

**Role and Impact of World Bank Structural Adjustment Programs in Developing Countries:
Analyzing the Effectiveness of SAPs in the Middle East: The Case of Jordan**

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Abstract

This thesis aims to analyze the World Bank's Structural Adjustment Programs (SAPs) and their impact on Jordan's development trajectory. Jordan serves as a representative case study in the Middle East. The main aim is to examine the dual nature of SAPs as possible catalysts or obstacles to development, closely examining their economic, social, and political impacts. The thesis utilizes a combination of qualitative methods to assess the impact of SAP-related changes on economic indicators and analyze the social consequences on Jordanian society. This study is based on a theoretical framework that incorporates multiple disciplines. It explores economic theories that address market imbalances, the consequences of poor governance, and the controversial components of neoliberalism. The thesis focuses on market liberalization, privatization, and fiscal austerity in Structural Adjustment Programs (SAPs) by critically examining the principles of the Washington Consensus and its neoliberal origins. The results suggest that although SAPs have aimed to boost productivity and integrate Jordan into the global economy, the outcomes have been inconsistent. The analysis reveals that policies implemented by SAP have resulted in a temporary economic improvement, as well as causing deeper social inequalities, weakening local industries, and generating widespread discontent among the population. The thesis concludes by offering several policy recommendations aimed at maximizing the advantages of SAPs while minimizing their negative consequences. The study emphasizes the importance of policy reforms that take into account Jordan's specific circumstances. It highlights the need to reconsider SAP strategies to better match the socioeconomic conditions of developing nations.

Keywords Structural Adjustment Programs (SAPs), Developing Countries, World Bank, Middle East, Jordan, Economic Reforms, Social Consequences, Neoliberal Policies.

Chapter 1: Introduction

1.1. Background and Rationale

The Role and Impact of World Bank Structural Adjustment Programs (SAPs) in Developing Countries are of greatest importance in the field of international development. As countries in the Middle East navigate the complex landscape of economic reforms, it is essential to examine whether these programs serve as catalysts for development or pose obstacles to progress. The past history of the World Bank and the development of Structural Adjustment Programs offers insight into the dynamics that influence the relationship between developed and developing nations.

Founded in the aftermath of World War II, the World Bank was established with the idealistic aim of promoting global economic stability and development. Over time, its primary emphasis shifted towards resolving the economic difficulties experienced by developing nations by the execution of Structural Adjustment Programs (SAPs). nonetheless, as Stiglitz (2007) expressed "To those in the developing world, it seemed another example of the rich old boys club imposing their will." This profound statement reflects a sentiment shared by many scholars, activists, and policymakers who thoroughly analyzed the World Bank's approach. The World Bank has faced strong and diverse criticism, especially in relation to Structural Adjustment Programs (SAPs). Before we begin assessing the effectiveness of SAPs in the Middle East and specially the case of Jordan, it is important to recognize the considerable skepticism that has surrounded these programs. Academics and activists have shared concerns about the equity of Structural Adjustment Programs (SAPs) and have highlighted concerns over their effects on social systems, economic disparity, and national autonomy.

This study aims to explore the historical origins of the World Bank and Structural Adjustment Programs (SAPs), analyzing their development and placing them within the wider framework of global development. Through an analysis of the criticisms presented by scholars like Joseph Stiglitz, Jane Harrigan, Hamed El-Said, and others, our objective is to understand the complex nature of Structural Adjustment Programs (SAPs) and their impact on the development path of countries in the Middle East. Taking Jordan as a case study, the objective is to provide valuable

insights into the effectiveness and impact of economic reforms imposed by international financial institutions on developing countries.

1.2. Historical Context

The World Bank, previously known as the International Bank for Reconstruction and Development (IBRD), was established in 1944 to assist with post-war reconstruction and development. Since then, it has consistently focused on supporting the growth of developing countries through a comprehensive approach. The World Bank, together with the International Monetary Fund (IMF), originated from the Bretton Woods Conference in 1944, which is commonly referred to as the "Bretton Woods Institutions." The structure and goals of these two organizations were determined by scholars and policymakers from 44 countries. The initial objective of the World Bank was to allocate and direct funds towards the reconstruction and development initiatives in Europe that had been severely affected by the aftermath of the Second World War.

The historical context demonstrates that the primary aim of the World Bank was to tackle the post-war reconstruction needs of Europe. Nevertheless, the dynamic functions and extent of the World Bank resulted in modifications to their roles. The World Bank experienced changes in its operations. The lack of private capital in the 1950s and 1960s was resolved as private sector financial inflows surpassed public development financial aid. Moreover, as a result of the United States' aspiration for direct authority over Europe's reconstruction funds, the funds were redirected to the Marshall Plan; The Marshall Plan allocated over \$13 billion in assistance to European nations, including Germany and Italy, despite their status as enemies during World War II. This aid played a pivotal role in reviving their economies in the aftermath of the war. Upon the termination of U.S. funding in 1951, the economies of all the European recipients had surpassed their levels prior to war. The World Bank's strategic restructuring encouraged a renewed focus on assisting developing nations, with a particular emphasis on Asia, Africa, and Latin America. The term "Developing countries" describes nations that show low levels of living standards and face various developmental limitations. These countries are commonly located in regions such as Asia, Africa, the Middle East, Eastern Europe, Latin America, and the former Soviet Union (Todaro and Smith ,2012). While the World Bank has made substantial contributions to the development of many

countries, there are ongoing debates about the effectiveness of its strategies and the consequences of the conditions attached to its loans.

1.3. Study Questions

The thesis provides a comprehensive assessment of the Role and Impact of World Bank Structural Adjustment Programs (SAPs) in Developing Countries, specifically concentrating on the Middle East and taking Jordan as a case study. The investigation is mainly focused on determining whether these Structural Adjustment Programs (SAPs) act as a catalyst or an obstacle to the advancement of developing countries in the Middle East. The research offers an examination to determine the effectiveness of SAPs, closely examining their impact on the economic, social, and political aspects of these countries. The main study questions the extent to which SAPs have a positive or negative impact on the overall development course. It concludes by suggesting policy recommendations to improve the impact they have in developing countries in the Middle East such as Jordan.

1.4. Objectives of the Study

The main objectives of the study are:

- Analyze the impact of World Bank Structural Adjustment Programs (SAPs) in developing countries, focusing on Jordan.
- Assess the effectiveness of Structural Adjustment Programs (SAPs) in Jordan, evaluating their role as catalysts or obstacles to development. This involves evaluating SAPs' pros and cons for development.
- Conduct a thorough analysis to determine how SAPs impact the economic, social, and political aspects of Jordan. The areas where SAPs have the most impact are examined.
- Evaluate the impact of SAPs on economic development in developing countries in Jordan. GDP growth, employment rates, and other SAP-affected economic indicators are examined.
- Study the social impact of SAPs on affected populations in Jordan. Social welfare and societal well-being are assessed.
- To further improve the positive impact of SAPs in Jordan, provide informed policy recommendations as the final step of the research. This involves suggesting ways to improve these programs while minimizing the risks they pose.

1.5. Limitations

- **Limited Regional Focus:** The research is inherently limited by its exclusive focus on Jordan, potentially reducing the applicability of findings to a broader global context.
- **Reliance on Existing Literature:** The research heavily relies on existing literature, and the depth of insights depends on the quality and comprehensiveness of academic resources, which may affect the study's richness.
- **Temporal constraints:** Historical and past data restricts the study's ability to capture real-time dynamics, which may limit its relevancy.
- **Complexity:** The topic's economic, social, and political aspects make it difficult to come to conclusive conclusions.

Chapter 2: Literature Review

2.1. Conceptual Framework

2.1.1. Historical Overview of SAPs

Structural Adjustment Programs (SAPs) are economic policies implemented by the International Monetary Fund (IMF) and the World Bank in developing countries, such as Europe/Middle East/North Africa, West Africa and Latin America regions, to address economic imbalances and promote growth (Michalopoulos, C. (n.d.)). These programs typically involve policy reforms such as reducing government spending, liberalizing trade, and privatizing state-owned enterprises. Development refers to improving the economic, social, and political conditions of a country or region, aiming to increase the standard of living, reduce poverty, and promote sustainable growth (Easterly, 2003).

The World Bank and IMF are key international financial institutions that play a significant role in global development and economic policy. SAPs typically involve conditions such as fiscal austerity, deregulation, and privatization, which borrowing countries must implement in exchange for financial assistance. Critics argue that SAPs have often led to negative social impacts, including increased poverty and inequality.

The historical context of SAPs is important to understand their evolution, impact, and changing priorities of international financial institutions. The IMF and World Bank played a major role in designing and carrying out these programs, often making these conditions for providing financial assistance during times of crisis. In the 1970s, the IMF and World Bank started promoting SAPs as a response to the global debt crisis, with particular emphasis on developing countries. These programs aimed to tackle balance of payments problems and fiscal imbalances through policy reforms and financial assistance, creating a more market-oriented economy that would attract foreign investment and promote economic growth (World Bank, 2003).

