The Economy of Jordan: Post-Pandemic Scenarios

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Feb, 2021

مركز الدراسات الاستراتيجية
CENTER FOR STRATEGIC STUDIES

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Preface

The COVID-19 pandemic has triggered one of the worst economic crises since the Great Depression, imposing severe economic and social challenges not only for Jordan but for the entire globe.

Although global economic activity is growing again, it is not likely that we would return to business as usual in the foreseeable future. The pandemic has caused a severe loss of life, is tipping millions into extreme poverty, and is expected to inflict lasting scars that push activity and income levels well below their pre-pandemic trends for a prolonged period of time.

By early April 2020, about 150 countries had closed all schools and imposed cancellation of gatherings and events, and more than 80 countries had closed all workplaces to contain the outbreak of the virus. Travel restrictions were imposed on a large scale, and mandatory lockdowns, along with social distancing, were imposed. Consequently, economic activity contracted dramatically on a global scale, accompanied by fluctuations in the financial markets, and sharp declines in oil prices and industrial minerals.

The COVID-19 global recession and economic policy-response raised concerns regarding rising debts in emerging markets and developing economies (EMDEs). However, even prior to the pandemic, a rapid buildup in these economies referred to as the "fourth wave" of debt accumulation had also raised concerns about debt sustainability and the possibility of a financial crisis.

The COVID-19 pandemic has caused deep output losses of approximately 5% in 2020 across the Middle East and North Africa (MENA).

The regional economy in the MENA is projected to recover only modestly in 2021, expanding by 2.1%, a figure that is weaker than previously expected, and to accelerate to 3.1% in 2022.

Domestic political tensions and geopolitical strains remain a risk to growth and undermine greater trade integration. On the other hand, geopolitical tensions have eased in some respects, including the normalization of relations between Israel and some GCC countries. Tensions between Iran and the United States continue to rise. Political uncertainty is high in several MENA economies (Lebanon, Tunisia, and the Republic of Yemen). Ceasefire agreements in Libya and the Republic of Yemen provide an opportunity to improve regional security and decrease mounting domestic food insecurity. In the long term, failure to improve political stability will be detrimental to economic growth.

Progress on the implementation of structural reforms need to be maintained, especially in some oil-importing countries such as Jordan. It is unclear whether the pandemic will help accelerate these reforms or rather hold them back as policy priorities shift. Moreover, while recent measures have helped mitigate the collapse in financial outputs, they will need to be managed and withdrawn carefully to avoid paving way for future instability. Changes in financing conditions pose additional risks to economies with large current account deficits but low FDI inflows. In some economies such as Jordan, urgent balance of payment needs in 2020 have already resulted in rapid financial assistance from the IMF.

These circumstances have necessitated the Center for Strategic Studies (CSS) at the University of Jordan to adopt effective initiatives towards supporting policy and decision makers.

CSS is undertaking concrete steps towards improving and strengthening its analytical and research capabilities. Thus, adding the socio-economic portfolio to its core mandate will add to the center's key works of qualitative research, and hence the launch of its Strategic Economic Policy Analysis Unit (SEPAU).

The SEPAU produced this study, named "The Economy of Jordan: Post-Pandemic Scenarios", with the aim of providing an early warning structure to prevent chronic economic and social deficits that could last for many years amid and post-COVID-19 era.

Since its establishment in the 80's of the last century, the CSS has been a leading institution in assessing and designing evidence-based policy interventions. It is a center for research, analysis and evaluation of public policy; which continues to be recognized as MENA's top Center for Excellence since 2016, according to the Global Go to Think Tank index (last updated in June 2020) as part of the Think Tanks and Civil Societies Program (TTCSP) program of the University of Pennsylvania. This achievement was realized after the constant efforts that led to ranking CSS first in the years 2016, 2017 and 2018 among 507 think tanks across the MENA region.

Director, Center for Strategic Studies (CSS)

University of Jordan

Prof. Zaid Eyadat

The Strategic Economic Policy Analysis Unit (SEPAU)

The SEPAU was established in late 2020 amid the COVID-19 pandemic turmoil, with engagement in macro-economic research, data generation, analysis and modeling being among its foremost objectives. In collaboration with the University of Jordan, academics and researchers will partner in related public entities to provide policymakers with policy and strategy analyses and recommendation alternatives.

This unit's key mandate is to provide the consecutive governments of Jordan with accurate, comprehensive, and timely policy analyses that positively contribute to the achievement of national economic and development goals, as well as scientific-based technical support.

Among its objectives is also to improve access to policy-relevant research data and build the capacity for rigorous evidence-based policymaking.

This study, "The Economy of Jordan: Post-Pandemic Scenarios", focused on identifying and analyzing the impact of the COVID-19 pandemic on Jordan in terms of economic, social and geopolitical aspects, and proposing a set of policies that would contribute to mitigating the current and future consequences of the crisis, as follows:

- Impact of the pandemic on unemployment/ the future of Jordanian youth which is faced with ambiguity and represents the most prominent issue of Jordan's national security.
- Impact of the pandemic on the most disadvantaged/ increasing inequality.

- Impact of the pandemic on quality of education/ knowledge gap among future generations.
- Impact of the pandemic on the gender gap/ widening gender inequalities.
- Impact of the pandemic on refugee services/ increasing strain on limited resources.
- Impact of the pandemic on the poorest segment/ widening income gap among Jordanians.
- Impact of the pandemic on remittances of Jordanian workers abroad/ greater competition among Jordanians for job opportunities.

This study comes at a crucial time following the introduction of several COVID-19 vaccines that have been internationally approved, and amid a global race against time to recover economically and socially from consequences which if not dealt with sufficiently, could last for many years to come, and result in severe negative socio-economic ramifications.

The Strategic Economic Policy Analysis Unit (SEPAU)

Center for Strategic Studies (CSS)

Mr. Samer Bani Hani

Executive Summary

With the declaration of COVID-19 as a global pandemic by the World Health Organization, and the rise of infection rates, Jordan opted to activate its Defense Law; according to which the government imposed full lockdown/ curfew (which entailed the halting of all activities, events, conferences and gatherings; enabling of remote/ flexible work environments for employees; suspension of in-class educational institutions' working hours and the adoption of distance learning; suspension of flights to and from the Kingdom; and temporarily withholding the practice of religious prayers in Mosques and Churches).

The consequences of the pandemic began to unfold and appeared on the overall macroeconomic indicators of Jordan during the third quarter of 2020, as the economy contracted by -2.2% , compared to a positive growth of 1.9% in the third quarter of 2019, marking it as the worst economic downturn in Jordan since 1993.

Unemployment rates rose to 23.9% during the third quarter of 2020. Total exports decreased by 5.2% and imports decreased by 12.4%, until November 2020. In addition, the Tourism sector declined by 72.5% in the same quarter, which contributed to the exacerbation of the current account deficit.

On the other hand, the government put forward a set of responses to the crisis; such as tax exemptions, provision of financial aid to the elderly and the ailing, postponement of customs dues collection from selected companies, reduction of social security fees for the private sector, establishment of a relief fund (Himmat Watan), allocation of additional expenditure for the purchase of medical equipment, renting hotels for quarantine, and security-related pandemic-mitigation

costs, allowing tourism companies to pay their tax dues in installments without additional fines, reduction of sales tax from 16 to 8 percent and service tax from 10 to 5 percent for hotels and restaurants, lowering interest rates, deferring the payment of loans, and injecting additional liquidity, reduction of compulsory reserve ratio for banks and other measures to reduce the negative impact of the pandemic.

According to the study, the overall loss caused by the pandemic is immense, as the loss in the value of the GDP in the year 2020 is estimated at JD 1,282 million. Thus the economic recovery is expected to be medium to long-term, which requires a re-evaluation of the effectiveness of the tax reforms which were applied in the period between 2016 and 2019; improving the quality and resilience of the health and education services, improving fiscal space, expanding government public investments, and seeking regional trade horizons for new opportunities or developing existing opportunities especially related to food, health, trade, energy and information sectors. According to sustainable and human development indicators, the gender gap represents a weakness that must be addressed in the future.

The most worrying indicators (concern and caution) in the short and medium terms are the high unemployment rates among youth and the accumulation of crises for the younger generation across the region and particularly in Jordan (i.e., national security and political stability issues). Unemployment rates have reached record levels, rating 23.9% in the third quarter of 2020, and it is likely to increase furthermore particularly in the tourism sector; which is expected to have witnessed a clear income loss of about 75% in 2020.

Short-term projections issued by the World Bank and the International Monetary Fund (IMF), indicated that rates of extreme poverty worldwide and income inequality for low-income and emerging market economies were likely to increase in 2020. The pandemic has severely affected the poor and most vulnerable groups, and now warns of millions of people falling below the poverty line, after decades of steady progress in reducing the number of underprivileged people living on less than $ 1.90 per person per day. This year will mark the first setback for a generation of efforts to combat poverty. This study estimates that the poverty rate in Jordan will have increased to approximately 20-25% in 2020, compared to 15.7% according to the latest 2017/2018 survey.

The role of remittances from expatriates working in other countries has grown in importance throughout the past decades in alleviating poverty and promoting economic growth. But the pandemic caused a severe setback in this regard; as the latest forecasts concluded that remittances would have declined about 14% by the end of 2020. Consequently, the number of new immigrants and expatriates decreased and the number of returnees increased (an additional burden and an increasing pressure on job opportunities within each country). This study estimates that remittances from Jordanian expatriates will have decreased by about 12% in 2020.

The study also shows that the general budget is inflexible/ has limited fiscal space, as most of the current spending items that cannot be distributed with the amount of 98% of the total current spending or 85% of total public spending, and are expected to increase until the years 2025-2027. Thus, imposing additional financial burdens and more reliance on borrowed funds. On the other hand, public

finance witnessed a decline in public revenue collections due to weak economic activity, which would reduce the government's ability to respond to any future emergency event(s), or strengthen and expand its social security networks in the future.

Micro, small and medium enterprises in the developing world have come under severe pressure. More than half of them have not paid their arrears or are likely to default soon, and the available data indicate that their sales have declined by half due to the crisis. This has forced companies to reduce their working hours and wages, given that most businesses, particularly micro and small companies in low-income countries, are striving to obtain financial support from their governments.

During the peak of country lockdowns that were put into effect as a result of the pandemic, more than 160 countries imposed some form of school closures that affected at least 1.5 billion children and adolescents. The impact of the pandemic on education is expected to last for several decades, and to have negative consequences not only at the level of academic achievement in the short term, but also on reducing the economic opportunities which will be available to this generation of students in the long term. Underachieving, and rising school dropout rates, could cause this generation of students to lose an estimated $10 trillion in income, or 10% of the global GDP.

The pandemic also poses a grave risk that is foreshadowed by the widening of other development "gaps". As the gender gap is expected to widen during and after the pandemic, the progress made by women and girls over decades might be jeopardized. The impact of the pandemic has been higher on women, posing greater risk at

them. It has been shown that women have lost their jobs at a faster rate than men because they are more likely to be employed in sectors that are most affected by lockdowns, such as tourism and retail trade. Moreover, women are more likely to be employed in low- and middle-income countries in jobs that are dominated by the informal sector, which often means their lack of adequate social protection such as social security and other social safety nets. As for Jordan, it ranked 138 out of 153 countries in the world on the gender equality scale; where it ranked 145th in women's economic participation and opportunities, 81st in educational attainment, and 103rd in health and sustainability.

In the midst of the increasing financial and social pressures resulted from the pandemic and its economic repercussions, the international response to the financial requirement provided to Jordan is still below the desired or expected level of support. Therefore, one of the most important concerns is for the international community to overlook global challenges such as the cost of hosting Syrian refugees and consider them among past concerns, even though it is still a daily reality for us in Jordan.

In many countries, food insecurity due to disruptions in supply chains, closures at border crossings, disruption of goods and materials flow between countries, and instances of piracy on goods and commodities in the seas, have led to the intensification of conflicts and violence in the region and the world. These conflicts are expected to increase with the availability of vaccines. Ensuring that countries have a fair access to them is paramount. Rich countries and advanced economies have greater access to vaccines compared to developing countries and lower-income countries; this could enable extrem

ist groups and radical movements to exploit the current conditions that the pandemic has generated to advance their plans and further exploit the youth and the poorest segment of society by recruiting them.The near-term outlook remains highly uncertain, and different growth outcomes are still possible. As a part of this study which is prepared by the CSS, we developed three different possible scenarios for growth recovery, taking into account select determinants such as: vaccine availability, vaccination process, regional and global progress of ease of trade flows, supply chain sustainability, limitations of fiscal space in Jordan, whether it sustains its stimulus support programs in the medium term, implications on debt rates, and mostly important vaccine accessibility and willingness of people to get vaccinated.

A worst-case scenario in which infections continue to rise and the rollout of a vaccine is delayed, could mean that Jordan's recovery would be limited, and it would undergo an economic contraction of about 1.5% in 2021, whereas in the year 2023 onwards, it would witness positive growth, but less than 1%, to reach about 2.27% in 2026; in other words it would be a long term recovery journey of 6 years (i.e.: until 2026). Whereas a better-case scenario, with successful containment of the pandemic and a faster vaccination process, could mean positive growth of greater than 1% by the year 2023; in other words a short-to-medium term recovery requiring 2-3 years. However, a moderately-harsh scenario, with vaccine availability in the third and fourth quarters of 2021 (as vaccine deployment takes longer), could mean positive growth but less than 1% for years 2021-2022; in other words a medium term recovery requiring 4-5 years. Policymakers must sustain the efforts towards a full

recovery, gradually shifting from income-support to growth-enhancing policies. In the longer course, policies should be directed towards improving health and education services, digital infrastructure, climate resilience, creating more jobs, reducing gender gaps, and introducing business and governance practices that will help mitigate the economic damage caused by the pandemic, reducing poverty and advancing shared prosperity. Accordingly, this study suggests some policy recommendation for policymakers in Jordan.

