The Impact of External Financing in the Economy of Developing Countries "Jordan is a Model"

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Abstract:

This study aimed to explain the resorting to developing countries to external financing. It also aimed to presenting and analyzing the intellectual dialectic between the traditional and modern schools on the feasibility of external financing to developing countries. It also aimed at trying to assess the impact of external financing on the economies of developing countries and tracking the development of foreign aid to Jordan and its impact on the Jordanian economy as a case study. To achieve these objectives, the researcher used analytical descriptive method, which is based on accurate characterization of the economic phenomena and then quantitative analysis. The evolutionary method of external financing and its forms was also adopted.

The study found that foreign direct investment (FDI) to developing countries in general is a necessary evil; these countries cannot maintain closed economies in the light of contemporary global economic developments. And that global capitalist hegemony has brought and continues the calamities and woes and the great exploitation of developing countries. In order to save the developing countries as well as Jordan from the vicious circle of asking for new loans to repay the installments and benefits of old loans, it is necessary to focus on the issue of the specificity of each developing country and its conditions and level of development. This needs to be accompanied by administrative, political and constitutional reforms, rather than imitating the experience of developed countries to achieve their development.

Keywords: external finance, developing countries, grants, foreign investment

Introduction

External finance, its sources, and its effects are receiving great and increasing attention in economic and political thought. Given the important role it plays, as one of the important and influencing factors in the course and development of economic variables.

Money, as one of the main components in development plans - in addition to resources, land, manpower, management and technology - plays an important role in the development of the economies of developed and developing countries, in order to achieve a high rate of economic growth, and to raise the standard of living of individuals, which requires the establishment of productive projects, and the provision of funding for the advancement of those projects. , and this is what is known as capital formation, and this depends on saving part of the income of individuals, then directing the savings, and investing them in various investments (Abdul-Hadi, 2013)

The importance of studying

The study is consistent with the broad and great interest in the issue of external financing, whether at the level of donor or receiving countries. It also comes at a time when wide discussions are taking place about evaluating the effectiveness of external financing and its impact on macroeconomic variables.

In view of the difficulties and financial problems that the economies of developing countries suffer, the most important of which is the exacerbation of external debt, in addition to the increase in the size of the financing gaps and the resulting economic and political consequences, this study came out.

Study objectives and methodology

The study worked to achieve the following objectives:

- Explanation of the resort of developing countries to external financing.

- Presentation and analysis of the intellectual debate, between the traditional and modern schools, about the feasibility of external financing for developing countries.

- Attempting to assess the impact of external financing on the economies of developing countries.

- Tracking the development of foreign aid to Jordan, and its impact on the Jordanian economy.

To achieve the objectives of the study; the descriptive analytical method was adopted, which is based on an accurate description of economic phenomena, and then analyzed them quantitatively. The evolutionary method was also adopted, due to the size and forms of external financing.

Previous studies

Khreish (2007) study, international grants and aid, and its impact on economic development in Jordan, dealt with the concept of aid and grants received by Jordan, its development, types, and its role in filling the budget deficit, and in financing development programs. The study concluded that foreign grants and foreign aid to Jordan It plays an important and vital role in filling the budget deficit, financing economic and social development programs, providing cash and in-kind assistance to the poor classes, and implementing educational and health programs that particularly serve the poor classes. Sadiq's study (2010) traced the historical development of grants and aid and its effects on donor and recipient countries, and concluded that aid reflects an unequal relationship between the strong donor and the weak recipient, and on the other hand, its role is more vital to the poor countries of the south, which cannot provide resources to finance its development activities.

The Malawi study (2013 AD) attempted to investigate the impact of foreign aid and foreign direct investment on production in Jordan during the period (1976-2007). The results of the study showed that both foreign aid and direct investment had a positive and statistically acceptable impact on the Jordanian GDP in the long period, while the results were not decisive in the short period.

Awad's study (2014) assumed that the reality of international finance and its trends in developing countries determine the most prominent problems that these countries suffer from in the financial aspect, due to the overlap in the nature and trends of this financing.

The researcher concluded that international financial institutions adopt a policy of interfering in the economic and social trends of the borrowing countries, and imposing harsh conditions on them. The researcher recommended emphasizing the activation of local sources, and the exploitation of available resources to strengthen the front and back links with foreign investment projects and increase the added value produced in the economy.

Ekanayake.2009 study discusses the impact of foreign aid on economic growth in developing countries, and the impact of foreign aid on the economic growth of (83) developing countries receiving aid, in order to better understand the impact of aid on growth. The study uses annual data on a large group of the developing countries covering Asia, Africa, Latin America and the Caribbean for the period (1970-2007).

The study concluded that foreign aid has a negative impact on economic growth in developing countries, and the foreign aid variable has a negative sign in three out of four study cases; In the case of Africa, foreign aid had a positive impact in 13 countries, which is not surprising given that Africa; It is the largest recipient of foreign aid than any other region, and it was also found that foreign aid has a negative impact on economic growth in middle-income countries. It was also found that there are regional differences in impact, depending on the specificity of the countries of Asia, Africa, Latin America and the Caribbean.

