Economic and Social Commission for Western Asia

Public Debt and Debt Stabilizing Scenarios for Jordan

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I. Introduction

Since 2009, Jordan’s public debt stock started increasing steeply and considerably until it reached $44.1 billion in 2019. This corresponds to a 186 percent increase in public debt stock while GDP’s percentage increase over this period was only 87 percent\(^1\). These figures are indeed worrisome and indicate that Jordan is witnessing a public debt surge. The main driver of the accumulation of this debt stock is the persistence of fiscal deficits together with large current account deficits\(^2\). In addition to this twin deficit, low economic growth recorded over the past decade, resulting from the 2008 subprime crisis, was a main contributor to the accumulation of this substantial amount of sovereign debt. As a result of this persistent twin deficit coupled with low economic growth, public debt-to-GDP ratio continued to increase, reaching 99.1 percent in 2019. Fiscal deficits originated from the burden of hosting a large population of Syrian refugees, the ineffective and insufficient revenue mobilization arising from tax evasion, tax exemptions, a non-diverse tax base in addition to persistent deficits in state-owned water and electricity sectors\(^3\). Current account deficits resulted from the decrease in exports to Iraq and Syrian due to conflicts in these countries as well as the decrease in remittances, FDIs and tourists from the GCC countries due the slowing economic activity there\(^4\). The current account deficit was as high as 11 percent of GDP in 2017\(^5\). However, it is important to note that the current account deficit has subsequently decreased to 6.9 percent of GDP in 2018 with an estimated further decrease to 2.3 percent of GDP in 2019\(^6\). This decline was due to the plunge in oil prices which lessened imports costs, and to the gradual recovery of exports and tourism which alleviates the Balance of Payments deficit\(^7\). Nonetheless, efforts of improving the fiscal situation by reducing the budget deficit in order to put public debt on a declining and sustainable path failed as increases in fiscal deficit continued to persist during the 2018-2019 fiscal year\(^8\). The increased fiscal deficit was mainly driven by ineffective and insufficient revenue mobilization together with increased unplanned government spending\(^9\). In terms of value, overall fiscal deficit was at 3.3 percent of GDP in 2018 and is estimated to further increase to 5 percent in 2019\(^10\).

As of 2019, foreign exchange reserves remained at suitable levels to maintain the fixed exchange rate of the Jordanian Dinar vis-à-vis the US dollar despite the uncertain economic environment in the region resulting from the Syrian conflict and the consequent refugee inflow to Jordan. The improvement in the current account balance after 2017 was accompanied by the preservation of

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\(^1\) These numbers are obtained by calculating the nominal percentage change of public debt stock and GDP taken in current US dollars.
\(^2\) IMF, 2017;2020a.
\(^3\) IMF, 2017;2020a.
\(^4\) IMF, 2017.
\(^5\) IMF, 2020b.
\(^6\) IMF, 2020b.
\(^7\) IMF, 2020a and World Bank, 2020.
\(^8\) IMF, 2020a.
\(^9\) IMF, 2020a.
\(^10\) IMF, 2020a.
reserve buffers with corresponding usable international reserves covering nearly 7 months of imports as of 2018\textsuperscript{11}. As of external public debt PPG (including the IMF credit and the SDRs), it represented around 40 percent of GDP in 2019 and its share from total government debt was increasing over the past 7 years reaching 40 percent in 2019\textsuperscript{12}. What is particularly worrying is the increase in borrowing through external public debt that is mainly arising from private creditors who are associated with a higher borrowing cost while access to concessional external finance is becoming more limited as compared to higher levels historically. The increasing reliance on external finance, even at a higher cost, signals increasing debt servicing burden that poses further challenges to fiscal space. Adverse impacts of the COVID-19 have further widened fiscal deficits and increased external borrowing from multilateral institutions. Therefore, achieving the debt target of reducing public debt to 74 percent of GDP by 2025 as projected by the IMF could be significantly hampered by the pandemic shock that is increasing fiscal pressure and adversely affecting economic growth\textsuperscript{13}. An aggressive fiscal consolidation measure to raise debt servicing would pose significant adverse implication on fiscal space for social expenditure and financing the SDGs.