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1. Jordan's Pandemic Preparedness and Responsiveness

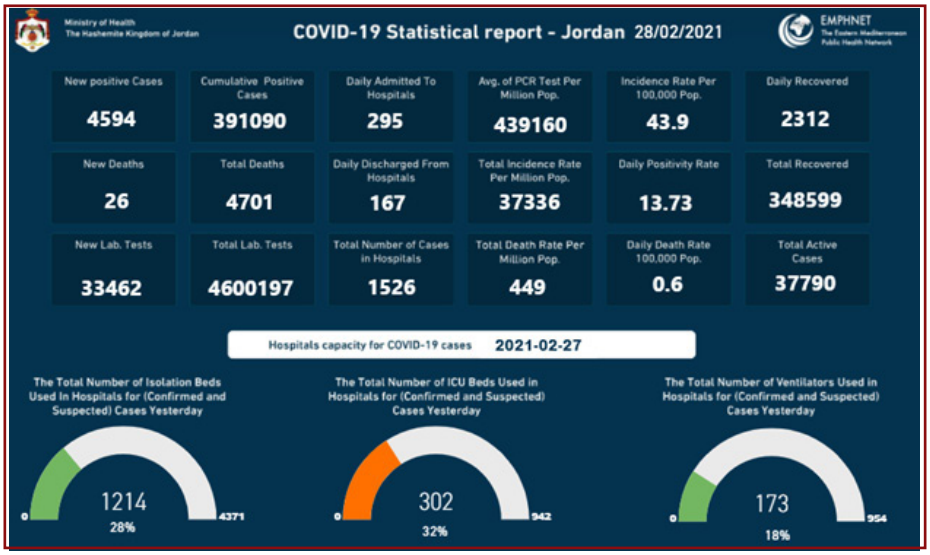
1.1. Lockdown Developments

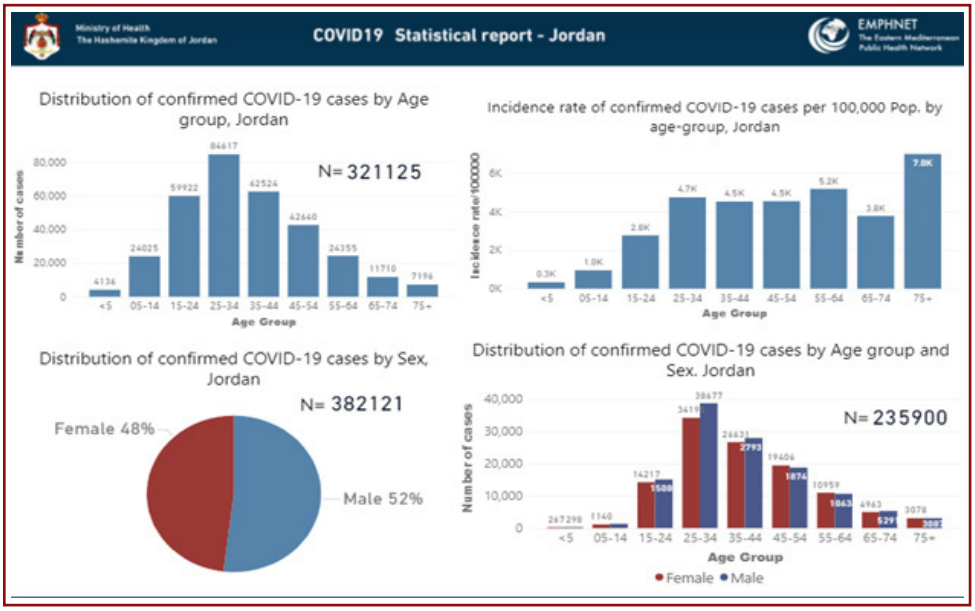
- The Jordanian model was based on a set of determinants that governed the strategy to confront the pandemic, most notably relying on the instructions and directives provided by the World Health Organization (WHO), commitment to fully and swiftly implementing them, commitment to standards of transparency in dealing with the crisis, and full disclosure of data on the situation of the pandemic inside the borders of the Kingdom. The Ministry of Health's (MoH) dedicated its website and created a specified COVID-19 website to share the developments of the epidemiological situation in Jordan, constantly updating and publishing the relative data and information on the websites on a daily basis.
- Jordan attempted to learn and benefit from the experiences of other countries that have proven their success, particularly South Korea. Thus, Jordan expanded its laboratory examination-capacity to detect the virus through investigation teams across all governorates, it set appropriate measures to deal with COVID-19 cases (without panic or loss of balance) through the Crisis Cell that was established at the National Center for Crisis Management, and it proactively managed the crisis by adequate planning and building capacity to manage all possible scenarios.
- The most significant impact was the daily follow-up of His Majesty King Abdullah II and the Crown Prince, His Highness Prince Al-Hussein bin Abdullah II. Their frequent appearance on vari

ous media outlets, and assertion that the state should assume its responsibility to protect human life, helped avoid a worsening of the pandemic and its consequences.

- From a medical perspective, Jordan's response was not disturbed by any shortages; whether in medical equipment or in personnel. The state's preparedness for emergencies and crises, which included strengthening the country's strategic stockpile of basic food and medicine, was evident through the absence of any shortage in the various commodities in the market since the beginning of the crisis.
- The communications network and the Internet enabled/allowed schools and universities to shift towards distance learning, as well as many institutions in the public and private sectors to opt to remote work, by employing smart and innovative solutions in facing the pandemic and managing the crisis.
- Jordan became the first out of 13 countries in the world to have the highest government response stringency. In fact, Jordan was the first country in the world to attain a perfect score (100/100) on the stringency index, and sustained the score for 34 days, becoming the 6th highest period in the world in terms of the longevity of the lockdown (Oxford, 2020).
  - On March 17, 2020: Imposition of lockdown (complete curfew enforced).On April 30, 2020: Ease of lockdown.
  - On May 3, 2020: Most sectors allowed to resume work gradually.
  - Early-mid August, 2020: COVID-19 status worsened.
- Late November, 2020: Jordan recorded averages of 4-5 thousand new cases and recoveries per day, while the death rate which had previously spiked gradually began to decrease.

1.2. Latest Health Updates





1.3. Vaccine Availability

By the time of writing this report, Jordan has already secured COVID-19 vaccines for 15% of the population and seeks to obtain an additional 5% in the near future (targeting a coverage ratio of 20% of the total population). Distribution logistics plans and targeted beneficiary criteria have all been set for the year 2021.

How some of the Covid-19 vaccines compare

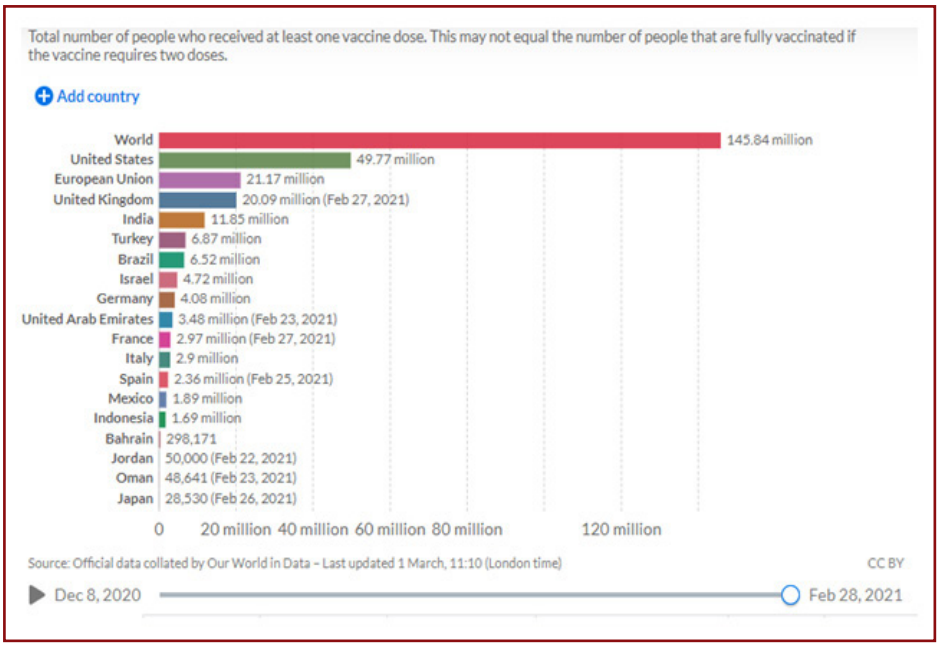
Company	Type	Doses	How effective*	Storage	Cost per dose
Oxford Uni-AstraZeneca	Viral vector (genetically modified virus)	x2	62-90%	Regular fridge temperature	£3 ($4)
Moderna	RNA (part of virus genetic code)	x2	95%	-20C up to 6 months	£25 ($33)
Pfizer-BioNTech	RNA	x2	95%	-70C	£15 ($20)

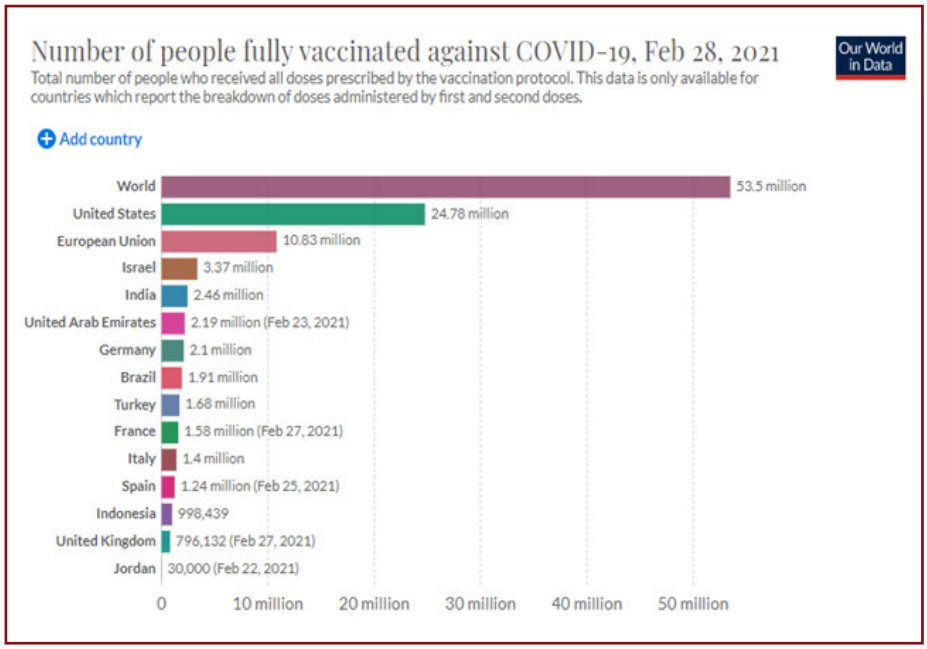
*preliminary phase three results, not yet peer-reviewed

Source: Respective companies, WHO

BBC

1.4. Vaccine Tracker





1.5. Capacity-Building

- **On October 5, 2020**: The Director of the Eastern Mediterranean and WHO Representative in Jordan, opened the COVID-19 clinical management online training course. The training would include a series of 7 virtual sessions over a 1-month period. The sessions aimed to enhance the capacity of the frontline healthcare workforce in working as a multidisciplinary team on the management of mild, moderate, severe and critical COVID-19 cases, based on WHO's guidelines and evidence-based international standards.

- **In December 2020**: The WHO support increased the capacity of the Central Public Health Laboratory in Jordan with the support of the European Union Trust Fund Health Emergency Project. The World Health Organization has contributed to increasing COVID-19 testing capacity of the Central Public Health Laboratory at the Ministry of Health of Jordan with a donation of a fully automated analyzer COBAS 6800 that runs around 1,300 COVID-19 polymerase chain reaction (PCR) tests every 24 hours. The added value of this equipment allowed for simultaneous processing as it is designed to increase the safety and protection of laboratory technicians by minimizing the number of interactions with COVID-19 samples and also reducing workload.

1.6. Global Health Compliance Rates (Survey)

- In April 2020, a survey has shown that women were much more likely to comply with health recommendations than men.

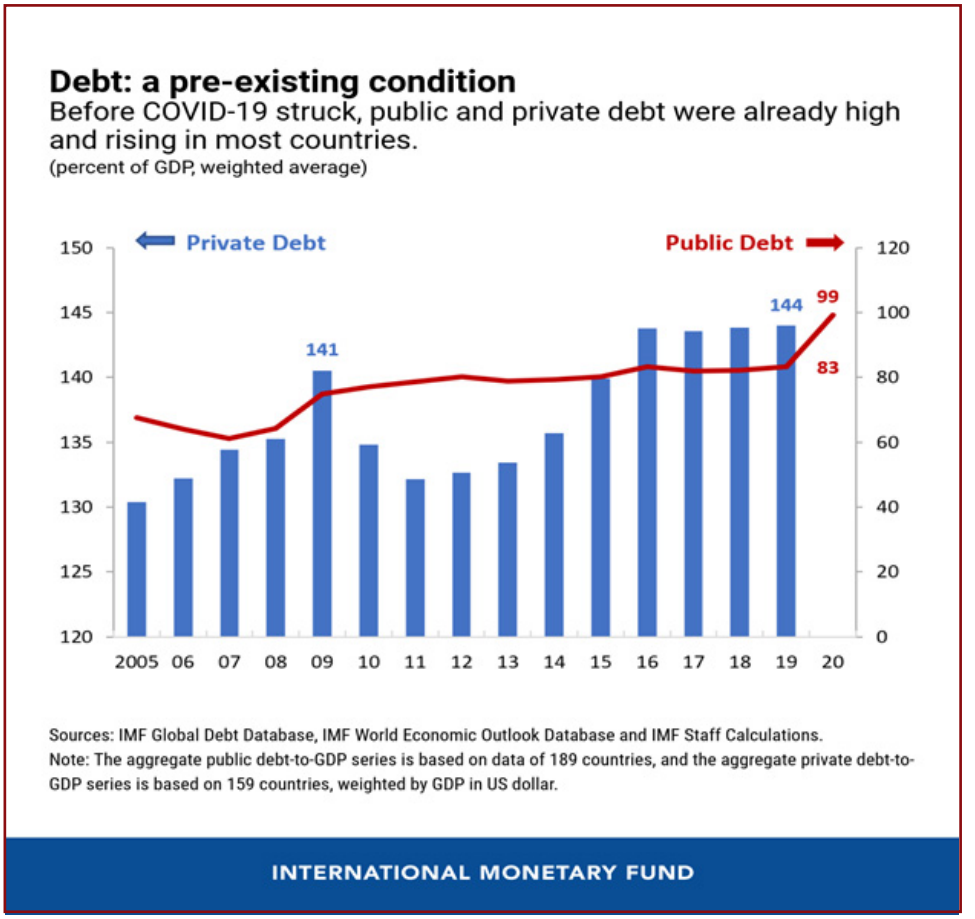
	Taking precautions	Wearing masks	Covering coughs
Women	79%	49%	84%
Men	72%	43%	76%

Source: "Gender Differences in COVID-19 Attitudes and Behavior: Panel Evidence from Eight Countries"

2. COVID-19 Global Impact

2.1. Global COVID-19 Related Policy Responses

Although the global fiscal response to the crisis has been unprecedented, responses by individual countries have been shaped by their access to borrowing as well as their public and private debt levels heading into the crisis.