Hadhek, (2014) study, Debt and Economic Growth aimed to discuss the impact of debt on economic growth in nineteen developing countries during the period (1990-2012). The study found that external debt negatively affects economic growth, through its negative impact on investment. Increasing external debt to 10% reduces the GDP growth rate by 0.28 percentage points. The external debt, as a percentage of the gross national income, negatively affects economic growth, as the amounts allocated for investments are transferred to finance the repayment of external debts. The study recommends debt reduction, to support long-term economic growth prospects.

This study was distinguished from its predecessors, by uttering a loud cry about the negative effects that had on developing countries, as a result of the external debt crisis and its economic, social and political consequences; This is after reviewing the reasons that prompted developing countries to borrow from developed countries, and the latter's generous response despite its knowledge of the inability of developing countries to repay those debts.

Study concepts and dimensions

The economist Strake (1966) defines external financing (International Finance): it is any flow of economic resources outside the borders of the country that owns those economic resources, and it includes aid, loans and foreign direct investment. While a number of economists define external financing: as providing financial resources to cover current and capital expenditures according to certain conditions, including price and term, by a country or group of countries or international institutions (Al-Kawaz, 2005).

External financing takes different forms, the most important of which are (Ngouhouo.2008): -

A_ Foreign Aid: It is defined as the total flow of capital, from developed countries, oil countries, and international institutions, according to easy terms and rules away from the prevailing financial trading rules and foundations, and comes in the form of soft loans, grants, grants, and food and technical assistance.

B_ External Foreign Loans: They are the funds that various foreign lending sources lend to developing countries, based on a set of prevailing commercial financial rules and foundations, in accordance with market conditions with a pledge to return them and pay interest on them according to what is agreed upon.

C _ Foreign investment: It is the investment arising as a result of the transfer of foreign capital, in addition to various economic resources among the countries of the world, with the aim of making profits. The International Monetary Fund defines foreign direct investment as a set of various operations directed to influence the market and run the endemic institution in a country different from that of the parent institution.

Some define it as those projects owned by foreigners, whether they are fully owned, or in large proportion with the national capital, in a way that guarantees them control over the project management, and the investment can be directly through individuals or foreign companies, or indirectly through subscription. In the shares and bonds of those projects (Al-Samarrai, 2006).

Developing countries and the reasons for resorting to external financing

Although the concept of international finance is not a modern concept, it appeared in its clear form after World War II, and the victorious countries adopted the so-called (Marshall Plan), where the idea of financing financially unable countries began to rebuild their operational facilities and infrastructure, especially after the signing of an agreement (Bretton Woods, 1944), to establish the International Monetary Fund and the World Bank, and to consider the dollar the world's standard currency. The desire to absorb labor, which is calculated as unemployment in a developing country, the desire of the rich and advanced industrial countries to gain bases in developing countries, and the competition between developed countries in their political and strategic positions, contributed to the development of the idea of international finance. On financing investment projects in third world countries (Al-Obaidi, 2013).

There are several global development models mentioned in many economic studies, to explain the resort of developing countries to external financing, including:

First: The Harrod-Domar model, "Harrod-Domar model. 1946". Which aimed at the extent of close interdependence between the national product, the rates of capital investment, the determination of the desired investment rate, the difference between the required investment, and the level of domestic savings, which is known as the financing gap. The model suggests that donors fill the financial gap with outside help; to achieve targeted growth. The model does not target the long-term relationship between investment and growth, but rather considers the short-term growth of poor countries through aid and investment (Easterly, 1997).

Second: The American Economic Model (Walt Rostow, 1960). The basic assumption given to Rostow's theory is that states want modernization and growth, and that society will agree to material standards of economic growth. Emphasis is placed on the need to raise the investment rate; with the aim of bringing the economy to the take-off stage, to be able to run itself. Rostow's model identified five stages of economic development, according to the history of the economic performance of developed countries: traditional society, preconditions for sustainable growth, take-off, maturity, and consumption. The previous two models assume the availability of necessary conditions for development in developing countries (Henegedara, 2016).

Third: The Samuelson model (Samuelson, 1958), which emphasizes the many obstacles that stand in the way of capitalist formation from internal sources; Therefore, countries resort to external sources of financing. And he indicated that the problem of most developing countries is the clear lack of savings, especially the poor ones (Mohsen, 2016).

Fourth: The Ragnar Nurkse model, which calls on developing countries to get out of the vicious circle, and to search for the causes of waste in resources that affect saving, to be one of the means of capital formation in developing countries. According to the model; Funding for development must come mainly from within the state, because financing growth, whether through foreign investments or external financing, would generate a number of obstacles in the way of development, including draining the resources of poor countries and transforming consumption patterns to simulate Western living standards; Thus creating problems in the balance of payments (Rainer, 2009).

Fifthly: The Keynesian Model, the Keynesian school held that saving represents that part of the national income that was not spent on consumer goods, and that investment is the value of production that was not consumed. Keynes highlighted the importance of investment as one of the components of aggregate demand, and focused on the concept of effective demand, which he considered a key factor in determining the level of employment and the level of income at the level of the national economy (Rojas, 2012).

