

## The Impact of International Monetary Fund Arrangements on the Jordanian Economy: 1989-2022: An Empirical Study

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Received: 20/10/2023  
Revised: 26/12/2023  
Accepted: 15/1/2024  
Published online: 14/11/2024

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Citation: Khazali, M. Q., & Alhajjat, S. M. (2024). The Impact of International Monetary Fund Arrangements on the Jordanian Economy: 1989-2022: An Empirical Study. Dirasat: Human and Social Sciences, 52(1), 332–346.  
<https://doi.org/10.35516/hum.v52i1.5967>

### Abstract

**Objectives:** This study explores the statistical and qualitative impact of International Monetary Fund (IMF) arrangements on key structural variables in the Jordanian economy (1989-2022), including economic growth, balance of payments, external debt, unemployment, and Jordan's foreign investment attractiveness. It addresses the central question: What is the impact of the IMF arrangements on these variables of the Jordanian economy, and what are the reasons for the success or failure of these arrangements?

**Methods:** The study used both the descriptive quantitative statistical method and the case study method, as a test of its basic hypothesis that there are negative correlation relationships between the IMF arrangements and the variables of the Jordanian economy.

**Results:** The study found that the IMF arrangements have a negative impact on many variables in the Jordanian economy, such as unemployment, external debt, balance of payments, and economic growth. The study also found that the arrangements have had a weak positive impact on Jordan's attractiveness to FDI. The study found that corruption in Jordan plays a major role in the continued cooperation between Jordan and the IMF, despite the failure of its arrangements to achieve their objectives for more than three decades.

**Conclusions:** The study found that the IMF arrangements have failed to achieve most of their economic targets with Jordan, and, therefore, there is no justification for continuing with more arrangements and programs of structural and economic reform without seriously reconsidering the various conditions that accompany them and that are demanded by the IMF from the Jordanian side.

**Keywords:** International Monetary Fund, Jordan, structural reform arrangements, loans.

### أثر ترتيبات صندوق النقد الدولي على الاقتصاد الأردني: 1989-2022: دراسة تجريبية

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#### ملخص

**الأهداف:** هدفت الدراسة إلى اكتشاف الأثر الإحصائي والنوعي لترتيبات صندوق النقد الدولي على عدة متغيرات هيكلية في الاقتصاد الأردني، كالنمو الاقتصادي، وميزان المدفوعات، والدين الخارجي، والبطالة، وجاذبية الأردن للاستثمارات الأجنبية خلال الفترة 1989-2022. إذ حاولت الدراسة الإجابة عن السؤال المحوري التالي: ما أثر ترتيبات صندوق النقد الدولي على متغيرات الاقتصاد الأردني، وما أسباب نجاح أو فشل تلك الترتيبات؟

**المنهجية:** استخدمت الدراسة كل من المنهج الوصفي الكمي الإحصائي، ومنهج دراسة الحالة، اختباراً لفرضيتها الأساسية القائلة بأن هنالك علاقات ارتباط سلبية ما بين ترتيبات صندوق النقد الدولي ومتغيرات الاقتصاد الأردني.

**النتائج:** توصلت الدراسة إلى أن ترتيبات صندوق النقد الدولي مع الأردن لها تأثير سلبي على عدة متغيرات اقتصادية رئيسية، بما في ذلك معدلات البطالة، والدين الخارجي، وميزان المدفوعات، ومعدلات النمو. كما توصلت الدراسة إلى أن هذه الترتيبات لها تأثير إيجابي ضعيف على جاذبية الاستثمار الأجنبي فقط. وتبين للدراسة أن تلك الترتيبات تفرض شروطاً غير عادلة على الأردن، مما يؤدي إلى تفاقم المشاكل الاقتصادية في البلاد. توصلت الدراسة إلى أن الفساد في الأردن يلعب دوراً رئيسياً في استمرار التعاون بين الأردن وصندوق النقد الدولي، على الرغم من فشل ترتيباته في تحقيق أهدافها منذ أكثر من ثلاثة عقود. **الخلاصة:** اتضح للدراسة أن ترتيبات صندوق النقد الدولي قد فشلت في تحقيق أغلب مستهدفاته الاقتصادية مع الأردن، وأنه لذلك، لا يوجد مبرر للاستمرار بالمزيد من الترتيبات وبرامج الإصلاح الهيكلي والقروض دون إعادة النظر بجديّة بمختلف الشروط التي ترافقها ويطالب بها الصندوق الجانب الأردني.

**الكلمات الدالة:** صندوق النقد الدولي، الأردن، ترتيبات الإصلاح الهيكلي، القروض.



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## **Introduction**

For individuals tracking the periodic reports issued by the International Monetary Fund from 1989 to 2022 regarding the structural reform arrangements and programs provided to Jordan, it becomes evident that these reports underscore several key objectives. Primary among these goals is the prioritization of reducing external debt to sustainable levels. Additionally, these reports concentrate on shaping Jordan's future, with a focus on mitigating escalating unemployment rates through the promotion of job creation, safeguarding the welfare of the underprivileged, augmenting Jordan's attractiveness to foreign direct investments, improving the performance of its balance of payments, and fostering overall economic growth.

Through these objectives, the International Monetary Fund, in collaboration with successive Jordanian governments, seeks to reform and strengthen the Jordanian economy. The ultimate vision is for Jordan's economy to achieve self-sustaining growth without heavy reliance on external financial support, or at least to minimize the need for such support. This approach is also crucial in ensuring economic stability in Jordan, which, in turn, underpins its security and political stability. This fundamental goal serves as a key explanation for why Jordanian governments have turned to the International Monetary Fund for over three decades.

The arrangements between the International Monetary Fund and Jordan not only involve providing the necessary loans and financing to address the structural imbalances in the economy but also encompass recommendations, plans, and economic proposals. When implemented, these measures are expected to rectify these structural imbalances in Jordan's economy.

Considering the above, this study aims to evaluate Jordan's experience with the International Monetary Fund's arrangements and programs, which have spanned more than three decades. It assesses their impact on mitigating unemployment and poverty in Jordan, enhancing the country's appeal to foreign direct investment, reducing its foreign debt burden, and addressing imbalances in its balance of payments while supporting economic growth. The study also seeks to uncover the factors behind the success or failure of the IMF's arrangements with Jordan and how they contribute to the country's economic reality.