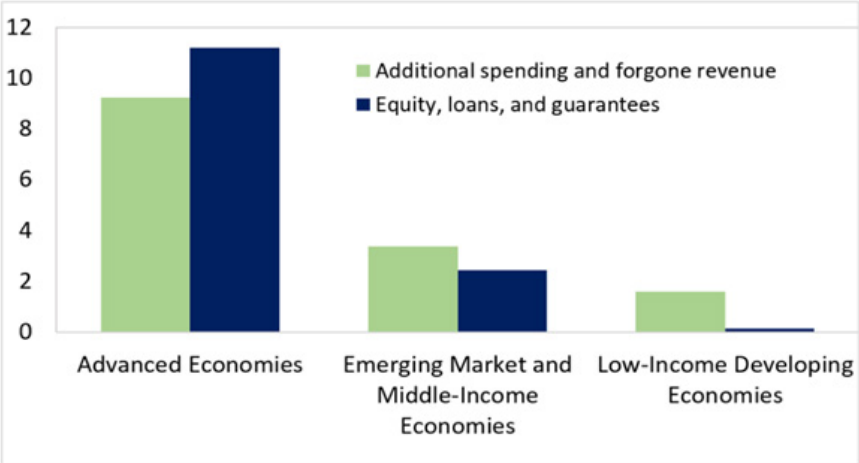


- In advanced economies and some emerging market economies, central bank purchases of government debt have helped sustain interest rates at historic lows and supported government borrowing. In these economies, the fiscal response to the crisis has been significant.
- In many highly indebted emerging market and low-income economies, however, governments have had limited space to increase borrowing, which has hampered their ability to scale up support to those most affected by the crisis. These governments are left with difficult choices to make.

Limited room for maneuver

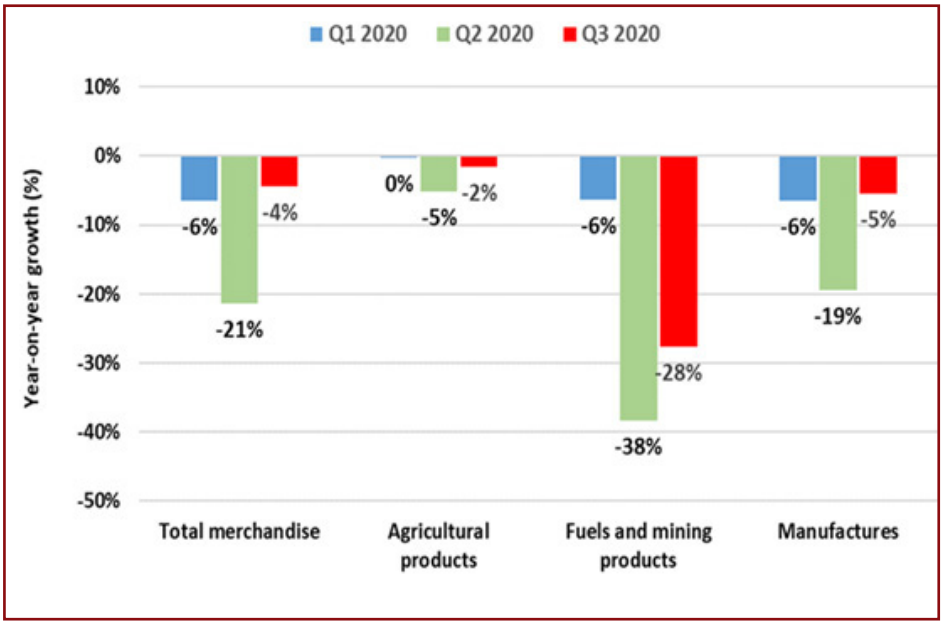
High debt burdens have hampered the fiscal policy response, especially in emerging market and low-income economies.

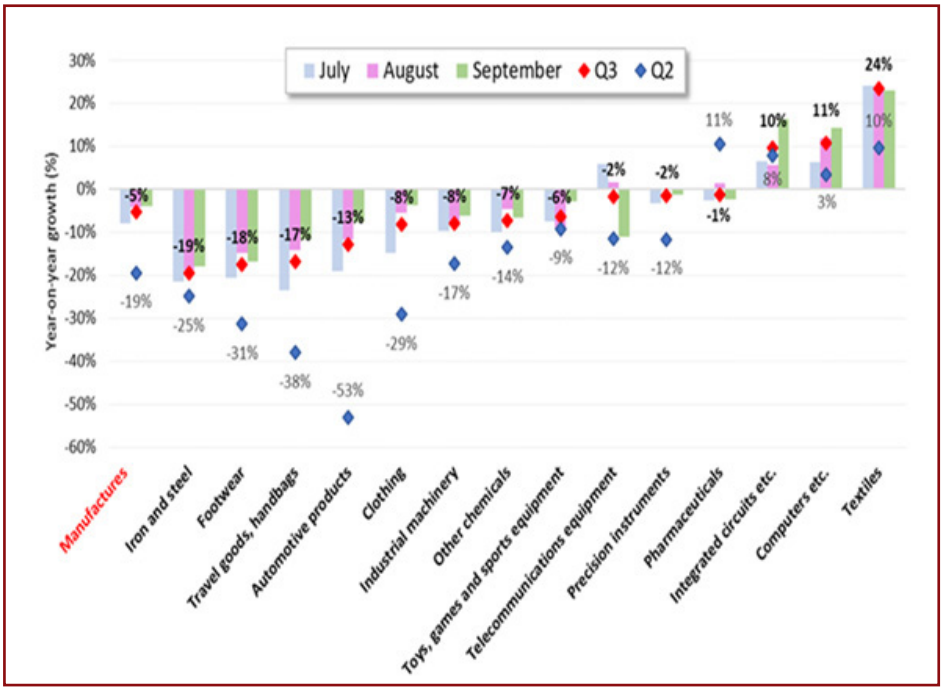
(announced measures as of September 11, 2020, in percent of GDP)



Sources: Database of Country Fiscal Measures in Response to the COVID-19 Pandemic and IMF staff estimates.
Note: The timeframe for the announced measures is country-specific, but the bulk of the measures announced so far are short-term crisis-response measures to be implemented in 2020-21. Country group averages are weighted by GDP in US dollars adjusted by purchasing power parity.

2.2. COVID-19 Global Trade Impact





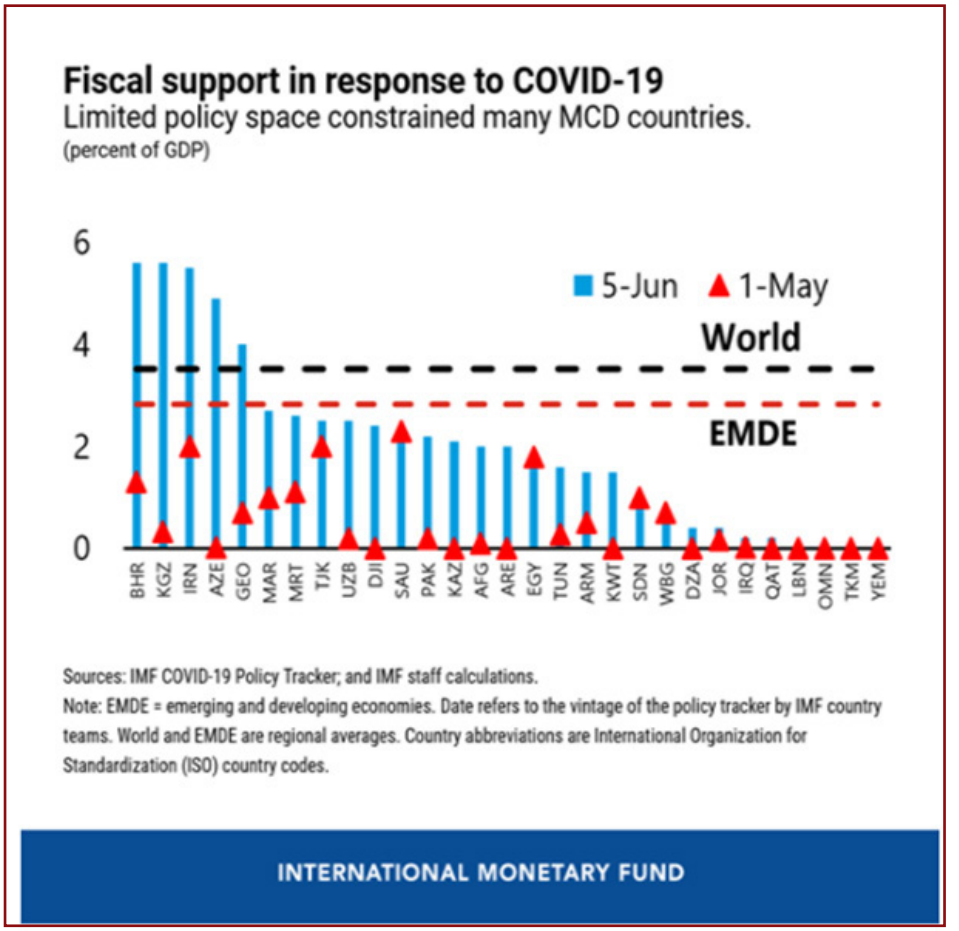
- The contraction in global trade in 2020 will be less than previously expected, at 9.2% by WTO estimates.
- WTO expects a global trade rebound of 7.2% in 2021. However, a resurgence of virus infections and new closures and restrictions remain a risk to global trade and manufacturing activity. Thus risks to the recovery rate remain high.

2.3. UNCTAD Global Investment Trends Monitor (OCT. & Nov.)

- Global Foreign Direct Investment (FDI) fell 49% in the first half of 2020 (October 27, 2020). Global maritime trade would drop by 4.1% in 2020 due to the unprecedented disruption caused by COVID-19; UNCTAD estimates in its Review of Maritime Transport 2020.
- UNCTAD expects maritime trade growth to return to a positive territory and expand by 4.8% in 2021, assuming world economic output recovers. But it highlights the need for the maritime transport industry to brace for change and be well prepared for a transformed post-COVID-19 world.

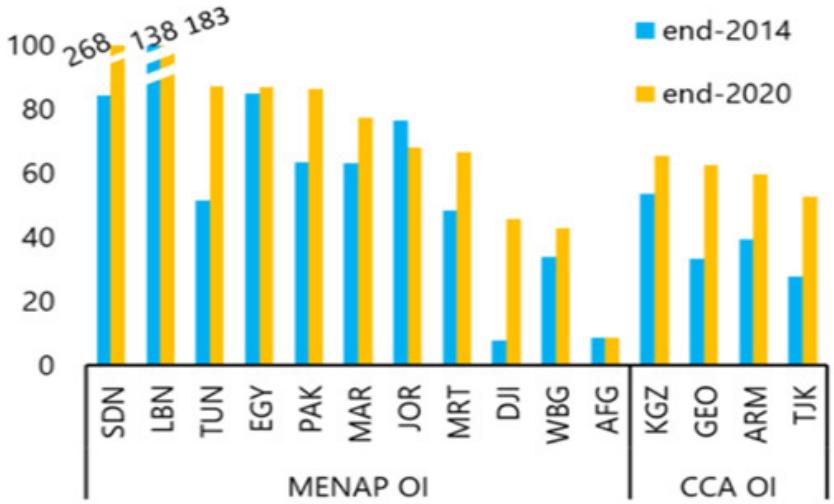
2.4. COVID-19's Impact on the Middle East and Central Asia—The IMF (July 16, 2020)

- The immediate COVID-19 policy response of the countries across the region focused on healthcare spending, supporting the most economically vulnerable, and ensuring liquidity provision. However, the average size of fiscal relief packages was smaller than other regions around the world, which is largely the result of limited policy space among oil importing-countries and the already significant public economic support seen among most oil exporting-countries.



- The crisis had also led to a significant erosion of fiscal space. Debt sustainability concerns are a growing challenge for oil importers. Debt-to-GDP levels were projected to reach an average of 95% of the GDP by the end of 2020 in MENAP oil-importing countries.

Rising deficits are heightening debt concerns, particularly for Caucasus and Central Asia (CCA) countries that had strong COVID-19 policy responses.
(percent of GDP)



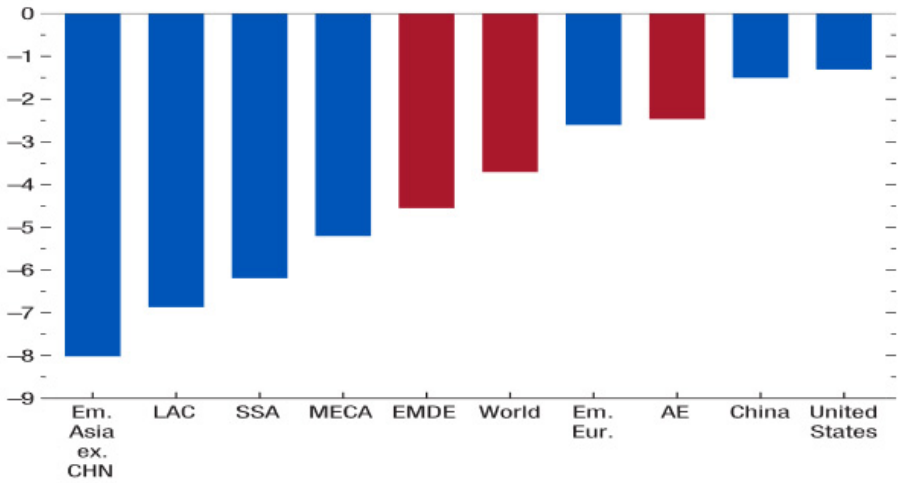
Sources: National authorities; and IMF staff calculations.Country abbreviations are International Organization for Standardization (ISO) country codes.
Notes: Country abbreviations are International Organization Standardization (ISO) country codes. MENAPOI = Middle East, North Africa, Afghanistan and Pakistan Region Oil Importers. CCAOI = Caucasus and Central Asia Region Oil Importers.