Many propositions and subsequent developments have contributed to highlighting a fundamental issue, which is that equality between saving and investment may not be achieved as a prior result, but rather as a subsequent result. This is because saving decisions differ from investment decisions, and because both savings and investment are not affected by the interest rate only; rather, it is the level of national income in relation to saving, and the marginal sufficiency of capital in relation to investment. It became clear in the developed countries after the 1930s, the decline in the marginal propensity to consume, the significant increase in the volume of savings, and the accumulation of capital, as well as the existence of a flexible production apparatus. In developing countries, the marginal propensity to consume was high. And the existence of shortcomings in domestic savings, the formation of capital, and structural distortions in its production apparatus, which are characterized by inflexibility, and therefore its real problem lies in raising the production potential curve itself, in light of the need for a large amount of savings, and the formation of capital necessary to push the wheel Development, and accordingly, the ideas related to the role of labor productivity in increasing income and wealth, and focusing on the importance of increasing savings to meet investment requirements, are closer to the reality of developing countries in the scope of dealing with growth and development issues (Younis, 2011).

Thus, the developing countries found themselves, in light of the gap between the rates of domestic savings and the rate of investment required to be achieved, to reach the target growth rate, in front of three options to solve their problems: The first option: that these countries be satisfied with the growth rate within the available resources, no matter how modest, and this results in It slows down the development process or may stop it in many cases. The second option: for society to mobilize its latent economic surplus in various sectors and classes, especially the rich ones, in order to be able to increase the rate of domestic savings, and convert it from possible to actual, and this requires optimal exploitation of resources and rational consumption. As for the third option: it is to solve the domestic resource gap by relying on external financing, which is what most developing countries have chosen, thinking that it is the easiest option and that will avoid them from exerting economic and social pressures on their people, which is not based on any correct theoretical basis; Because he dropped the principle that real development can only be achieved by relying on the local resources of those countries, as happened in China and Japan (Zaki, 1981).

The argument of the traditional school and the modern school towards external funding

There is a debate about the feasibility and impact of financing and foreign investments in the economies of developing countries, and we can distinguish between two intellectual trends that differ theoretically and practically on this issue: -

The traditional school: From the perspectives of the traditional school, external financing occupies an important place due to its positive impact on the economies of developing countries and their development. of foreign currencies on the other hand, and thus contribute to pushing the economic growth process, and removing the determinants facing the development process in those countries (Chenery and Carter, 1973).

As for the view of the traditionalists in foreign direct investment, they believe that it is the exploitation of one party to another for the benefit of multinational companies in most, if not all, cases. The views of a number of pioneers of the traditional theory are clear in the following ideas (Adela and Omar, 2015):

First: Baliga ideas, by analyzing the systems and practices of foreign multinational companies in developing countries, which we summarize in the following ideas: Multinational companies assume that the host countries are a major source of raw materials and primary resources, which have the right to extract And the exploitation of these materials for the benefit of the mother country, in return for symbolic prices, in addition to the fact that they are absolutely free to choose the locations, type, size of investments, and their conditions. This requires that the share of the foreign investor be greater than the share of the national counterpart, in the project, meaning more than 51%.

Second: Frank's ideas, he believes that the element of foreign investors' exploitation of the wealth of the host countries is available in all its pillars, especially in developing countries, when foreign investments are concentrated in the field of extractive industries, which is the best evidence; Because such industries do not help to build strong relationships of front and back vertical integration with the rest of the economic activities in the host community.

Third: The ideas of Freeman, Persen, Livingstone and others (Freeman. Persen. livingstone). These thinkers point to the potential negative effects of foreign multinational companies on third world countries, including (Abu Lilly, 2003):
Its role in impeding economic planning within developing countries, by obtaining -1 many privileges such as customs exemptions and exemptions for labor laws applicable in those countries.
Unethical practices such as bribery and financial corruption, and attempts to -2 overthrow the existing regimes in these countries, as happened in Iran and Iraq.
Traditionalists believe that the hopes placed on foreign investments will not be realized for the following reasons (Ahmed and Hala, 2010):
Foreign direct investment competition for the local product, and the consequent -3 decline in local savings and investment.
Work by foreign companies to promote consumer patterns that are inconsistent with -4 the values of local communities, the trend towards luxury goods, the abandonment of basic and strategic commodities, and the neglect of the agricultural sector. Which leads to misdistribution of national income.
Foreign direct investment has an economic dependency, by linking the economies of -5 developing countries with developed countries, which makes developing countries vulnerable to blackmail on the one hand, and vulnerable to being affected by global economic unrest and crises on the other hand.
Monopolizing technology and not guaranteeing its transfer to developing countries -6 through foreign direct investment.

Modernist school

The ideas of this school are represented by some economists, such as Papnek. Enos and Griffin (1970), who opposed the views adopted by the traditionalists, through numerous studies on the effect of external finance on the growth rate of national income. That the local accumulation of capital, is the only basis for the policy of financing real development, and that the impact of foreign capital, especially loans and foreign aid, on the growth rate is very weak, if not negative, and that the external sources of financing, it is only a trick as it represents a form of economic dependence (Abu Qahf, 1991).