### **The problem of the study:**

The primary challenge in the main study arises from the absence of a comprehensive understanding of the actual consequences of the International Monetary Fund's agreements on the key performance indicators of the Jordanian economy. This includes factors like its economic growth rates, external debt levels, and the state of the balance of payments. Furthermore, there is a need to comprehend how these agreements affect the prevalence and severity of poverty and unemployment within the country. A more realistic understanding is also required to fathom the underlying factors contributing to the effectiveness or ineffectiveness of these agreements in relation to the various dimensions of the Jordanian economy.

### **Research Question:**

This study seeks to answer a general major question: What is the true impact of the IMF's arrangements on the Jordanian economy, and what are the determinants of their success or failure in bolstering the Jordanian economy across its diverse variables? From the main research question mentioned earlier, several relevant sub-questions can be derived:

- 1 .What are the financing arrangements and economic reform programs between the International Monetary Fund and Jordan, and what are their values?
- 2 .What is the impact of these arrangements and programs on the various variables of the Jordanian economy, such as indicators of poverty and unemployment, external debt, Jordan's attractiveness to foreign direct investment, its balance of payments and its economic growth rates? What is the strength of the statistical correlation between the IMF's arrangements and the variables of the Jordanian economy?
3. What are the reasons that explain the success or failure of the IMF's arrangements with Jordan?

### **Hypothesis of the Study:**

As a response to the main research question, the study posits that there exists a negative correlation between the

International Monetary Fund's arrangements and the various variables of the Jordanian economy. Additionally, the study suggests that as the duration of the Fund's arrangements with Jordan extends, the Jordanian economy's capacity to achieve self-sufficiency diminishes. This is attributed to the confluence of elevated corruption rates within Jordan and the IMF's focus on ensuring Jordan's repayment of its loans. The IMF enforces mechanisms and procedures to guarantee this repayment, even if they have adverse consequences for the future of the Jordanian economy.

**Objectives of the study:**

The primary objectives of this study can be summarized as follows: Hypothesis Testing and Question Resolution - the study's primary aim is to rigorously test its hypothesis and provide comprehensive answers to its research questions. Historical Analysis - the study intends to provide a comprehensive historical overview of the structural reform arrangements and programs that have taken place between the International Monetary Fund and Jordan in recent years. Funding Assessment - it seeks to quantify the amount of financial support that Jordan has received from the IMF within the context of these arrangements and programs. Impact Evaluation - the study endeavors to assess the multifaceted influence of these IMF arrangements on various aspects of the Jordanian economy. This includes evaluating whether these arrangements have effectively contributed to mitigating unemployment and reducing poverty levels in Jordan, enhancing Jordan's capacity to address imbalances in its balance of payments, increasing Jordan's attractiveness to foreign direct investment, managing and reducing the country's external debt burden, and supporting and stimulating the overall economic growth of Jordan. In essence, this study seeks to address its central hypothesis and research questions while providing insights into the historical, financial, and multifaceted impact of the IMF's involvement in Jordan's economic reform efforts.

**Significance of the Study:**

The practical significance of this study is multifaceted. First and foremost, it endeavors to offer theoretical and statistical insights into the repercussions of the International Monetary Fund's structural reform arrangements and programs on the Jordanian economy. It aims to shed light on the viability of these arrangements and programs and provide theoretical explanations for how they impact the Jordanian economy. Moreover, it serves as an illustrative case study for scholars and academics with an interest in the fields of political science and international relations, offering valuable insights into international political economy.

On a practical level, this study holds great importance as it seeks to provide a comprehensive understanding of the factors contributing to the success or failure of the IMF's arrangements with Jordan. The study's broader analysis can serve as a guiding model for decision-makers within both Jordan and the International Monetary Fund. It can aid them in reevaluating the feasibility of these arrangements, strengthening their potential for success, and averting the pitfalls that may lead to failure. Should decision-makers on both sides recognize the necessity of further collaboration, the study's findings can offer a roadmap for more effective arrangements.

**Study Methodology:**

The study employs a two-pronged approach, incorporating both a quantitative descriptive method and a case study approach. The quantitative descriptive approach will be utilized to gather quantitative data concerning the study variables, encompassing the International Monetary Fund's programs of loans and credit facilities, as well as the specific variables within the Jordanian economy targeted for reform and advancement by the IMF programs. These variables include foreign direct investment, unemployment, external debt, balance of payments, and GDP growth. The primary objective is to discern the overall trends of these variables through quantitative analysis and assess the statistical impact of the quantitative values of IMF programs (loans) on these aspects of the Jordanian economy over the period spanning from 1989 to 2022.

Conversely, the case study approach will be employed to conduct in-depth investigations aimed at elucidating the reasons behind the success and failure of the IMF programs. This in-depth exploration is intended to lay the foundation for developing comprehensive theoretical frameworks and drawing conclusions. These conclusions will, in turn, provide the means to assess the viability of continued cooperation between Jordan and the International Monetary Fund within

the context of structural and economic reform programs.

**The limits of the study:**

**The study is subject to several specific limitations:**

1. **Objective Limit:** The primary focus of the study is restricted to examining the impact of IMF programs on the Jordanian economy, specifically assessing their influence on economic growth rates, unemployment rates, inflation rates, foreign direct investment rates, current account rates, and external debt rates in Jordan.

2. **Spatial Limit:** The study's scope is geographically confined to the Hashemite Kingdom of Jordan. It serves as a case study representing the impact of IMF programs on the Jordanian economy, offering insights for researchers in the field of international political economy. However, it does not encompass a broader global perspective or consider the implications of IMF programs on other countries, particularly those in the southern and developing regions.

3. **Time Limit:** The study's timeframe is delimited to the period spanning from 1989 to 2022. This time frame was selected due to its significance, as 1989 marks the commencement of Jordan's cooperation with the International Monetary Fund in a range of financing arrangements and structural reform programs. The study does not extend beyond this timeframe to assess more recent developments or anticipate future trends.