INTERNATIONAL MONETARY FUND

World Economic Outlook Update (IMF)-January 2021

- Although recent vaccine approvals have raised hopes of a turn-around in the pandemic later in 2020, renewed waves and new variants of the virus pose concerns for the outlook. Amid exceptional uncertainty, the global economy is projected to grow by 5.5% in 2021 and by 4.2% in 2022. The 2021 forecast has been revised up 0.3% point relative to the previous forecast, reflecting expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies.
- The projected growth recovery this year follows a severe collapse in 2020 that has had acute adverse impacts on women, youth, the poor, the informally-employed, and those who work in contact-intensive sectors. The global growth contraction for 2020 was estimated at -3.5%; 0.9% point higher than projected in the previous forecast (reflecting stronger-than-expected momentum in the second half of 2020).
- The strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country infection, and structural characteristics entering the crisis.

Figure 4. GDP Losses Relative to Pre-COVID by Region
(Current projected 2022 level relative to pre-COVID (January 2020 WEO) forecast, percent difference)



Source: IMF staff calculations.
Note: AE = advanced economies; Em. Asia ex. CHN = emerging and developing Asia excluding China; Em. Eur. = emerging and developing Europe; EMDE = emerging market and developing economies; LAC = Latin America and the Caribbean; MECA = Middle East and Central Asia; SSA = sub-Saharan Africa.

Overview of the World Economic Outlook Projections (% Change)

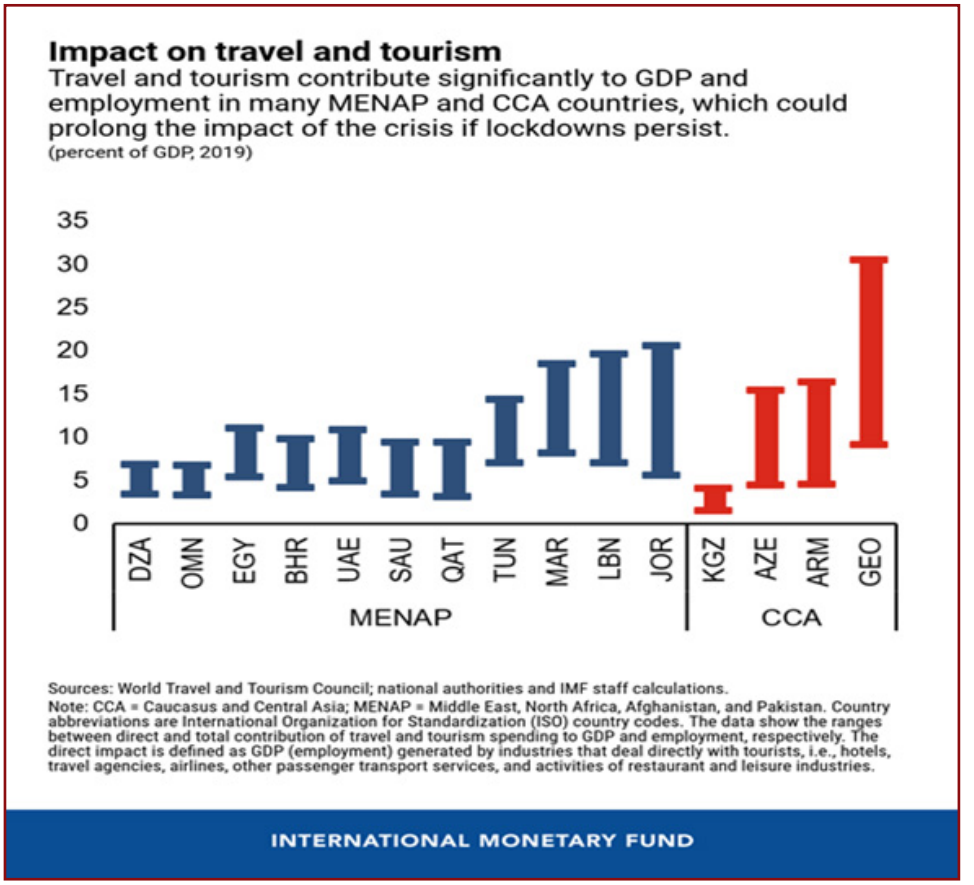
	Year over Year									
		Estimate	Projections			Difference from October 2020 WEO Projections 1/		Q4 Estimate	over Q4 2/ Projections	
	2019	2020	2021	2022		2021	2022	2020	2021	2022
World Output	**2.8**	**–3.5**	**5.5**	**4.2**		**0.3**	**0.0**	**–1.4**	**4.2**	**3.7**
Advanced Economies	**1.6**	**–4.9**	**4.3**	**3.1**		**0.4**	**0.2**	**–3.9**	**4.6**	**1.9**
United States	2.2	–3.4	5.1	2.5		2.0	–0.4	–2.1	4.0	2.0
Euro Area	1.3	–7.2	4.2	3.6		–1.0	0.5	–6.8	5.8	2.0
Germany	0.6	–5.4	3.5	3.1		–0.7	0.0	–5.3	5.2	1.7
France	1.5	–9.0	5.5	4.1		–0.5	1.2	–8.2	7.4	2.0
Italy	0.3	–9.2	3.0	3.6		–2.2	1.0	–8.3	4.2	2.3
Spain	2.0	–11.1	5.9	4.7		–1.3	0.2	–9.8	7.1	2.0
Japan	0.3	–5.1	3.1	2.4		0.8	0.7	–2.3	2.7	1.6
United Kingdom	1.4	–10.0	4.5	5.0		–1.4	1.8	–8.3	6.0	1.9
Canada	1.9	–5.5	3.6	4.1		–1.6	0.7	–4.0	3.7	2.7
Other Advanced Economies 3/	1.8	–2.5	3.6	3.1		0.0	0.0	–2.2	4.5	1.9
Emerging Market and Developing Economies	**3.6**	**–2.4**	**6.3**	**5.0**		**0.3**	**–0.1**	**0.9**	**3.7**	**5.4**
Emerging and Developing Asia	5.4	–1.1	8.3	5.9		0.3	–0.4	3.2	3.8	6.4
China	6.0	2.3	8.1	5.6		–0.1	–0.2	6.2	4.2	6.0
India 4/	4.2	–8.0	11.5	6.8		2.7	–1.2	0.6	1.7	7.8
ASEAN-5 5/	4.9	–3.7	5.2	6.0		–1.0	0.3	–3.2	5.2	6.1
Emerging and Developing Europe	2.2	–2.8	4.0	3.9		0.1	0.5	–2.7	4.8	3.0
Russia	1.3	–3.6	3.0	3.9		0.2	1.6	–4.6	5.3	2.6
Latin America and the Caribbean	0.2	–7.4	4.1	2.9		0.5	0.2	–4.8	2.3	2.8
Brazil	1.4	–4.5	3.6	2.6		0.8	0.3	–1.9	1.6	2.6
Mexico	–0.1	–8.5	4.3	2.5		0.8	0.2	–5.4	2.2	2.4
Middle East and Central Asia	1.4	–3.2	3.0	4.2		0.0	0.2	. . .	. . .	. . .
Saudi Arabia	0.3	–3.9	2.6	4.0		–0.5	0.6	–3.1	3.5	4.0
Sub-Saharan Africa	3.2	–2.6	3.2	3.9		0.1	–0.1	. . .	. . .	. . .
Nigeria	2.2	–3.2	1.5	2.5		–0.2	0.0	. . .	. . .	. . .
South Africa	0.2	–7.5	2.8	1.4		–0.2	–0.1	–6.2	2.8	0.6
Memorandum										
Low-Income Developing Countries	5.3	–0.8	5.1	5.5		0.2	0.0	. . .	. . .	. . .
World Growth Based on Market Exchange Rates	2.4	–3.8	5.1	3.8		0.3	0.0	–2.0	4.3	3.1
World Trade Volume (goods and services) 6/	**1.0**	**–9.6**	**8.1**	**6.3**		**–0.2**	**0.9**	**. . .**	**. . .**	**. . .**
Advanced Economies	1.4	–10.1	7.5	6.1		0.4	1.0	. . .	. . .	. . .
Emerging Market and Developing Economies	0.3	–8.9	9.2	6.7		–1.0	0.8	. . .	. . .	. . .
Commodity Prices (US dollars)										
Oil 7/	–10.2	–32.7	21.2	–2.4		9.2	–5.4	–27.6	13.5	–2.2
Nonfuel (average based on world commodity import weights)	0.8	6.7	12.8	–1.5		7.7	–2.0	15.4	2.0	–0.1
Consumer Prices										
Advanced Economies 8/	1.4	0.7	1.3	1.5		–0.3	–0.1	0.5	1.5	1.6
Emerging Market and Developing Economies 9/	5.1	5.0	4.2	4.2		–0.5	–0.1	3.2	3.8	3.7
London Interbank Offered Rate (percent)										
On US Dollar Deposits (six month)	2.3	0.7	0.3	0.4		–0.1	–0.1	. . .	. . .	. . .
On Euro Deposits (three month)	–0.4	–0.4	–0.5	–0.6		0.0	–0.1	. . .	. . .	. . .
On Japanese Yen Deposits (six month)	0.0	0.0	–0.1	–0.1		–0.1	–0.1	. . .	. . .	. . .

2.5. Challenges Ahead—Risk of Economic Scarring from the Pandemic

- In the recently released Regional Economic Outlook: Middle East and Central Asia, IMF staff explore this prospect and how countries can take steps to avoid economic scarring and improve their resilience.
- Intuitively, economic scarring occurs when a crisis causes persistently lower production or weaker demand. The severity of scarring depends on a country's preexisting conditions when a crisis hits and how a country subsequently responds.
- Given the unprecedented nature of the current challenges and the already elevated fiscal and external vulnerabilities before the pandemic hit, countries in the Middle East and Central Asia face the daunting possibility that the impact of this crisis will linger for even longer than the global financial crisis.
- IMF's economic outlook estimates that five years from now, countries in the region could be 12% below the GDP level suggested by pre-crisis trends.

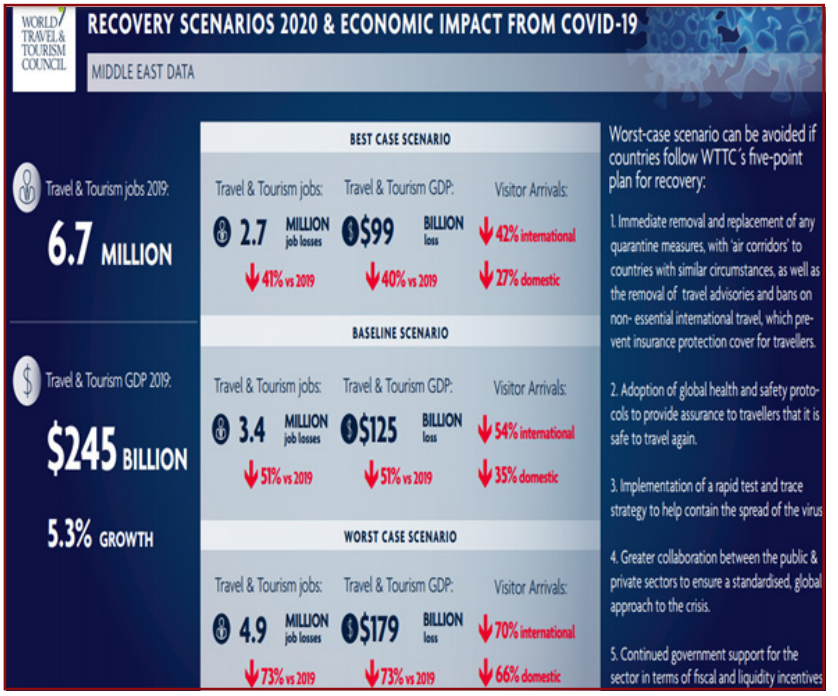
Scarring in the region could occur in a few key areas:

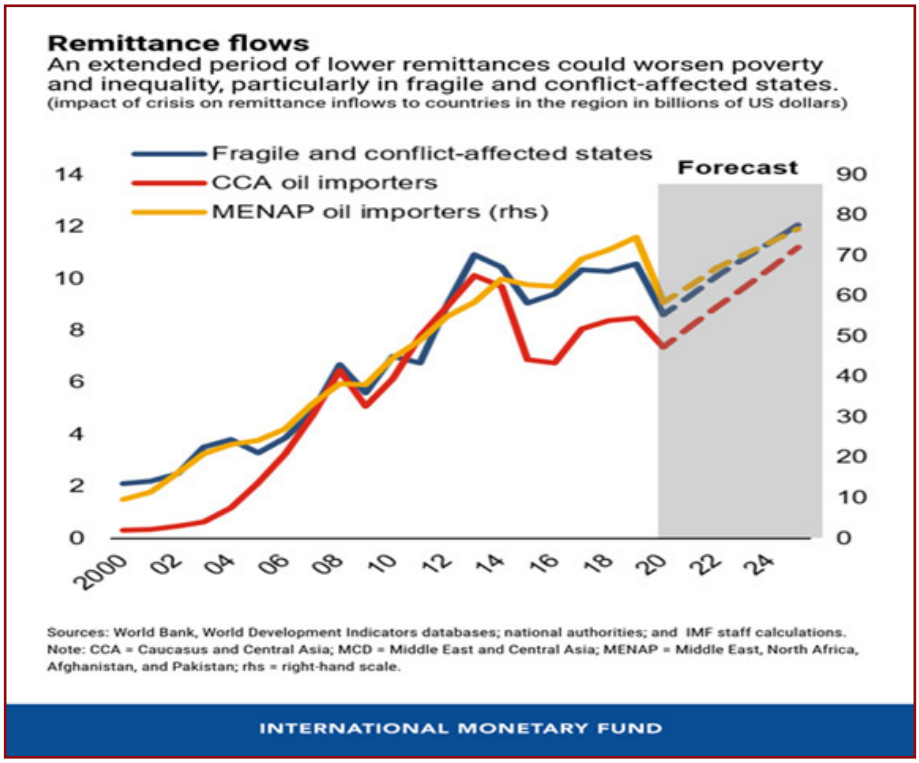
- First, continued containment measures expose services, especially travel and tourism, to severe disruptions and losses. In fact, for tourism-reliant countries, such as Jordan, GDP and employment growth were estimated to drop by 5% each in 2020, with lingering effects for as many as five years.


