4. Jordan, IFIs, and Social Justice

Bessma Momani

Jordan has often been heralded as a star reformer, having adopted IMF and World Bank conditions and slowly liberalizing its economy to embrace neoliberal economic policies. While Jordan's macroeconomic situation often appears positive and improving, especially its attraction of foreign investment, these macroeconomic indicators mask a great deal of social inequality. Despite IMF and World Bank attempts to incorporate more social dimensions into their conditions, the outcome remains increased inequities that adds to social frustrations. Symptoms of this dynamic reached a boiling point in summer of 2018 when masses took to Jordanian streets to protest increased sales and income taxes, at a time of rising corruption and rent-seeking behavior of its political and economic elite.

4.1 Liberalizing Jordan's Economy and Its Social Impact

As with several other Middle East and North African (MENA) countries, the Jordanian state played an interventionist role in guiding its economic development from the time of its independence in the 1940s up to the mid-1980s. Known as the statist development model, Jordan's economy included import substitution policies, protectionist barriers to liberal trade, the nationalization of key sectors of the economy, generous yet ineffective subsidies to energy and housing, and the provision of widespread employment by way of an overstretched and bloated public sector. This statist model effectively crowded out the private sector or only allowed crony capitalists close to the state to flourish, crowding out any real competition in the private sector.

The state emphasized the public sector as a key tool for employing a rapidly growing labor market and spurring economic development. Civil servants were charged with carrying out state-led development and other public services (such as the joining the security services, military, and state-owned enterprises). Jordanians regarded public sector employment as dignified, providing social security to a burgeoning middle class, with increased numbers of Jordanians attracted to working in the public sector. These public sector roles required a relatively educated and predominantly urban population, enticing many individuals to move from rural areas and away from the agricultural sector and into the professional class. Investment in education, urban infrastructure, and the state bureaucracy became intertwined with the improved quality of life of an increasingly urbanized population; average Jordanians in the urban middle class now enjoyed professional positions with respectable average incomes. High school graduates generally found decent employment in major cities, working in public agencies and government offices. An increased number of new universities built by both the state and then the private sector also helped educate new cadres of public sector workers. In the late 1990s, Jordan increased its number of public universities to ten, private universities to 21, and community colleges to51.[234]

As witnessed in several other MENA countries, this statist development model resulted in relative success until the mid-1980s. Consequently, Jordan achieved measurable socioeconomic gains in addressing needs such as literacy, access to water and sanitation, and access to education and medical

234 Ministry of Higher Education & Scientific Research (2017) Brief on Higher Education Sector in Jordan, Mahafzah, Azmi [Online]. Available at: http://www.mohe.gov.jo/en/pages/BriefMohe1.aspx; and QS Asia News Network (2017) Higher education in Jordan: history, present status and future [Online]. Available at: https://qswownews.com/higher-education-in-jordan/.

services.[235] Many middle-class Jordanians viewed this time as one of prosperity, with median incomes rising as living standards improved in urban areas (like Amman and Irbid).[236] Even rural areas shared in this prosperity as many professionals remitted money home to families or reinjected funds into rural communities. By the mid-1980s, this statist development model had exhausted itself. Jordan faced increased food prices, inefficient production, a bloated public sector, and rising debt that weighed on GDP growth. The global increase in oil prices compounded these economic troubles. As an oil importer, Jordan was forced to contend with the same problem threatening many other developing countries: rising import costs of oil and transportation. Compounding these challenges, Jordan received a great deal of workers' remittances from the oil rich Arab Gulf region. The decline of this income negatively impacted the state coffers.

These factors impacted Jordan's current account balance severely, to such an extent that it turned to international creditors to finance its budget deficits.[237] The situation was so problematic, that Jordan was unable to service its bilateral loans. By 1989, Jordan faced a severe debt crisis and sought the support of the IMF and World Bank, in addition to Western donors. To qualify for broader IFI and donor assistance, Jordan was forced to meet IMF conditions that included raising the costs of once-subsidized consumer goods, like food and energy, to cut down on government spending, and raising taxes on cigarettes and beverages. The resulting rise in food prices led to the 1989 'bread riots' in the heartland of Jordanian monarchy support in the south of the country. It was unusual to see protests in areas from where East Bank Jordanians hail, such as Ma'an, Kerak, and Tafila. Deploying the Jordanian army to quell these protests to the very areas where many of the same security forces originate was a shock to the Jordanian monarchy and tested the view that tribalism and support for the King's political orderwasinvincible.[238]

Jordanians were not only frustrated with the rise in food prices, but also the perceived economic mismanagement and corruption under then-Prime Minister Abdelmunim al-Rifai's government.[239] Under IMF austerity, public sector jobs that Jordanians had once regarded as relatively secure positions began fading away as the state reduced benefits, including subsidized housing, preferential prices at state-run markets, and generous health packages. Living standards, particularly in urban areas, suffered greatly as many Jordanians saw a decline in real wages and an increase in the price of basic goods.[240] State bureaucracies either hired fewer workers or dismissed civil servants in some agencies.