**Literature review:**

The topic of IMF arrangements and their economic impact has consistently piqued the interest of researchers in the fields of political science and international political economy. In a basic research paper on this topic, Cavanagh and Mander found that, once third world countries accept structural reform programs, they will receive IMF loans. Consequently, the outcome of that currency was that the Third World countries turned into countries "addicted" to loans, and that the International Monetary Fund turned the countries into "like a firefighter who pours fuel on the fire instead of pouring water" (Mander, 2003 & Cavanagh), which is a metaphor for The structural reform arrangements and programs imposed by the International Monetary Fund on the countries requesting its loans and financing have no feasible impact on the economies of those countries and on the failure of those programs and arrangements to support these countries to be able to ensure their economic growth and the strength of their economies without external support.

In the realm of studies examining the International Monetary Fund's arrangements and programs for structural reform and their impact on the Jordanian economy, a noteworthy study conducted by Shetiwi and Al-Assaf in 2017, titled "The Programs of the International Monetary Fund and Jordan: 1989-2016: Results and Lessons Learned," merits attention. The researchers in this study underscored that the IMF's programs involving loans and credit facilities did not yield tangible improvements in the rates of economic growth in Jordan. Additionally, they did not contribute to enhancing Jordan's current account, bolstering its foreign currency reserves, or making the country more appealing to investors. The researchers assigned blame for these shortcomings to the absence of long-term strategic solutions within the IMF's arrangements and programs, which could have supported various aspects and sectors of the Jordanian economy and facilitated genuine progress. (Shetiwi and Al-Assaf, 2017).

a continuous erosion of the middle class and a greater expansion of the size of the lower class.

Furthermore, in a study by researcher (Awad, 2017), titled "The International Monetary Fund and World Bank Intervention in Jordan," the findings corroborated the observations made by Shetiwi and Al-Assaf. The study confirmed that the structural reform programs and IMF loans were ineffective in curbing the increase in Jordan's public debt, rectifying imbalances in the country's current account, or mitigating the issues of poverty and unemployment. Moreover, the researcher highlighted that the IMF's programs fell short in enhancing Jordan's capacity to attain financial independence from external influences. As a result, the study concluded that Jordan's continued collaboration with the IMF perpetuated the erosion of the middle class and exacerbated the expansion of the lower class.

The aforementioned proposition, which highlights the failure of the International Monetary Fund's arrangements to bolster the Jordanian economy and enable it to achieve self-sufficiency, naturally raises the question: Why does the International Monetary Fund persist in providing loans and implementing structural reform programs, even when they seem unworkable in practice? In addressing this question, the work of (Harrigan and others, 2006) provides valuable

insight. The researchers noted that the International Monetary Fund, as well as the World Bank, have been inclined to portray Jordan as a model for reform and integration with the forces of globalization in the Middle East and North Africa region. Jordan's strategic alignment as one of the principal Western allies underscores that the continuity of cooperation between the International Monetary Fund and Jordan is primarily driven by political considerations, with limited regard for the actual economic outcomes of this collaboration.

In a study conducted by researcher (Khoury, 2018) titled "The Role of the International Monetary Fund in Influencing the Political-Economic Decisions of the State 1989-2017: A Case Study of Jordan," a compelling perspective emerges. The researcher argued that the historical experience of numerous countries' interactions with the International Monetary Fund, including Jordan, illustrates the IMF's significant influence on many decisions and foreign policies of these nations, be they of a political or economic nature. This underscores the far-reaching impact that IMF engagement can have on the broader policy landscape of countries, including Jordan.

In his study titled "The World Bank and the International Monetary Fund as Mechanisms of Western Hegemony: A Historical and Contemporary Analysis" (Salama, 2017), Salama argues that since their establishment at the end of World War II, the roles played by the IMF and the World Bank were not realistically aimed at combating poverty, alleviating economic backwardness in various countries, or facilitating economic development. Instead, Salama asserts that these institutions served the goals and interests of Western countries, especially the United States. One of the primary goals that the International Monetary Fund and the World Bank claim to achieve is to attract countries around the world to the capitalist model. This is in line with the efforts of the United States and its Western allies to contain the socialist economic model. Moreover, Salama asserts that the United States exploited its influence over the two institutions to impose hegemony on countries in need of loans. According to Salama, the loans provided or withheld by these institutions have become essential mechanisms for imposing the economic and political policies favoured by Western countries, most notably the United States. This situation has led to Third World countries suffering from new economic colonialism. Salama asserts that the various global experiences with the World Bank and the International Monetary Fund prove that these institutions act as tools for Western hegemony and the exploitation of Third World countries by First World countries. This proves that these institutions cannot effectively alleviate the economic backwardness of Third World countries. Salama's findings support the view of dependency theorists who believe that First World countries exploit Third World countries economically to control them politically. These results, he points out, contradict the opinion of Western analysts who defend the free-market economy, as they do not see a direct relationship between the backwardness of Third World countries and the practices and roles of the International Monetary Fund and the World Bank.

As for the researcher (Mishal, 2019) and in her study entitled: "The Impact of the International Monetary Fund's Economic Stabilization and Reform Programs on the Macroeconomic: Evidence from Jordan," she found that IMF programs are ineffective in any way in improving unemployment levels, economic growth or inflation. However, at the same time, it has been effective in improving Jordan's current balance, which is what is increased by the study (Siddique, and others, 2021) entitled: "Why Do Countries Request Assistance from International Monetary Fund? An Empirical Analysis" when it indicated that International Monetary Fund arrangements, and although their impact may not be visible during short periods, their positive impact will be evident to a large extent in supporting the economies of middle-income countries such as Jordan.

Henceforth, it is evident that related literature exhibits shortcomings in assessing the efficacy of International Monetary Fund programs and arrangements with Jordan. While certain studies posit a partial positive impact, others assert a predominantly positive influence in the majority of cases. These arrangements, while the literature that assumes the opposite has not clarified where the defect lies in the failure of these programs and arrangements, and whether the reasons for failure are due to poor Jordanian implementation processes, or an actual absence of developmental dimensions in those arrangements and programs, or the reasons are due to other variables related to corruption on the For example, or by focusing the International Monetary Fund's arrangements on the modalities and mechanisms of

ensuring the recovery of its loans, regardless of their long-term effects on the Jordanian economy.

Therefore, this study will attempt to re-test the assumptions of previous studies again, to determine the extent of the impact of the IMF's arrangements on the Jordanian economy, and whether the impact is positive or negative, and the depth of that impact through analyzing the statistical correlation between the IMF's arrangements and the variables of the Jordanian economy. Then the study will attempt to provide analytical explanations for the reasons for the success or failure of these arrangements.

