction in the debt-to-GDP ratio from nearly 100 percent to less than 60 percent during the first decade of the millennium was due to the fast economic growth, not because increases in the level of debt were contained. In fact, the level of debt doubled during that decade, from JD six billion to JD 12 billion. It has since risen to more than JD 33 billion.

Summarizing the evidence presented in this paper, the prime drivers for the rising public debt have been the persistent budget deficits and servicing the debt (Figure 28). While the primary budget deficit (excluding grants) is forecast to be reduced, assuming corrective plans are implemented as planned, Jordan continues to borrow at rates much higher than the expected GDP growth. For example, the interest rate on the USD 1.25 billion latest Eurobonds issued in April 2023 was 7.5 percent, which is at least two percentage points more than the expected growth in GDP, if it materializes. In fact, the debt dynamics shown in Figure 28 could have been worse if the Jordanian dinar were not pegged to the US dollar, as the depreciation of the national currency has, to a large extent, been responsible for the recent doubling of the number of countries at high risk of – or already in – debt distress under the IMF’s Poverty Reduction and Growth Trust (PRGT), a trend that is expected to continue in the near future.89

Figure 28. Jordan debt decomposition 2009–22, change in the general government gross debt ratio, in percentage points of GDP

89 Humann (2023).
Assessing the Sustainability of Jordan’s Public Debt

As the figure also shows, GDP – effectively private sector – growth has been anemic. This is why this paper analyzes debt sustainability less in terms of the conventional “expenditure cuts/revenue raising” approach, the necessity of which it nevertheless acknowledges, and more with respect to the role of the private sector in reducing the denominator of the debt-to-GDP ratio. Accordingly, the paper does not add any new probabilistic metrics that are conventionally used to assess debt sustainability but relies on existing ones, mainly from those conducted by the IMF. Instead, it reviews the structural and institutional impediments and takes a bottom-up approach to assess the dynamism of the private sector in creating desirable outcomes in the labor market and household incomes. This will ultimately determine the social acceptability of reforms against a largely resilient social contract that has, so far, been mainly based on public sector employment and social protection (mainly pensions) but is not serving the needs of the majority of the population.

There are several points relevant to this assertion. Though repeatedly recognized in several vision, strategy, and planning documents since (at least) the early 2000s, there has been slow progress in moving away from the public sector acting as the employer of last resort and increasing pensions as the main form of social protection. Similarly, governance and institutional impediments have held back the development of the private sector and, among other undesirable effects, constrained the growth of the tax base. The need to service the debt has reduced both public investment and spending on social sectors. Interest payments have tripled since the mid-2000s, from 1.5 percent of GDP to more than 4.5 percent of GDP and from six percent of government revenues to 18 percent.

These factors combined have had an impact on the social sectors (i) directly through low public spending on social assistance and declining spending on education, health, and other social services, the quality of which has been increasingly perceived to be declining by the citizens; and (b) indirectly through low rates of decent employment creation, persisting high unemployment of women and men and youth and adults, and declining per capita incomes.
There was already a vicious circle in operation that, combined with low rates of citizens’ voices and government accountability (Annex Figure A-1), created political economy inertia for departing from the established development paradigm.

This creates both economic and political risks for debt sustainability that are additional to the ones embedded in conventional debt sustainability analyses (DSA). For example, it makes a difference whether the DSA is based on current or contingent liabilities. This is important for Jordan as the former implies a debt-to-GDP ratio of 90 percent as it takes into account the current SSC reserves. If one excludes them, omitting the fact that they are fast depleting, the debt-to-GDP ratio increases to 110 percent, not an insignificant difference.

Moreover, critical assumptions underpinning the DSA relate to the future course of growth that is usually projected optimistically, and also the level of the interest rates that current experience shows that can change quickly. Other implicit liabilities, such as those in the financial and banking sectors, are difficult to assess, but crises come slowly at first and then very quickly. There have been wild variations in the movement of the debt-to-GDP ratio in many countries, especially since the onset of the 21st century.

Perhaps more challenging is to forecast (effectively guess) the future fiscal policy behavior; that is, the commitment of the government to consistently pursue the agreed stabilization program as well the quality of debt management and the appetite of donors and markets to finance a bailout. The latter, that is the expectation of continued robust donor financing at favorable terms, is one of the assumptions underpinning the most recently conducted but rather favorable DSA by the IMF. However, donor support may be more limited in the future as the already generous contributions by regional and bilateral donors and the IFIs may have little scope for increasing further.

In more quantitative terms, some approaches that have long been used in the past have been gradually abandoned. The use of a rather deterministic arithmetic of the budget constraint to determine sustainability and predict insolvency has largely been discarded – for example, the emphasis on spreads for borrowing or critical thresholds of debt-to-GDP ratio (such as 65 percent). Countries have defaulted below accepted thresholds while others bypassed crises with higher levels. This was acknowledged soon after the 2008 Global Financial Crisis in an IMF Board paper that noted “the lack of empirical basis for generalized debt thresholds.”