The opinion of the modernists about the impact of external financing on the economy of the recipient countries is summarized as follows:
Loans and foreign aid: (1
A large part of loans and foreign aid is used to increase the level of consumption - and not to increase the volume of domestic savings.
Allocating a large part of loans and foreign aid to non-productive projects, the - production of which is indirect, such as infrastructure and services.
Most of the loans and foreign aid are linked to projects and commodities - determined by the lending countries.
Foreign Direct Investment: (2

The modern thinkers affirm the positive role that foreign direct investment plays in achieving growth and development for the receiving developing countries, and that foreign investment is not always in the interest of the foreign investor - as traditionalists see it - but is a mixture of interests, which may conflict with The interests of the receiving countries, but in the end they must play a positive role, which can be summarized as follows:-

- Increasing the potential for rapid growth of developing countries; This is due to the ability of foreign companies to finance, in a way that exceeds the capacity of local companies.
- Foreign direct investment is used as a means to bridge the financing gaps represented in the savings gap and the foreign currency gap, which contributes to increasing the volume of currencies and promoting economic development in developing countries.
- Foreign direct investment projects work to withdraw low-paid manpower from the undeveloped and undeveloped sectors to the changing and developed sectors, and the agreement with foreign companies to employ a certain number of local workers, which contributes to reducing the unemployment problem in those countries
- Foreign direct investment works to provide the receiving economies with trained technical expertise and administrative competencies that would raise the level of skill of local workers; As a result of friction and utilization.
- Improving the quality of the performance of local products in the economies of developing countries, their ability to open up to global markets, improving the volume of national exports, and limiting imports.
- The benefits accruing from foreign investment are reflected in the high level of economic welfare for the donor and receiving countries alike, which is represented in the increase in per capita income, achieving good growth rates, reducing the external debt deficit, and reducing the budget deficit (Abdul-Hadi, 2013/71-74).

The incoming foreign direct investment flows to the Arab countries witnessed a decrease of 10% from 44.3 billion dollars in 2014 to 40 billion dollars in 2015, and the value of the inflows declined, until it ranged around 30 billion dollars in 2016 and 2017, and became weak compared to its record level, which amounted to about $89 billion in 2008, as we note from Table (1), which is graphically represented in Figure (1).

Finger (1): The volume of incoming forign investment/ billion dollars

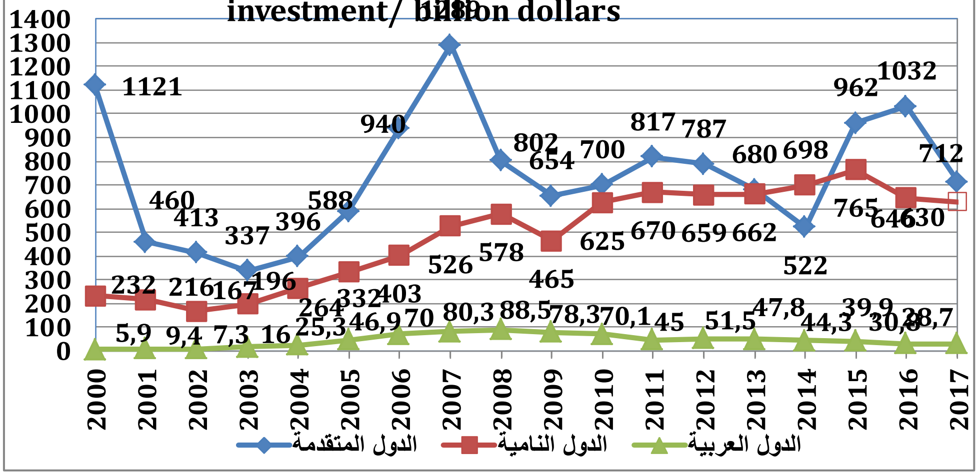


Table (1) The flow of foreign direct investment for the period (2000-2017 AD) / billion dollars			
Year	**Arab countries**	**Developing countries**	**Advanced countries**
2000	**5.9**	**232**	**1211**
2001	**9.4**	**2016**	**460**
2002	**7.3**	**167**	**413**
2003	**16**	**196**	**337**
2004	**25.3**	**264**	**396**
2005	**46.9**	**332**	**588**
2006	**70**	**403**	**940**
2007	**80.3**	**526**	**1289**
2008	**88.5**	**578**	**802**
2009	**78.3**	**465**	**654**
2010	**70.1**	**625**	**700**
2011	**45**	**670**	**817**
2012	**51.5**	**659**	**787**
2013	**47.8**	**662**	**680**
2014	**44.3**	**698**	**522**
2015	**39.9**	**765**	**962**
2016	**30.8**	**646**	**1032**
2017	**28.7**	**630**	**712**