#### **First: The International Monetary Fund's Arrangements with Jordan:**

The arrangements of the International Monetary Fund consist of two main components, the first: which are loans and financing, and the second: structural reform programs, which mean a number of conditions, demands or plans whose implementation would stimulate economies to sustainable growth. Where the International Monetary Fund arrangements or structural reform programs are defined as loans and financing provided by the International Monetary Fund to this or that country for the purposes of financial rescue or in order to help countries fulfill their various obligations, and help them restore sustainable economic growth, in return for specific conditions such as Privatization, trade liberalization, removing barriers to foreign direct investment, and removing government subsidies on various goods and services or some of them (Masters, and others, 2021) on the grounds that removing government support for goods and services or reducing its size will ensure a reduction in the size of the state's general budget expenditures, and thus Ensuring that the external debt does not expand, and reduce the size of the deficit in public budgets, as well as that the liberalization of trade may encourage domestic economic production, in its various industrial, agricultural, commercial and service sectors, and make it more able to compete with goods and services in international markets, while removing barriers In front of foreign investments, it will lead to an increase in the volume of investment flows to the state's markets, and consequently, job opportunities will be more numerous, reducing unemployment and allowing The expansion of poverty, in addition to the result of all of the above, may support the country's economic growth rates, to be sustainable growth.

In pursuit of these goals, Jordan initiated its collaboration with the International Monetary Fund and began implementing many of the aforementioned arrangements and conditions in 1989. The table below provides an overview of the history of cooperation between the two entities. Jordan has undertaken ten arrangements and structural reform programs from 1989 to 2022, resulting in a total volume of loans and financing provided by the International Monetary Fund to Jordan, approximately equivalent to 3 billion Special Drawing Units (SDRs), (Special Drawing Unit equivalent to \$1.4).

**Table No. 1: Jordan's structural reform programs and arrangements with the International Monetary Fund: 1989-2020.**

<b>Facility</b>	<b>Date of Arrangement</b>	<b>Expiration Date</b>	<b>Amount Agreed</b>	<b>Amount Drawn</b>
<b>Extended Fund Facility</b>	Mar 25, 2020	Mar 24, 2024	1,070,472	590,132
<b>Rapid Financing Instrument</b>	May 20, 2020	May 27, 2020	291,550	291,550
<b>Extended Fund Facility</b>	Aug 24, 2016	Mar 23, 2020	514,650	223,015
<b>Standby Arrangement</b>	Aug 03, 2012	Aug 02, 2015	1,364,000	1,364,000
<b>Standby Arrangement</b>	Jul 03, 2002	Jul 02, 2004	85,280	10,660
<b>Extended Fund Facility</b>	Apr 15, 1999	May 31, 2002	127,880	127,880
<b>Extended Fund Facility</b>	Feb 09, 1996	Feb 08, 1999	238,040	202,520
<b>Extended Fund Facility</b>	May 25, 1994	Feb 09, 1996	189,300	130,320
<b>Standby Arrangement</b>	Feb 26, 1992	Feb 25, 1994	44,400	44,400
<b>Standby Arrangement</b>	Jul 14, 1989	Jan 13, 1991	60,000	26,800
<b>Total</b>			3,985,572	3,011,277

IMF Members' Financial Data, JORDAN, 1989-2020.

It is clear from the above table that the total sums agreed upon between Jordan and the International Monetary Fund amounted to 3.9 billion Special Drawing Units, or approximately 5.4 billion dollars. 1 billion Special Drawing Units, or approximately \$4.2 billion, and the 10th program expires in 2024.

As for the annual distribution of the volume of IMF loan payments to Jordan (without the interest arising therefrom), it is clear from Table No. 2 that its general trend is an upward trend during the study period: 1989-2022, meaning that the volume of withdrawals has begun to tend to gradually increase with the passage of time. The years, especially after the Gulf crisis in 1991, and after the Arab Spring revolutions in 2011, noting that there were no withdrawals during the period from 2003-2012, because Jordan, after it finished its program and ranked sixth with the International Monetary Fund, which began in 2002 and ended in 2004 , did not engage in new programs and arrangements, until after nearly 13 years, as shown in Table No. 1.

**Table No. 2: IMF payments to Jordan: 1989-2021: in million SDRs.**

Years	89	90	91	92	93	94	95	96	97	98	99	20	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21
Disbursements	66	0	0	22	11	65	75	82	96	23	55	15	30	71	0	0	0	0	0	0	0	0	0	255	426	255	426	51	51	0	120	497	384

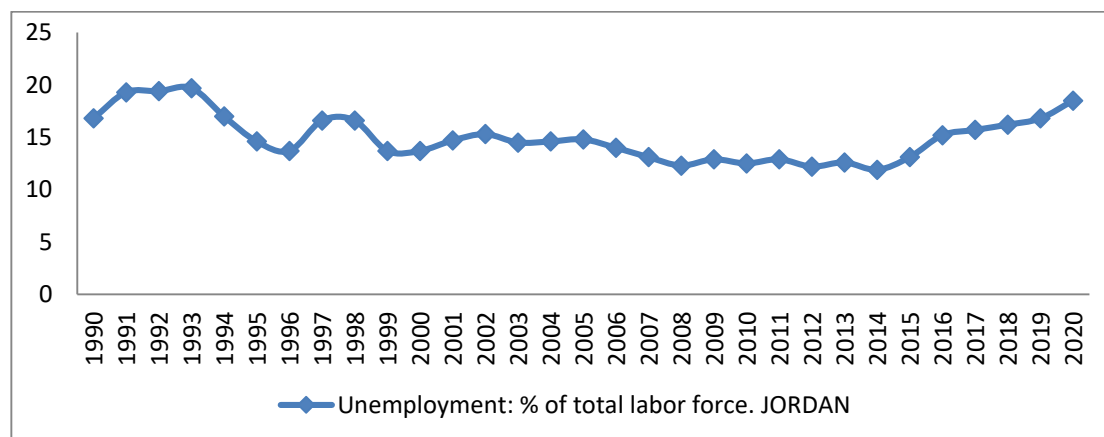
IMF Members' Financial Data, JORDAN, 1989-2021.