Jordan took out several IMF loans throughout the 1990s to early 2000s (Table 1), all of which required meeting conditions aimed at macroeconomic stabilization through fiscal consolidation and deficit reduction. Jordanian income per capita dipped steeply in the late 1980s, only recovering by the late 2000s.

235 United Nations Development Programme (UNDP) (2015) Socio-economic Inequality in Jordan [Online]. Available at: shorturl.at/hGKL1

236 Wilson, R. (2012) Economic development in the Middle East. Routledge.

237 Ryan, C. R. (1998) 'Peace, bread and riots: Jordan and the International Monetary Fund', Middle East Policy, 6(2), pp. 54-66.

238 See Eilon, J. B. and Alon, Y. (2007) The making of Jordan: Tribes, colonialism and the modern state, Vol (61). IB Tauris.

239 Ryan, C. R. (1998).

240 The World Bank (2016). Hashemite Kingdom of Jordan: Promoting Poverty Reduction and Shared Prosperity. World Bank Group [Online]. Available at: shorturl.at/ptyAC

Table 4.1: IMF Loans to Jordan

Type of Loan*	Date	Amount
IMF EFF	2016-2020	$723 million
IMF SBA	2012-2015	$2.06 billion
IMF SBA	2002-2004	$113 million
IMF EFF	1999-2002	$127 million
IMF EFF	1996-1999	$283 million
IMF EFF	1994-1996	$189 million
IMF SBA	1992-1994	$44 million
IMF SBA	1989-1991	$60 million

Source: *SBA: Stand-by Agreement; EFF: Extended Fund Facility.

The conditions often sought by the IMF and the World Bank sought to have Jordan increase its revenue and decrease state expenses. These included liberalizing the exchange rate to promote exports and reduce imports; revising labor laws to favor employers and businesses; selling state-owned enterprises; liberalizing the banks to stimulate the private sector; decreasing interest rates to stimulate private borrowing and investment; liberalizing trade to improve its balance of payments and favor foreign reserves accumulation; and easing foreign investment regulations to relieve the burden on the government to provide jobs for the masses.[241] The shift away from trade taxes to consumption taxes not only upset the average Jordanian, but also Jordan's business elite who were primarily in the business of trading goods.

As Oliver Wils's 2004 study notes, when the IMF and the World Bank called for decreases in trade taxation, many of Jordan's business elite opposed IFI reforms, fearing the liberalization of import licenses would bring new businesses that would directly compete with them and that such competition would challenge exporters of low-quality and protected products.242 The Jordanian business elite convinced the government to include a list of tax-exempt items that protected their businesses and reduced the rate of corporate income taxes to offset potential losses.243 Jordan's same business elite also pushed for a new investment law that granted them tax benefits to enter new investment projects that they then dominated.244 The same package of taxation policies, therefore, further empowered a small, politically well-connected group of business elite to then invest in Jordanian real estate development. Lax regulation, for instance, encouraged capital investment in real estate projects from skyscrapers to malls in Amman and resulted in poorly executed projects that remained either incomplete or failed to meet average Jordanian citizens' needs.[245]

Other IFI-imposed fiscal consolidation policies included restrictions on budget deficits to contain the public wage bill, lower government subsidies on food and energy, increase energy prices toward international market prices and reduce the public debt by alleviating subsidies, implement sales and income taxes to increase government revenue, and remove price controls on subsidized food and rent to increase agricultural production and promote private sector investment in housing development.

241 Harrigan, J., El-Said, H. and Wang, C. (2006) 'The IMF and the World Bank in Jordan: A case of over optimism and elusive growth', Review of International Organizations, 1(3), pp. 263-292 [Online]. Available at: https://doi.org/10.1007/s11558-006-9490-8.

242 Wils, O. (2004) 'From negotiation to rent seeking, and back? Patterns of state - business interaction and fiscal policy reform in Jordan', Networks of privilege in the Middle East: The politics of economic reform revisited. New York: Palgrave Macmillan, pp. 133-165.