The United States holds significant power within the World Bank and IMF through voting power, leadership positions, financial contributions, policy influence, and informal influence. The US holds the largest single voting share in both institutions, giving it considerable influence over major decisions. The President of the World Bank is traditionally an American, and the IMF Managing Director is often a European, with the US supporting this arrangement in exchange for European support for the World Bank President. During the 1990s, SAPs faced increasing criticism due to concerns about their social impact, particularly their effects on poverty and inequality. The IMF and World Bank responded to these criticisms by adopting a new approach in the 2000s, including poverty reduction and social development goals in their programs. However, ongoing debates still remain about the effectiveness and social consequences of SAPs (Harrigan, Wang, & El-Said, 2006; Easterly, 2001).

2.1.2. SAPs in Developing Countries: The Middle East

The literature on Structural Adjustment Programs (SAPs) in developing countries has shown mixed results, with mixed results concerning the economic and social impacts. Some studies suggest positive changes in macroeconomic indicators like GDP growth and trade balances, while others emphasize negative effects such as rising unemployment, decreased incomes for the poor, and increased income inequality. Social consequences of SAPs include decreased social spending, reduced accessibility to healthcare and education, and increased rates of poverty and inequality, especially among vulnerable populations (Harrigan, Wang, & El-Said, 2006).

The consequences of SAPs on governance structures and institutional capacity of developing countries are also debated (Harrigan & Mosley, 2007). A study argues against SAPs, suggesting that they have had disastrous consequences for developing countries, including increased prices of basic goods, making them unaffordable to the majority of people, and challenges faced by local businesses in competing on a global level, leading to unemployment.

The comprehensive review of these studies highlights the complex and diverse influence of SAPs and foreign debt on both economic development and general well-being in developing countries. Further investigation shows an ongoing and negative effect of conditionality imposed by the IMF

on the economic growth of developing countries, indicating possible obstacles to their economic expansion (Harrigan & Mosley, 2007). Additionally, the study suggests that SAPs, specifically the decrease of government services, could hinder the overall physical well-being (Bradshaw & Huang, 1991).

The Middle East, a multicultural and geopolitically significant area, is known for its diverse cultural and geographical characteristics, including countries with different economic structures, political systems, and social contexts. The countries that are considered part of the Middle East region include Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, Syrian Arab Republic, United Arab Emirates, Yemen, West Bank and Gaza (World Bank, 2001). The region is marked by a significant population growth rate, poor economic management, corruption, and prolonged excessive protection, all of which have led to economic inefficiency and elevated unemployment (Muhumed & Gaas, 2016).

The influence of donor interests (Harrigan, Wang, & El-Said, 2006), including geopolitical considerations, in determining the distribution of loans from the World Bank to countries in the Middle East is also highlighted. Political factors also play a vital role in predicting the approval of these loans. Studies examining the impact of SAPs on poverty and inequality have yielded varied results, with some nations experiencing improvements in poverty indicators following SAP implementation, while others face increased inequality and social hardship.

The political and economic situation in the Middle East is complex and characterized by declining oil prices, balance of payments pressures, and fiscal deficits. The region has faced various economic difficulties, such as elevated unemployment, inflation, and debt, along with decreased levels of economic growth and development. Political instability, conflict, and social unrest have increased these challenges. To address these challenges, numerous countries in the Middle East have adopted SAPs to foster economic reform and institutional development. These programs have been linked to both favorable and unfavorable effects, such as enhancements in economic expansion and alleviation of poverty in certain nations, alongside heightened inequality and social adversity in others. The geopolitical importance of the Middle East is emphasized by its continuous tendency towards war and the prolonged duration of its conflicts. The region has experienced

instability and conflict, including civil wars in Syria and Yemen, and persistent tensions between "Israel" and Palestine. The Arab Spring uprisings in 2011 resulted in substantial political transformation in the region, as protests and demonstrations led to the downfall of several enduring authoritarian regimes. From 1960 to 2001, the Middle East region has been the second-largest recipient of aid, receiving approximately \$329 billion (in 2000 prices) (Harrigan & Wang, 2006). The significant influx of aid, second only to sub-Saharan Africa, was mainly provided by individual countries rather than international organizations. The United States, a major bilateral donor, plays a significant role in the allocation of loans from institutions like the IMF and World Bank to countries in the Middle East. Multiple studies have indicated that the Middle East has the potential to be considered to be receiving excessive aid, with findings emphasizing the unequal distribution of aid per impoverished individual compared to other areas (Issawi, 1971; Harrigan & Mosley, 2007; Harrigan & Wang, 2006).

In terms of the national context, The Kingdom of Jordan, a small, upper middle-income country with a population of around 6 million and a GDP per capita of \$4,600 in 2011, has implemented Structural Adjustment Programs (SAPs) in collaboration with the International Monetary Fund (IMF) and the World Bank to address economic challenges and promote growth through policy reforms and austerity measures. These programs typically involve financial assistance in exchange for policy reforms aimed at addressing economic imbalances and promoting sustainable growth. SAPs in Jordan often include fiscal austerity measures, trade liberalization, privatization of state-owned assets, tariff reductions, tax reforms, and the reduction or elimination of subsidies. These reforms aim to enhance economic efficiency and competitiveness. However, the impact of these measures on vulnerable populations and social protection mechanisms has been a subject of concern (Abugattas-Majluf, 2012; Awad, 2017).

2.2. Critiques and Debates

The World Bank's structural adjustment programs, or SAPs, have faced a lot of criticism over the course of their long history. Experts and academics have voiced a variety of worries, highlighting the potential negative consequences of these programs. Stiglitz (2002) highlights how SAPs have a narrow focus on economic liberalization and often neglect the collateral damage

inflicted on social aspects. According to Harrigan and Mosley (2007), spending cuts have a negative effect on infrastructure, healthcare, and education, and increasing poverty and inequality while limiting access to basic services. In "The Shock Doctrine" (2007), Klein offers a critical analysis of the opportunistic implementation of SAPs in times of crisis. He highlights the authoritarian imposition of market-oriented reforms, which puts social welfare at risk. Moreover, Kreishan (2004) challenges the relevance of neoliberal economic theories, claiming that a one-size-fits-all strategy may not be aligned with the various needs of developing nations. Chang (2002) adds his voice to this discussion by arguing that SAPs frequently promote the goals of international financial institutions and donor nations while compromising democratic processes and national sovereignty. Issawi (1971) contributes to the discussion by questioning the effectiveness of SAPs in promoting sustainable development and poverty reduction, raising concerns regarding their effects on democracy and sovereignty. The debate is further advanced by Roe et al. (1989) and Muhumed & Gaas (2016), who contribute to the discussion by addressing challenges related to debt problems, finance adequacy, and the negative economic consequences of SAPs. Reinsberg et al. (2019) critique SAPs for impinging on borrower sovereignty, questioning their effectiveness in resolving economic crises, and promoting a "good governance" agenda. Furthermore, Bradshaw and Huang (1991), further argue that SAPs weaken national state power, which is crucial for economic development and the provision of basic needs. These critiques collectively underscore the complex and contentious nature of SAPs, necessitating a comprehensive examination of their impacts and implications.

Chapter 3: Methodology

3.1. Research design

- Methodology: This research adopts a mixed-methods approach for a comprehensive analysis.
- Quantitative: Utilize existing economic and social indicators to measure the impact and effectiveness of SAPs. Statistical methods will be used to identify correlations and patterns.
- Data Integration and Analysis: To produce a comprehensive interpretation, and integrate quantitative and qualitative data. For quantitative data, statistical analysis will be used; for qualitative data, theme analysis will be used.

Conclusion: This study aims to contribute valuable insights into the complex dynamics of SAPs in Jordan. A mixed-methods approach seeks to offer a nuanced understanding of SAPs' role, impact, and potential improvements, contributing to ongoing discussions on international financial interventions in developing countries.

3.2. Data Collection

3.2.1. Data Sources

This study utilizes a comprehensive methodological approach to analyze the effects of Structural Adjustment Programs (SAPs) on economic development in the Middle East, focusing specifically on Jordan as a case study. Primary sources include reliable reports and documents from financial institutions like the World Bank and the International Monetary Fund (IMF), along with pertinent releases from government organizations. These sources offer crucial progress reports and economic indicators. A comprehensive analysis of Jordan's experience with Structural Adjustment Programs (SAPs) has been conducted, examining the historical context, policy documents, and socioeconomic data in detail. The academic contributions, in the way of academic articles and journals, have played an essential part by providing the necessary theoretical frameworks, critiques, and analytical perspectives to gain an extensive knowledge of Structural

Adjustment Programs (SAPs) and their impacts. Furthermore, the study has utilized archived information to uncover historical records and previously gathered data that offer insights into the political and economic circumstances before, during, and after the implementation of Structural Adjustment Programs (SAPs). This adds a historical dimension to the research.

