

# Evolving role of regulators



**Global authorities enacted extraordinary measures to mitigate the economic impact of the Covid-19 pandemic. The Central Bank of Jordan (CBJ) launched a vast program to stabilize the economy, parts of which have been extended as the pandemic wears on. Social distancing forced authorities to change e-payments regulations, which has solidified the sector's place in the Jordanian economy.**

## Economic support program

The immediate government response to mitigate the impact of the pandemic on the economy was sizable in Jordan and amounting to around 2.5% of GDP in 2020. CBJ played a large role in this response, enacting a range of short- and medium-term plans. CBJ injected US\$2.1 billion to increase liquidity in the banking system and lowered the lending rate by 1.5%. Additionally, it introduced a US\$706 million loan guarantee program to help SMEs resume their operations and pay operational costs. CBJ also raised credit ceilings for the tourism sector and encouraged banks to reschedule and defer loans for those affected by the crisis.

## Extension of support programs

Authorities are extending some of the economic measures as the pandemic wears on. The extensions are related to tax deferrals, reduced fees on government services and social assistance programs and business financing schemes.

In March 2021, reflecting the success of the program and continued need of Jordanian SMEs, the CBJ decided to increase the SME loan guarantee program to US\$988 million. It also extended the loan terms for one year and increased the ceiling of loans granted to some sectors to US\$5.6 million (up from US\$4.23 million).

Later, in April 2021, Jordanian authorities announced a new stimulus package worth around US\$630 million aimed at supporting struggling sectors of the economy, boosting social protection programs, protecting existing jobs in the private sector, stimulating employment and mitigating the pandemic's impacts on the public transport sector and investment activities in development zones. Additionally, the measures aim to ease the public funds collection burden on individuals and businesses and to defer installments owed to public credit funds until the end of the year.

## External support

Multilateral institutions have been vital to allowing countries to implement economic recovery packages despite domestic fiscal constraints. The IMF's extended fund facility (EFF) has been one of the primary tools to facilitate aid, including for Jordan. In June 2021, the IMF completed the second review of Jordan's program supported by the EFF and made an additional US\$200 million available. This brings total IMF disbursements to Jordan since the start of 2020 to around US\$900 million.

Given the economic toll inflicted by the pandemic, the IMF has relaxed the fiscal targets that are tied to its aid. Flexible fiscal targets granted for 2020 have been extended into 2021 to accommodate higher-than-expected COVID related spending up to 0.5% of GDP. The program can accommodate higher social protection spending if Jordan can secure additional budgetary grants. To help Jordan meet its large financing needs in the wake of the pandemic, some of the IMF's planned disbursement under the EFF has been frontloaded to 2021-22.<sup>6</sup>

## E-payments spurred by pandemic necessity

Prior to the pandemic, public and private sector participants had long been building and promoting an electronic payments system in Jordan. Catalyzed by social distancing and the mitigation of contact between individuals, CBJ rolled out new regulations aimed at streamlining previously cumbersome processes.

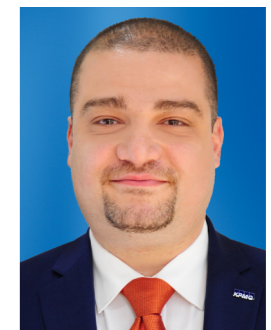


Previously, mobile money and e-payment operators required customers to present their national ID cards for in-person verification, after which payment service providers copied IDs and sent off documentation to complete the verification process. More broadly, uptake of e-payment systems was largely only among younger, more internet-savvy individuals and was far from the critical mass necessary for a healthy system.

When lockdowns began being enforced, CBJ resultingly passed a raft of new measures aimed at making e-wallets easier to open and use. Starting in March 2020, CBJ began allowing customers to open e-wallets remotely using a PSP app on which they could scan their IDs for verification. Additionally, limits on the type and value of transaction that could be made using an

e-wallet were lifted and interchange fees on transactions were reduced. After the end of the first lockdown, CBJ chose to make these regulation changes permanent. To further promote the e-payments sector, CBJ launched a challenge fund for PSPs, which intends to increase adoption of digital payments at merchants.

The CBJ also promoted e-payment usage through expanding the number of payment types possible through e-wallets. The regulator began encouraging employers to begin making salary payments through e-wallets and, in cooperation with the Jordan Payments and Clearing Company (JoPACC), began allowing transfer payments from the National Aid Fund (NAF), which serves almost 10% of the population, to be completed electronically.



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CBJ promotes e-payment usage through expanding the number of payment types possible through e-wallets, including salary transfers and payments from the National Aid Fund.

<sup>6</sup> <https://www.imf.org/en/Countries/JOR/FAQ#Q5>