243 Ibid.

244 Ibid.

245 Abu Hamdi, E. (2018) 'Amman', Middle East Report 287.

These reforms often increased the cost of living while public sector wages remained relatively steady, thus sharpening social inequalities among average Jordanian citizens.[246]

In return for liberalizing its economy, Jordan fostered stronger economic ties with Western countries. The kingdom signed free trade agreements (FTAs) with the United States in 2001, with Canada in 2012, and an economic association agreement with the European Union in 2002. The FTA with the United States brought more foreign investment to the country, but which often went into low-cost manufacturing of textile goods in Qualified Industrial Zones (QIZs) that had minimum positive spillover effects on Jordanians. Although the QIZs provided Jordan with more impressive export figures (and earned public praise from IFIs), they also created a contained enclave economy that experts deemed imprudent.[247] The government had achieved some marked success in creating new jobs on paper, but non-nationals filled many of the positions in the QIZ-based industries. Foreign companies also employed foreign labor, bypassing most Jordanians. Jordanians themselves found that these jobs did not meet the preferences of the unemployed, jobs that offered wages far below that which relatives in oil-rich states could remit home.[248] Unlike foreign migrant workers (from places such as the Philippines, Indonesia, and Egypt) and the recent refugee arrivals from Syria, Jordanians typically refuse low-paying jobs that often involve arduous working conditions. While the effect on the trade balance appeared positive, Jordanians saw few improvements to their standard of living as a result of the QIZs.

The economic reforms taking place during the 1990s and early 2000s also inadvertently hit an important subsection of the labor market. Until that point under the previous state-led economic paradigm, East Bank Jordanians (not of Palestinian origin) comprised the bulk of government-affiliated and public sector jobs. West Bank Palestinian-Jordanians, on the other hand, struggled with lower wages and fewer benefits in a relatively nascent private sector. As a tribal society, Jordan's local labor market falls victim to a "culture of shame" - one in which Jordanians face societal pressures against taking low paid jobs. This culture is more pronounced among East Bank Jordanians who constitute a minority of the population. Where public sector jobs do exist, the state tends to favor East Bank Jordanians over Palestinian-Jordanians (particularly in the security sector) and will hence have higher reserve wages than Palestinian-Jordanians who tend to live in the capital city Amman and work for the private sector.[249] 'Wasta' networks - or favoritism by referral - abound in Jordan, resulting in nepotism that leads companies and sectors to hire within their own sub-communities. As such, East Bank Jordanians who disproportionately make up most public sector employment took a greater hit from IMF policy conditions that require diminishing the public wage bill than Palestinian-Jordanians who predominantly occupy private sector jobs.[250] East Bankers saw their real wages and benefits in the public sector decline. Indeed, it was the East Bank Jordanians affected by fiscal consolidation who comprised the relatively small protests witnessed during the Arab Spring.[251] Nevertheless, the entire Jordanian population faced rising prices as liberalization swept the country.

At the height of the 2008 international financial crisis, Jordan had reached its highest per capita income where it had averaged 6.5 percent GDP growth per year, but it declined soon after the financial

246 UNDP (2015) Socio-economic Inequality in Jordan [Online]. Available at: http://www.jo.undp.org/content/dam/jordan/docs/Poverty/UNDP%20Socio%20economic%20Inequality%20in%20Jordan%20English.pdf.

247 Harrigan, J. et al (2006).

248 ILO (2008) Independent Evaluation of the ILO's Country Programme for the Hashemite Kingdom of Jordan: 2002-2007 [Online]. Available at: https://www.ilo.org/wcmsp5/groups/public/---ed_mas/---eval/documents/publication/wcms_099572.pdf.

249 Reiter, Y. (2004) 'The Palestinian-Transjordanian Rift: Economic Might and Political Power in Jordan', The Middle East Journal, 58(1), pp. 72-92.

250 Ibid.

251 Ianchovichina, E. (2018) Political Eruptions of Anger: The Economics of the Arab Spring and Its Aftermath. World Bank Group [Online]. Available at: http://documents.worldbank.org/curated/en/251971512654536291/pdf/121942-REVISED-Eruptions-of-Popular-Anger-preliminary-rev.pdf.

crisis to about 2.3 percent per year.[252] Since then, Jordanian income per capita suffered a continuous decline. While the financial crisis played a major role, regional instability during the Arab Spring also significantly affected economic activity throughout the country.