In this context, a policy concern is to better understand the options and paths of debt reduction and debt stabilization relative to GDP, while minimizing the adverse impacts on fiscal space for social expenditures and investments needed to recover better from the COVID-19 pandemic. The debt path scenario analysis and policy discussions in this debt profile answers to the question. In doing so, the debt profile for Jordan presents (2) a brief introduction to the evolution of public debt and its composition, (3) analyses the emerging patterns and costs of borrowing from domestic and external sources, (4) analyses interest rate and growth differentials (IRGD) and assesses debt stabilizing scenarios up till 2030 through various debt path scenario analysis. (5) The final section presents findings and informs discussions on policy recommendations.

II. Public Debt and Its Composition

A. Overall Debt Profile (Domestic and External Public Debt)

Jordan’s general government gross public debt followed a slightly increasing path until 2008, where it reached $13.2 billion. Since then, public debt stock increased by nearly 3 times over the last decade from $15.4 billion in 2009 to $44.1 billion in 2019. This increase in public debt, between 2009 and 2019, is worrisome as it corresponds to 186 percent while GDP’s increase over

\textsuperscript{11} IMF, 2020a.
\textsuperscript{12} Calculations compiled by the authors based on data from IMF WEO and World Bank IDS.
\textsuperscript{13} IMF, 2020a.
the same period was only 87 percent\(^\text{14}\). This indicates that Jordan started facing a considerable debt surge since the past decade originating from recurrent fiscal and current account deficits.

In general, government gross public debt has been largely financed through domestic borrowing since 2007 with its share being in the range between 52 percent and 72 percent. However, the share of external debt has been steadily increasing over the last 7 years from 28 percent in 2012 to 40 percent in 2019\(^\text{15}\). In terms of value, public external debt (including the IMF credit and the SDRs) increased by nearly 3 times over this period from $7 in 2012 billion to $17.8 billion in 2019. The amount of domestic public debt in 2019 was $26.3 billion.

General government gross public debt, as a share of GDP, declined from 116 percent in 2002 to 90 percent in 2007 and sharply to 60 percent in 2008. The reason for this overall declining trend is the government’s success in narrowing down the budget deficit as a share of GDP. What contributed to this reduction in the budget deficit was the tightening of fiscal policy achieved through “cutting capital spending and suppressing interest on domestic debts”\(^\text{16}\). Another factor that helped narrow down the budget deficit is the increase in revenues originating from the privatization of several companies that were previously owned by the government\(^\text{17}\). Furthermore, the external debt forgiveness that occurred during the 1990s and early 2000s led to a large decline in external debt as a percentage of GDP and consequently the total debt to GDP ratio\(^\text{18}\). Moreover, the peg of the JD to the USD in 1995 and its maintenance have increased economic stability and confidence resulting in increased capital inflows, thus, ameliorating external balances and alleviating the debt problem. The substantial drop in gross public debt as a share of GDP recorded in 2008 was the result of increased grants, accelerating nominal GDP growth that year as well as “the Paris Club debt buyback in early 2008”\(^\text{19}\). The sustained trend witnessed until 2008 was subsequently reversed and debt-to-GDP ratio increased steadily and substantially over the last decade reaching 99.1 percent in 2019. The major reason of this trend reversal is the 2008 global financial crisis that slowed down economic growth in Jordan that was even growing below potential\(^\text{20}\). Furthermore, the debt surge was fuelled by recurring fiscal deficits and sizable current account deficits. Fiscal deficits were driven by the pressure of Syrian refugees’ presence, the lack of effective and efficient tax revenue mobilization being hampered by tax evasion, tax exemptions, a non-diverse tax base, and the recurrent deficits in water (WAJ) and electricity (NEPCO) publicly

\(^{14}\) These numbers are obtained by calculating the nominal percentage change of public debt stock and GDP taken in current US dollars.