3.2.2. Criteria for Country Selection

The study provides an in-depth review of the effectiveness and consequences of Structural Adjustment Programs (SAPs) in the particular economic and political context of Jordan, a country known for its scarcity of natural resources and varied political systems. The country's historical record of SAP implementation offers a comprehensive context for assessing the enduring effects of these programs, enabling a deeper understanding that covers both their successes and their obstacles. This evaluation relies on the presence of dependable and extensive socio-economic and political data from Jordan, which is crucial for carrying out a thorough review over time. This study is enhanced by my personal viewpoint and access as a native researcher. I can utilize personal insights, and access localized information, which increases the study's depth and authenticity. Furthermore, the research capitalizes on the personal relevance of the topic to my background, which ensures that it includes subtle viewpoints and an original analysis. This enables a thorough evaluation of the impacts of SAPs on a more personal level and contributes to the understanding of the programs' real-world consequences in Jordan.

3.3. Ethical Considerations

The study investigates the role of World Bank Structural Adjustment Programs in the Middle East, adhering to ethical considerations such as informed consent, confidentiality, voluntariness, avoiding harm, cultural sensitivity, power dynamics, transparency, disclosure of conflicts of interest, and beneficence. Participants are informed about the study's purpose, anonymity, and the right to withdraw at any stage.

Chapter 4: The Catalyst or Obstacle Debate

4.1. Theoretical Foundations

This study examines the impact of Structural Adjustment Programs (SAPs) on development in Jordan by drawing on multiple disciplines such as economics, social sciences, and history. Zaki (2001) stated that economic imbalances, such as budget deficits and inflation, can hinder growth. Additionally, political economy theories shed light on how weak governance can impede progress in the private sector and overall economic development.

We examine theories regarding the World Bank's role in the distribution of aid within multilateral systems (Harrigan, Wang & El-Said, 2006). The discussion includes the concept of dependency theory, which argues that the economic growth of developing nations relies on developed countries. It also includes criticisms of neoliberalism and proposes the necessity of alternative approaches to tackle intricate problems (Kreishan, 2004; Muhumed & Gaas, 2016). Furthermore, we examine neoclassical economics and the Washington Consensus, the fundamental principles of Structural Adjustment Programs (SAPs). Our analysis specifically centers on the advocacy of free market, trade liberalization, privatization, and strict fiscal policies (Stiglitz, 2004).

This chapter establishes the theoretical foundation for a practical investigation of SAPs in the Middle East generally and specifically in Jordan. The subsequent sections delve into evaluating the impact of SAPs on development and their potential to impede progress.

4.2. Analysis of SAPs as a Catalyst for Development

The **neoliberal economic framework** is a fundamental aspect of Structural Adjustment Programs (SAPs), closely connected to the principles of free markets. It suggests that minimizing government intervention, privatization, and promoting open markets result in more effective distribution of resources and increased market productivity (Bradshaw & Huang, 1991). SAPs are influenced by Neoclassical economic principles, which prioritize market-driven strategies and fiscal discipline to maintain macroeconomic stability (Noorbakhsh & Paloni, 1997).

SAPs frequently strive to reduce government intervention, promote privatization, and improve the efficiency of free markets. Noorbakhsh and Paloni (1997) emphasize the significance of implementing efficient macroeconomic measures, such as cutting spending and exchange rate adjustments, in order to establish a competitive economic atmosphere that promotes productivity and innovation.

The objective of **trade liberalization** in SAPs is to facilitate countries in producing goods and services in areas where they possess a comparative advantage. This, in turn, increases exports and improves the overall economic performance (Bradshaw & Huang, 1991). The rational expectations theory, which forms the basis of SAPs, suggests that implementing reforms will have a positive impact on investor confidence and the economic future. This, in turn, will influence financial decisions, leading to increased investment and economic progress (Bradshaw & Huang, 1991). In addition, SAPs aim to facilitate policy reforms that encourage **foreign direct investment**, simplify investment regulations, and cultivate a favorable environment for investment (Michalopoulos, n.d.).

Although SAPs are intended to enhance **sustainable economic growth** in theory, they have faced criticism for aggravating social inequalities and governance problems. Sustainable development within Structural Adjustment Programs (SAPs) encompasses not only economic restructuring but also the achievement of social development objectives. These factors encompass the fair distribution of resources, the cultivation of political agreement, the promotion of inclusivity, and the prioritization of equitable allocation of benefits. The goal is to achieve a harmonious combination of economic growth, environmental preservation, and social equity (Weiss, 1992).

To summarize, Structural Adjustment Programs (SAPs) consist of a wide array of policy changes with the goal of integrating economies into the global market, attracting investment, and fostering sustainable development. Their efficacy depends on a complex knowledge of specific country contexts and a dedication to comprehensive economic and social changes (Summers & Pritchett, 1993; Michalopoulos, n.d.; Noorbakhsh & Paloni, 1997; Bradshaw & Huang, 1991; Weiss, 1992).

4.3. Analysis of SAPs as an Obstacle to Progress

Even though SAPs aim to promote economic growth through market-oriented reforms, trade liberalization, and macroeconomic policy adjustments, underpinned by neoliberal economic principles that advocate for free markets and reduced government intervention (Bradshaw & Huang, 1991; Noorbakhsh & Paloni, 1997). However, they have been widely criticized for a range of issues. They are seen as neglecting the need for **economic diversification**, leading to reliance on a narrow range of export commodities, making countries vulnerable to global price fluctuations (Bradshaw & Huang, 1991). Critics also argue that SAPs often focus too narrowly on **short-term economic stabilization**, such as reducing budget deficits and controlling inflation, potentially at the expense of long-term development goals (Karshenas, 1994).

Additionally, SAPs have been linked to a **decline in investment**, particularly in the manufacturing sector, with high foreign debt and fiscal deficits correlated with reduced investment in manufacturing infrastructure and enterprises, affecting their export capacity (Noorbakhsh & Paloni, 1997). This is compounded by **rising unemployment** due to austerity measures and privatization requirements, staples of SAPs, which can lead to job losses and reduced wages, thus sparking social unrest (El-Said & Harrigan, 2014).

The dependency on developed nations is another critique, as SAPs often lead to a **cycle of debt and dependency**, limiting economic autonomy (Knowles, 2011). Moreover, the **lack of local ownership** and engagement in SAPs can result in ineffective reforms that lack support from local communities (Crisp & Kelly, 1999). SAPs have also been criticized for amplifying income inequalities and increasing poverty, contrary to their objectives of alleviating poverty (El-Said & Harrigan, 2014).

Furthermore, SAPs' **one-size-fits-all approach** is problematic as it often fails to consider the unique economic landscapes and societal needs of each country (Kreishan, 2004). The issue of **economic sovereignty** is at stake with SAPs, as they often lead to a loss of policy-making autonomy when countries agree to the conditions set by the World Bank (Muhumed & Gaas, 2016). Additionally, there are concerns about the **lack of transparency and accountability** in how SAPs

are managed (Ravallion, 2016; Moyo, 2009). Finally, the critiques point to a donor-driven agenda in SAPs that overshadows local needs and priorities, suggesting the need for a more context-specific, locally driven approach (Harrigan & Mosley, 2007).

Chapter 5: Operation of SAPs in Jordan

5.1. Introduction to SAPs in Jordan

Jordan's unique context, including its strategic location and resource limitations, influences the dynamics and challenges surrounding SAPs. This chapter provides an overview of these factors, including economic structure, trade dependencies, social demographics, education, healthcare, refugee crises, political governance, stability, and ongoing political reforms. The SAPs in Jordan aim to address economic imbalances, promote fiscal sustainability, enhance economic competitiveness, and stimulate investment. The specific objectives include fiscal consolidation, public debt reduction, improvements in the business environment, and economic competitiveness enhancement. The reforms undertaken include fiscal consolidation measures, subsidy reductions, tax collection enhancements, privatization of state-owned enterprises, and promotion of transparency and good governance.

However, the implementation of SAPs has faced resistance and criticisms, particularly in the social and political ramifications. The reduction of subsidies has sparked protests and social unrest, while political opposition, labor unions, and civil society groups have expressed concerns about citizens' welfare and national sovereignty. Balancing political stability and economic reform has proven to be a challenging task for the Jordanian government.

5.2. Historical Context of SAPs in Jordan

5.2.1. Jordan's Economy Pre-SAPs

The economy of Jordan was heavily impacted by both local and global events prior to the implementation of structural adjustment programs (SAPs), which had a positive as well as negative impact on the country's economy.

Jordan's economy developed during the boom years of the 1970s and 80s, especially after the oil booms of 1973 and 1979, thanks to a substantial influx of official development assistance. A

number of Jordanian infrastructure projects benefited greatly from this financial assistance. Additionally, remittances from Jordanians working in the Gulf countries surged, providing a crucial source of income for families back home and bolstering the nation's foreign exchange reserves. Together with foreign assistance, these transfers helped Jordan enter an economic recovery, which was evident in the country's citizens' living standards and per capita income rising significantly (Awad, 2017; Harrigan, El-Said, & Wang, 2006).