4.2 The Role of IFIs and Donors in Jordan's Liberalization After the Arab Spring

Economic factors played a substantial role in the causes and determinants of the political revolutions which swept the Arab world starting in 2011. The impoverished underclass of the Arab world did not instigate the Arab Spring; rather, it was the educated, unemployed, disenfranchised, and likely lower middle-class youth of the region that took to the internet and the streets to protest.[253] In Jordan, the relatively small Arab Spring protests were similarly instigated by youth, called the Hirak movement, who come from tribal backgrounds and saw the neoliberal reforms as threats to their economic prospects.[254] Quite cliché, some analysts had attempted to explain Jordan's relatively small protests to the inherent legitimacy of the monarchy as a reason for not having anti-regime protests. More convincing, Beck and Juser (2015) contend that Jordan's flow of external rent revenues far exceeded those found in Arab states that experienced a toppling of the regime. These rents were carefully and effectively managed by the monarchy to pacify opposition.[255] Moreover, the lack of shared common goals by protestors, the absence of regime violence against protestors, and the negative impact that the Syrian and Egyptian revolutions had on protestors' fears of anarchy had effectively pacified the Jordanian protest movements.[256]

Protests aside, IFIs viewed Jordan as a lead reformer that successfully liberalized its economy. The macroeconomic adjustments allowed for positive GDP growth rates and increased foreign direct investment, but as the gains from growth could not keep pace with the rising expectations of its educated youth unrest and dissatisfaction gained traction. In other words, Jordan experienced non-inclusive economic growth under the watch of the IFIs.[257] In response to the Arab Spring, the IMF and World Bank shifted their focus toward the social dimensions of its economic technical assistance. Specifically, the IMF changed its recommendations concerning growth, inequality, and health and education spending.[258]

Before the 2011 uprisings, IFIs promoted a simpler approach to growth that did not prioritize inclusiveness, viewing growth and socioeconomic inclusion as independent and dependent variables, respectively. IFI staff assumed that growth would foster inclusiveness, promoting unqualified fiscal consolidation, but soon became more sensitive to their potential to exacerbate inequality. The debate about the merits and costs of fiscal consolidation is one that continues to dominate the academic and policy space.[259] Particularly after the 2008 international financial crisis, the IMF started to question

252 IMF (2014) Jordan Staff Report for the 2014 Article IV Consultation.

253 Momani, B. (2015) Arab Dawn. Toronto: University of Toronto Press.

254 Yom, S. L. (2014) 'Tribal politics in contemporary Jordan: the case of the Hirak movement', The Middle East Journal, 68(2), pp. 229-247.

255 Beck, M. & Hüser, S. (2015) 'Jordan and the 'Arab spring': No Challenge, No Change?', Middle East Critique, 24(1), pp. 83-97.

256 Yitzhak, R. (2018) 'Between reform and Islam: The Arab spring in Jordan 2011–2014', Democracy and Security, 14(1), pp. 24-44.

257 Inclusive growth, as defined by the World Bank, occurs when growth is sustained over the long-term and reaches a broad spectrum of the population across different sections of the economy. According to this definition, economic growth is regarded as successful when it is diversified across different industries, encompasses various segments of the labor force, manifests in the form of productive employment (rather than the collection of rents) and is primarily market directed.

258 Momani, B. and Lanz, R. (2014) 'Change in IMF Policy Advice to North Africa after the Arab Uprising', Journal of International Organizational Studies, 5(2), pp. 37-54.

259 See Dellepiane-Avellaneda, S. (2015) 'The Political Power of Economic Ideas: The Case of 'Expansionary Fiscal Contractions'', The British Journal of Politics and International Relations, 17(3), pp. 391-418.

its own orthodoxy on fiscal consolidation, but continued to purport it as conventional wisdom despite external challenges to the idea.[260]

The IMF emphasized the need to address inequality and redistribution, humbled by the notion that perhaps their dogmatic attachment to neoliberal ideology had added to the socioeconomic misery faced by the population.[261] For example, in the 2014 IMF staff review of Jordan's program, staff recommended replacing subsidies of flour used in bread with targeted transfers to the poorest Jordanians instead, suggesting this would save 0.5 percent of GDP.[262] IMF staff cautioned, however, that "recognizing the political sensitivities of such targeting, staff encouraged the authorities to continue with outreach" efforts to educate the public on the program.[263] This shift to being mindful of the social dimensions of its policies became evident after the unrest witnessed during the Arab Spring.

Jordan faced its own domestic protests, but its economy was hit hard primarily due to turmoil surrounding it throughout the MENA region, adding another dimension to the reasons behind rising prices and invariably to social inequality. Oil and gas imports to Jordan from Egypt halted during the latter's revolutionary turmoil in 2012 and key trade routes through Syria and Iraq were blocked by the conflict with the Islamic State (ISIS) in 2016, all of which hurt the Jordanian economy. In 2012, Jordan returned to the IMF for a $2 billion Stand-by Arrangement, just as unrest had already prompted major political shifts across the MENA region. Being a Middle East darling in the eyes of the liberal Western community for its moderate stance on several geopolitical issues, Jordan's many foreign government donors provided financial and technical assistance to help maintain its own stability and mitigate the fallout - particularly from neighboring Syria.