As Jordan began the seventh arrangement with the International Monetary Fund in 2012, and after entering the Arab region with the wave of Arab Spring revolutions that pressured Jordan economically, and perhaps the most prominent examples of this, the high energy costs on Jordan after targeting the Arab gas pipeline in Sinai in 2011, which raised costs The energy bill on Jordan, and after the rates of commercial and economic transactions and exchanges with Jordan and Syria declined in 2011 as a result of the Syrian revolution (Shtiwi and Al-Assaf, 2017, 21), in addition to what the Syrian revolution caused, besides striking trade with Jordan, an increase in numbers refugees to Jordan and increase their pressure on infrastructure, public resources, and the Jordanian economy.

## **Second: Fund Arrangements and Jordanian Economy Variables:**

### **1 .Unemployment under IMF arrangements:**

Figure 1 shows that the general trend of unemployment rates in Jordan under the IMF's arrangements with Jordan is a fluctuating trend that tends to rise. After unemployment rates were in the range of 16.8% in 1990, they increased until they reached 18.5% in 2020, but the most important of the above Unemployment rates have not decreased in their general rate to 14.9%, which is double the global unemployment rate during the period 2000-2020, which amounted to 6%, and nearly 5% during the period 1990-2000. (World Bank Group, 2021).



**Figure No. 1: General trends of Jordanian unemployment rates under the arrangements of the International Monetary Fund 1989-2020.**

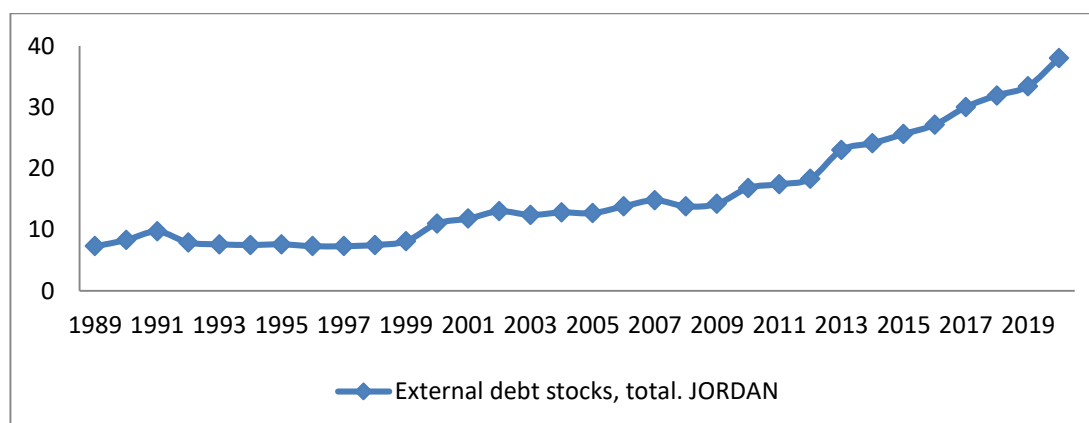
The World Bank Group, DATABASE: Unemployment, total (% of total labor force), JORDAN: 1989-2020.

Accordingly, it is clear that the arrangements and structural reform programs between the International Monetary Fund and Jordan, which amount to 10 arrangements and programs, have realistically failed to reduce Jordanian unemployment rates, which means that the International Monetary Fund has failed in a pivotal aim, which is the aims of helping Jordan with its various loans and financing, in Reducing unemployment rates and containing the spread of poverty in Jordan.

## 2 .External Debt Under International Monetary Fund Arrangements:

Figure No. 2 shows that the general trend of external debt balances (not public debt, which means internal and external debt) owed by Jordan are trends that tend to accelerate accelerating, as external debt balances increased from 7.3 billion dollars in 1989 to reach 38 billion dollars in 2020, with a percentage It constitutes 87% of the GDP, which reflects a significant failure of the second aims of the International Monetary Fund, which is related to helping Jordan reduce the levels and balances of public debt on Jordan. (IMF, 2016).

The International Monetary Fund argues that its loans and financing to Jordan will not contribute in any way to the growth and expansion of external debt stocks on Jordan or to the increasing pressure on the poor class, because the International Monetary Fund believes that its financing and economic arrangements are primarily aimed at helping Jordan correct its imbalances the structural reforms and the fulfillment of its financial obligations at the macro level, and that these funds will not increase the debt burden on the poor class, because the Fund imposes on Jordan reforms to the tax system, such as canceling tax exemptions that benefit the rich class, and maintaining those that benefit the poor class. (IMF, 2016).



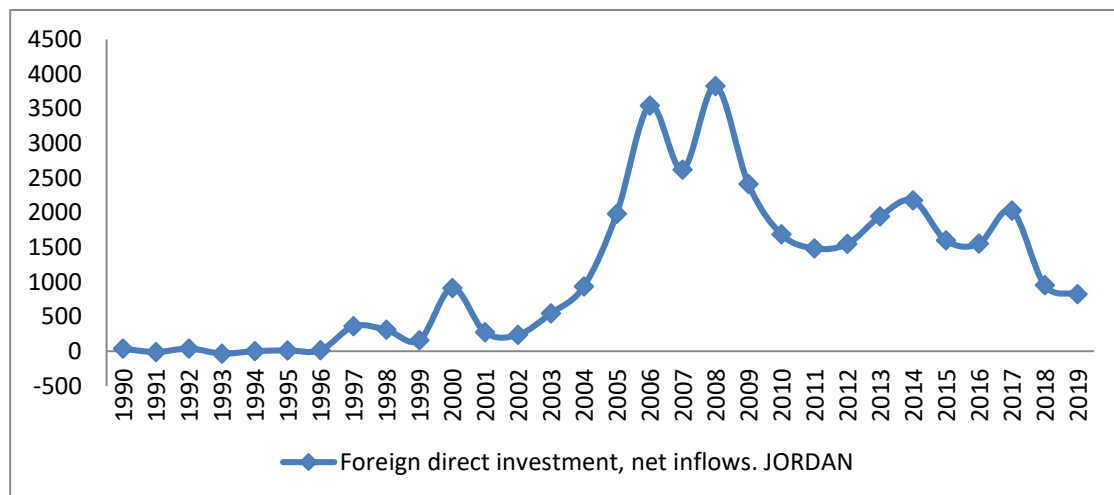
**Figure 2: The general trend of Jordan's external debt rates under IMF arrangements: 1989-2020: in billions of dollars.**

The World Bank Group, DATABASE: External debt stocks, total (DOD, current US\$) – Jordan: 1989-2020

## 3 .Foreign Direct Investments under International Monetary Fund Arrangements:

Figure 3 shows that the general trend of foreign direct investment rates flowing into Jordan under the arrangements of the International Monetary Fund is a fluctuating trend that tends to rise, as the rate of direct investment flows increased from 37 million dollars in 1990 until 2019 reached 825 million dollars, which means that In general, the arrangements of the International Monetary Fund, in terms of financing and loans, and structural reforms that Jordan demanded as conditions for granting it funds and loans, have actually led to the growth of the volume of foreign direct investments, which would stimulate general economic growth rates, provide job opportunities and contain the expansion of the economic class. the poor and supplying the state treasury with new sources of income.