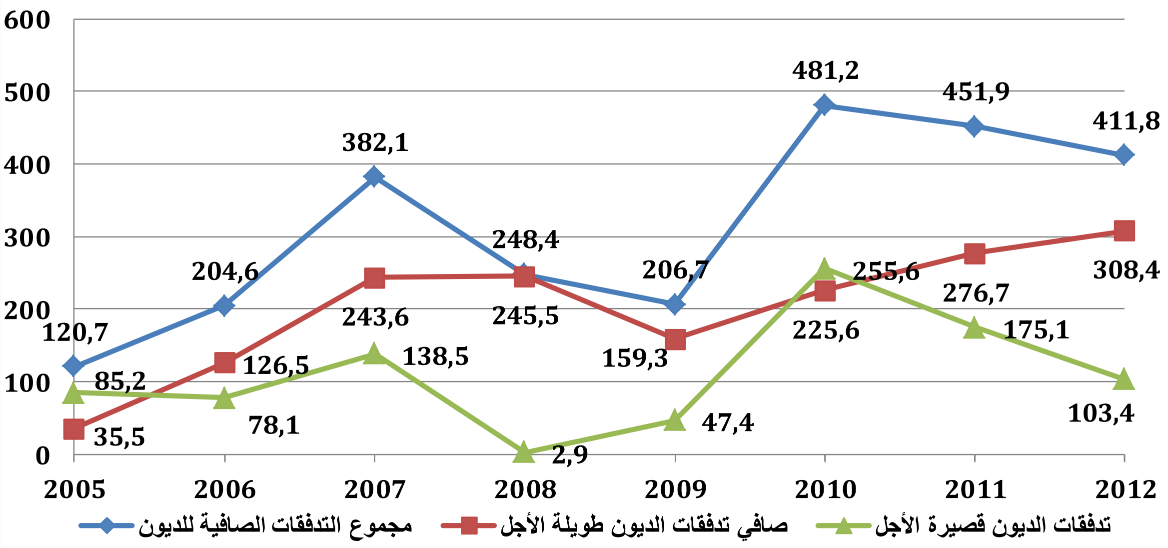
Source: The Arab Corporation for Investment and Export Credit Guarantee

The imbalance lies in the difficulty of dispensing with external financing, by falling into what is the most dangerous external debt, and this is represented by the resort of developing countries, including Jordan, in the event of low savings and foreign exchange, and the lack of foreign aid, to contain the deficit in borrowing locally and externally to a large extent; This has led many countries to exhaust the opportunities for resorting to soft loans. Some decision makers have justified resorting to compensating for the lack of foreign aid with debt; On the pretext that conditions in the region will not continue as they are, The hope for the return of this aid flow again, which led to the failure to resort to any national or future corrective measures in the field of financial imbalances in the budget or trade balance; This means that the country falls into a vicious cycle of negative borrowing and saving (Huriti, 2006).

This is what (Ouda Al-Hamdani 2012) went to, in his study on the role of the International Monetary Fund, in deepening the external debt crisis of developing countries; He explained that the developing countries were in dire need of foreign currencies for the requirements of the development process and to address the severe deficit from which their balance of payments suffers.

As for the industrial capitalist countries, they wanted to provide loans to developing countries, to compensate for their financial losses. Under the pretext of aid and assistance, the capitalist countries continued the policy of encouraging developing countries to borrow externally, and did not pay any attention to the extent of the borrowing countries' ability to meet their debts, and did not pay attention to the problems of deficits faced by Mawazeen. its payments in order to dump huge debts on developing countries and trap them in the trap of external indebtedness; Which contributed to the growth of the third world indebtedness from 50 billion dollars in 1968 AD, which accumulated very quickly, and in 1980 it amounted to more than 600 billion dollars, and by the year 2000 AD, The third year's debt reached more than 500,000 billion; As a result, public debt services rose from $22 billion in 1974 to about $76.6 billion in 1980, and rose to 536 billion in 1987. Figure (2) shows net annual debt flows to developing countries:

Figure (2) Awarding of Prizes to Grant Awards (2005-2012)/ Billion Dollars



Source: World Bank Debtor Reporting System)

Thus, the developing countries entered a vicious circle, which is the request for new loans to pay the installments and interests of the old loans, and thus the loans deviated from their goals towards achieving development, eliminating poverty and unemployment, to financing themselves. This is established by the principle of voting power that governs the decisions of the International Monetary Fund, which reflects the extent to which the monopolistic capitalist countries dominate decision-making in the International Monetary Fund, and the political factor plays a prominent role in granting loans, estimating their size and determining their direction (Al-Hamdani, 2012).

After examining the views of the traditional and modern schools on external financing, and its impact on developing and developed countries, I found that it is necessary to emphasize aspects that if they were available in developing countries, the effects of external financing on developing countries would have been more positive, namely:

- Adopting the principle of transparency and integrity in the management and investment of finance.
- Emphasis on management, planning, and arming the administrative apparatus with expertise in planning, managing funds, and employing them in feasible projects in the economic and productive sectors, and not dissolving them in service and infrastructure aspects.
- Developing countries not complying with the harsh conditions dictated by countries and lending institutions, and developing negotiating expertise to spare developing countries catastrophic economic and political consequences.
- Building a civil state governed by stable institutions, laws and regulations, under a democratic system of government that respects freedoms and human rights (Al-Dosari, 2018).
- Paying attention to the agricultural sector and farmers, rural development, diversifying its production and projects, supporting it, and making it strong, generating income and providing job opportunities, and achieving production that requires industrialization and development, in order to achieve a developmental balance in the most important productive sectors, agriculture and industry.

In the absence of that; the state begins by establishing government farms that do not produce anything, but rather drain money and water, and build flabby industries at high costs, to absorb the unemployed. Through the rent flowing from abroad to the ruling regimes, corruption spreads, with those who revolve in their orbits participating in it, and helping him to spread and install a dictatorship. Democracy is replaced by the necessity leader, for whom the people vote 100% (Al-Janabi, 2012).