With the influx of perhaps as many as 1.2 million Syrians during the start of the Arab Spring and Syrian civil war until mid-2018 when Jordan closed its borders, Jordan had been among the frontline states dealing with the influx of refugees. Estimates of refugees range from 671,000 registered with UNHCR to 1.2 million by the Jordanian government's count. This influx occurred at a time when Jordan was already contending with a high refugee burden of both Palestinians and Iraqis, further diminishing economic prospects for the average Jordanian. Studies found that most Syrian refugees never plan on returning home. The Jordanian government provided only 100,000 official work permits to the near 361,000 working age Syrian refugees, with many of the remaining Syrians working illegally in the informal market.[264]

While international donors have committed up to $6 billion to Jordan in response to the Syrian refugee crisis, Jordanian officials have consistently stated that this assistance would not cover the resources required to host the displaced population. Moreover, much of the pledged contributions were never realized. In 2016, Jordan only received 60 percent of the funding required to help create jobs for Syrian refugees.[265] Both IFIs and foreign donors have attempted to assist the Jordanian government mitigate the costs, which according to the Jordanian government came with an approximate $4.2 billion price tag between 2011 and 2016.[266] Faced with increased pressure on public services and infrastructure - everything from electricity, schooling, and water to waste removal - the Jordanian government was

260 See Clift, B. (2018) The IMF and the Politics of Austerity in the Wake of the Global Financial Crisis. Oxford University Press.

261 Momani, B. and Lanz, R. (2014).

262 IMF (2014, p. 13).

263 Ibid.

264 Lockhart, D. (2019) Executive Summary: The Syrian Refugee Crisis in Jordan and Its Impact on the Jordanian Economy. West Asia-North Africa Institute.

265 IMF (2017) Statement by Hazem Beblawi, Executive Director for Jordan [at IMF], p. 4.

266 Sharp, J. (2016) Jordan: Background and U.S. relations. Washington, D.C.: Congressional Research Service, 27 January.

forced to absorb additional economic and social costs. Jordan's public debt naturally increased sharply in a matter of a few short years thanks to the increased public expenses needed.[267]

The government could not cover its expenditures through revenue generation alone, continuing its accumulation of external debt, so Jordan turned to IMF loans in 2016 to meet its budget shortfall.[268] The 2016 IMF agreement expected Jordan to decrease its spending so that some of the financing provided would be allocated to servicing its debt. The IMF's primary goal in the 2016 agreement was to reduce the public debt from 94 percent to 77 percent of GDP by 2021, which could only be achieved if government expenses were curtailed.[269] Prime Minister Omar al-Razzaz noted that some of the increased tax revenue could be allocated to improving public services and healthcare, but this path seems unlikely as Jordan continues to far outspend its intake of revenue.[270] Jordan continues to remain highly dependent on IFIs and foreign donors just to meet its yearly budget outlays.

The United States has provided aid to Jordan, despite general cuts to other regional allies and foreign governments.[271] The EU has also provided Jordan with extensive external financing. With the most recent Jordanian economic crisis, the EU provided a macro-financial assistance package to assist the government with its shortfalls. In March and June of 2016, the European Commission provided two packages of EUR 200 million of medium-term loans meant to complement both the 2016 IMF and the 2016 World Bank loans to Jordan. This aid came in addition to nearly EUR 1.13 billion to Jordan by the EU to assist with the influx of millions of refugees. EU funds were intended to fill the Jordanian government's budget deficit, while IMF and World Bank conditionality provided the EU with guarantees that Jordan would continue on track with expected reforms that would make it sustainable enough to repay these loans.[272] Nevertheless, the EU also expected some of the financing to assist in reforming public financial management (PFM) to support liberalization reforms in taxation, energy, water, trade, and investment - all in keeping with IMF and World Bank policies.[273] On the controversial income tax issue, also included among IMF conditions, the EU recommended that the income tax law be broadened by lowering tax-exempted income and addressing noncompliance by enhancing the powers and reach of tax collectors.[274] Indeed, Jordan's tax collection and tax base are too narrow to sustain its actual budget spending. EU and US financial aid came with implicit expectations that Jordan would continue its compliance with IMF conditionality, or risk Western donors' support for IFI assistance with respect to the country.

The Arab Gulf states have historically been strong financial beneficiaries of Jordan as well, often supporting the Central Bank of Jordan (CBJ) with grants or providing budget support in the forms of loans. To weather the storm of the Arab Spring, the Gulf states had committed $6.1 billion in support between 2012 and 2017. They did not renew the funding package as expected, however, partly due to King Abdullah II bin Al-Hussein's refusal to sever ties with Qatar and the Muslim Brotherhood (which is technically legal and tolerated inside the Jordanian kingdom). Jumping in to rescue the embattled

267 Luck, T. (2016) Jordan's Syria refugee economic gamble. Middle East Institute [Online]. Available at: http://www.mei.edu/content/article/jordan-s-syrian-refugee-economic-gamble.