\(^{15}\) Historically, Jordan’s share of external debt was substantially higher during the late 1990s and early 2000s reaching 70 and 80 percent. These high shares of external debt could be explained by the reliance of the government on external borrowings and donations to finance its current account deficits and the largest share of its budget deficits (Ramachandran, 2004). The overall decline in external public debt’s share as compared to these high historical levels, could be attributed to various external creditors writing off parts of the external debt during the late 1990s and early 2000s (IMF, 2004).

\(^{16}\) Ramachandran, 2004.

\(^{17}\) Ramachandran, 2004.


\(^{19}\) IMF, 2009.

owned companies. The current account deficits are also closely related to the burden of hosting the large number of Syrian refugees. Another factor contributing to widening the current account deficit is the slumping economic activity in the GCC resulting in decreased remittances sent by Jordanians expatriates in the gulf region, lower exports to this region, and drop in tourists’ inflow from this region to Jordan. Furthermore, the conflicts in Syria and Iraq were the main drivers of Jordan’s decreasing exports. Indeed, all these elements – economic growth at below potential, sizable current account deficits and small shares of tax revenue from GDP – are argued to be behind the observed debt surge in countries such as Jordan.

Another concern associated with the overall debt surge is rising external debt while the gross debt to GDP is too high at over 90 percent. This runs the risk of macroeconomic stability and debt sustainability at times of crisis such as COVID-19 – in addition to the burden of hosting the Syrian refugees – as fiscal deficit widens and reliance on external borrowing is crucial to finance the deficits. It would be important therefore to analyse the profile of external public debt, its composition and the cost of external debt servicing.

![Figure 1 - Public Debt, Domestic and External Debt, Debt-to-ratio.](chart)

Source: International Debt Statistics and Authors’ calculations.

### B. External Debt Profile and Its Composition

Total external debt amounted to $33.7 billion as of 2019. The four components of this external debt stock are public and publicly guaranteed (PPG) debt, private nonguaranteed (PNG) debt, short-term debt and IMF credit (including the SDRs).

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The major component of total external debt is public and publicly guaranteed (PPG) debt that amounts to $17.1 billion in 2019 which corresponds to 51 percent of total external debt (figure 2). A worrisome feature of PPG’s evolution over time is that it increased by nearly 3 since 2012 (when it amounted to $6.3 billion) with its share from total external debt also increasing significantly since then (it was 38 percent in 2012). This substantial increase in PPG could be attributed to Jordan resorting to borrowing through this type of financing as it was facing limited access to concessional external lending\(^{24}\). The second largest component of external debt is short-term external debt which amounts to $12.3 billion in 2019, corresponding to 36 percent of total external debt. Though reliance on short-term external debt remains high, its share from total external debt has been decreasing since 2013, as compared to shares of 50 percent and more between 2007 and 2012. The third largest component of external debt is private and nonguaranteed (PNG) debt that constitutes $3.6 billion (11 percent of total external debt) in 2019. PNG’s share was negligible during the early 2000s with values of around 1 percent and less, but it increased considerably in 2010 to 7.4 percent and continued increasing since then. The last component of external debt is IMF credit which amounts to $0.7 billion in 2019, corresponding to a share of 2 percent of external debt. During the previous years, the amount of IMF credit as well as its share from total external debt were higher. This could be explained by Jordan resorting to “the IMF under the Special Borrowing Arrangement” to narrow down its current account deficit during this period as other similar middle-income countries did as well\(^{25}\).