Impact on travel and tourism
Travel and tourism contribute significantly to GDP and employment in many MENAP and CCA countries, which could prolong the impact of the crisis if lockdowns persist.
(percent of GDP, 2019)
35
30
25
20
15
10
5
0
DZA
OMN
EGY
BHR
UAE
SAU
QAT
TUN
MAR
LBN
JOR
KGZ
AZE
ARM
GEO
MENAP
CCA
Sources: World Travel and Tourism Council; national authorities and IMF staff calculations.
Note: CCA = Caucasus and Central Asia; MENAP = Middle East, North Africa, Afghanistan, and Pakistan. Country abbreviations are International Organization for Standardization (ISO) country codes. The data show the ranges between direct and total contribution of travel and tourism spending to GDP and employment, respectively. The direct impact is defined as GDP (employment) generated by industries that deal directly with tourists, i.e., hotels, travel agencies, airlines, other passenger transport services, and activities of restaurant and leisure industries.
INTERNATIONAL MONETARY FUND

2.6 World Travel & Tourism Council: Middle East Economic Impact from COVID-19

- Second, with higher leverage and lower profitability, corporates in the region entered the crisis in a weaker position than in past crises. Data from the first half of 2020 show corporate revenues reduced by 7%, and many sectors, like energy, manufacturing, and services, had double-digit drops. The damage to corporates in the region will likely take years to undo, raising the risks of corporate default in the medium term.
- Third, remittances are estimated to have contracted by 23% on average during the first half of 2020. Persistently lower remittances will soften private demand and worsen poverty and inequality. Fragile and conflict-affected states, like Yemen and Sudan, and other remittance-dependent countries, such as Egypt, Pakistan, and Uzbekistan, were estimated to have collectively witnessed up to 1.3 million more people living in extreme poverty in 2020.





- Finally, countries were affected by high unemployment even before COVID-19's spread, and the region's limited ability to work from home and high degree of informality only worsened the impact of lockdowns on labor outcomes. Evidence from past crises suggests that downturns in the region typically have long-lasting effects on the labor market, and unemployment can have enduring, damaging effects on an individuals' employment prospects.

G20 Summit, November 22, 2020: The IMF Managing Director Urges G20 Leaders to Jointly Build the Foundations of a Better 21st Century Global Economy

- The Debt Service Suspension Initiative in particular, gave many poor countries the much needed temporary 'breathing space'.
- The Common Framework for Debt Treatments beyond the DSSI, endorsed by G20 Leaders at that meeting, would allow low-income countries with unsustainable debts to apply for permanent debt relief on a case-by-case basis, with a level playing field for creditors.

Going forward, cooperation is going to be even more important on three main fronts:

First, end the health crisis. With vaccines on the horizon, the world must ensure that the vaccine reaches everyone, everywhere. If this occurs, the Fund estimates that it could add almost US $9 trillion to global income by 2025. There could be no better value for money, or for the entire world.

Second, reinforce the economic bridge to recovery. It is essential to sustain the support being provided to businesses and workers until we exit this health crisis. There must be no premature withdrawal(s). It is also time to prepare for a synchronized green and digital infrastructure investment push to stimulate growth, limit scarring, and address climate goals. If G20 countries act together, they could achieve two-thirds more than if each country acts alone, at the same cost.

Third, build the foundations of a better 21st century global economy. The most consequential uncertainty the globe is facing is the way by which collectively they can turn the momentum of the disruption caused by this crisis towards building a better economy for all. As in revitalizing the international trading system, fostering an international system of taxation where everyone pays their fair share, and accelerating the transition to the new climate economy on which the health and prosperity of our children depends.

2.7. Global Gender Gap Report 2020 (WEF)

- Gender equality is a cornerstone of the Sustainable Development Goals and represents the challenges that women disproportionately experience. Nonetheless, women, and particularly young females aged 20 to 24, who make up 288 million people of the world's population, present an immense demographic opportunity globally.
- To date, there is still a 31.4% average gender gap worldwide that is yet to be closed.Political Empowerment gap: to date, only 25% of the 35,127 global seats are occupied by women and only 21% of the 3,343 ministers are women. In some countries, women are not represented at all.
- Economic Participation and Opportunity dimension has also increased. Globally, 36% of senior private sectors' managers and public sectors' officials are women (about 2% higher than the figure reported the year before). Despite this progress, the gap to be closed in this aspect remains substantial, as only a handful

of countries are approaching parity. Women's participation in the labor market is stalling and financial disparities are slightly larger (on average), explaining the step-back registered by the Economic Participation and Opportunity sub-index this year. On average, only 55% of adult women are in the labor market, versus 78% of men, while over 40% of the wage gap (the ratio of the wage of a woman to that of a man in a similar position) and over 50% of the income gap (the ratio of the total wage and non-wage income of women to that of men) are still to be bridged.

- Educational Attainment gap: even in countries where education attainment is relatively high, women's skills are not always in line with those required to succeed in the professions of the future. In addition, they encounter barriers to employment in the most dynamic and in-demand occupations.
- COVID-19 has worsened gender inequality (WEF): economic disruption from the coronavirus outbreak has disproportionately burdened women with unpaid care. Left unchecked, the situation could negatively impact global GDP growth.
- More women have lost their jobs due to the impact of the COVID-19 crisis than men, new research has found. The report "COVID-19 and Gender Equality: Countering the Regressive Effects", from McKinsey Global Institute, estimates that women make up almost two-fifths of the global labor force but have suffered more than half of total job losses from the crisis. That has left them 1.8 times more vulnerable to the pandemic's consequences relative to men.
-

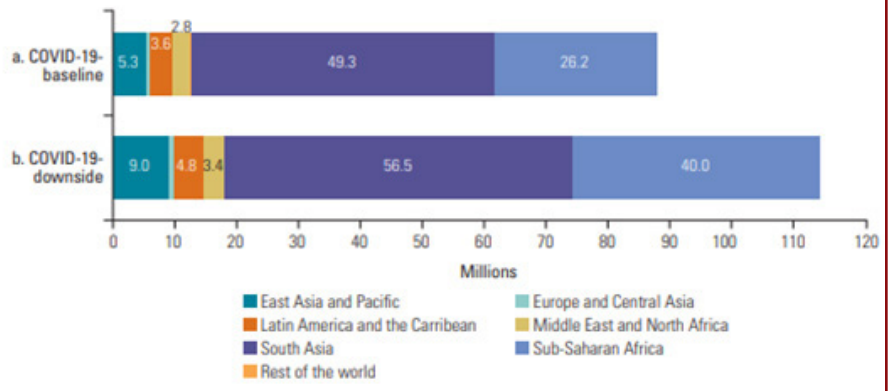
- There is a real risk of losing even more economic output. The economic insecurity of millions of women could be more at risk with the pandemic, than it would normally imply for all workers. Women stand to lose both in terms of parity and in terms of economic benefits, if no action is taken and the stagnating record of the past five years settles in as the norm, on top of the gender-regressive shock we are witnessing as a result of COVID-19.

2.8. Impact of COVID-19 Pandemic on Poverty Rates Globally

COVID-19 to Add as Many as 150 Million Extreme Poor by 2021 (WB, October 7, 2020).

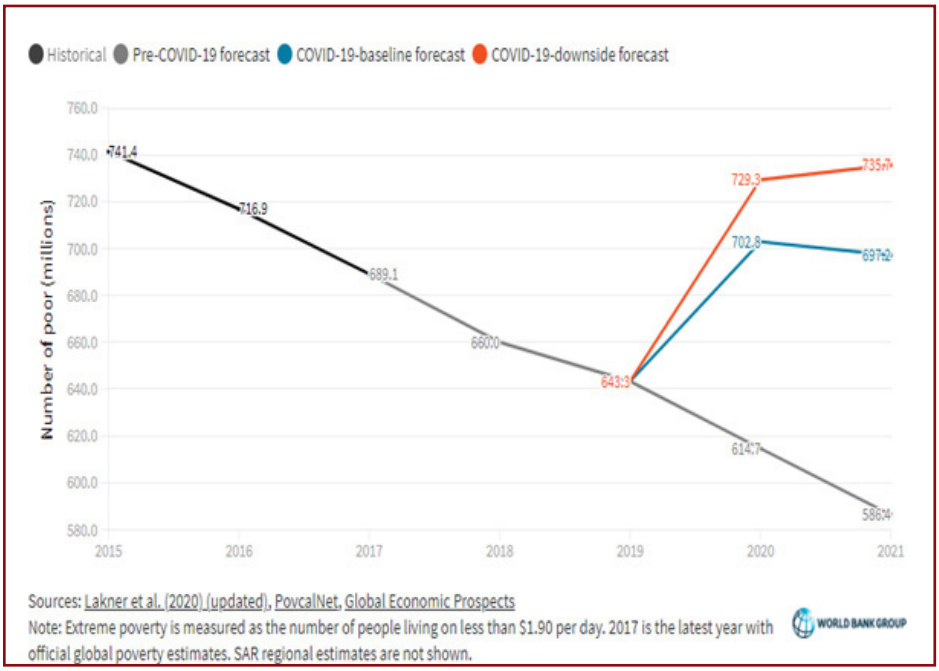
- The impact of COVID-19 on poverty reduction will be swift and substantial. In 2020 alone, this pandemic could have drastically increased the number of people living in extreme poverty by 88-115 million. The novel virus is disrupting everything from daily lives to international trade. The poorest are enduring the highest incidence rate of the disease and suffering the highest death rates worldwide (WB, November 2020).
- Nowcasts of poverty commissioned for the report suggest that, in the baseline scenario, poverty would increase by 1.2% points in 2020 and 1.4% points in 2021. While in the downside scenario, the increase would reach 1.5% points in 2020 and 1.9% points in 2021.
- The scenarios translate into a global poverty rate between 9.1% and 9.4% in 2020 and between 8.9% and 9.4% in 2021.

- These new results suggested that, in 2020, an estimated 88 million people worldwide would be pushed into poverty under the baseline COVID-19 scenario and as many as 115 million people under the downside scenario.
- The projected poverty rates in 2020 were similar to those in 2017; hence, the impact of COVID-19 is expected to set back progress toward ending extreme poverty by at least three years.
- These estimates suggested that South Asia will be the hardest hit region, with 49 million (almost 57 million under the downside scenario) additional people pushed into extreme poverty.
- The Sub-Saharan Africa would be the next most affected region, with 26-40 million additional people predicted to be pushed into extreme poverty. Overall, some 72 million of the projected new poor in the baseline scenario will be in middle-income countries; more than four fifths of the total new poor.

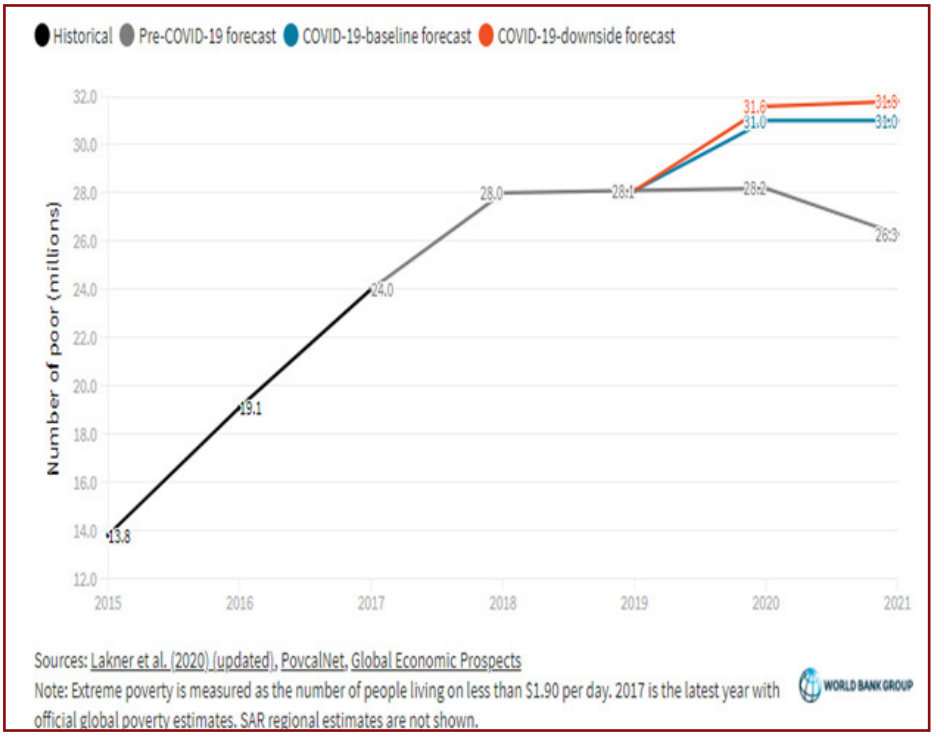


Sources: Updated estimates of Mahler et al. 2020, based on Lakner et al. 2020; PovcalNet (online analysis tool), World Bank, Washington, DC, http://iresearch.worldbank.org/PovcalNet/; World Bank 2020a, 2020b.

Global Trend Forecast



The Middle-East & North Africa Forecast



- Poverty in the MENA region declined dramatically between 1981 and 2013 by all standard measures; with the extreme (international) poverty line of $1.90 per person per day, the lower middle-income line of $3.20, or the higher middle-income line of $5.50.
- Since 2013, however, poverty in the MENA region has seen a slight increase. This was attributable to conflicts in Yemen and Syria, even though since 2015 it also reflected higher poverty in Egypt, Iran and Jordan.

- The poverty projections show how well-targeted social interventions can prevent the worst poverty outcomes as well. In Jordan, for instance, a well-targeted social protection program could reduce poverty by as much as 5% points during the height of COVID-19. Cash transfer programs are progressive, but also much of the resources still go to non-poor households. More importantly, the majority of poor households remain out of reach of cash transfer programs.
- According to Jordan's Department of Statistics (DoS), the poverty rate in 2017-2018 among Jordanians reached 15.7%, which showed that 1,069 million Jordanians are living in poverty. In addition, the hunger rate in Jordan reached 0.12%. As for the poverty gap it reached 3.5%, while the depth of poverty rate totaled 1.2%.
- In Jordan, the COVID-19 crisis is estimated to have increased poverty by around 38% points (p.p.) among Jordanians, and by 18 p.p. among Syrian refugees (December 17, 2020; UNHCR & World Bank).