Finally comes the issue of defining debt sustainability. Narrow definitions place the onus on fiscal policy behavior. Accordingly, public debt is considered sustainable if the government is able to meet all its

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90 For example, after successful and massive reductions in public debt in Spain and Ireland that made these two countries enjoy very low debt ratios with no red flags that either country was not on a sustainable debt path, their debt ratios increased three times in the former and four times in the latter (Brunnermeier et al., 2016; Farhi and Tirole, 2018).
92 For example, in addition to the funding secured at the London conference, a seven-year MOU with the US will provide USD 1.45 billion in grants per year (a mark-up of around US$200 million); and the UAE converted a USD 333 million deposit at the CBJ into a long-term concessional loan. (IMF, December 2022)
93 An extreme case of the latter is Japan, whose debt has for long stood at above 200 percent of GDP (Ardagna, Caselli, and Lane, 2007).
current and future payment obligations “without exceptional financial support”\textsuperscript{95} or “without unrealistic fiscal adjustment.”\textsuperscript{96} Alternatively said, debt sustainability is the ability of the government to implement expenditure and revenue policies that ensure a steadily declining debt path under a “realistic” future course of economic growth and interest rates. Under this definition, the IMF’s position is that Jordan is on a sustainable path till 2027.\textsuperscript{97} However, the IMF’s global position is that “near-term risk assessments should not be undertaken, if the country is already in stress” as \textit{ex-ante} probabilistic assessments of the risk of sovereign stress are not meaningful when stress has already materialized.\textsuperscript{98}

Jordan still has sizable fiscal imbalances, but in view of the required massive infrastructure investments, they will be difficult to bridge unless political commitment increases today for what would be needed for tomorrow’s balancing political economy considerations. For example, the energy and water sectors, together with climate changes, pose strong headwinds. As an oil-importing economy, Jordan is vulnerable to energy price fluctuations in addition to the underperformance of the domestic National Electricity Company (NEPCO), which is burdened with deficits – a point already noted since the 1980s.\textsuperscript{99}

Similarly, the water sector faces persistent losses and arrears while Jordan remains one of the most water-poor countries in the world; its renewable water supply barely meets two-thirds of the population’s demands, while groundwater is depleted twice as fast as it can be replenished. The grave water situation has long been known; for example, a 1963 report noted that “The present water system is inadequate, unreliable, and subject to pollution from sewage which enters the catchment area above the spring sources ... Present sources yield too little water during the dry season ... Industries have been turned away because of the inability of the system to meet their water needs.”\textsuperscript{100} Addressing the water scarcity requires massive investments.\textsuperscript{101}

Climate change effects, such as those arising from the already declining trend in rainfall and increasing temperatures, if they continue, will affect production and livelihoods as well as the debt. Unless mitigation actions are taken well in advance, debt risks from the changes in natural resource extraction and commodity prices can have an additional impact on revenues, economic growth, and the debt profile, which can further be affected by increasing healthcare expenditures. Climate change adaptation measures may add almost two percent to the debt.\textsuperscript{102} PPPs may not be forthcoming at least in the short run, given the record of their development in the past (Text Box 2).

As it is difficult to raise the required financing from domestic sources, Jordan would have to recourse to additional external borrowing, as the prospects for eliminating the primary budget deficit in the near term are slim.\textsuperscript{103} Avoiding this option calls for improvements in governance, that is the manner in which the

\textsuperscript{95} Hakura (2020).
\textsuperscript{96} Debrun (2014).
\textsuperscript{97} IMF (2022b).
\textsuperscript{98} IMF (2022a): p. 41. Moreover, the IMF notes that though “Jordan's public debt is projected to continue on a downward trajectory over the next, the pace of decline will decelerate after 2027 ... [and] it is apparent that while debt is likely to stabilize in the medium-long run, a wide band of possibilities remains” (IMF, 2022b): p. 75.
\textsuperscript{99} World Bank (1983).
\textsuperscript{100} World Bank (1963).
\textsuperscript{101} IMF (2022) December Fifth Review. Link here.
\textsuperscript{102} IMF (2022): p 84.
\textsuperscript{103} The primary deficit is projected to be 0.4 percent of GDP in 2023 rising to 1.5 percent by 2027 (IMF, 2022a: p. 50).
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government aims to achieve the national objectives through its power to design, implement policies, rules, systems, and processes, and engage and involve its stakeholders. This includes the deployment of independent regulators, more balanced and effective public spending, and a more socially cohesive approach that would cushion the impact of economic transformation on vulnerable groups. Protecting the vulnerable and poor people may not require additional funding if the pension system is reformed and, unlike in some previous occasions, stays reformed. In parallel, the share of capital spending in public expenditures should increase together with efficiency improvements in expenditure management while broadening the tax base (rather than raising the tax rates). The low property taxes are an area that should be looked at.