This is evident in the study (Alaya 2015), in what he says, and bad governance in itself remains a major obstacle to achieving the effectiveness of foreign aid programs. Evidence shows that complex problems related to bad governance prevented the creation of the necessary conditions for reform, or the successful use of development efforts, and this is what was known - The vicious circle - whereby poor countries have become increasingly dependent on aid and external financing. At the same time, it reduces its efforts to achieve market reforms that can boost public production; This is because the vast majority of recipient countries are ruled by authoritarian regimes that do not protect human rights, and also suffer from the absence of a competent and non-corrupt public administration, and therefore aid cannot be used in an effective manner (Alaya, 2015).

As an example, what was mentioned in the book The End of History (2008) by the thinker Francis Fukuyama, which explains the nature of the development gap between Latin American countries, the majority of which are recipient countries, and the United States. This researcher has traced the history of development in these countries over the past four hundred years; The result was that authoritarian regimes in most Latin American countries form the root of the economic gap with the United States of America, and (Bonn, 1996 AD) and (Barrow, 2000 AD), the miserable conditions in the recipient countries are not the result of ineffective policies only; But as a result of destructive policies officially adopted by the political tyrants in these overpowered countries (Francis Fukuyama, 1989).

There are many reasons behind these regimes that adopt destructive policies to keep their countries in poverty, including:

First: As mentioned (Easterly, 1997 AD), these political systems explicitly want to limit the productive capacity of the poor; Because of the clear possibility, according to their claim, that the improvement of the conditions of this class will promote political activity that would threaten these elites from continuing to rule and control.

Second: Striving to bring more external economic benefits to the corrupt ruling elites, which is the general option in creating a poor environment that actually attracts aid by encouraging donor countries, to provide more aid in the form of humanitarian responses to the poor, and poverty indicators for the recipient country (P4-5/1997Easterly .).

Third: Adopting discriminatory development policies against ethnic and racial diversity as stated in Fikr (Levine, 1995); Where elitist and sectarian regimes provide political and economic patronage to the main ethnic groups, neglecting other ethnicities and regions, in order to mobilize politically, and maintain their support for the continuation of the rule (Abou El-Enein, 2008).

Jordan and external financing

The importance of Jordan's geographical location and the process of employing it

The geographical data of Jordan plays an important role in the field of international relations, in general, and its foreign policy in particular. Jordan occupies a vital strategic position in the Arab Mashreq; It constitutes the northern shield of the Arabian Peninsula, and a barrier separating the depth of the Arabian Peninsula on the one hand, and the pressures resulting from the conflicts of the Arab Mashreq, including the Arab-Israeli conflict, on the otherIn the same way, Jordan formed a buffer between Iraq and the Zionist entity. This distinguished location gives Jordan a strategic importance, which made it the focus of attention by the regional and global powers concerned with the region. This distinguished location, in addition to Jordan's public alignment, contributed to the Western camp led by the American states during the Cold War with the socialist camp, led by the Soviet Union, which contributed to Jordan's victory. On a lot of foreign aid, financial and military, whether Arab or foreign (Al-Badri, 2007).

Prince El-Hassan bin Talal, the former Crown Prince of Jordan (1965-1999), stresses the importance of Jordan's location by saying: "The importance attached to Jordan, thanks to its location and its strategic role, as a bridge between societies, is greater than the importance it gained thanks to the resources or natural wealth within its borders." (Bin Talal, 1985).

Jordan is the second largest country in the world, after Afghanistan, to benefit from the assistance provided by the United States Agency for International Development (USAID); As stated in a statement by its Director in Jordan (Jim Barnhart), on February 8, 2016, stressing that Jordan is of great importance to the Agency, as its programs focus on education, green energy, information and communication technology, tourism, financial reform, family health, and encouraging women to be trained. Engaging in work and leadership programs, up to senior positions, and focusing on and training the workforce, through working with the Vocational Training Corporation.

The Ministry of Planning and International Cooperation in Jordan works under Planning Law No. (68) for the year 1971 AD, as a link between all ministries, governmental and private institutions, and between external funding sources, from other countries and external and international institutions. Jordan is making extensive and unremitting efforts to negotiate with countries, donors and funding bodies; To maintain the level of foreign aid provided to the Kingdom, the most important of these countries are the United States of America, the European Union, Japan, Germany, Canada, Italy, Spain, France, South Korea, China, the United Nations organizations, the World Bank, the European Investment Bank, the International Fund for Agricultural Development , Arab Fund for Development, Islamic Development Bank, Kuwait Fund for Economic Development, Saudi Fund for Development and Abu Dhabi Fund for Development (Reports of the Jordanian Ministry of Planning, 2005 - 2015 AD).