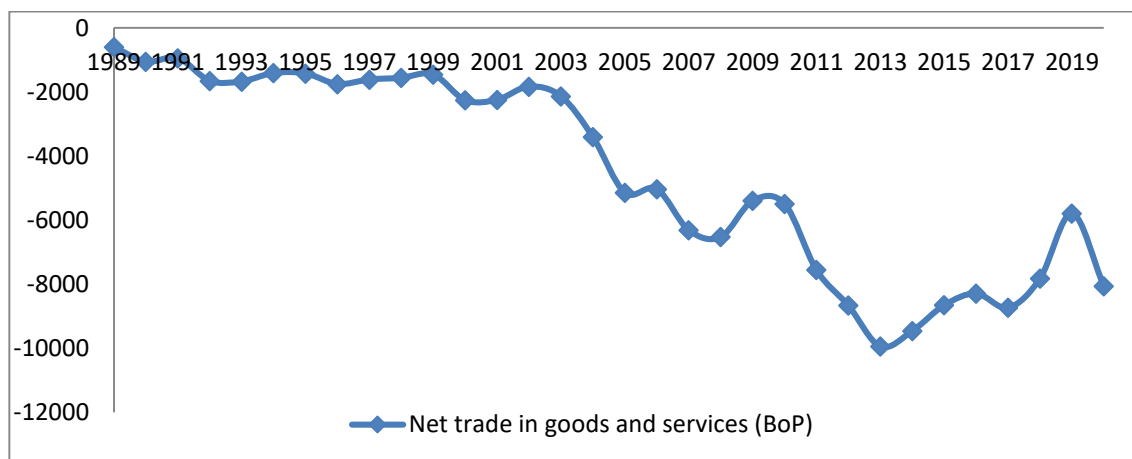
**Figure 3: The general trend of foreign direct investment flows to Jordan: 1990-2019: in billion dollars.**

The World Bank Group, DATABASE: Foreign direct investment, net inflows (BoP, current US\$) – Jordan: 1990-2019.

However, it is clear that Jordan's foreign direct investment, after its growth since 2000 until it reached the limits of 3.8 billion dollars in 2008, began with accelerated decline paths after that until it reached the limits of 825 million dollars in 2019, which reflects the failure of the IMF's arrangements to help Jordan is trying to limit the repercussions and economic challenges imposed by the global financial crisis in 2008 and the Arab Spring revolutions on Jordan in 2011, in a way that at least ensures that the volume of investment flows to Jordan does not decline, and does not decline if the possibilities of maximizing these flows to Jordan are not possible.

#### 4 .Balance of Payments under International Monetary Fund Arrangements:

Figure 4 shows that the general trend of the Jordanian balance of payments under the arrangements of the International Monetary Fund is a negative trend throughout the study period, as the size of the balance of payments imbalance (imports greater than exports) increased from the limits of (597) million dollars in 1989, until it reached 2020 to reach (-8) billion dollars.



**Figure 4: The general trend of the Jordanian balance of payments imbalance during the period 1989-2020: in billion dollars.**

The World Bank Group, DATABASE: Net trade in goods and services (BoP, current US\$) – Jordan:1989-2020.

Therefore, it can be concluded that the aims of the International Monetary Fund, related to helping Jordan to address its balance of payments imbalance, has largely failed on the ground, as the arrangements and programs of the

International Monetary Fund were unable to control the widening imbalance in Jordan's balance of payments, despite the seriousness of that, as The widening of the imbalance in the balance of payments, due to the growing pressure on Jordan's foreign financial reserves (Devadas and Loayza, 2017, 1-2), to spend a large part of it on covering imports from abroad, at a time when Jordan cannot enhance its foreign export rates to enhance its acquisition On hard currencies, as well as the widening imbalance in the balance of payments, it may be a dangerous indicator for the future of local production, at the commodity and service levels. Dumping the local market with foreign goods and services imports means a slowdown in the pace of growth in the volume of local production of goods and services, due to its loss of competitiveness.

#### 5 .Economic growth under the arrangements of the International Monetary Fund:

Figure 5 shows that the general trend of the Jordanian economic growth rates is a fluctuating trend that tends to slowly rise. After the Jordanian economy was in a state of contraction by -10.7% in 1989, the improvement began gradually under the arrangements of the International Monetary Fund, and it was able to exit from the state of contraction to the state of growth. again from 1991 to 2019.

However, the Jordanian economy contracted again in 2020 due to the Corona pandemic by (-1.5%), and growth resumed again in 2021 by 2%, and its growth rates are expected to reach at the end of 2022 to reach 2.7%, which means, in general, that the IMF's arrangements During the study period, it ensured that the Jordanian economy would not be exposed to scenarios of deflation for long periods, even in light of some international or regional crises, such as the global crisis, the Arab Spring revolutions, and the Corona pandemic.



**Figure 5: The general trend of Jordanian economic growth rates annually: 1989-2021.**

International Monetary Fund: Real GDP growth: Annual percent change, JORDAN, 1989-2021.

However, although the arrangements of the International Monetary Fund have ensured that the Jordanian economy is kept away from long-term recession scenarios, at the same time they did not guarantee it deep growth rates. Rather, the growth rates of the Jordanian economy in most years of the study period were slow growth rates, except for the period that occurred Between 2009-2004, while the rest of the study years, the Jordanian economic growth rates were "below the possible level" as described by the International Monetary Fund itself (IMF, 2016), which means here, that the International Monetary Fund, has failed to achieve one Its most important aims, which is the aims of helping the Jordanian economy achieve economic growth rates at the level possible and close to global economic growth rates, and helping the Jordanian economy to ensure its economic growth without foreign aid such as grants and loans.