2.9. The Geopolitical Implications of the COVID-19 Pandemic

Pandemic impact—Jordan and the region

- Given these negative trends, the Middle East and North Africa were hit particularly hard by the pandemic's social and economic effects.
- Across the region, GDP is expected to fall by 4.7%, but in states that are fragile or in conflict, this could reach to 13%. Lebanon, which was already deeply in a political and financial crisis prior to the pandemic, and had to deal with a devastating explosion in its port in August 2020, faces an economic crisis hitherto unseen;

45% of its population were projected to fall below the poverty line by the end of the year, and its economy to contract by 12%.

- Iran, already struggling due to American sanctions before the pandemic, was the second state to be fully hit by the virus. Its economy suffers from high inflation, and is predicted to shrink by 6%.
- According to Iranian studies, as many as 6.43 million of its citizens could lose their jobs because of the pandemic. After a historic crash in March, the oil price has recovered but is still below pre-COVID-19 levels. However, oil-exporting countries across the region are facing severe financial constraints. As a result, fiscal support packages have been smaller than in any other region in the world.
- Consequently, in states such as Iraq, Egypt and Tunisia, the enforcement of lockdown measures was not a possibility. Governments faced protests and unrest, often forced to choose the economy over health.
- At the same time, several governments, such as Egypt and Jordan, seized the opportunity to widen their control over their populations.
- The ongoing conflicts in the region did not attend to the United Nations' call for a ceasefire. In Libya violence did not end, but rather increased; throughout the summer of 2020, both parties escalated violence without reaching a decisive moment. While violence decreased somewhat in Yemen and Syria, they too witnessed continuous violent incidents and renewed demonstrations in regions that are under the control of the government.The Islamic State, after initially advising its followers to avoid Europe, changed tune in June, instead calling for a deliberate spread of the

virus (whom it named 'God's smallest soldiers'); an exploitation of unrest in Western countries and for attacks in Europe 'similar to the strikes of Paris, London, Brussels and other places'.

- As it stepped up its attacks in the spring of 2020, the withdrawal of French and American troops from Syria and Iraq is a worrying development.
- The setting up of diplomatic relations between the United Arab Emirates and Israel, albeit advertised as a 'peace deal', is unlikely to have any effect on the conflict Israel has with the Palestinians.

Atlantic Council Strategy Paper—July, 2020

- The pandemic struck a Middle East that was already laboring under overlapping political, economic, security, and humanitarian crises.
- There are deep concerns about how long stability can be maintained in the face of these multiple crises, considering the pandemic's turbulent effects on a region characterized by turbulence.
- Governments across the region have put social distancing and other measures into effect, and policy-making was implemented urgently given the early arrival of the virus to the region via Iran, with a deadly impact.
- Yet perhaps more than anywhere else in the world, the region's governments were facing intense and often contradictory pressures resulting from the need to protect public health and promote economic recovery while ensuring political stability.
- In countries hit hardest by conflict (Iraq, Syria, and Yemen), weak or nonexistent public health systems in addition to the ongoing violence and mass displacement meant that humanitarian worst-case scenarios were possible.

- The pandemic's long-ranging impacts would add to the region's list of structural challenges. That list starts with economic reform. For the major oil- and gas-producing states (the GCC member states, Iran, Iraq, Libya, Algeria), the pandemic's impact was revealing, once again, the dangers of being overly reliant on hydrocarbons for economic growth.
- Driven by a collapse in global demand and a surplus in supply during the spring of 2020, global oil prices slid to rock-bottom levels. Although prices have stabilized, sustained lower oil prices are likely given the odds of an ongoing global recession.
- Moreover, the tourism industry, a major part of the economy of several countries (including the United Arab Emirates, Saudi Arabia, Israel, Egypt, Turkey, Jordan, and more), had also taken a substantial hit. Impacts on employment and government revenues are already severe.
- For the region's governments, the pandemic opened up yet another structural challenge; the legitimacy of their rule. Although governments around the world were facing their constituents' frustrations amidst the pandemic, nowhere was the legitimacy issue more acute than in the Middle East.
- Although temporarily stilled by COVID-19 lockdowns, simmering discontent with social, economic, and political conditions was never far from the surface across much of the region. Multiple governments have instituted measures designed to eliminate public criticism of their pandemic responses.
- Over the longer run, it is unclear whether governments would be able to prevent pandemic-driven mass dissent along the lines of the Arab Spring, now nearly a decade in arrears.

- How the region's geopolitical reshuffling would be impacted is equally unclear. The regional powers all face their own internal (domestic) public health, economic, political, and security challenges related to the virus. Of these, both Saudi Arabia and Iran face the oil producers' dilemma as described above.
- Although neither would escape unscathed, Iran arguably is in a worse position owing to the double impact of ongoing US sanctions, which have affected its ability to sell its oil (even at a reduced price) and to repatriate revenues from sales abroad.
- For non-regional powers that are historically most active in the region, specifically the United States, Europe, and Russia, the pandemic raises two questions: how will the pandemic force them to reevaluate their interests in the region, and how much are they willing to invest in the region going forward?
- It is not a stretch to imagine that many allies fear a hard-hit and divided United States would be even less willing to engage than before.

3. Jordan's Rising Challenges During the Pandemic—Macroeconomic Indicators

3.1. Main Sectors of Economy (% of GDP)

- Agriculture represents 5.6% of the GDP and employs 3.4% of the workforce. The lack of water creates an obstacle to agricultural development.
- Industry contributes 27.6% to the GDP and employs nearly 24.7% of the workforce.
- The services sector, which employs almost 71.9% of the workforce contributes 58.8% to the GDP.

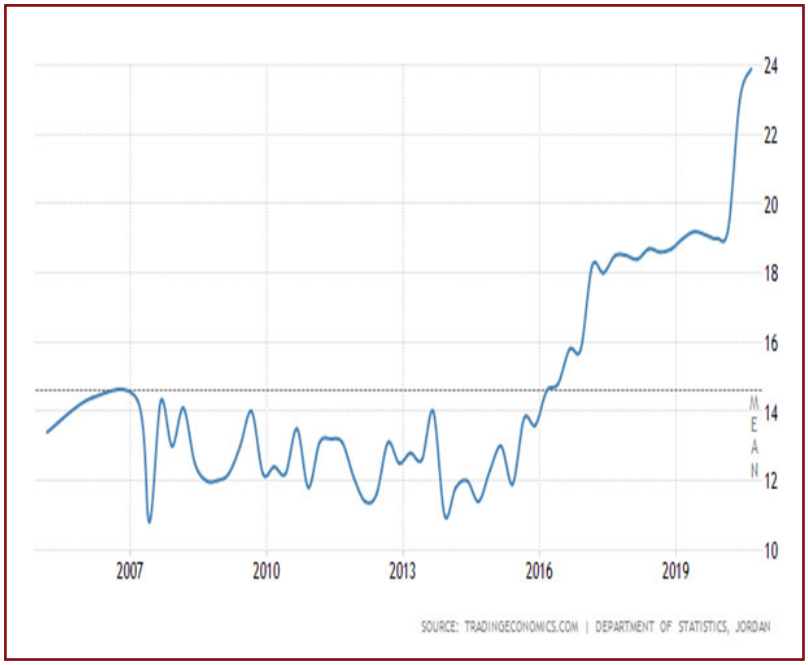
Breakdown of Economic Activity by Sector	Agriculture	Industry	Services
Employment by Sector *(in (% of Total Employment*	**3.0**	**24.4**	**72.6**
Value Added *(in % of (GDP*	**5.6**	**27.6**	**61.8**

- The economy of Jordan shrank by -2.2% during the third quarter (Q3) of 2020, compared to a growth of +1.9% in Q3 of 2019 (-3.6% and +1.3% growth in Q1&Q2 of 2020, respectively). This has been the worst economic contraction since at least 1993, as the global pandemic severely hit the major economic activities.

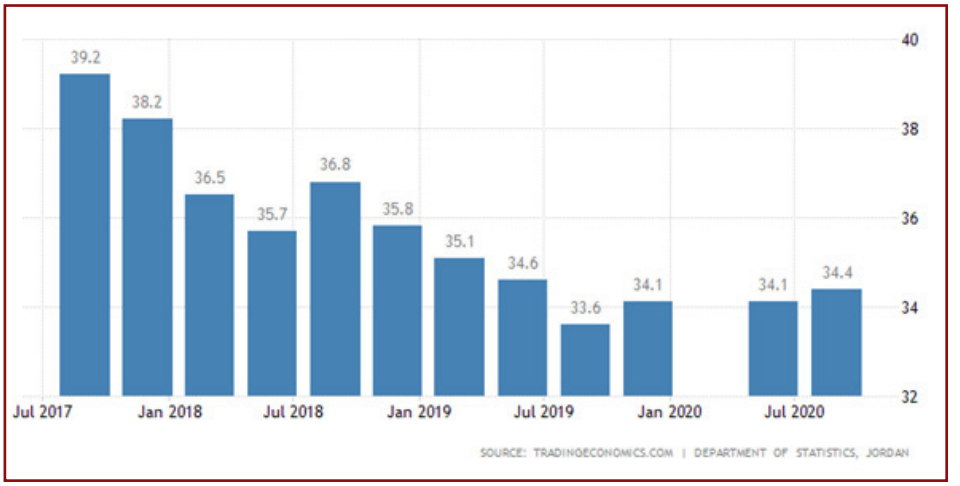
- Most of the economic sectors recorded a decline during Q3 of 2020 compared to Q3 of 2019.
- The Hotel and Restaurant Sector recorded the highest decline during Q3, reaching -9.1%. The Transport, Storage and Communications Sector also declined by -6.3%.
- The Social and Personal Services Sector declined by -4.5%, the Construction Sector by -4.1%, and the Manufacturing Sector declined by -3.2%.

3.2. Unemployment Rate

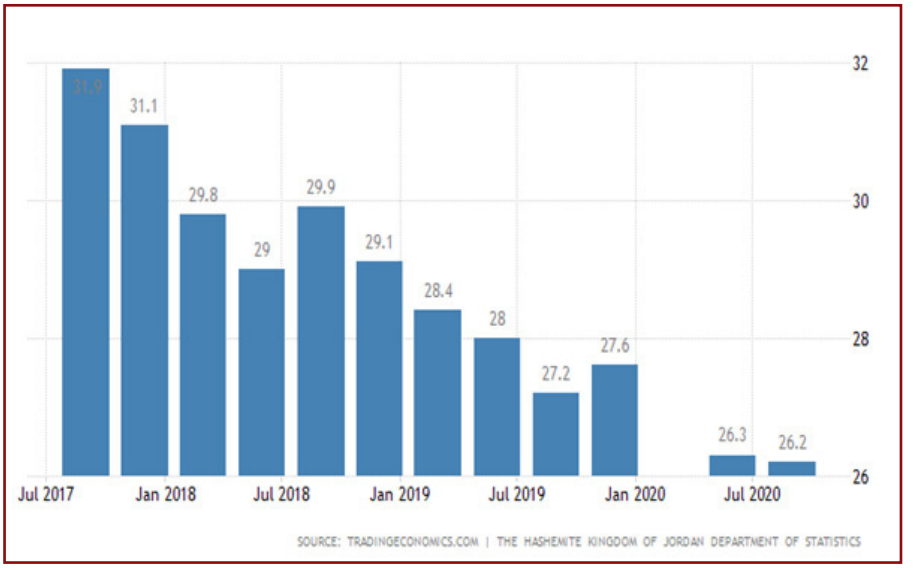
Unemployment rate in Jordan increased to 23.90% in Q3 of 2020, from 23% in Q2 of the same year (the unemployment rate in Jordan averaged 14.62% from 2005 until 2020, and hit a record low of 10.80% in Q2 of 2007).



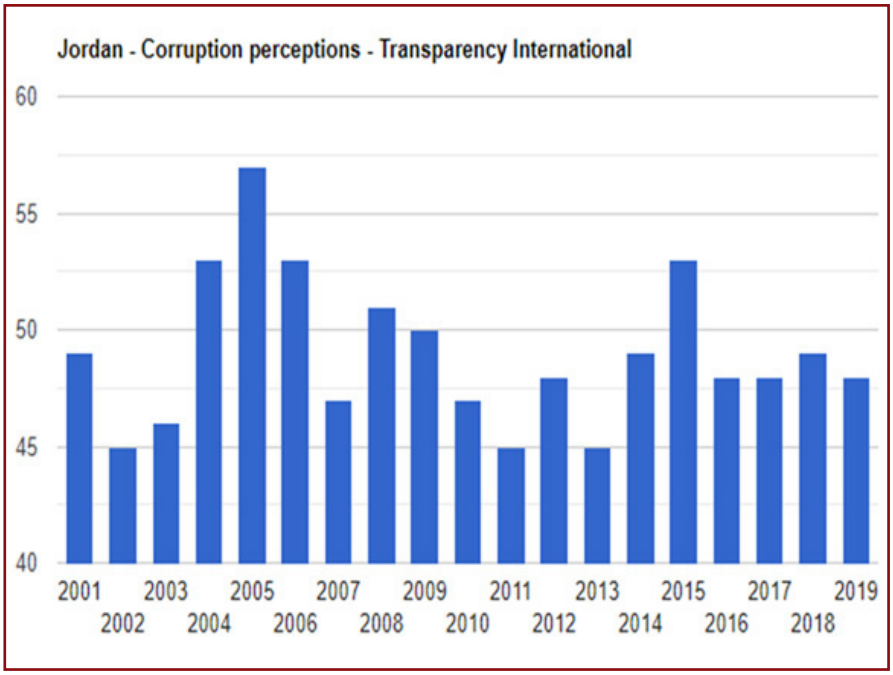
Labor Force Participation Rate in Jordan increased to 34.40% in Q3 of 2020 from 34.10% in Q2 of 2020.



Employment Rate in Jordan decreased to 26.20% in Q3 of 2020 from 26.30% in Q2 of 2020.