Furthermore, the real GDP of Jordan increased at an average annual rate of 7.9% between 1972 and 1982, indicating a period of sustained strong economic expansion reflected in higher investment, employment opportunities, and economic activity. Though it later declined to 5.7%, the growth rate during the later part of the boom period was still indicative of a respectable level of economic expansion and continued development (Awad, 2017; Harrigan, El-Said, & Wang, 2006). Still, there were some negative aspects to this time. At a level that its GDP could not support on its own, Jordan's economy became heavily dependent on international partners for public and private consumption, levels that domestic GDP alone could not sustain. This over-reliance left Jordan exposed to vulnerabilities, especially to fluctuations in international aid and broader economic shifts, casting doubt on the long-term sustainability of its economic growth (Awad, 2017; Harrigan, El-Said, & Wang, 2006).

The regional conflicts of the time also played a dual role in shaping Jordan's economic landscape. The Iran-Iraq War, for example, inadvertently boosted Jordan's trade activities through the port of Aqaba, a strategic location for Middle Eastern commerce. On the other hand, the instability from the Lebanese Civil War positioned Jordan as an alternative center for financial and professional services. These events, despite the surrounding turmoil, created unique economic opportunities that Jordan capitalized on, further spurring its economic growth (Awad, 2017; Harrigan, El-Said, & Wang, 2006). Towards the late 1980s, however, Jordan encountered severe economic and demographic challenges. Numerous Jordanians experienced a decline in their standard of living as a result of the 1989 currency and banking crisis, which also caused a sharp drop in GDP per capita, investment, and employment. A major contributing factor to this crisis was the nation's exceeding foreign debt, which by the end of 1989 had increased to \$5.8 billion, and its incapacity to pay it off. Along with the debt, the country struggled with rampant inflation, with living costs rising by

25.8% in the same year, fueling public dissatisfaction. These economic difficulties highlighted Jordan's risky dependence on external financial aid and underlined the urgent need for a robust and sustainable economic framework to withstand future shocks (Awad, 2017; Harrigan, El-Said, & Wang, 2006).

5.2.2. Timeline for SAPs in Jordan

The implementation of Structural Adjustment Programs (SAPs) in Jordan is part of a broader historical context that spans several decades. These programs have evolved over time, responding to Jordan's changing economic, social, and political circumstances.

Table 1: Historical Economic Phases and Structural Adjustments in Jordan (1945-2016)

Time Period	Key Economic Developments	Average Foreign Aid (USD)	Impact Events	Economic Challenges	Sources
1945-1961	High unemployment due to war and dependence on foreign aid	-	War of 1948	Economic challenges and dependence on external support	-
1960s-1970s	Modernization and development; Infrastructure, education, and healthcare investment	Increased inflow of Arab aid, peaking at JD 382 million (USD 538,489,738) (1980-1983)	Boom in transit trade; Lebanon's civil war	-	Kanaan et al., 2002
1973-1984	High growth rates; Increased Arab aid and remittances	From JD 126 million (USD 177,617,034) to JD 475 million (USD 669,588,025) (1976-1984)	Iran-Iraq war; Lebanon's civil war	-	Kanaan et al., 2002
1980s	Rising fiscal deficit and external debt	-	First SAP initiated in 1989	Fiscal imbalances, public debt	-
1989-1999	"Model student" of IMF and World Bank; Economic reforms	-	-	Unsustainable growth, rising poverty post-2002	Awad, 2017
1989 - 1990	Significant Reduction in Aid from Key Arab Nations (Saudi Arabia, Morocco, Iraq, UAE, Algeria, Qatar, and Libya)	-	Led to significant policy changes and economic reforms.	Budget deficit hit \$143M (3.7% of GDP), Arab aid fell sharply, GDP growth slowed to 4.7%, trade imbalance worsened with imports at 51.8% of GDP.	Bani Salameh et al., 2018
1989 - 2016	Budget deficit, decline in Arab aid, reduction in GDP	-	Adoption of SAPs	Escalated Trade deficit	Bani Salameh et al., 2018
1990s	Regional turmoil, Gulf War impact	-	Additional SAPs for diversification and liberalization	-	-
2000-2011	Fiscal austerity and trade liberalization	-	-	Weakened social protection, affecting the poor	Awad, 2017
2010s	Syrian civil war, refugee influx	-	Financial assistance required in 2012	Economic strain due to refugees	Awad, 2017
2020s	COVID-19 pandemic impacts	-	Measures to mitigate pandemic impact	Economic slowdown, continued austerity	-

As demonstrated in **Table 1**, From 1945 to 1961, Jordan faced substantial economic challenges following World War II. These challenges included a staggering unemployment rate of 60%, which was worsened by a threefold increase in population due to the 1948 war, as well as a heavy reliance on foreign aid from Britain (Salameh et al., 2018). During the 1960s and 1970s, under the rule of King Hussein, Jordan launched a process of modernization and development, characterized by significant investments in infrastructure, healthcare, and education. During the period from 1973 to 1984, Jordan's economy experienced a significant boost due to a substantial rise in Arab assistance. Foreign aid averaged JD 126 million per year from 1974 to 1978, and then increased to JD 382 million per year from 1980 to 1983. During the Iran-Iraq war, the country experienced a significant increase in transit trade with Iraq, as well as a nearly four times increase in remittances from abroad. Amidst the ongoing civil war in Lebanon, Jordan found an opportunity to address the unmet needs and provide services that were unavailable in the neighboring country (Kanaan, Marwan, & Kardoosh, 2002).

In the 1980s, Jordan faced economic challenges such as a growing fiscal deficit and external debt. Jordan took the initiative to implement its inaugural Structural Adjustment Program in 1989, in collaboration with the IMF and World Bank. The program's objective was to rectify fiscal disparities and foster economic expansion by reducing public debt and promoting economic liberalization. Despite the unstable situation in the region, Jordan experienced a remarkable average annual growth rate of 10% in its GDP from 1960 to 1985. This growth can be attributed to a robust manufacturing sector and increased efficiency in labor productivity (Bani-Hani & Shamia, 1989; World Bank, 1994; 2002; Saif, 2003).

In the 1990s, Jordan was praised for its adherence to the reforms recommended by the International Monetary Fund (IMF) and the World Bank. As a result, the country experienced significant economic growth rates, reaching as high as 8.6% between 1992 and 1995. Nevertheless, despite these advancements, there was no lasting socioeconomic improvement, as poverty rates experienced a resurgence by 2002 (Awad, 2017).

The commencement of the Syrian civil war in 2011 and the subsequent arrival of refugees increased the difficulties faced by Jordan in the 2010s, requiring additional Structural Adjustment Programs

(SAPs) and emphasizing the importance of fostering inclusive economic growth and generating employment opportunities. In 2015, the International Monetary Fund (IMF) provided the last installment of financial aid as part of Jordan's economic program (Awad, 2017).

During the 2020s, Jordan experienced additional economic challenges due to the COVID-19 pandemic. This led to the implementation of Structural Adjustment Programs (SAPs) that included measures to provide relief during the pandemic, to strengthen the healthcare system and promote economic recovery. However, these measures also involved continued austerity measures that affected the ability of lower-income groups to afford essential goods (Awad, 2017). Lastly, between 1989 and 1990, Jordan's economy faced significant challenges, leading to policy changes and economic reforms. The budget deficit in 1990 was 3.7% of the GDP, and Arab aid declined significantly, with financial support from countries like Saudi Arabia, Morocco, Iraq, UAE, Algeria, Qatar, and Libya dropping from 1,250,000 Jordanian Dinars (1,762,073.75 USD) to 463,321 Jordanian Dinars (653,124.62 USD). The country's GDP and economic growth rate decreased to 4.7% in 1989, and an increased trade imbalance was compounded by imports accounting for 51.8% of the GDP. These factors led to Jordan's decision to engage with international financial institutions, such as the World Bank and IMF, to implement Structural Adjustment Programs (SAPs). The SAPs were implemented between 1989-1993, 1994-1998, 1999-2001, 2002-2005, and 2006-2016, addressing the economic challenges and promoting economic growth (Bani Salameh et al., 2018). The history of Jordan's economic trajectory from the aftermath of World War II to the 2020s illustrates the country's changing interaction with foreign assistance and structural adjustment programs, marked by periods of expansion and difficulties (Salameh et al., 2018).

5.3. Major Reforms Under SAPs in Jordan

In the late 20th century, Jordan experienced serious economic difficulties, which led to the implementation of a series of Structural Adjustment Programs (SAPs) in partnership with the International Monetary Fund (IMF) and the World Bank. These programs were created with the aim of completely transforming the economic framework of Jordan, by tackling a range of problems including fiscal deficits and inefficiencies in different sectors. This narrative explores the

comprehensive reforms implemented and their effects, as documented by scholars and observers such as Harrigan & El-Said (2010), Abugattas & Majluf (2012), and Kanaan, Marwan, & Kardoosh (2002).

1. Fiscal Reforms and Consequences

Jordan's SAPs implemented severe fiscal measures to address a significant budget deficit, equal to 3.7% of the country's GDP, equivalent to \$143 million USD in 1990. These reforms included reducing public spending, overhauling the tax system to expand the taxable base, and improving debt management. However, such fiscal austerity led to a notable decline in public sector investment, which was reduced to just 6% of GDP by 1999, reflecting a significant shift in priorities towards fiscal stability over developmental spending.