268 Sowell, K. H. (2016) 'Jordan is Sliding Toward Insolvency', Carnegie Endowment for International Peace [Online]. Available at: http://carnegieendowment.org/sada/63061.

269 IMF (2017) Jordan 2017 Article IV Consultation - Press Release, Staff Report; and Statement By the Executive Director for Jordan. IMF Country Report No. 17/231. Washington, D.C. [Online]. Available at:shorturl.at/fnr47.

270 Magid, A. (2018) Jordanians Fed up With More of the Same, 3 October [Online]. Available at: https://carnegieendowment.org/sada/77401.

271 Cole, B. E. (2018) 'Learning and Innovation: Jordan at the "Crossroads of Armageddon"', PRISM, 7(4), pp. 74-91.

272 EC (2016) Decision of the European Parliament and of the Council providing further macro-financial assistance to the Hashemite Kingdom of Jordan [Online]. Available at: http://www.europarl.europa.eu/RegData/docs_autres_institutions/commission_europeenne/com/2016/0431/COM_COM(2016)0431_EN.pdf.

273 Ibid.

274 Ibid.

monarchy, Saudi Arabia, UAE, and Kuwait committed $2.5 billion in June 2018 in support of CBJ reserves. The Gulf states could, however, withdraw the cash injection at any time, providing Saudi Gulf allies some implicit influence over Jordanian foreign policy.[275] While not opposed to IFI policies, the Gulf countries are not nearly as concerned with Jordanian compliance with IFI conditionality, thus limiting Gulf influence over the Jordanian government's economic policy choices. Nonetheless, it certainly maintains some influence over Jordan's foreign policy and regional political decision making.

4.3 The Contemporary State of Social Justice in Jordan

The IFI emphasis on the social dimensions of economic policy is a welcome transition, but it has not yet demonstrated the intended tangible results. While IMF policy advice now focuses on factors such as inclusive growth, inequality, and health and education spending - something not seen a decade earlier - the impact of fiscal consolidation on social dimensions remains vague compared to the traditional benchmarks they use to judge adherence to macroeconomic reform. In both the 2014 and 2017 IMF Article IV Staff reports, the IMF alludes to its concerns with high unemployment, poverty, and inequality, but remains fixated on the idea that the private sector is the primary agent to deliver social justice has failed to adequately articulate the desired outcomes or policy tools available to achieve them.[276] The IMF does not identify specific targets in its agreements for achieving inclusive growth, such as improving health and education outcomes, and reducing inequality. Nor do they assess governments' performance in these areas against measurable indicators. These ambiguities leave room to doubt the IFIs' at least rhetorical commitment to improving the social aspects of economic policy formulation. Without proper guidance, it essentially leaves the Jordanian government to prioritize fiscal consolidation over social justice or improving living standards. The lack of balance risks upsetting the delicate equilibrium between the economic necessity of improving Jordan's growth rate and fiscal management while providing for its population. Jordanians have relied on the state to fairly distribute the cost of fiscal consolidation, but that responsibility has now become disproportionately placed on the citizen through increased consumption taxes and decreased public sector employment - a clearly disruptive process that increases political risk.

This risk would not hurt Jordan's long term prospects if the public could see tangible returns for the sacrifices of ordinary Jordanians. The government has yet to address the legacy of elite-linked privileges and wasta networks while imposing austerity measures. As perceptions of corruption rise in Jordan, average Jordanian citizens feel alienated from the ruling class and its steering of economic policies. Based on 2016 Arab Barometer surveys of Jordanians, "79 percent still believe that there is corruption within state agencies and institutions to a large (42 percent) or medium extent (37 percent)."[277] With 68 percent of Jordanians believing that their economic situation had worsened with time, it is not difficult to see that Jordanians are frustrated with their economic lot and the policy directions taken by the government.[278] Protests naturally erupted in response to declining socioeconomic standards, especially as perceptions of corruption increased.

Accordingly, average Jordanian citizens have struggled to cope. In addition to a deteriorating socio-economic situation and rising state debt, citizens struggle with rising prices and declining wages,

275 Furlow, R. and Borgognone, S. (2018) 'Gulf Designs on Jordan's Foreign Policy', Carnegie Endowment For International Peace, 17 July [Online]. Available at: https://carnegieendowment.org/sada/76854.

276 IMF (2014, p. 18 and 2017, pp. 23-24).

277 Arab Barometer (2017) Jordan Five Years after the Uprisings [Online]. Available at: https://www.arabbarometer.org/wp-content/uploads/Jordan_Public_Opinion_Survey_2016.pdf.