- Jordan scored 60.94 points out of 100 on the 2018 Global Competitiveness Report published by the World Economic Forum (Source: World Economic Forum).
- Jordan scored 48 points out of 100 on the 2019 Corruption Perceptions Index reported by Transparency International (Source: Transparency International).

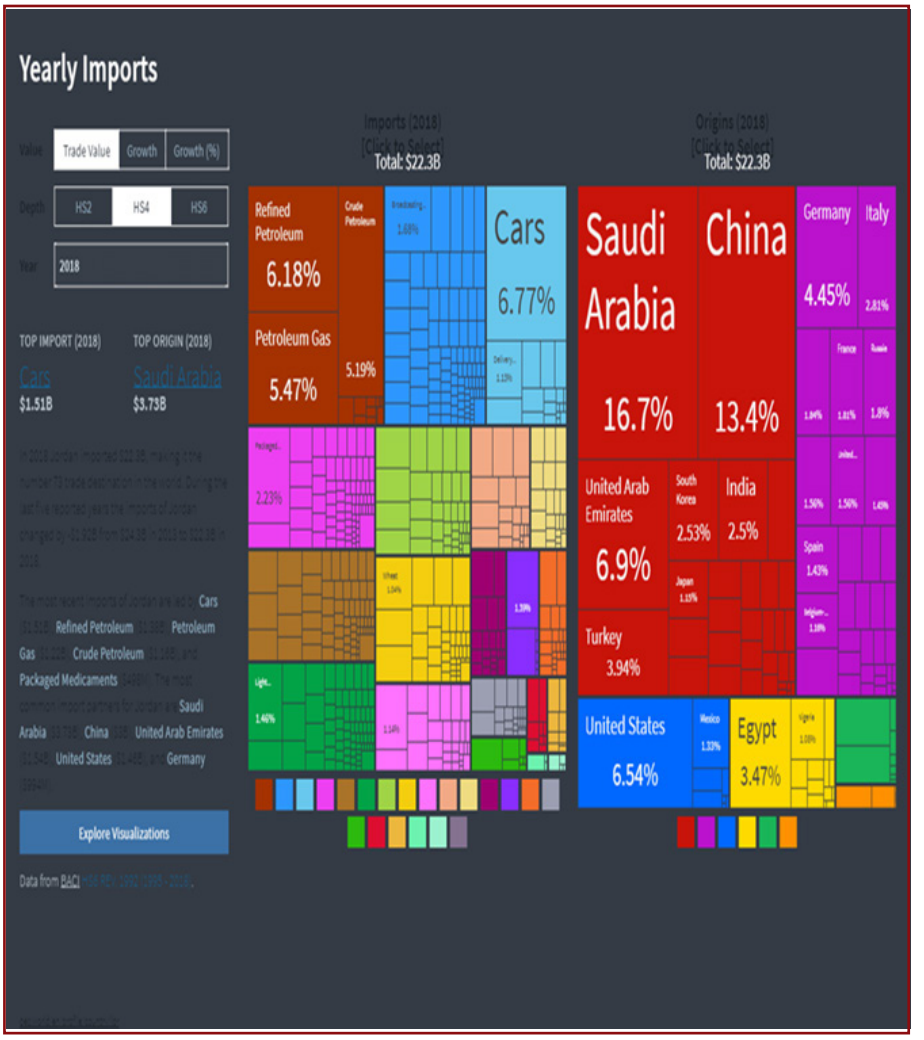


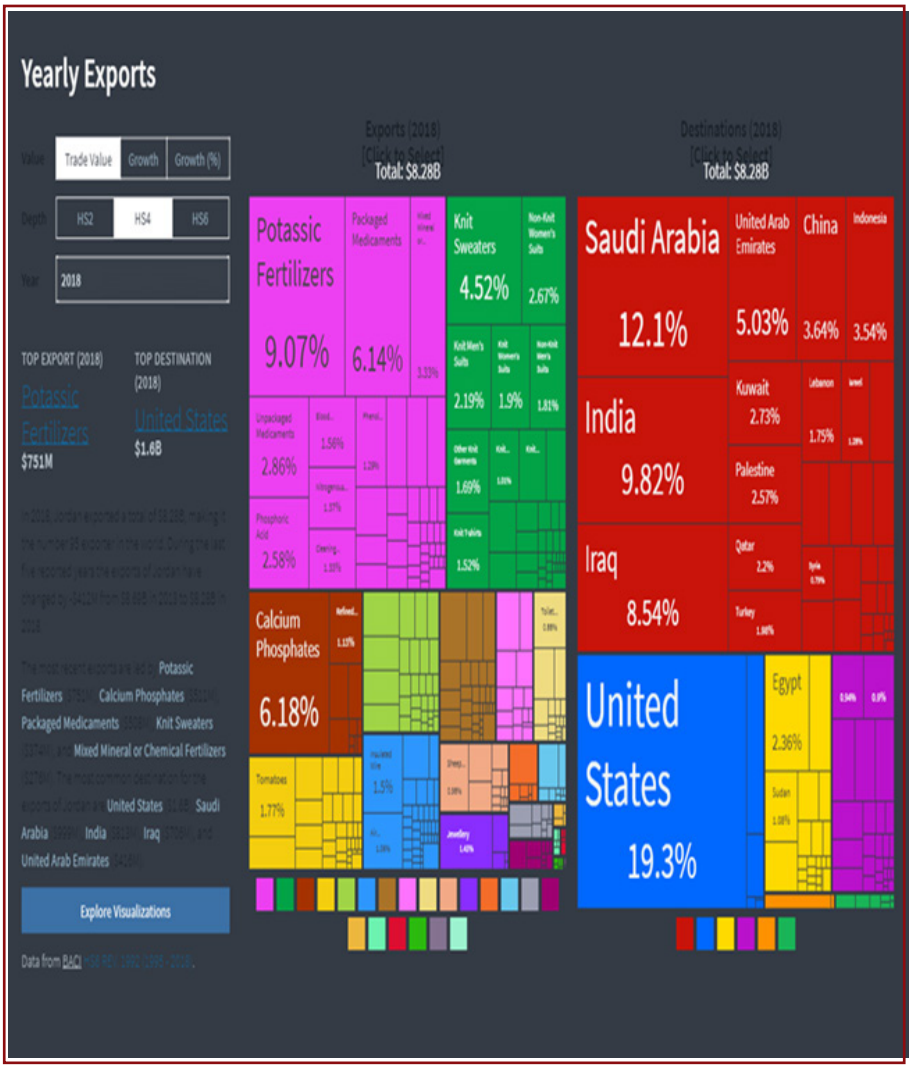
3.3. Ease of Doing Business

Jordan ranks 75 out of 190 economies, on the scale of ease of doing business, according to the latest World Bank annual ratings. The rank of Jordan improved to this figure in 2019, up from 104 in 2018 (Source: World Bank).

3.4. Jordan's Trade Map

Jordan's trade map for 2018 (Source: oec.world)





3.5. Trade Deficit

The monthly external trade report issued by the Department of Statistics indicates that the value of total exports reached JD5,069.8 million during the first eleven months of 2020 (i.e.: a decrease by 5.2% compared with the same period of 2019). Meanwhile, the

national exports value reached JD.4537.5 Million during the first eleven months of 2020 (i.e.: a decrease by 0.1% compared with the same period of 2019). The value of re-exports reached JD 532.3 million during the first eleven months of 2020 which indicates a decrease by 33.9% as compared with the same period of 2019. The imports value reached JD10,958.0 million during the first eleven months of 2020, thus decreasing by 12.4% compared with the same period of 2019.

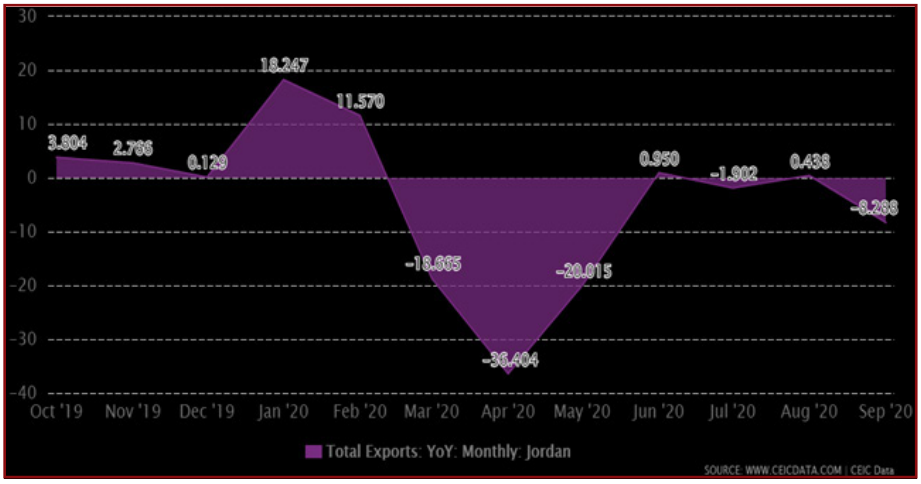
The deficit in the trade balance has reached JD 5,888.2 million, thus decreasing during the first eleven months of 2020 by 17.8% compared with the same period of 2019.

The imports coverage by total exports was 46.3% during the first eleven months of 2020, while it was 42.8% for the same period of 2019, which means an increase by 3.5% points.

Value in (JD Million)

National Exports				Imports			
Commodities	**2019**	**2020**	**Growth Average %**	**Commodities**	**2019**	**2020**	**Growth Average %**
Clothes and accessories	1255.5	1048.0	-16.5	Crude Oil and products	2166.1	eleven 16.6	-48.5
fertilizers	302.5	397.5	31.4	machines, machinery and their part	1085.9	792.8	-27.0
Pharmaceutical products	381.8	371.9	-2.6	Vehicles, Motorcycle and their parts	854.5	788.6	-7.7
Crude potash	381.9	350.8	-8.1	Machinery, electrical appliances and their parts	862.3	646.2	-25.1
Ornaments and precious jewelry	101.5	283.4	179.2	Cereals	513.6	476.2	-7.3
Non-organic chemical products	2eleven .2	243.0	15.1	iron and its products	483.5	447.7	-7.4
Other items	1909.3	1842.9	-3.5	Other items	6544.3	6689.9	2.2
National Exports	**4543.7**	**4537.5**	**-0.1**	**Total of Imports (2)**	**12510.2**	**10958.0**	**-12.4**
Re-exports	**805.5**	**532.3**	**-33.9**				
Sum of total Exports (1)	**5349.2**	**5069.8**	**-5.2**	**Trade Deficit (1)-(2)**	**-7161.0**	**-5888.2**	**-17.8**

Jordan Total Exports dropped 8.3% YoY in September 2020, compared with an increase of 1.0% YoY in the previous month.

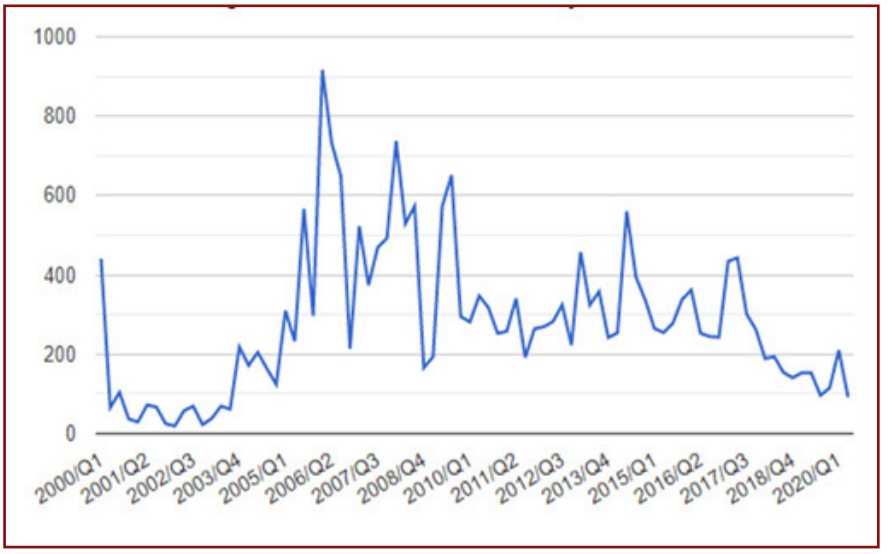


Jordan Total Imports dropped 0.6% YoY in September 2020, compared with an increase of 1.2% YoY in the previous month.

3.6. Foreign Direct Investment (FDI)

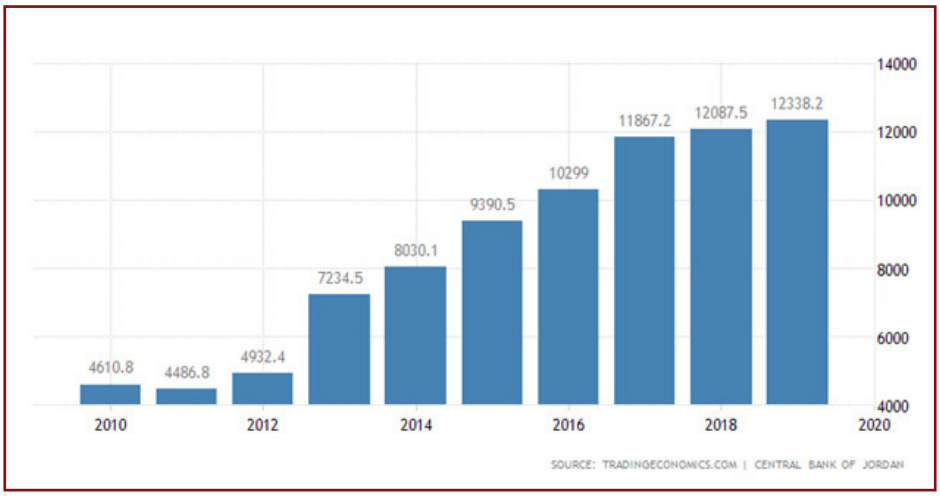
Foreign Direct Investment (FDI) in Jordan increased by JOD 91.70 million in the second quarter of 2020 (Source: Central Bank of Jordan).

Foreign direct investment in Jordan for June, 2020 (Q1 of 2000 to Q2 of 2020): The average value for Jordan during this period was JD 280.74 million with a minimum of JD19.3 million in Q1 of 2002 and a maximum of 916.8 million Jordanian Dinar in Q1 of 2006.