Up until 2009, the main component of PPG was bilateral debt with shares between 51 and 69 percent (figure 3). The share of bilateral PPG debt subsequently decreased considerably, reaching 21 percent in 2019. The share of PPG multilateral also decreased over this period from 43 percent in 2009 to 28 percent in 2019. However, external borrowing through bonds witnessed a substantial increase since 2010, with its share increasing from 2.7 percent in 2009 to 50 percent. Borrowings through commercial banks and other private creditors represented only small shares from total PPG (of less than 1 percent each) over the last few years. This indicates that the increase in external public and publicly guaranteed debt witnessed over the past decade, as concluded from figure 2, was driven by the increase in borrowing through bonds’ issuance and the increased reliance on private creditors instead of official ones. In fact, the share of official creditors dropped significantly from a highest of 96 percent in 2004, and above 50 percent until 2014, to 49 percent in 2019 (figure 4). This increased reliance on private creditors instead of official ones could be associated with a higher cost of borrowing.

Another notable pattern of external public debt financing for Jordan is the decline of the concessional share of external public debt (PPG) from a peak of 27 percent in 2008 to 9.4 percent in 2015; this share later picked-up slightly and reached 10.3 percent in 2019. It is important to note

\(^{24}\) See Sarangi and El-Ahmadih, 2017; and ESCWA, 2020.

\(^{25}\) ESCWA, 2020. Borrowings from the IMF during this period included a three-year Stand-By Arrangement (SBA) in 2015 amounting to $2 billion and a three-year extended arrangement under the Extended Fund Facility (EFF) in 2016 amounting to $723 million (Sarangi and El-Ahmadih, 2017).
that this overall decreasing trend in concessional loans, as compared to higher historical levels despite the recent slight increase, is closely associated with the increasing trend of PPG debt as Jordan, like other similar Arab countries, has resorted to non-concessional external borrowing (PPG) to compensate for the limited access on concessional loans. As for the share of multilateral concessional debt from PPG, it decreased between 2008 and 2015 from 3 to 1 percent and subsequently increased to 2.4 percent in 2019. The share of bilateral concessional debt from PPG followed a similar pattern with a decrease from 46 percent to 39 percent between 2008 and 2015 and a subsequent increase to 45 percent in 2019.

Source: International Debt Statistics and Authors’ calculations.

Figure 2 - External Debt (Public and Private), USD Billion

Source: International Debt Statistics and Authors’ calculations.

Figure 3 - Creditors of External Public Debt (PPG)

Source: International Debt Statistics and Authors’ calculations.
C. Debt Service of External Debt

Debt service on external public and publicly guaranteed (PPG) debt increased by nearly 4 times between 2009 and 2019 from $0.6 billion to $2.1 billion. Debt service on PPG, as a share of exports, decreased from 21 percent in 2008 to values between 5 and 7 percent over the following 6 years. In 2015, it increased to 13 percent and in 2019 it was 13 percent as well. Debt service on PPG, as a share of total revenues, dropped sharply from 41 percent in 2008 to 9 percent in 2009 and stayed around 9-12 percent until 2014. In 2015, it increased to 19 percent and to 20 percent in 2019 (figure 6). The higher debt service, as a share of exports and total revenues, recorded over the past 5 years signals increasing external debt servicing burden for Jordan. Despite the increasing

26 Data from World Bank International Debt Statistics (IDS).
cost of external borrowing, Jordan’s share of external of public debt (and the use of IMF credit and the SDRs) has been increasing since 2013 while its access to concessional loans dropped after 2008. This increased reliance on external finance, even at a higher cost, poses challenges to fiscal positions that are expected to be amplified by the Covid-19 crisis which is expected to further increase external borrowings.

![Figure 6 - Debt Service in terms of Total Exports and General Gov. Revenues](image)

Source: International Debt Statistics and Authors’ calculations.

