



Interview with the Governor of the Central of Jordan on taken measures to address the implications of the coronavirus on the national economy

April 3rd, 2020

- **Good evening Your Excellency. The Central Bank of Jordan announced precautionary measures to contain the implications of the coronavirus pandemic on in the Jordanian economy. Can you tell us more about these measures?**

The last procedure, which was taken in addition to other procedures since the beginning of the crisis, in consultation with all banks, is to enable small and medium businesses across all sectors, professional institutions and self-employed individuals to access much needed credit to meet their financial obligations during this crisis and enable them to maintain their operating costs, especially the salaries of employees to ensure the continuity of businesses.

This credit facility covers up to 500 million JOD offered by the Central Bank through commercial banks with an interest rate that does not exceed 2%, for a period of three years, and is guaranteed, with a grace period of 6 -12 months. This shall enable businesses to overcome the current situation and maintain their workforce.

This comes in addition to other open credit facilities exceeding 1 billion JOD- specifically 1 billion and 200 million, offered by the Central Bank with a now reduced interest rate. It can be used not only as capital expenditures but also as operating expenses to maintain the productivity of various sectors. Moreover, liquidity has been pumped at a value of one billion JOD, to assist banks and the private sector in increasing credit facilities. We reduced the interest by more than 1.5%. This is aligned with the procedures announced by the Prime Minister to protect the economy and its vital sectors.

- **Q: What is the cost of these procedures on the Central Bank? How do you expect these procedures to reflect on the Jordanian economy?**

We are working on several fronts. The first is how to activate the production process given the current circumstances within the right controls. Our priorities, as stated by His Majesty the King, are to preserve first, the human life, and second our country Jordan. We want the production process to continue with the least cost on public health and with the highest productivity level possible. We have industries that are running, and there are industries we need to protect. Some professions have been completely stopped, such as professions in the tourism industry. Therefore, we need to pump money urgently in such sectors to cover the operational and capital costs.

Another aspect we are looking into is the institutions' capabilities after the crisis. This is a crucial point that requires more capital. The Central Bank in collaboration with the banks and the social security corporation is looking into a sustainable approach to enable institutions to survive.

This is not the first time we go through such a crisis. There is considerable cost on the Central bank, but this intervention is required through fiscal and monetary policies. We are coordinating with the Ministry of Finance and the government regarding the financial requirements to enable the government to continue its operations, and enable the private sector to get the required funding to continue its business operations in these circumstances.

- **Q: As a national public figure and as an economist, people trust you and what you say. Do you think these procedures are sufficient to contain the negative impact of the coronavirus on our economy?**

We will see the fruit of whether these procedures are sufficient or not in the near future. The question is whether there are more possible steps to take that we aren't taking. All the steps we're taking aim to ensure the sustainability of our economy. We consider these steps necessary to overcome the crisis and the post-crisis phase. Are they sufficient? They may not be. By the way, in these circumstances, not only the government should reconsider its financial priorities. The private should do so and all the people should reconsider their financial priorities and spending bearing in mind the post-crisis phase.

- **Q: Can you elaborate more on this point?**

We should reduce consumption and reconsider our budget. In the past **20** days, most people have stayed home and their spending has dropped. Priorities have changed in spending both on the public level and on the private level. The world has turned into an isolated island, so we need to also reconsider our production priorities. At the same time, we have to maintain our credibility as a country, as stated by the Prime Minister, including the reputation of our economy, economic policies and our financial system. We have a renowned financial system that enjoys international trust. We will continue to follow our policies and protect our institutions. Jordan, under the leadership of His Majesty the King, is a state of institutions, and the world is talking about our experience in the health sector and in containing the coronavirus crisis, in addition to our economic and financial procedures that countries are following and benefiting from. Public financial capabilities are limited. We all have to support the country in its procedures and everyone has to cooperate. The public benefit comes first.

- **Q: When speaking about facilities and postponing installments, who will benefit from them exactly? Which industries and companies?**

Since the beginning of the crisis **20** days ago, we made the decision to postpone due installments for all sectors without any interest for this month. This applies to individuals as well who were negatively influenced and haven't received their salaries. If salaries were received then due payments should be made. We have decided to postpone installments for retail customers, whether housing or automobile loans. Some banks have postponed all installments.

- **Q: how long are they postponed for?**

For the past month (March), and we will make an announcement about this month too. And the interest rate for small and medium enterprises financial facilities will be **2%** and they will have a grace period of **6** months. We have put specific controls on these facilities so that employees are not released. We are coordinating on this with the Social Security Corporation and are checking with the banks that salaries are paid

directly to employees. We are keen on protecting the labor force. We all need to be tolerant and patient in this phase in order for it to pass.