2. Restructuring of the Public Sector

The SAPs also focused on the reorganization of the public sector. The privatization of major state-owned enterprises was an important aspect of these reforms, intending to promote a more competitive and efficient economy. Additionally, efforts were made to implement changes in the public sector workforce, such as establishing a connection between salary and job performance and reducing the size of the civil services, with the aim of establishing a more efficient and effective government.

3. Evolution of the Financial Sector

In the 1990s, Jordan implemented substantial financial sector reforms. The establishment of a central bank, liberalization of interest rates, and the entry of foreign banks marked a new era of financial oversight and competitiveness in Jordan's market. These changes aimed to strengthen the financial sector's contribution to economic growth and improve the range and standard of services accessible to Jordanians.

4. Strengthening Social Safety Nets

Together with these economic reforms, SAPs included social safety nets to assist individuals impacted by the economic adjustment. The initiatives included providing direct aid, implementing educational programs, and enhancing accessibility to high-quality education,

with a specific focus on marginalized individuals. These efforts aimed to achieve a harmonious integration of economic reforms and social welfare.

5. Encouraging Trade and Investment

Finally, the SAPs facilitated trade liberalization and investment reforms to stimulate economic growth and attract foreign capital. Jordan implemented a strategic plan to enhance its appeal as a global trade and investment hub by reducing trade barriers and creating export processing zones.

In Jordan, the major reforms implemented under the Structural Adjustment Programs (SAPs) involved a careful combination of fiscal discipline, market liberalization, and social adjustment. Their contributions to macroeconomic stability and economic liberalization are acknowledged, but the long-term benefits and social consequences remain a subject of ongoing debate. The efficacy of Structural Adjustment Programs (SAPs) in Jordan serves as a compelling case study on the complicated process of implementing economic reforms in a developing country context.

Chapter 6: SAPs Economic and Social impact on Jordan

6.1. Economic Impact

6.1.1. Unintended Economic Consequences

From 1992 to 1999, Jordan was praised by the World Bank and IMF for its adherence to the Structural Adjustment Programs (SAPs), which aimed to liberalize the economy. These measures included trade and energy deregulation, privatization of state-owned entities, tax reform, tariff cuts, and scaling back subsidies for essential items like energy and food. Jordan's economy experienced significant growth, reaching 8.6% from 1992 to 1995 and maintaining an average growth rate of 4.81% from 2000 to 2004. However, this growth has been criticized as unsustainable and not reflecting an increase in domestic productivity. Poverty rates spiked again, reaching between 15-30% by 2002, indicating that the economic development during this period was short-lived and did not lead to lasting socioeconomic improvement. The austerity measures and neoliberal policies disproportionately affected Jordan's poorer populations, with reduced subsidies and rising prices eroded living conditions, particularly in poorer and rural communities. Unemployment worsened, reaching 15.3% in 2002, further compounding the difficulties faced by Jordanians (Awad, 2017).

6.1.2. Deterioration of Export Competitiveness

Jordan's ability to compete on the global stage was significantly undermined, with critical indicators such as the Revealed Comparative Advantage and intra-industry trade index showing alarming declines due to SAPs, indicating a distressing loss of trade diversity and potential (Abugattas-Majluf, 2012).

Table 2: Technological Composition of Jordan's Trade with the World

	1989–1990	1999–2000	2007–2008
Primary products			
Exports	43.14	26.25	14.87
Imports	34.32	23.18	32.56
Resource-based products			
Exports	10.45	17.08	14.11
Imports	19.06	18.79	15.38
Low-tech products			
Exports	9.55	17.60	27.58
Imports	11.36	11.70	14.17
Medium-tech products			
Exports	24.60	25.01	27.86
Imports	23.57	33.26	25.41
High-tech products			
Exports	12.22	13.90	15.56
Imports	11.54	13.13	12.44

Calculation by the author using UN-COMTRADE data

Note: From "Jordan: Model Reformer Without Upgrading?" by Luis Abugattas-Majluf, 2012, *Studies in Comparative International Development*, p. 241.

Table 2 reveals several challenges for Jordan's trade, including a decline in primary product exports from 1989-1990 to 2007-2008, a high reliance on low-tech products, and a lack of progress in moving towards higher value-added and technology-intensive activities. The decrease in primary product exports suggests a missed opportunity for value addition and a reliance on low-value goods, which may not contribute significantly to economic growth. The high proportion of low-tech products in both exports and imports suggests a reliance on less sophisticated and potentially lower value-added goods, which could hinder progress in moving towards higher value-added and technology-intensive activities. The modest growth in high-tech exports indicates a potential imbalance in the trade of high-technology goods, with Jordan being more reliant on importing such products rather than developing and exporting its own high-tech goods. The lack of diversification in Jordan's trade could make the economy vulnerable to external shocks and limit its ability to tap into higher value-added markets. The relatively stable trade composition suggests a potential

stagnation in the country's trade structure, which may hinder its ability to adapt to changing global market demands. Addressing these challenges is crucial for enhancing Jordan's trade competitiveness and fostering sustainable economic development.

6.1.3. Limited Impact of Foreign Investment

Despite efforts to attract foreign direct investment (FDI), it has had a limited impact on the Jordanian economy. The impact of SAPs on FDI and its contribution to new exports was constrained. Most investment in Jordan focused on real estate, particularly residential housing, and public infrastructure, which did not significantly drive productive transformation beyond the benefits of improved infrastructure. Private investment in productive activities declined during the 1990s and slow recovery in the 2000s, remaining insufficient for sustaining high growth rates. FDI inflows averaged \$31 million annually from 1972 to 1990, representing a small fraction of GDP and gross fixed capital formation. FDI contributed to the growth of tourism, financial services, and telecommunications, but made limited contributions to new exports, except in the garment industry as also viewed by Abugattas-Majluf (2012).

6.1.4. Economic Roller-Coaster

The 1980s brought Jordan to its knees economically, with a crisis precipitated by governmental mismanagement and exacerbated by SAPs. The nation grappled with a burgeoning external debt and a government unwilling or unable to meet its obligations, resulting in a catastrophic devaluation of the Jordanian Dinar (Jaber, n.d.; Kanaan & Kardoosh, 2002).

Table 3: Jordan's GDP growth

Jordan, real GDP growth at factor cost

(period average per annum)

1981-1985	1986-1990
5.3	-1.3

Note: From " *The story of Economic Growth in Jordan: 1950-2000*" by H. Kanaan and Marwan A. Kardoosh, 2002, p. 7.

The data shown in **Table 3**, reveals the average annual real GDP growth at factor cost for two distinct time periods: 1981-1985 and 1986-1990. The data shows that between 1981 and 1985, Jordan experienced an average annual real GDP growth of 5.3%, indicating a period of economic expansion. However, from 1986 to 1990, the average took a downturn to -1.3%, reflecting a contraction where the economy shrank on average each year. This negative growth rate signifies a period of economic difficulty for Jordan, potentially caused by factors such as political instability, decreases in foreign investment, external shocks, or policy decisions that may have adversely affected the economy. This data is crucial for policymakers, investors, and researchers to understand the economic trends and challenges faced by a country. The reasons for this shift in economic performance are not provided in the table itself, but could be due to political instability, decreases in foreign investment, external shocks, or policy decisions that may have adversely affected the economy.

6.1.5. Privatization and Labor Market Upheaval

The privatization and restructuring of state-owned enterprises in Jordan, as part of the World Bank Structural Adjustment Programs (SAPs), led to significant changes in the labor market. This transformation resulted in job cuts, a rise in unemployment rates, and difficulties in reintegrating displaced workers. The private sector may not have been able to absorb the large workforce displaced, causing hurdles in re-employment and economic hardships for affected individuals and their families. The job losses and unemployment had broader social and economic consequences, including income loss, reduced access to social benefits, and financial insecurity, which negatively affected their well-being and livelihoods. Additionally, displaced workers may have faced challenges associated with skill mismatch, as their prior employment in state-owned enterprises may not align with the evolving private sector requirements, further impeded their reintegration into the labor market.

In summary, the privatization and restructuring processes in Jordan resulted in workforce reductions, increased unemployment, and complexities in reintegrating displaced workers into the labor market. These dynamics highlighted the multifaceted impact of economic reforms on employment and livelihoods, as documented by Husien (2018).

6.1.6. External Debt

The late 1980s saw Jordan's external public debt soar to alarming heights, with debt servicing obligations devouring a significant share of the nation's export revenue, placing a stranglehold on financial resources and deepening economic fissures (Kanaan & Kardoosh, 2002). In the late 1980s, Jordan faced significant economic challenges, particularly in terms of its external public debt and associated servicing costs. The country's external public debt to GDP ratio was alarmingly high, reaching 203.4% between 1986 and 1990, a significant increase from 49.8% between 1976 and 1980. The cost of debt servicing, including installments and interest payments, consumed a significant portion of Jordan's export revenue, averaging 23.4% of exports, a 10% increase from 1981-1985. To address this, Jordan sought the International Monetary Fund's assistance for debt repayment rescheduling and structural adjustments, including austerity measures, reductions in public spending, subsidy removal, and alterations in pricing and import duties. However, these policies had significant social repercussions, such as increased fuel prices and a marked increase in the cost-of-living index in 1989.