278 Ibid, p. 2.

exacerbated by growing unemployment and the influx of refugees. Jordan needs to create 400,000 new jobs for labor market entrants in 2013-2020, yet optimistic growth estimates at best expect 275,000 new jobs.[279] To add to the murkiness, officials do not map a comprehensive economic picture as many Syrians work in the black market for lower wages than Jordanians. As a result, wages are de facto depressed further in the formal market. To make matters worse, Jordan is one of the most expensive countries in the Middle East, where fuel costs approximately 50 percent more than in the United States despite having significantly less per capita income.[280]

Despite improved relative macroeconomic growth, the trend masks deeper problems in rising inequality, continued corruption, rent-seeking behavior of crony capitalists, and enormous disparities between rural and urban communities in provision of most services. Studies illustrate substantial inequality between Jordan's rural and urban governorates; widening and troublesome spatial inequality gaps also appear between the capital Amman and the tribal areas (such as Tafiela, Mafraq, and Ma'an), the traditional stronghold of support for the Jordanian monarchy.[281] Job creation in MENA remains largely entrusted to the government. Despite liberalization, public sector employment remains disproportionately large, leading the IMF to refer to MENA governments as the "employer of first choice and last resort."[282] Jordan has not faced IFI pressure to reduce its military spending, which remains a large and discretionary budget item that continues to increase.[283] Although official unemployment figures placed the number of job seekers at 18 percent in 2018, unemployment is likely much higher when accounting for those who have given up searching for work and are not calculated in official statistics. Unemployment is particularly problematic among Jordanian youth and women, who tend to be educated and have higher reserve wage ratios.[284]

Jordan's 2016 IMF loan continued much of the same neoliberal conditions of fiscal contraction as those in previous agreements. Prices on goods such as bread and other basic commodities continued to rise, causing great deal of hardship for people and hitting the rural and poor communities especially hard. Perhaps the most controversial policy was an income tax law that many Jordanians believed was not progressive and insulated members of parliament and other politicians from sharing the burden. The new tax laws would widen the tax base by lowering the threshold of taxable income from $34,000 to $22,500 for a family and $17,000 to $11,200 for individuals. Jordanians viewed rising taxes and a 16 percent sales tax on most goods and services as unfair, particularly as the government reduced subsidies on items like fuel and bread and provided no return in terms of social services.[285] The increased and growing perception of corruption and rent-seeking behavior from crony capitalists added to Jordanians' social frustrations with the political class.[286] These policies culminated with the 2018 summer protests across the country.

Led by youth and professional associations - notably, not by political parties in Parliament - Jordanians protested throughout late-summer of 2018. The demonstrations in 2011 and 2012 had included

279 IMF (2017, p. 18).

280 Morris, L. (2018) 'Jordan has weathered its worst protests since the Arab Spring. But the storm isn't over', The Washington Post [Online]. Available at: shorturl.at/isCTW.

281 Al Sharafat, A. (2019) 'Spatial inequality in Jordan', Journal of Economics & Management, 36, pp. 71-83.

282 IMF (2011) Economic Transformation in MENA: Delivering on the Promise of Shared Prosperity. G8 Summit, 27 May, Deauville, France, p. 11.

283 Sowell, K.H. (2018) 'Jordan has managed to reduce budgetary deficits for 2018, but rising operational costs and stagnant sources of revenue will keep it reliant on foreign aid', Carnegie Endowment for International Peace [Online]. Available at: http://carnegieendowment.org/sada/75865.

284 MOPIC (2013) Needs assessment review of the impact of the Syrian crisis on Jordan. Amman, Jordan: The Ministry of Planning and International Cooperation.

285 Al-Jazeera (2018) Jordan protests: What you should know [Online]. Available at: https://www.aljazeera.com/news/2018/06/jordan-protests-180604052840527.html.

286 BTI (2016) Jordan Country Report. Gütersloh: Bertelsmann Stiftung [Online]. Available at: https://www.bti-project.org/fileadmin/files/BTI/Downloads/Reports/2016/pdf/BTI_2016_Jordan.pdf.

members of the Muslim Brotherhood, but the later protests appeared to consist of far more professionals and young people than Brotherhood supporters. The civil unrest sparked the government's use of elite army forces called the ***badia*** to break up the demonstrations and a markedly increased security presence on the streets of the capital Amman. Despite minor clashes, the protests were generally peaceful and Jordanian security services did not use disproportionate force. Nevertheless, Jordanians civilians continued to march against government policies, demanding a reversal of the new tax laws and an end to higher social strata corruption. Jordan instituted a number of anti-corruption laws and agreed to implement best practices in auditing and preventing graft, but these measures did little to curb public perceptions of corruption and doing business in Jordan still faces obstacles for investors.[287]