All sectors are included and can benefit from these facilities and from postponing loan installments. I forgot to mention that the new loans announced are fully guaranteed by the Loan Guarantee Corporation. We have supported this procedure with over 300 million JOD. 85% of any loan offered by the Central Bank through commercial banks is guaranteed by the Loan Guarantee Corporation, so the risks are minimal on banks. Therefore, getting a loan is easier. The cost of loans is low, and the repayment period is long. All banks are onboard to facilitate this process.

- **Q: A new program has been announced to facilitate loans to small and medium enterprises. What are the advantages of this program and what could it achieve?**

This is the program we announced today and are talking about, which has a value of 500 million JOD, and with the conditions I shared with you about the interest and the repayment period. This is a unique program and is launched for the first time in the history of Jordan. It will assist companies in continuing their business, buy raw materials and maintain their value chain, and pay salaries. This comes in addition to the financial facilities I mentioned of over 1 billion JOD for capital expenses. Upon our request they can be used for operating expenses, and we have reduced the interest on them in Amman and other governorates. The benefits are exponential for companies and we hope the production process will continue to enable them to pay these loans.

- **Q: Are there any further plans and procedures the Central Bank is considering for the coming phase?**

We are working constantly together with the government. Whenever we identify issues and gaps we can address according to the frameworks and procedures of the financial system, we put precautionary measures and make the necessary interventions. The financial sector is the main pillar of the economy that pumps liquidity in all sectors and we work hard to protect it. We are taking all necessary procedures. The Central Bank is pumping liquidity in the market to finance business operations and support the private sector. We will reduce liquidity if we feel it is in excess. This is an ongoing process and we are open to regularly revising the procedures. Our program that we

just discussed was launched as a response to the latest developments. We already kicked off a program at the beginning of the crisis and took measures to support the private sector and enable the country to continue its operations.

- **Q: What do you say to the government and citizens in order for us to get out of this crisis with the least losses?**

I'm in constant contact with the Prime Minister, and all the efforts done are well coordinated to deal with the crisis. We are exchanging ideas regularly regarding procedures taken by the government and by the Central Bank. The government is going in the right direction in terms of reconsidering spending and reconsidering priorities. Our focus is on the most productive sectors and on enhancing revenues. The government's revenues come from taxes and with the current situation and the measures taken those revenues, set in the public budget, are notably reduced. Therefore, spending should be reconsidered. The health sector takes priority.

We have analyzed the financial situation of the country and we expect an increase in deficit. However, our analyses regarding the economic sectors show that some sectors will continue to grow and other sectors will lag behind. The production might be lower but Jordan will benefit from the developments regarding oil prices. The drop in prices shed some burdens on Jordan. However, this is not sufficient. We might explore opening new markets.

Generally speaking, we will continue to be dependent on international aid funding until the end of this year. We are in talks with the International Monetary Fund to explore a new program that we could benefit from. The World Bank could also support. We will work on soliciting support from such entities and we will endeavor to reduce losses as much as possible by the end of the year. The negative impact in inevitable and economies across the world are impacted. The anticipated drop in the world's economy is changing daily. It started with 1%, then 2% drop in production. It moved further to 4 and 5%. There are talks about an economic stagnation that evolved into talks about a recession. We will do our best to overcome the crisis in collaboration with everyone. On the social dimension, there is a pressing need for everyone to move and to support national efforts. We launched several funds to receive support.

- **Q: Can you share with us your opinion on the establishment of the National Donations Fund “Himat Watan”?**

This fund is necessary and came as a response from the government to all requests by national figures and citizens who wished to support the country in this exceptional phase. We followed a legal approach with the right governance and with clear working and spending rules as stated by the Prime Minister. A committee was formed for this purpose and agreed in the first meeting on the framework of the fund. Donations were generous. For example, the Arab Bank raised their donation from 3 million to 15 million JOD. The Phosphate Company raised their donation from 1 to 6 million JOD. Many entities and banks raised their donations. The fund will support the country in parallel under the supervision of the committee, led by H.E. Abdelkareem Al Kabariti. We will try to reach the unreachable segments by the government, and we will support the government to reach their targeted segments, such as self-employed individuals, who have lost all sources of revenue. Support is planned to the health sector and the development sector.

- **Thank you, Your Excellency.**