#### **Third: Where does the error lie?**

Based on the foregoing general discussion, it is clear that the programs and arrangements of the International Monetary Fund with Jordan have not succeeded in achieving their general aims, such as reducing unemployment rates to ensure the containment and expansion of the poor, or as addressing the structural imbalance in the Jordanian balance of payments, or as helping Jordan to enhance its attractiveness. The General Directorate of Foreign Direct Investments,

or its assistance in reducing external debt rates, and most importantly, transforming economic growth into sustainable growth without external interventions or external assistance from some donor parties for loans, grants, and gifts, which prompts the study to ask: Where does the imbalance lie? Why did the IMF's arrangements fail to achieve its aims with Jordan? Are the reasons for failure due to one of the following aspects:

- The financial aspect of the IMF arrangements, that the loans have crippled the Jordanian economy?
- The structural and qualitative aspect of the IMF's arrangements, that is, the structural reform plans and the conditions imposed by the IMF that weakened the variables of the Jordanian economy?
- The failure of the Jordanian side in dealing with the arrangements of the International Monetary Fund for one reason or another?

1 .Statistical relations between IMF loans and the variables of the Jordanian economy:

Although much of the literature sees IMF loans as one of the main reasons that lead to shackle the recipient country and weaken its economy in general, given that these loans lead to an increase in the size of the debt on the receiving party, and thus reduce the capabilities of the governments of the recipient parties to expand The job-creating capitalist aims to contain unemployment and stimulate economic growth rates, but such assumptions, as Hackler sees it, may be flimsy and inaccurate to a large extent, and do not explain the failure of the IMF's arrangements with this or that party Hackler, and others, 2020, 94-95 ), which is evident with us in this study by subjecting IMF loans and the variables of the Jordanian economy to the analysis of the Pearson correlation coefficient.

As it appears from Table No. 3, the more loans increase, the higher the rates of foreign direct investment, and the more loans increase, the more external debts increase, and whenever unemployment rates, economic growth, and the balance of payments are negatively affected, and the sum of all of the above is that the negative impact of loans on four variables Out of the 5 discussed variables, however, and most importantly, the strength of the statistical relationship between loans and the five variables, is medium in two and very weak in three.

**Table 3: The statistical correlation between IMF loans and the variables of the Jordanian economy..**

Indicator	Relation Trend	Relation Type	Pearson's Correlation Coefficient
loans and unemployment	Inverse	Negative	-0.19912
loans and foreign investment	Direct	Positive	0.12527
Loans and external debt	Direct	Positive	0.54451
loans and BoP	Inverse	Negative	-0.53114
Loans and Real GDP	Inverse	Negative	-0.29614

Consequently, our statistical analysis shows that the loans themselves were not a major reason for the failure of the IMF's arrangements with the Jordanian side or their weakening of the variables of the Jordanian economy, especially since the annual loan amounts often did not exceed the \$500 million barrier. Table No. 2 on the above pages indicates, while the volume of loans received by Jordan from the International Monetary Fund during the period from 1989 to 2000 did not exceed 611 million Special Drawing Units, or 855 million dollars, and during the period 2003-2011 it was not There are any loans that can enhance the size of the external debt, and weaken the structure of the economy in terms of totality. The statistical relationship between loans and economic growth and unemployment is weak negative relationships in which the strength of the statistical relationship did not exceed (-0.3) on the Pearson correlation coefficient, and the statistical relationship was a negative relationship Medium between loans and the balance of payments with a strength of (-0.53114), while the statistical relationship between loans and foreign direct investments, although they are positive relationships, was weak and strongly statistical relationship (0.12527), and medium positive relationships between loans and external debt, with a strong statistical effect of(0.54451)

## 2 .The unfairness of the conditions of the International Monetary Fund:

It became clear from the previous discussion that despite the loans themselves and their negative impact on four out of the five economic variables discussed in this study, the statistical effect in general does not explain why the arrangements of the International Monetary Fund failed to stimulate the variables of the Jordanian economy, which is what It prompts us to test whether the structural and qualitative aspect of IMF arrangements is the cause.

The International Monetary Fund's loans to Jordan are always accompanied by a number of conditions imposed by the Fund to ensure that the financial conditions of the country receiving the loans are conditions that allow it to repay the resulting loans (IMF, 2021), which are conditions that many researchers see as unfair conditions in the economies of the countries. The recipient of the loans, because, in many cases, the International Monetary Fund is interested in creating conditions in the recipient country to be favorable conditions for it in terms of recovering its loans, which requires the recipient countries to be deeply aware of these conditions (Carlos, 2021, 28-29).

These conditions include two policies, the first: reducing public spending in Jordan's budget, and this policy includes reducing or canceling subsidies for basic materials and commodities, and freezing or limiting government employment rates in light of the imposition of the International Monetary Fund on Jordan, the necessity of not allowing the wage bill from the budgets The second: the policies of increasing Jordan's treasury revenues, and the necessity of tax expansion, raising the prices of services provided by the state, and increasing the prices of goods, services and basic materials. (Shtiwi and Al-Assaf, 2017, pp. 12, 33, 53).

The previous conditions that it imposes on Jordan negatively affect economic growth rates, because wage cuts, tax refusal, and government support for basic commodities and commodities, in order to ensure Jordan's ability to repay loans, mean, on the ground, a withdrawal of liquidity from the local market, and the withdrawal of liquidity from the market. Local consumption rates are declining, and with the decline in consumption rates, Jordan's economy is losing one of the most prominent drivers of its growth, as consumption is the first basis that guarantees raising the rates of industrial, agricultural and commercial production of services and commodities...etc.

Without the growth in consumption rates, it is impossible for the production rates in the economy to grow, and consequently, for economic growth to be permanently under pressure, and for the economy's ability to generate jobs and reduce unemployment to be less, and for Jordanian exports abroad to be less developed and consequently a growing volume of imports, which constitutes a deepening Because of the size of the imbalance in the balance of payments, in addition to the fact that slow or sluggish economic growth, or below the possible level, does not lead to the growth of foreign investment rates, because foreign direct investment searches for economies that are characterized by greater growth rates, and accordingly, the whole of the previous discussion means that the conditions The arrangements of the International Monetary Fund are a major factor weakening the Jordanian economy, as we have demonstrated in the previous pages.