6.1.7. Domestic Expenditure

Increased domestic spending led to inflationary pressures on non-traded sectors, with a consequent shift towards imported goods and a detrimental impact on local industries and export competitiveness (Kanaan & Kardoosh, 2002). In Jordan, increased domestic spending has led to inflation, particularly in non-traded sectors like education, health, welfare, and construction. This has resulted in higher prices, especially in areas with a shortfall in domestic production. This shift in consumption patterns towards imported goods has led to a dependency on imports and diverted funds from domestic savings and investments. The "expenditure effect" diminishes the profitability and competitiveness of domestic production, particularly for export goods. The "resource shift effect" further exacerbates the situation, as local workforce is drawn to oil-rich neighboring economies, resulting in wage increases in domestic sectors that demand skilled labor. This hampers the competitiveness of Jordanian exports.

6.1.8. Growth Rates: A Misleading Narrative

The narrative of growth rates during the reform period, as detailed by Harrigan and El-Said (2010), reveals a tale of temporary and illusory prosperity. Despite reform efforts, the ensuing growth

proved insufficient in addressing the entrenched socio-economic issues, leaving a legacy of hardship in the wake of SAPs. Jordan's economic phases, as described by Harrigan and El-Said (2010), have a significant impact on the nation's growth. The pre-reform period (1983-1988) saw moderate growth at 3.69%, indicating a stable economy before significant reforms. The stabilization period (1989-1991) saw a negative growth rate of -3.55%, indicating economic downturns that required stabilization efforts to correct macroeconomic imbalances. The reform growth period (1992-1995) saw a substantial increase to 8.62%, indicating a robust economic expansion. Efforts during the Stabilization Period included macroeconomic reforms, monetary policy adjustments, exchange rate policy changes, and external assistance, particularly from the IMF. The Reform Growth Period initiatives included structural reforms, privatization, deregulation, investment in human capital, and infrastructure development, all contributing to enhanced productivity and economic performance.

Table 4: Period Growth Rates in Jordan

Pre-reform 1983-88	Stabilization 1989-91	Reform growth period 1992-95	1996-99	Reform growth period 2000-04
3.69	-3.55	8.62	2.95	5.61

Source: World Development Indicators Online

Note: From *"The Economic Impact of IMF and World Bank Programs in the Middle East and north Africa: A case Study of Jordan Egypt, Morocco and Tunisia, 1983 - 2004"* by Jane R. Harrigan and Hamed El-Said, Volume 6, Number 2, 2010, p. 9.

As shown in **Table 4**, the growth rates between 1996-1999 were moderated by economic challenges, such as high public debt and regional instability. However, the increase in growth rate from 2000-2004 was attributed to continued reforms, improved business environment, favorable external conditions, and sector-specific growth. In conclusion, Harrigan and El-Said argue that while the World Bank reforms in Jordan brought some positive outcomes, they fell short of generating robust, self-sustaining growth needed to resolve deep-rooted socio-economic issues.

Table 5: Macroeconomic Indicators for Jordan (1978 – 1983)

<i>Jordan</i>						
Inflation, consumer prices	3.8	3.0	0.0	−0.2	6.6	25.7
Current account balance	−5.3	−4.9	−0.7	−5.4	−4.6	4.4
Central government debt	49.6	56.4	59.0	70.1	100.1	126.1
Total debt service	13.0	17.2	19.7	24.0	30.9	19.7
Gross capital formation	28.8	20.5	20.5	23.3	23.5	23.7
GDP per capita growth	4.6	−0.2	3.1	−0.8	−5.2	−16.5
	1978	1979	1980	1981	1982	1983

Note: From "*The Economic and Political Determinants of IMF and World Bank Lending in the Middle East and north Africa*" by Jane R. Harrigan, Hamed El-Said & Chengang Wang, Volume 34, Number 2, 2005, p. 254.

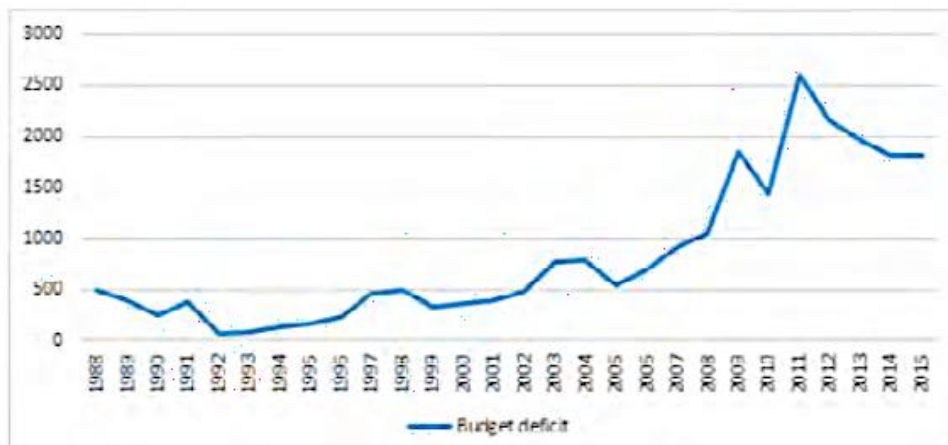
Table 5 generally demonstrates the economic indicators for Jordan from 1978 to 1983, revealing a range of trends and trends. Inflation rates fluctuated from 6.6% in 1982 to -0.2% in 1981, indicating a year of deflation. The current account balance showed consistent deficits, suggesting imports over exports. Central government debt increased significantly between 1981 and 1983, while total debt service showed fluctuations, possibly reflecting borrowing and repayment activities. Gross capital formation, an indicator of economic growth, remained stable. The GDP per capita growth showed a contraction in the early 1980s, with a sharp decline of 16.5% in 1983, indicating a severe economic downturn or potential crises. The data provides valuable insights into Jordan's economic health and trends during this period (Harrigan et al., 2006).

6.1.9. Budget Deficit

Finally, Jordan's budget deficit trajectory, as indicated by the Ministry of Finance, underscores the chronic fiscal struggles. The pervasive budget deficits have culminated in significant economic and societal distress, with austerity measures disproportionately impacting the less affluent, thwarting job growth, and perpetuating poverty and inequality (Awad, 2017). Jordan's budget deficit has been a significant issue over the past 27 years, with fluctuations and an upward trend peaking between 2012 and 2013. The deficits have led to significant economic strain and societal issues, with the country having to borrow extensively to manage them. By 2016, Jordan's public debt stood at 94.4% of GDP, a significant obstacle to its progress. The strategies recommended by the IMF and World Bank, including austerity and economic liberalization, have disproportionately impacted the poorer communities, making basic necessities less affordable and contributing to transient poverty. Furthermore, these measures have hindered the creation of employment opportunities, resulting in

an increase of joblessness, particularly among women. This means a significant number of individuals have been forced to seek employment in the informal sector, where wages are typically low and working conditions are below standard. Furthermore, the deficits have restricted the government's capacity to fund social programs and infrastructure, which are vital for fostering equitable growth and addressing poverty and inequality.

Figure 1: Jordan's Budget Deficit (Million JOD) 1988 – 2015
(Ministry of Finance, 2016)



Note: From "*The International Monetary Fund and World Bank Intervention in Jordan*" by Ahmad M. Awad, 2017, p. 5.

Figure 1 shows the data on Jordan's budget deficit from 1988 to 2015 is presented in a line graph, illustrating trends in the government's fiscal performance. The deficit increased significantly from the early 2000s to a peak around 2009, possibly due to increased government spending or decreased revenues. After this peak, the deficit declined, suggesting measures were taken to reduce the gap between government spending and revenue. This data is crucial for economic analysis and policymakers to make informed decisions about managing a country's economy. The graph is sourced from the Ministry of Finance in 2016 (Awad, 2017).