If it continues, the rather stop-go historical approach toward fiscal discipline implies that policies for reducing inflation will, by design, rely more on monetary policy. The recent hikes in interest rates are likely to have dire distributional effects. Until inflation is tamed, real incomes will erode, especially in commodity-importing countries, as is the case in Jordan. To the extent that food prices rise faster compared to other prices, low-income families are disproportionately affected as food represents a higher share of their consumption, and this effect is stronger in lower-income countries like Jordan. This endangers social cohesion and calls for expenditure switching to lower-priority areas and larger transfers.

The road ahead requires a massive effort to turn around the economic and social momentum that has been created by past policies. The fact that in 2018 Jordan identified more than 254 reforms to be done across the whole institutional and economic spectrum is indicative of the problems the country was facing. By 2021, another 84 reforms were added, bringing the total to 338. This can be taken as an indication that sustainability was not assured and required additional actions. Still, three years after the Jordan Reform Matrix was adopted, only 131 of the 338 reforms were introduced. It is too early to assess whether the reforms have been implemented, whether they have been implemented effectively, and whether they are achieving what they aimed to achieve. However, some acceleration is taking place. In April 2023, the Cabinet approved the Economic Modernization Vision 2023-25 with 183 initiatives selected from the

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104 Arezki, Mazarei, and Plant (2023).
105 Jordan Strategy Forum (2023a).
106 IMF (2023) and Gaspar et al. (2023).
107 GoJ (2021). In addition, Jordan’s King Abdullah II announced on 10 June 2021 that he had created a high-level committee tasked with advancing political reform (Linfield, 2021).
108 Admittedly, some of the additional policy actions were introduced as a result of the impact of the pandemic. The pandemic resulted in loss of lives and livelihoods, reduced the revenue base due to reduced economic activity, and added to expenditure in several ways, such as by hiring 3,000 additional medical staff, increasing support to the vulnerable by cash transfers amounting to 0.3 percent of GDP, providing salary contributions support to 130,000 workers, and introducing employment programs for targeted youth, start-ups, and the ICT sector. However, much of these additional expenditures were offset by cuts in capital spending, freezing hiring and salary increases, and delaying non-priority spending.
almost 400 initiatives that are by now envisaged. The expected reactivation of the Water Carrier Project is a welcome sign in this respect.

Given that growth is still fragile, unemployment is high, and social sectors are faltering, fiscal consolidation needs to avoid a sizeable adverse impact on demand. In fact, even the role of achieving primary balance has been questioned empirically. The ability of policymakers to maintain fiscal solvency through higher primary balances in countries with high debt ratios, as the case is for Jordan, has been found to be weak, and “countries should focus more on accelerating economic growth.” This has been the central theme of this paper.

A selective review of the initiatives suggests that they include the approval of 46 legislative items and action plans. The targets are to raise the annual growth rate of real GDP to three percent, exports to nearly JD 10 billion, and net FDI to more than JD one billion. A major objective is to render Jordan a regional hub for manufacturing high-value products through 64 initiatives and 116 priorities. A national strategy is to be prepared along with a review of the Natural Resources Law. Another strategy will be for the transport sector for the years 2023-27 as well as a financial inclusion strategy for the same period. A health policy council will also be established, preparing a national strategy for the health sector. Another 31 initiatives and 75 priorities would support the creative industries, film industry, and electronic games industry. The tourist sector attracted seven initiatives and 17 priorities, while 44 initiatives and 81 priorities would cover the areas of jobs and skills. The use and sustainability of natural resources included 13 initiatives and 54 priorities, the transition toward a green economy eight initiatives and 24 priorities, and for the water sector, the financial sustainability plan will be implemented along with the water loss reduction project and the National Water Carrier Project. As for improving quality of life, the plan envisages 10 initiatives and 31 priorities and the implementation of a comprehensive plan for creating a new city. See this link.

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References

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Appendix

Table A-1. Jordan’s scores and rankings in the Index of Economic Freedom, 2023

<table>
<thead>
<tr>
<th>By Pillar</th>
<th>Indicator</th>
<th>Score (of 100)</th>
<th>Rank (of 183)</th>
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<td></td>
<td>Government Integrity</td>
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<td>67</td>
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<tr>
<td></td>
<td>Judicial Efficiency</td>
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<td>98</td>
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<tr>
<td>Government Size</td>
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<td>58</td>
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<tr>
<td></td>
<td>Government Spending</td>
<td>70.0</td>
<td>91</td>
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<tr>
<td></td>
<td>Fiscal Health</td>
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<td>163</td>
</tr>
<tr>
<td>Regulatory</td>
<td>Monetary Freedom</td>
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<td>Business Freedom</td>
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<td>Labor Freedom</td>
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<td>Financial Freedom</td>
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<td>By Ranking</td>
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<td>Fiscal Health</td>
<td>3.1</td>
<td>163</td>
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</tbody>
</table>

Source: JSF (2023d).
Annex

Figure A-1. Per capita GDP growth and voice and accountability

2001-11

2011-18

Excludes: Libya, Syria, Yemen