The evolution of external financing for Jordan

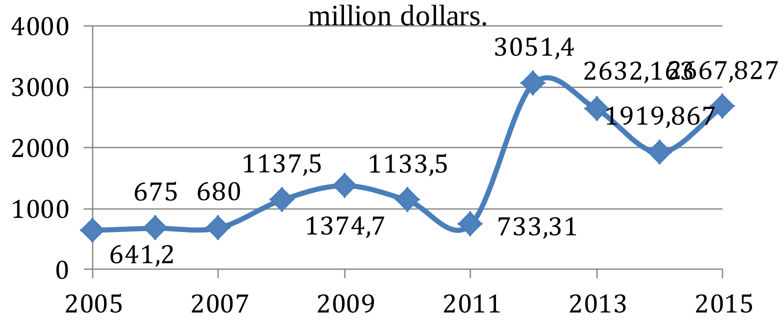
Jordan went through stages that contributed to the fluctuation of the volume of international aid and external financing. After the end of the Cold War, the disintegration of the Soviet Union, the financial crises that afflicted the global and US economy, and the resulting cuts in the foreign aid budget, and the fluctuation of Arab-Jordanian relations; It has contributed to the decline in aid provided to Jordan. While we find that Jordan's participation in the peace process, and Jordan's adoption of the democratic approach; It led to an increase in foreign aid, especially the US (Khasawneh, 2017).

By 1967, Jordan succeeded in reducing its dependence on aid, as its dependence on aid decreased from 17% of the gross national product, in the period (1959-1962) to 13%, in the period (1963-1966), and this is due to the increase in agricultural production. However, the 1967 war led to the suspension of the so-called five-year plan for socio-economic development (1963-1967), and the country experienced an economic stagnation, and the state was forced to allocate the bulk of its public expenditures to defense expenditures, and increased The need for foreign aid.

It is clear that Jordan is one of the economies most dependent on aid and grants provided by other countries, as their total during the period (1970-2003) amounted to about 18.7 billion dollars, while Jordanian labor transfers amounted to about 30.6 billion dollars for the same period. Aid constituted about 30% of the gross domestic product for the period (1975-1980 AD), then this percentage began to decline due to the decrease in the volume of aid, until it reached 6.5% in 2000 AD. of the gross domestic product and then escalated again in 2003 to become 12% of the gross domestic product. The reason for the decline in the previous period was Jordan's refusal to sign the Camp David Accord. During that period, Jordan faced several political and economic crises; Which was represented in the high unemployment rate, the increasing burden of the external debt, and the decline in Jordanian labor transfers. Jordan's problems reached their climax in (1988-1989), when the value of the dinar fell by half, and the government adopted an economic austerity program and restructuring with the support of the International Monetary Fund (IMF) (Al-Katout, 2017).

And while the economic level began to improve relatively, Iraq invaded Kuwait, which resulted in Jordan receiving an influx of about (300,000) immigrants and returnees, and Jordan's stance towards the war to liberate Kuwait, and the consequent cessation of development aid from the Arab Gulf states, and the tourism sectors were affected. transport and foreign trade; This has raised the unemployment rate to 25% and the poverty level to 33%, and then the volume of foreign aid represented by grants and loans has increased in the last decade, as shown in Table (2) (Swaidan. and Mihai.2002).

Figure (3): The volume of external financing provided to Jordan (grants + loands) during the period(2005-2015) in million dollars.



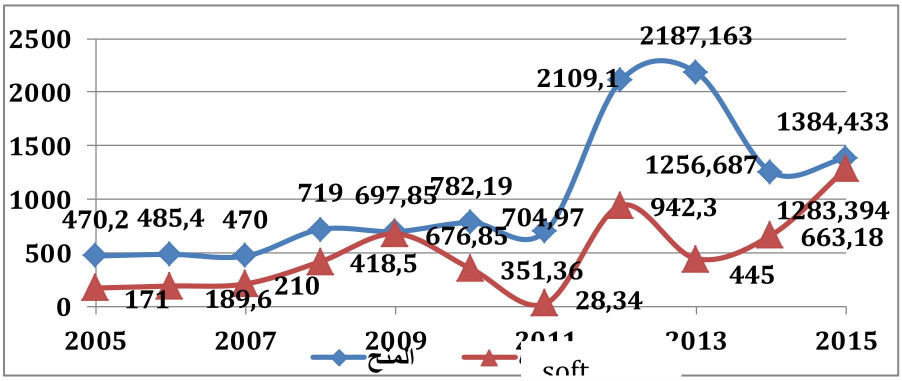
Source: Designed based on annual reports, Jordanian Ministry of Planning (2005-2015)

Table (2) The volume of grants and soft loans that Jordan obtained during the period (2005-2015)/ million dollars			
year	**Grants**	**soft loans**	**Total**
2005	**470.2**	**171**	**641.2**
2006	**485.4**	**189.6**	**675**
2007	**470**	**210**	**680**
2008	**719**	**418.5**	**1137.5**
2009	**697.85**	**676.85**	**1374.7**
2010	**782.19**	**351.36**	**1133.5**
2011	**704.97**	**28.34**	**733.31**
2012	**2109.1**	**942.3**	**3051.4**
2013	**2187.163**	**445**	**2632.163**
2014	**1256.687**	**663.18**	**1919.867**

2015	**1384.433**	**1283.394**	**2667.827**
Total	**11266**	**5.379**	**16.646**

Source: Annual Reports, Jordanian Ministry of Planning (2005-2015).