6.1.10. Public Debt

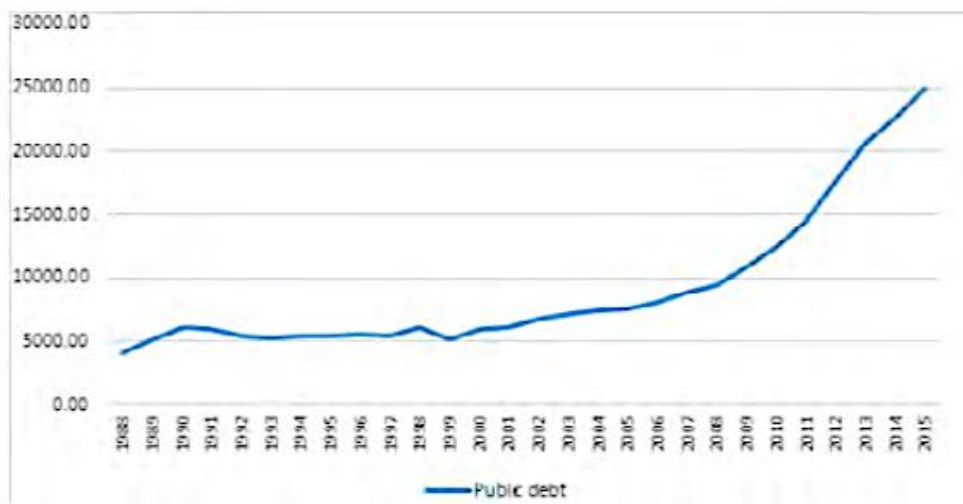
Jordan's public debt has increased from 1988 to 2015 due to various economic and political challenges, including high unemployment, limited resources, and dependency on external aid. The

geopolitical situation in neighboring Syria and Iraq has further burdened the economy by forcing it to absorb refugees and enhance security measures, leading to higher spending and additional borrowing. Austerity measures imposed by the World Bank have led to cuts in public spending, pushing the economy into stagnation and triggering a borrowing cycle to kickstart growth. Jordan's government has struggled with generating sufficient revenue, partly due to difficulties in expanding the tax base, thus relying more on borrowing to finance its operations. External shocks like global recessions and volatile commodity prices have adversely affected the economy. The implementation of SAPs has placed initial stress on government finances, potentially contributing to the increase in public debt.

Despite Jordan being praised as a star reformer in the MENA by the IMF and World Bank, Jordan's actual adherence to reform conditions has been less than perfect and misplaced, leading to discontinued programs and delayed funding. Resistance to reform measures by the government has led to prolonged reform processes and partial implementation. The impact of these reforms on social sectors has been contentious, with the World Bank and IMF having divergent views on the social dimension of the reforms (Awad, 2017). Jordan's path through economic reform and adjustment has been fraught with challenges, resistance, and varying degrees of implementation, leading to a complex landscape of economic strain and social impact. In summary, the SAPs in Jordan have not only failed to engender sustainable economic growth but have also precipitated a series of adverse economic and social outcomes that continue to reverberate through the fabric of Jordanian society. This analysis serves as a sobering reminder of the deep-seated challenges that remain unresolved, casting doubt on the efficacy of such programs in fostering genuine progress.

Figure 2 shown below demonstrates Jordan's public debt (million JOD) 1988-2015" shows the significant increase in Jordan's public debt over a 27-year period. The graph starts with a smaller amount of debt in the late 1980s and then climbs upward, particularly after the early 2000s. By 2015, the debt has reached a peak much higher than the starting point in 1988, indicating that Jordan's economic situation has progressively weakened because of increasing debt over the past few decades. The Jordanian Dinar, the currency of Jordan, is represented by the y-axis, representing the amount of public debt in millions of JOD.

Figure 2: Jordan's Public Debt (Million JOD) 1988 – 2015
(Ministry of Finance, 2016)



Note: From "*The International Monetary Fund and World Bank Intervention in Jordan*" by Ahmad M. Awad, 2017, p. 6.

6.2. Social Consequences

6.2.1. Educational Investments and Social Outcomes in Jordan

Jordan has demonstrated a strong dedication to improving its educational sector by consistently investing in both public and private initiatives. Since the 1990s, the government has allocated a substantial portion of its GDP towards education. In 2007, the amount of total public expenditures allocated to human capital development increased to 10.8%, indicating a strategic focus on this area (Abugattas-Majluf, 2012). These endeavors have resulted in positive results: literacy rates, school enrollment, and educational achievement have significantly increased, surpassing even the average levels found in middle-income countries. By the mid-2000s, there was almost complete enrollment in primary and secondary education. In addition, Jordan's rate of higher education enrollment has reached 41%, placing it in competition with countries in the OECD. Jordan's higher education system has gained international recognition for its quality, attracting a significant number of foreign students and experiencing rapid growth in the number of institutions. The growth has been significantly influenced by ambitious initiatives such as the Jordan Education Initiative and

the Education Reform for the Knowledge Economy initiative. Despite massive investment and enrollment rates, constant obstacles remain. The educational performance, especially in international assessments such as PISA, continues to be lower than the average of the OECD countries, indicating a necessity for enhancing educational outcomes (Abugattas-Majluf, 2012).

6.2.2. Labor Market Challenges Amid Economic Reforms

The labor market and social protection mechanisms in Jordan have been affected by the substantial economic reforms. The reduction of public-sector employment has reduced the middle class's access to social benefits, such as health insurance and family/child benefits, which have traditionally served as a crucial form of social protection. These modifications have worsened the vulnerability of marginalized populations, intensified financial instability and diminished the availability of crucial resources (ESCWA, n.d.). The increasing prevalence of informality in Jordan's labor market, characterized by a proliferation of temporary and irregular employment, has resulted in a larger portion of the workforce being without social insurance coverage. The formal private sector has faced challenges in generating an adequate number of high-quality employment opportunities, thereby increasing the difficulties faced by the middle class in obtaining social insurance.

6.2.3. The Disparity between Economic Reforms and Social Equity

The implementation of economic reforms in Jordan, under the guidance of the IMF and World Bank, has been met with controversy. Delays in carrying out reforms, especially in relation to the removal of subsidies, tax reform, and privatization, have resulted in lengthy reform processes and unpredictable results. Although the IMF and World Bank have frequently praised Jordan as an exemplary reformer, the actual situation is more complex. There has been opposition to specific reforms, such as reductions in subsidies, and a lack of ability to maintain the momentum of the reform program (Harrigan, El-Said, & Wang, 2006). Furthermore, a dispute arose between the IMF and World Bank regarding the prioritization of social aspects in the reforms, as each institution emphasized either economic restructuring or social welfare concerns. The discord has exerted an

influence on the design and execution of the reform program, thereby affecting its social ramifications and efficacy in addressing poverty and inequality.

Overall, although Jordan has made progress in the field of education and implemented substantial economic reforms, the social outcomes have been varied. The middle class and marginalized groups have experienced heightened economic vulnerability, while the disparity between the skill levels of the educated workforce and the job opportunities on offer has been growing. The presence of these factors highlights the necessity for a well-rounded approach to reforms, which combines economic policies with social objectives in order to promote sustainable and inclusive development. Jordan faces intricate challenges due to the complex interplay of educational advancements, labor market realities, and economic reforms.

6.2.4. Economic Reforms and Social Unrest: The Case of the 1996 Bread Riots in Jordan

In the early 1990s, Jordan initiated substantial economic reforms as a component of an IMF-sponsored program. The reforms involved many components, such as the elimination of wheat subsidies, the introduction of a sales tax, and a reduction in government spending. Jordan was obligated to execute specific reforms, particularly eliminating wheat subsidies to become qualified for grants and favorable credit terms. The history of Jordan's food subsidies can be traced back to the 1960s, when the government dedicated over \$53 million specifically for wheat subsidies in 1995. Nevertheless, the escalating global prices of wheat resulted in an unmanageable increase in subsidy expenses. As a result, the government suddenly removed these subsidies in August 1996, causing an enormous increase in bread prices and triggering widespread protests and riots. These events highlighted the wider political and social consequences of Structural Adjustment Programs (SAPs). The government's reaction to the unrest, characterized by the implementation of pressure and fear of demonstrators, emphasizes the possibility of increased tensions between the government and opposition groups, which could potentially jeopardize the nation's political stability and social unity. The 1996 bread riots were not a singular occurrence in Jordan's history (Andoni & Schwedler, 1996). In 1989, there was a comparable occurrence of protests when the government, in line with an agreement with the International Monetary Fund (IMF), raised the cost of fuel, leading to riots in the city of Ma'an in the southern region. The parallelism between the

occurrences in 1989 and 1996 exemplifies the persistent challenge faced by the Jordanian populace in grappling with the consequences of economic reforms. The underlying factors behind the 1996 bread riots can be ascribed to the implementation of several measures under the SAPs, including the imposition of a sales tax, the decrease in government expenditure, and the removal of wheat subsidies. These reforms worsened the economic difficulties experienced by the population, thus intensifying social turmoil. The riots highlighted the negative effects of SAPs on poverty rates and job prospects, impeding the advancement of development in Jordan.

The aftermath of the riots revealed both negative and positive aspects. The riots exemplified the societal discontent and dissatisfaction resulting from economic hardships caused by the cancellation of wheat subsidies. The unrest resulted in demonstrations, acts of aggression, and the enforcement of a curfew. The government's forceful reaction, which involved the utilization of tear gas, apprehensions, and the mobilization of military personnel, prompted fears regarding the possibility of human rights violations and a decrease of civil liberties. The sudden increase in bread prices following the removal of subsidies imposed an extra economic hardship on the populace, particularly impacting individuals who were already grappling with poverty and unemployment. Positively, the international donor community, including the IMF and Japan, agreed to provide financial assistance to fund economic initiatives and tackle Jordan's budget shortfall in the aftermath of the riots. This assistance offered a vital chance for economic stabilization and resurgence. The riots brought attention to the difficulties and societal consequences of the economic reforms. However, it is important to consider the larger context of the IMF-sponsored program, which seeks to tackle Jordan's economic challenges and enhance financial stability. The ultimate goal is to establish a more sustainable economic structure for the country. Furthermore, the riots and their consequences illuminate Jordan's wider political and social tensions, presenting a chance for dialogue and involvement among the government, opposition parties, and the population (Andoni & Schwedler, 1996).