## 3. Corruption and the deepening of the negative aspects of the IMF's arrangements with Jordan:

Based on the foregoing discussion, it became clear that the IMF's arrangements with Jordan have largely failed to achieve its goals of containing unemployment, reducing external debt, fixing imbalances in the balance of payments, enhancing the volume of foreign direct investments and stimulating economic growth rates. Jordan continues to cooperate with the IMF to reform previous economic changes, despite the failure of the IMF's arrangements to reform them since 1989, which prompts the study to ask: Why?

As an answer to the previous question, we assume that corruption contributes to deepening the failure of the IMF's arrangements with Jordan, as many countries that receive loans and aid do not benefit from them in light of government elites acquiring loan amounts and transferring them to their own accounts in safe tax havens. Andersen found that there are A direct relationship between receiving loans and foreign aid and the growth of financial transfers to safe tax havens by many countries receiving loans and aid, including Jordan, which means that government elites acquire a large part of those loans and amounts as a source of personal enrichment. (Andersen, and others, 2020).

Despite the fact that the World Bank issued a special statement, in which it said that the inclusion of Jordan among

the sample of countries that receive loans and aid coincides with the increase in the volume of its transfers to tax havens, is an inaccurate inclusion by the study's authors (world bank, 2020), but The high rates of corruption in Jordan will remain a major factor that explains part of the failure of the IMF's arrangements with Jordan. The growth of corruption means the increased possibilities of some political officials acquiring loans, and consequently, wasting the opportunity for the Jordanian economy to enhance its economic growth rates by exploiting those Loans in capital projects that generate income and employ unemployment, and in capital projects that would enhance Jordan's exports abroad to reduce the size of the imbalance in the balance of payments.

Corruption rates in Jordan reach 49 degrees out of 100 in 2020, 47 degrees in 2010, 46 degrees in 2000, and 46 degrees out of 100 in 1995, where 100 means no corruption, and 0 corruption is very high according to the Corruption Perceptions Index. (CORRUPTION PERCEPTIONS INDEX, 1995-2020).

One of the root causes of the spread of corruption in Jordan, and its contribution to deepening the failure of the arrangements of the International Monetary Fund with the country, is the weakness of Jordanian democracy and the control of the political system over power, in addition to the expansion of the "deep state" in Jordan. This leads to the weakening of the principles of accountability, transparency, and the rule of law, and thus the continuation of the state of corruption.

The manipulation of parliamentary elections by successive Jordanian governments through electoral laws and the manipulation of the division of electoral districts, to prevent Islamic, leftist, and general opposition parties from gaining greater representation in parliament, and thus obstructing the possibility of forming parliamentary governments responsible to the Jordanian people (Bani Salameh & Aldabbas, 2023, p.19). As a result, corruption continues to grow and worsen, with the squandering of state resources and the continued illegal disposal of loans.

The control of the "deep state" overpower also contributes to hindering democratic transition, which reinforces corruption levels. Jordan's dealings with some international financial institutions with the support of the "deep state" - which is linked to the international system- contributes in one way or another to entrenching corruption. The deeper Jordan's association with institutions such as the International Monetary Fund, and its reliance on debt rescheduling in exchange for certain political conditions, the more it obstructs democratic transition (Salameh et al., 2023, p.398). The International Monetary Fund's primary interest lies in serving the goals of American hegemony, not in helping borrowing countries or achieving economic development or democratic transition, which is a condition for combating corruption. Democratic transition is considered the basis for spreading the principles of transparency and the rule of law, and an essential principle for forming elected parliamentary governments accountable to the people.

### **Conclusion:**

This study examined the impact of IMF arrangements, encompassing their financial dimensions (loans) and their qualitative aspects (economic conditions), on several critical variables within the Jordanian economy. These variables encompassed unemployment, external debt, Jordan's attractiveness for investments, balance of payments, and economic growth rates. The international monetary policy was found to have a negative impact on four of these variables while exerting a positive effect on one variable, Jordan's attractiveness to foreign investments. This overall alignment supports the general hypothesis of the study, which posits a negative correlation between IMF arrangements and the variables of the Jordanian economy. The study also found that as the duration of IMF arrangements with Jordan continues, the Jordanian economy loses its ability to thrive.

Furthermore, the study revealed that the impact of the financial aspect of IMF arrangements on the Jordanian economy and the studied variables was statistically weak to moderate in some cases. Most of the negative impact of IMF arrangements on the Jordanian economy can be attributed to the qualitative aspect of these arrangements, particularly the structural reform conditions. These conditions primarily focus on preparing the financial and economic prerequisites for Jordan to meet its loan repayments, regardless of their adverse consequences for economic growth rates and the overall development of the Jordanian economy.

The study also highlighted that high corruption in Jordan may play a role in the continuation of IMF arrangements, despite their negative impact on economic variables and limited positive impact on Jordan's investment attractiveness. This continuity occurs in the context of the unfair terms of the IMF arrangements. Successive Jordanian governments continue to cooperate with the International Monetary Fund, potentially benefiting certain elites.

**In summary, the study's key findings are as follows:**

1. IMF arrangements, especially in their structural aspect, negatively impact many variables in the Jordanian economy, including unemployment, external debt, balance of payments, and economic growth, with a weak positive impact on Jordan's attractiveness for foreign direct investment.
2. The impact of the financial aspect of IMF arrangements, specifically the loans themselves, on the variables of the Jordanian economy is statistically weak to moderate for external debt and foreign direct investment.
3. Corruption plays a significant role in explaining why successive Jordanian governments continue to cooperate with the International Monetary Fund with new arrangements after each arrangement concludes. This relationship between corruption and the continuity of IMF arrangements could be explored in greater depth in future research, extending to other countries worldwide.
4. The study concludes that the International Monetary Fund has not achieved most of its objectives through its various arrangements with Jordan. Therefore, there is a need to reconsider these arrangements, particularly in terms of their terms. It is essential to address ways to enhance Jordanian budget revenues and reduce expenditures, primarily through tax expansion mechanisms, which are recognized as one of the prominent tools that can influence the future growth of different economies.

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