Figure (4) Grants and loans to Jordan during the period (2005-2015) million dollars



Source: Designed based on annual reports, Jordanian Ministry of Planning (2005-2015)

When applying the Harrod-Domar ı Grants analyze the impact of finance on economic development

The rate of growth in national income is: g = s / v

Where: G = growth rate in national income

S = Average propensity to save

V = Marginal capital modulus

Table (3) The volume of financing and its impact on the Jordanian economy during the period (2010-2015 AD)

Year	GDP per capita growth	Percentage of aid from income	Grant	loans	Total	National income	grants/income	Loans/Income
2010	-1.6	-	-	-	-	-	-	-
2011	-1.12	3.63	705	28	733	23743	2.9%	0.1%
2012	-0.78	3.4	2109	942	3051	24775	8.5%	3.8%
2013	-0.31	2.79	2187	445	2632	28425	7.7%	1.6%
2014	0.30	4.22	1256	663	1919	30302	4.1%	2.2%
2015	-0.02	7.61	1384	1283	2667	30235	4.6%	4.2%

After applying the equation to the Jordanian data according to the annual reports of the Ministry of Planning for the period (2010-2015 AD), we find that the per capita GDP decreases with the increase in foreign aid, and the result will differ if this aid is employed in productive projects. We also note the fluctuation of foreign aid to Jordan; Where it witnessed a remarkable increase in the years 2012 and 2013, due to the Gulf grant, as we note from Table (3

According to the data of the Ministry of Finance; The total net public debt owed by the Kingdom during 6 years increased by 10.5 billion dinars, from 2010 to 2015, and thus the increase in the public debt during this period is 91%. The Kingdom's debts now constitute about 80% of the estimated GDP for the year 2015 AD, while it constituted about 61% of the GDP in 2010 AD. The per capita public debt has increased since 2010, which amounts to 1,875 dinars to 3,235 dinars in 2015.

Table (4) The evolution of the public debt on Jordan during (2010-2015) billion dollars

Year	Public debt	internal debt	external debt
2010	**11.5**	**7**	**4.5**
2011	**13.5**	**9**	**4.5**
2012	**16.5**	**11.5**	**5**
2013	**19**	**12**	**7**
2014	**20.5**	**12.5**	**8**
2015	**22**	**13**	**9**

Source: Annual reports of the Jordanian Ministry of Finance (2010 - 2015 AD).

The bulletin issued by the Ministry of Finance indicated that the per capita public debt increased by 73% from 2010 to 2015. It is noteworthy that some officials consider that what Jordan is going through will be for a limited period, and that overcoming the huge borrowing will shrink in light of the implementation of the program Economic reform, but this did not happen. Economists expressed their fear of the continued rise in the Kingdom's debt, the inflated costs and benefits that this debt produces, and the government's justification for its resort to external debt; To reduce pressure on the internal debt, which is one of the objectives of the economic reform program between the government and the International Monetary Fund (Reports of the Jordanian Ministry of Finance, 2010-2015).

Thus, we find Jordan - as is the case with most developing countries - entered into a vicious circle. It is a request for new loans to pay the installments and interest on old loans; Thus, foreign funding deviated from the desired goals of achieving development and eradicating poverty and unemployment into funding itself.

Findings and Recommendations

The study concluded with a number of results and recommendations, which are summarized as follows:-

Results

The developing countries fell prey to the industrialized and developed countries; - Especially after the Second World War, and external funding was employed under the pretext of reconstruction and saving developing countries from underdevelopment, driven by the desire to absorb labor and install advanced bases for it in those countries.

External financing and foreign direct investment in developing countries have resulted - in economic dependency by linking the economies of developing countries with developed countries, which has made developing countries vulnerable to extortion on the one hand, and vulnerable to global economic turmoil and crises on the other hand, and put them in a vicious circle, which is the request for loans New loan installments and interest payments.

- The researcher believes that external financing and foreign investment for developing countries is a necessary evil; These countries cannot maintain closed economies in light of contemporary global economic developments that are moving towards greater integration into the global economy, but not forever.

- The researcher believes that Jordan - as is the case for most developing countries - has entered a vicious circle, groaning under the weight of debt and the inflated costs and benefits that this debt produces, despite receiving a lot of funding.

Recommendations

To advance development, it is necessary to realize the ideas related to the role of - labor productivity in increasing income and wealth, and to focus on the importance of increasing savings to meet investment requirements, which is closer to the reality of developing countries in dealing with growth and development issues.

Emphasis on management and planning, and arming the administrative apparatus with - expertise in planning and managing funds to move the wheel of development, employing them in feasible projects in the economic and productive sectors, and not dissolving them in service and infrastructure aspects.

Seeking to obtain internal and external financing, whether in the form of loans, - grants, or investment according to encouraging conditions, and not to comply with the harsh conditions dictated by countries and lending institutions, by developing negotiating expertise to spare developing countries economic and political consequences.

Jordan should adopt the principle of transparency and integrity in managing finance, - investing it in productive projects, and planning to build a strong economy that enjoys independence and depends on local resources, and gradually liberates from dependence on aid and financing, which is characterized by fluctuations mixed with external pressures, and benefit from the experiences of the Asian tiger countries and Turkey.

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