6.2.5. Imperial Overtones of Structural Adjustment Programs

The perception of Structural Adjustment Programs (SAPs) as colonial or imperial arises from the criticism that these policies are frequently imposed on developing nations by Western-dominated international financial institutions such as the World Bank. These institutions commonly mandate the adoption of SAPs as a condition for providing loans or debt relief. Detractors contend that this requirement undermines the economic independence and political self-governance of the borrowing nations (Yoon Hui Kim, 2015). Critics from various domains, including academia, activism, policy-making, and non-governmental organizations (NGOs), argue that SAPs reinforce neocolonial relationships by prioritizing the interests of Western nations and multinational corporations at the expense of the indigenous needs and sovereignty of the nations affected by these programs. Scholars have extensively examined Structural Adjustment Programs (SAPs), criticizing their detrimental impact on developing nations, including the exacerbation of poverty, the widening of inequality, and the incitement of social unrest. These scholars establish a comparison between the implementation of Structural Adjustment Programs (SAPs) and past colonial efforts, highlighting the subsequent deprivation of economic and political autonomy for the countries affected. Furthermore, activists and non-governmental organizations have vehemently opposed SAPs, advocating for alternative development strategies that take into account local needs and participation. Their critique frequently employs the rhetoric of economic fairness, highlighting the perpetuation of exploitative structures reminiscent of colonial eras.

Likewise, policy experts and development professionals have expressed concern about the adverse consequences of SAPs. They highlight the insufficiency of SAPs because of their standardized framework, which fails to consider the unique economic, social, and political conditions of the countries receiving them. This often leads to negative consequences for local industries and the abandonment of long-standing traditions and practices. They are imposed by Western-centric organizations on developing countries without adequately considering the local context. Furthermore, SAPs often prioritize Western interests over the development and independence of the recipient nations. This phenomenon can be compared to how colonial powers historically enforced their economic and political structures on colonized regions, leading to the exploitation and subjugation of local populations (Yoon Hui Kim, 2015).

Recommendations

- The Jordanian government is recommended to adopt a proactive role in structural transformation, focusing on the implementation of targeted policies, incentives, and support mechanisms to foster capability development and upgrade the private sector. This approach is crucial for achieving sustainable economic growth and poverty alleviation, as well as ensuring economic stability and independence. To achieve this, Jordan should target an annual economic growth rate of over 6%, which is essential for improving living standards and ensuring economic stability and independence. Private investment plays a critical role in this growth, but the government must also secure financial assistance and substantial debt relief to support long-term development objectives.
- Export diversification and competitiveness are also crucial, with the government encouraging innovation and investment in research and development to create a foundation for high-tech industries within Jordan. Strategic Foreign Direct Investment (FDI) should be developed to attract investments in sectors with the potential for job creation and economic transformation, moving beyond real estate and infrastructure.
- Assessing economic instability involves fiscal consolidation strategies, strengthening economic governance, and improving the efficiency of public sector investments. Labor market reforms should be implemented to address unemployment and improve export competitiveness. Debt restructuring should be explored to alleviate the burden of external debt on Jordan's economy, while prudent debt management strategies should be employed to prevent unsustainable increases in debt levels and direct borrowing towards growth-enhancing projects.
- Balancing domestic expenditure and inflation is essential, with policies to support domestic industries and reduce reliance on imported goods. Clearing growth narratives is essential to accurately reflect underlying economic conditions and inform policy decisions. A comprehensive review of privatization effects should be conducted to inform future

restructuring efforts, aligning them with national employment goals and social welfare considerations.

- Budget deficit management should be adopted, including enhancing revenue generation through tax reforms and reducing non-essential expenditures. Fostering educational outcomes should be linked more closely with labor market needs to ensure graduates possess the skills demanded by employers. Reconciling economic reforms with social equity is crucial to prevent exacerbating disparities and ensure that all segments of society benefit from economic progress.
- The government should strengthen state economic planning, enhance domestic regulatory frameworks, promote local industry and trade policies, assert control over natural resources, build regional alliances, establish sovereign wealth funds, encourage public participation, formulate independent social policies, diversify economic partnerships, and develop local expertise.
- Finally, in order to achieve sovereign economic management and autonomy, The government of Jordan should focus on a robust national economic strategy that prioritizes self-determined development goals over externally imposed conditions. It also highlights the importance of creating strong domestic regulatory frameworks to oversee foreign investments and prevent economic dependency on external financial institutions. As well as emphasizing on the need to promote local industry and trade policies, asserting control over natural resources, building regional alliances, establishing sovereign wealth funds, encouraging public participation, formulating independent social policies, diversifying economic partnerships, and developing local expertise. The strategy emphasizes the importance of establishing independent economic advisory councils composed of local experts to shape policies aligned with national interests and welfare. It is also suggested to foster regional economic alliances and establishing sovereign wealth funds to manage surplus revenues and reduce dependence on external financial assistance. Public participation is encouraged to ensure development policies reflect the needs and aspirations of the population. in addition to suggesting diversifying economic partnerships to avoid

over-reliance on any single external entity and seek investment from various sources, including emerging economies. Finally, emphasizing the importance of investing in local expertise in areas of economic planning, negotiation, and policy analysis to reduce reliance on external consultants.

- The Jordanian government should adopt a proactive approach to structural transformation, focusing on achieving sustainable economic growth and poverty alleviation. This includes implementing targeted policies, providing incentives, and establishing support mechanisms to foster capability development and upgrade the private sector. By fostering innovation, enhancing competitiveness, and supporting sectors with high growth potential, Jordan can ensure long-term economic stability and independence.

Conclusion

The implementation of Structural Adjustment Programs (SAPs) in Jordan, under the guidance of the World Bank, has had both positive and negative effects on the country's economic story. In the prosperous decades of the 1970s and 1980s, driven by abundant oil resources and substantial financial aid, Jordan experienced a notable period of economic advancement. The national economy experienced growth due to the increase in infrastructure projects and the influx of financial transfers, leading to improvements in living standards and per capita income. The real GDP growth during this period indicated a robust economy characterized by heightened investment and expanded employment prospects. However, this expansion was accompanied by an excessive dependence on external financial assistance, leaving the country vulnerable to the fluctuations of international aid and global economic patterns. The economic fluctuations in the region, such as the Iran-Iraq War and the Lebanese Civil War, brought both short-term trade advantages and instability, which eventually led to the implementation of Structural Adjustment Programs (SAPs). The chronology of Structural Adjustment Programs (SAPs) in Jordan, which extends from the difficulties faced after World War II to the significant changes in the late 20th century, demonstrates the intricate process of adjusting to evolving economic circumstances and the extensive reforms involved in these initiatives. Although Jordan made substantial efforts and witnessed certain positive growth indicators in the 1990s, doubts arose regarding the long-term viability of these reforms due to the increase in poverty rates and the temporary nature of socioeconomic improvements. The economic policies implemented during the Structural Adjustment Programs (SAPs) period, such as privatization and market liberalization, were aimed at reviving the economy. However, they had unintended consequences, including increasing social inequalities, weakening domestic industries, and generating widespread public discontent. The significant economic difficulties faced in the late 1980s, worsened by substantial foreign debt and inflation, emphasized the need to establish a strong and independent economic structure.

The Structural Adjustment Programs (SAPs) implemented in Jordan, to reduce fiscal disparities and stimulate economic growth, have not definitively achieved the goal of promoting sustainable development. The economic volatility experienced in the 1980s, the fiscal restraint observed in the 1990s, and the different economic stages that Jordan has undergone demonstrate a path

characterized by temporary prosperity and permanent challenges. The 1996 bread riots serve as a prime example of the social turmoil that can arise from sudden and far-reaching economic changes, such as the elimination of subsidies. These reforms can worsen the difficulties faced by the most disadvantaged groups in society. Despite the difficulties, Jordan has achieved noteworthy progress in the fields of education and infrastructure. However, the lack of harmony between economic reforms and social fairness, along with the lasting consequences of privatization and labor market disruption, have emphasized the ongoing challenge of balancing economic policy with social welfare. Given the complex range of results, this thesis ultimately suggests adopting a more refined strategy for economic restructuring. The Jordanian government is advised to implement strategies that achieve a harmonious equilibrium between fiscal stability and social development, promote diversification in trade and investment, and cultivate an economic atmosphere that is both resilient and inclusive.

The examination of Structural Adjustment Programs (SAPs) in Jordan serves as a warning about the process of reform. While these programs aim to achieve economic stability and growth, they must also take into account the social and economic requirements of all individuals to prevent worsening inequalities and social unrest. In order for Jordan to effectively progress in its economic development, it is crucial that future policies take into account the knowledge gained from the experience with Structural Adjustment Programs (SAPs). This will help ensure that advancements are fair and that the benefits are distributed evenly throughout society.

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