### D. Effective Rate of Interest

The nominal interest rate\(^{27}\) on external long-term public debt (PPG) has been increasing over the past 6 years from 1.8 percent in 2013 to 3.4 percent in 2019 signalling a higher cost of external borrowing. This increasing borrowing cost arises from the higher reliance on private creditors, namely bonds, as a source of external public borrowing and from the rise in USA inflation. Another feature of interest rate on PPG is that it has been lower than that on domestic debt and higher than that on external short-term debt (except for 2018) over the last decade. The interest rate on short-term external debt dropped from nearly 6 percent in 2006 to below 2 percent between 2008 and 2016. However, over the past 3 years it started increasing and reached 3.3 percent in 2019. The data on short-term external debt is not available by public and private, which makes it difficult to understand the exact magnitude of short-term cost borrowing of public sector. However, the trend of short-term external debt shows that it has been constantly increasing over time, even though it comes at a higher cost. These all indicate to higher reliance on external finance even at a higher cost of borrowing, which signals an increasing external debt service burden. As for the nominal

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\(^{27}\) Actual rate of interest information is not available. The rate of interest is calculated by dividing interest payments upon corresponding debt stock. Therefore, rate of interest implies effective rate of interest.
interest rate on domestic debt, it decreased from a peak of 5.1 percent in 2014 to 3.9 percent in 2018 and 3.4 percent in 2019\(^2\).

**Figure 7 - Interest Rates on External Public Debt, Short Term External Debt, and Domestic Debt**

![Figure 7 - Interest Rates on External Public Debt, Short Term External Debt, and Domestic Debt](image)

*Source: Based on IMF WEO 2020 and International Debt Statistics.*

### III. Interest Rate and Growth Differential (IRGD) and Sustainability of Debt

#### A. IRGD and debt accumulation

We examined fiscal sustainability gap by computing the difference between the actual primary balance and the debt-stabilizing primary balance. In this context, the interest rate and growth differential (IRGD) is used as the criterion in gauging fiscal sustainability. In a situation where the government is financing the deficits by issuing bonds, the interest payment on the last period’s bonds less the government’s current primary surplus must be covered by issuing new bonds. If primary surplus is zero, then debt will grow by the nominal rate of interest. In terms of debt to GDP ratio, a sustainability condition or “no-Ponzi game condition” is that the terminal nominal rate of interest should be no larger than the rate of growth of nominal GDP. If the interest paid on this debt is lower than the growth rate of the economy (IRGD < 0) then, all else being equal, the debt will stabilize below the current level. The opposite conclusion holds for the situation in which interest paid on the debt is greater that the growth rate of the economy (IRGD > 0). While IRGD provides interesting insights about stabilizing debt conditions, a caution is that it may not be taken as an ultimate condition due to possible undervalue of cost of capital in emerging markets, aside from the issue that monetary policy can indirectly affect IRGD.

\(^2\)The nominal interest rate on domestic debt is calculated as the geometric mean of this rate between 2009 and 2018, due to lack of data on “domestic interest payment” for 2019.
A negative IRGD is favourable to countries where economic growth can erode the debt ratio more quickly than it can build it up by accumulating interest, all else being equal. The IRGD in case of Jordan has been always negative during the past 12 years (figure 8). However, it has gotten substantially weaker over the years, as the negative values decreased significantly in magnitudes from -21.1 percent in 2008 to -0.1 percent in 2018 and -0.3 percent in 2019. IRGD becoming that unfavourable over the past decade played a role in pushing the public debt to increase. During the period from 2009 till 2017, the increase in public was mainly driven by the occurrence of primary deficits and other identified debt creating flows that overtook IRGD’s small contribution in reducing public debt (figure 9). During the period from 2017 to 2018, public debt decreased due to a favourable primary balance effect (and residual effect) despite IRGD operating in the opposite direction by pushing public debt up. Between 2018 and 2019, however, unfavourable IRGD was the main contributor of the increase in public debt followed by other identified debt-creating flows (and the residual).