In a scene that often repeats itself, Prime Minister Hani al-Mulki resigned in June 2018, likely at the behest of the Jordanian monarchy. Omar al-Razzaz, a Harvard-trained former World Bank economist with strong technocratic credibility and former likeable education minister who initiated positive outreach with youth during his tenure, was asked to form a new government in the wake of al-Mulki's resignation. After months of civil society dialogue and town hall meetings, Razzaz returned to Parliament in September 2018 with essentially a similar package of reforms. Minor changes in the law included raising the threshold of taxable income for families and individuals and reintroducing some exemptions on medical and education expenses.[288] While some parliamentarians resisted these IFI-inspired recommendations, Razzaz succeeded in getting the reforms passed through the parliament. While the Jordanian Parliament is partly elected by the public, there remain many parliamentarians appointed by the King who ensured passing of the same reforms. The approval demonstrates a recurring pattern in the relationship between the monarchy, parliament, and IFIs: political and economic elites, with close ties to the monarchy and royal court, rubber-stamp the will of the Prime Minister when they believe that the monarchy (under IFI pressure) endorses the policy. Conspicuously absent, however, is the public engagement and acceptance required for these policies to be sustainable, thereby preventing political unrest.

4.4 Conclusion

Jordan has been pressured by international financial institutions broadly, but most acutely by the IMF to widen its tax base, promote inclusive economic growth, and improve the targeting of social spending. But as Jordan's 2018 public protests demonstrate, the monarchy's attempts to continue seeking fiscal consolidation will face continued political challenges, considering the high public perception of corruption. Within this changing fiscal climate, civil society organizations and other stakeholders have an opportunity to demand greater transparency, real inclusive growth, and gender inclusion while pushing for fairer taxation and transparent budgeting. Furthermore, IFIs can do more to promote social inclusion in Jordan through an increased focus and explicit benchmarks for poverty alleviation and employment.

Social justice in the region involves producing outcomes of socioeconomic equity and an opportunity for citizens to have a voice in their government. Indeed, as al-Ajlouni and Hartnett note, "Although economic grievances often take pride of place in response to the tax law, protesters largely blame Jordan's broader economic crisis on the political establishment and its cozy relationship with elite

287 EU and OECD (2016) Corruption Risk Assessment of the Public Procurement System in Jordan [Online]. Available at: http://www.sigmaweb.org/publications/Public-procurement-Jordan-SIGMA-300117.pdf.

288 VOA (2018) Jordan Pushes New IMF-backed Tax Bill to Parliament [Online]. Available at: https://www.voanews.com/a/jordan-pushes-new-imf-backed-tax-bill-to-parliament/4586931.html.

economic interests."[289] Increased transparency in an effort to both combat graft and corruption while enhancing government accountability to citizens must become part of the solution to Jordan's long-term challenges. While some IMF and World Bank shareholders argue that transparency and corruption are political issues and hence have no place in loan or grant conditionality, Western countries at the IMF and World Bank Executive Boards must use their political clout to pressure all debtors to accept that principles of good governance and transparency are fundamental to their success. The need for good governance, a concept often promoted in IFI policies, is indeed sorely needed to strengthen the rule of law, control corruption, and increase government transparency, but it is understandably not a panacea to all of Jordan's woes. [290]

Fiscal consolidation without transparency and government accountability will not succeed. Citizens will reject fiscal consolidation if they believe their governments are corrupt and non-transparent. Again, as al-Ajlouni and Hartnett aptly note, "In the face of the [Jordanian] government's weakness by design and an elite culture of cronyism and corruption, the Jordanian citizenry remain unwilling to pay more taxes."[291] The IMF must take more responsibility for their relationship with Middle East countries by mandating good governance principles in their performance review of debtors. It is not enough to pay lip service to this issue. Furthermore, IFIs need to monitor appropriate benchmarks and targets for inclusive growth just as they do for other indicators such as inflation, public wage bill, and others. Good governance in Jordan serves the long-term interest of regional stability and to achieve it, social justice must be a part of the conversation.

289 Al-Ajlouni, L.F. and Hartnett, A.S. (2019) 'Making the Economic Political in Jordan's Tax Revolts', Middle East Research and Information Project. 24 February [Online]. Available at: https://merip.org/2019/02/making-the-economy-political-in-jordans-tax-revolts/.

290 See Nanda, V. P. (2006) 'The "good governance" concept revisited', The ANNALS of the American academy of political and social science, 603(1), pp. 269-283.

291 Ibid.