**Figure 8 - Interest rate – growth differential (percentage points)**

Source: Authors’ calculations, based on GFS and WEO.
B. Debt stabilizing Scenarios

Using IRGD, the required primary balance can be worked out through simulation exercise to arrive at debt targets or maintaining debt to GDP stabilization ratios. In order to do so, we used ten-year average and five-year average IRGD by taking into consideration weighted real effective interest rate, weighted by share of foreign debt and domestic debt, and real growth rate. Figure 10 presents simulation exercise for four scenarios while allowing for variations or shocks to IRGD.

Scenario 1: Debt target (d*) to be maintained at 99 percent of GDP by 2030;
Scenario 2: Debt target (d*) to be maintained at 75 percent of GDP by 2030;
Scenario 3: Debt target (d*) to be maintained at 70 percent of GDP by 2030;
Scenario 4: Debt target (d*) to be maintained at 60 percent of GDP by 2030;

In all scenarios, two different IRGD are applied by taking into consideration average of past ten years and past five years. Furthermore, we used a 1 percent increase in IRGD to take into consideration possible rise in interest rate or deterioration of growth. Foreign interest rates were deflated inflation from the nominal interest rate. Domestic interest rate responds to inflation more than GDP deflators. However, in Egypt, the inflation figures fluctuated significantly during end 2016 through early 2018, which raised methodological issues. To avoid these fluctuations, we used GDP deflator based inflation for deflating the domestic component of interest rate and USA inflation is used for deflating the foreign interest rate component. For methodology discussion, see Sarangi, 2020.
picking up during 2019 and 2020 (pre-COVID) and it may go up again when economies start recovering from COVID-19. Therefore, it is useful to see differential impact on required primary balance by using such scenarios. In order to maintain a debt to GDP ratio of 99 percent until 2030, the required primary balance ratio of GDP needs to be zero, even factoring in a 1 percent change in IRGD\(^{30}\), which implies that there is room for releasing some of the debt service resources for development expenditure. This may be a temporary scenario but maintaining debt-to-GDP ratio at such a high level in the long-term, while external debt and external debt service are rising in addition to the persistence of current account deficits, runs the risk of macroeconomic stability and debt sustainability especially following the Covid-19 crisis. Moving to Scenario 2, 3, and 4, Jordan would need to make progressive adjustments to ensure enough primary balance to arrive at the target debt to GDP ratio by 2030. In order to reach a debt to GDP ratio target of 75 percent by 2030, primary balance needs to be maintained at 0.4 percent of GDP, considering average IRGD of the past ten years (figure 10). A lower target of a 70 percent debt to GDP ratio would require a higher primary balance of 0.49 percent of GDP. Similarly, a target of a 60 percent debt to GDP ratio would require a higher primary balance of 0.66 percent of GDP. These required primary balances for the several debt to GDP targets stay almost the same with an increase in IRGD in 1 percent. Alternative scenarios can be worked out taking into consideration different fiscal policy adjustments, projected borrowing requirements and debt relief provisions if any.

**Figure 10 - Simulations on required primary balance for debt stabilizing scenarios at different debt to GDP ratio (period 2019-2030)**

![Graph showing simulations on required primary balance for different debt to GDP ratios](source)

*Source: Authors’ calculations*

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\(^{30}\) The 1 percent change in IRGD may arise either due to growth or interest rate or a combination of both.
C. Increasing Debt and Deficits due to COVID-19

Given the COVID-19 impact, Jordan’s economic activity is expected to contract for the first time in decades with an estimated 5 percent decrease in real GDP in 2020\textsuperscript{31}. Fiscal deficit is also expected to increase given the need to increase fiscal spending to respond to the sanitary crisis. Fiscal measures taken to tackle the crisis included “a double-tranche Eurobond issuance” and the country resorting to borrowing $396 million under the IMF’s Rapid Financing Instrument (RFI)\textsuperscript{32}. Additionally, the $1.3 billion loan under the Extended Fund Facility (EFF) that was approved prior to the health crisis will also be partly used to mitigate the pandemic’s effects that led to changes in fiscal spending priorities\textsuperscript{33}. Furthermore, the global plunge in economic activity would translate into lower direct investment, remittances, trade, and tourism which would widen external deficits\textsuperscript{34}. The increased deficits coupled with GDP growth becoming more unfavourable would push debt to GDP even higher.

IV. Conclusions and Policy Discussion

a. Jordan’s government debt stock’s increase since 2009 is worrisome as it corresponds to 186 percent while GDP increase over the same period was only 87 percent. The accumulation of public debt stock, which stood at $44 billion in 2019, results from recurrent sizable current account deficits and fiscal deficits coupled with low economic growth following the 2008 global recession. As a result, debt to GDP ratio steadily increased over the last decade, reaching 99 percent in 2019. Furthermore, Jordan has been increasingly relying on external borrowing over the last 7 years. The Covid-19 pandemic had led Jordan to further increase its borrowings from external creditors and the crisis is expected to widen the twin deficit and to slump economic activity further. Increased fiscal pressure resulting from higher external debt and external debt servicing and increased deficits with unfavourable economic growth puts the country at risk of debt sustainability, especially that it already has a high debt to GDP ratio.

b. The examination of Jordan’s external debt profile shows a heavy reliance on external public (PPG) debt whose amount has been considerably increasing since 2012, originating from increased borrowings from private creditors, namely through bonds issuance with this type of creditors being associated with a higher borrowing cost. Furthermore, debt service on PPG, as a share of both total revenues and exports, as well as the nominal intertest rate on PPG have been increasing over the past 5-6 years. Moreover, Jordan’s reliance on external short-term is high, with its share from total external debt ranging between 35 percent to 54 percent over the last decade and its amount also steadily increasing during this period despite that it is coming

\textsuperscript{31} IMF, 2020c and IMF, 2020d.
\textsuperscript{32} IMF, 2020d.
\textsuperscript{33} IMF, 2020d and IMF, 2020e.
\textsuperscript{34} IMF, 2020d.
with a higher borrowing cost as reflected by the increase in the nominal interest rate on short-term external debt over the past 3 years. Additionally, the concessional share of PPG has dropped remarkably after 2008. All these patterns suggest that Jordan increased reliance on external borrowings, despite the higher cost associated with them, is increasing the country’s external debt servicing burden. This increasing debt burden threatens debt sustainability, especially at times of Covid-19 that is expected to further increase external borrowings and external debt service and to widen deficits further.

c. Persistent primary deficits were the main contributor to the increase in public debt to GDP ratio over the period between 2009-2017, despite IRGD being favorable during this period. Since 2018, however, IRGD became increasingly unfavorable and became the main contributor to public debt accumulation despite improving primary balance. Thus, Jordan is faced with the challenge of stimulating economic activity, as it has grown at levels below potential after the 2008 global economic slowdown. This would make the IRGD favorable to eroding public debt accumulation.

d. Jordan is a middle-income country that is highly indebted, with its debt to GDP ratio near 100 percent. However, it is not eligible for the G20 DSSI which only covers the LDCs. Thus, extending the G20 DSSI to MICs with high debt burdens such as Jordan is crucial, especially following the Covid-19 that is expected to increase debt servicing burden and deficits. Furthermore, access to concessional loans should also be reinforced in the case of Jordan to lessen debt burden on the country. Such support from the G20 DSSI and from increased concessional loans would also help Jordan free fiscal space to finance the SDGs and social expenditure with are crucial to reach inclusive and sustainable long-term growth. In this context, implementing the Social Expenditure Monitor (SEM) could also support the country in balancing macrofiscal goals and fiscal sustainability which is essential to achieve the SDGs and long-term growth.

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36 ESCWA, 2019b.
37 ESCWA, 2019b.
Bibliography