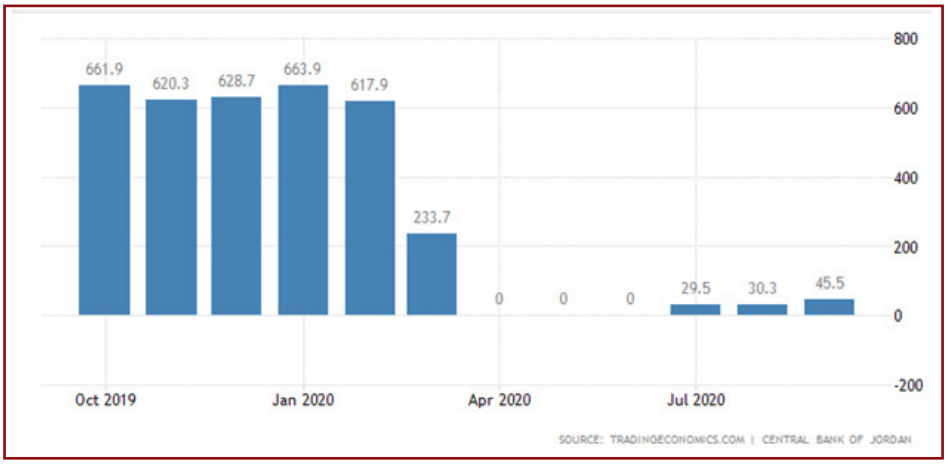


3.7. External Debt

External Debt in Jordan increased to JD 12.34 billion in 2019 from JD 12.1 billion in 2018 (*Source: Central Bank of Jordan).*



Tourist Arrivals in Jordan increased to 45.50 thousand in September from 30.30 thousand in August of 2020 *(Source: Central Bank of Jordan).*



3.8. Jordan's Credit Rating

3.8.1. Standard & Poor's Credit Rating

Standard & Poor's credit rating for Jordan stands at B+ with stable outlook. Moody's credit rating for Jordan was last set at B1 with stable outlook. Fitch's credit rating for Jordan was last reported at BB—with negative outlook. In general, a credit rating is used by sovereign wealth funds, pension funds and other investors to gauge the credit worthiness of Jordan thus having a big impact on the country's borrowing costs.

Agency	Rating	Outlook	Date
Moody's	B1	Stable	11/2020
Fitch	BB-	Negative	11/2020
Fitch	BB-	Negative	5/2020
Fitch	BB-	Stable	6/2019
Moody's	B1	Stable	1/2019
Moody's	B1	Stable	11/2018
Moody's	B1	Stable	11/2016
Standard & Poor's	BB-	Negative	4/2016

3.8.2. Fitch's Credit Ratings

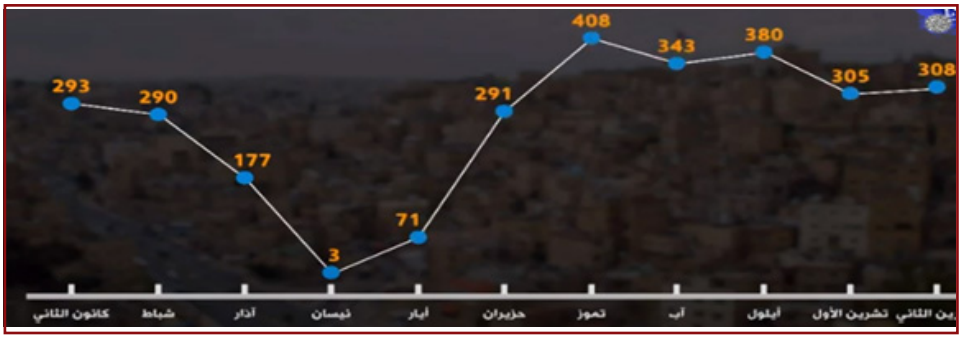
May 8, 2020: Fitch Ratings has affirmed Jordan's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB-' and revised the Outlook to Negative from Stable.

In 2021, Fitch expects a partial economic rebound, with real GDP growth of 5%, which will help narrow the GG deficit to around 3% of the GDP.

- The collapse in tourism will cause a doubling of the current account deficit (CAD) to USD 2.5 billion or 6.1% of GDP in 2020, after a sharp improvement in the CAD to a 15-year low of 2.9% of GDP in 2019. This forecast assumes a 60% decline in travel credits, which accounted for a quarter of current account revenue in 2019. We assume tourism partially recovers in 2021, causing the CAD to narrow to 5.2% of GDP. Lower oil prices and a decline in non-oil imports will only partly offset lower tourism revenue.
- Central Bank of Jordan's reserves to fall to USD 13.5 billion in 2021, from USD 15.4 billion at the end of 2019, but this would still represent 7.4 months of current external payments.
- 100 Safest Countries for COVID-19, Forbes: Jordan has ranked number 89 out of 100 as the safest country for coronavirus in the world and number seven as the safest country in the Arab world, according to a recently released ranking by Deep Knowledge Group.

3.9. Real Estate Sector

February – November 2020:



3.10. Other Selected Indicators—August 2020

3.10.1. Balance of Payment (BOP)

Jordan's external account position indicated substantial improvement in 2019 as compared to 2018. This improvement was largely explained by significant reduction in current account deficit, which particularly resulted from considerable improvement in trade balance of both goods and services. Furthermore, realization of budgeted official flows, together with the IMF support, also helped improve the country's external account position in 2019. Private foreign inflows, however, remained weak. The overall improvement in Balance of Payments (BoP) position was reflected in build-up of the Central Bank of Jordan's (CBJ) foreign exchange reserves position in 2019, which is in contrast to the trend observed in 2018.

Balance of Payment Position in Million USD (2017 – 2019)

	2017	2018	2019
Current Account (including grants)	-4,399	-2,972	-1,232
Current Account (excluding grants)	*-5,496*	*-4,495*	*-2,563*
Trade Balance	-10,710	-10,321	-8,900
Exports, f.o.b.	7,522	7,757	8,325
Imports, f.o.b.	18,232	18,078	17,224
Energy Imports	3,044	3,753	3,062
Non-energy Imports	15,188	14,325	14,162
Services Account	1,962	2,483	3,138
Travel Receipts	4,645	5,256	5,794
Income Account	-207	-200	-315
Current Transfers	4,556	5,067	4,845
Workers' Remittances Inflows	3,345	3,308	3,338
Capital and Financial Account	3,243	3,053	2,056
Direct Investment (net)	2,026	964	876
Portfolio Investment (net)	954	-183	-1,061
Other Investment (net)	220	2,238	2,173
Use of IMF Credits and Loans (net)	-415	-493	-248
General Government (net)	381	327	1,017
CBJ Gross Foreign Reserves, end-period	15,581	14,576	15,401

3.10.2 Remittances

Remittances of Jordanians working abroad amounted to approximately JD 1,595.6 million during the third quarter of 2020 compared to JD 1,766.2 million during the same period in 2019, a decrease of about 9.6% (equivalent to a loss of JD 236 million compared to 2019 figures, which amounted to JD 2,366.8 million).

3.10.3. Travel Receipts

Tourism income from abroad during the third quarter of 2020 amounted to approximately JD 865.54 million, compared to about JD 3,145.2 million in 2019, a decrease of 72.5% (equivalent to a loss of JD 2,279.66 million compared to 2019 figures).

Trend in Travel and Remittances Flows as percent of GDP

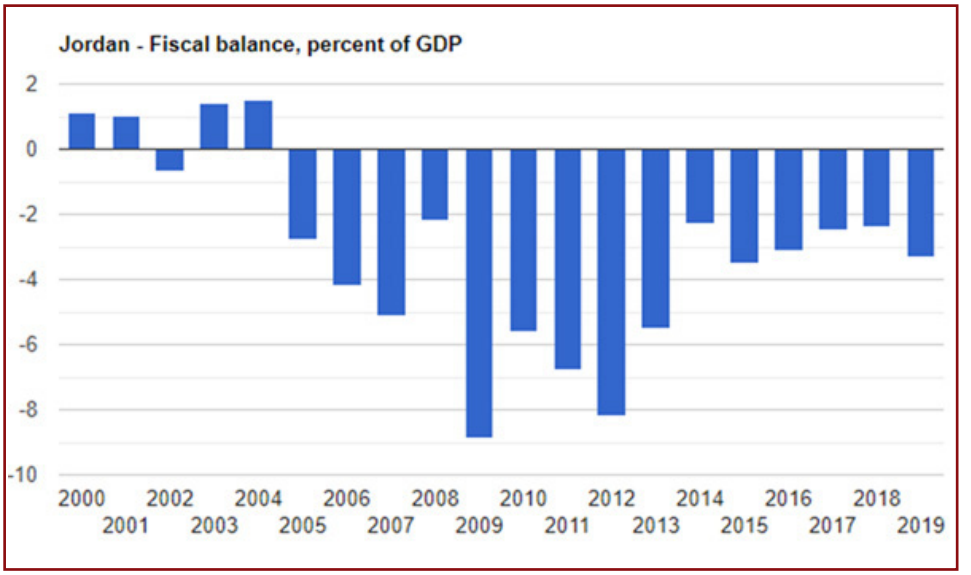
Current Account deficit widened by 23% (January – September 2020 compared to January – September 2019)

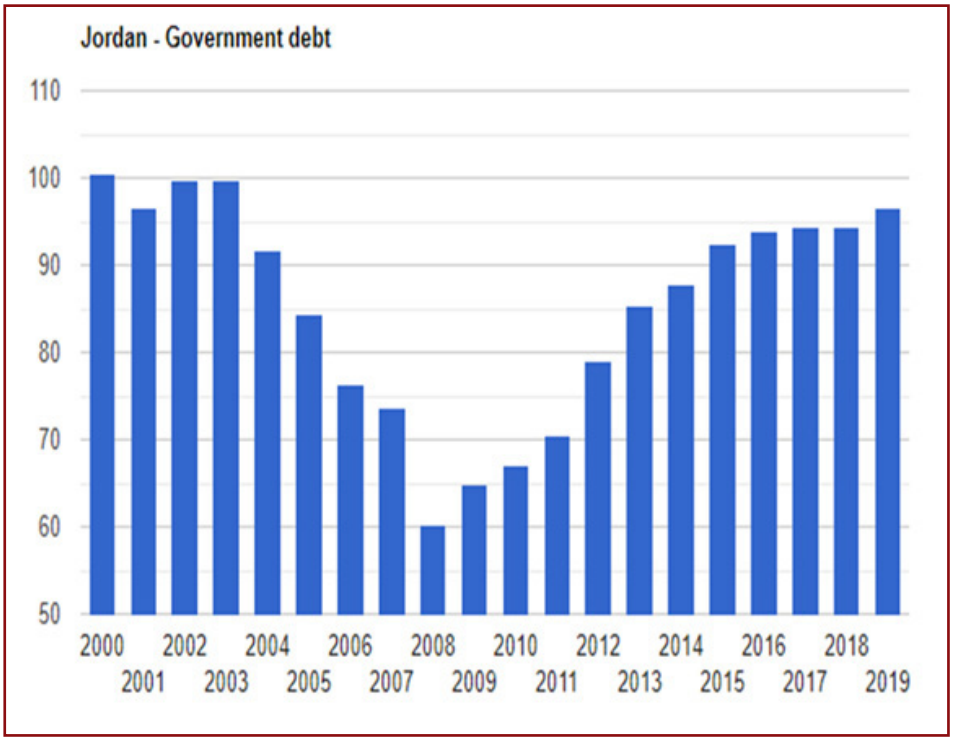
Item	2016	2017	2018	2019	Jan.) 2019 (.–Sept	Jan. –) 2020 (.Sept	% Change
Current Account	-2734.8	-3118.9	-2103.6	-672.1	-910.8	-1191.2	30.7%
Remittances	2365.7	2371.9	2345.7	2366.8	1766.2	1595.6	-9.6%
Travel Receipts	2870.9	3293.4	3726.6	4108.2	3145.2	865.54	-72.5%

3.10.4. State Budget Performance (2019 – 2021)

Estimates of the state budget for the year 2021

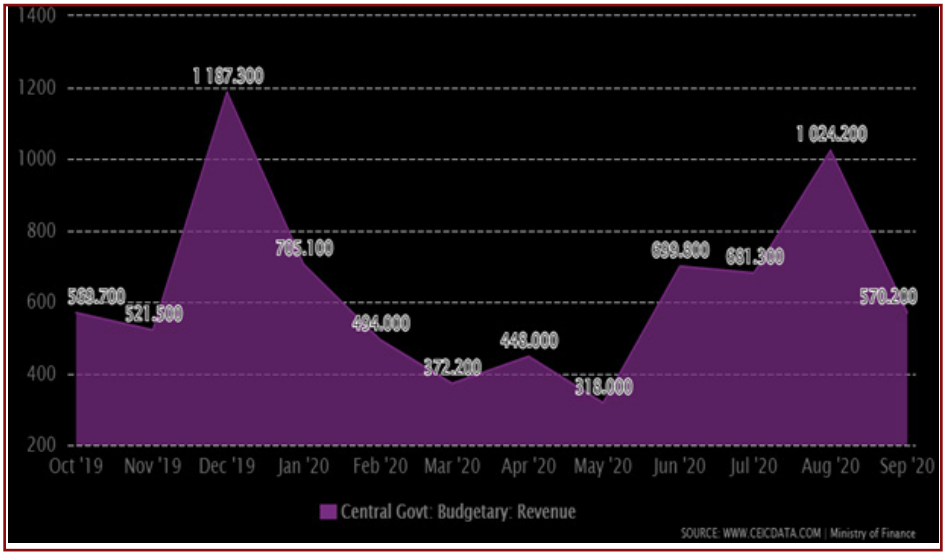
2021 Budget Draft				
Items	**2019 Actual**	**2020 Re-Estimate**	**2021 Budget**	**% Change**
Domestic Revenues	6965.8	6350	7298.00	*15%*
Grants	788.5	851.3	576.80	*-32%*
Total Revenues	**7754.3**	**7201.3**	**7874.80**	*9%*
Cuurent Expenditures	7897.2	8416.4	8749.00	*4%*
Capital Expenditures	915.5	948.4	1181.20	*25%*
Total Expendutures	**8812.7**	**9364.8**	**9930.20**	*6%*
Budget Deficit (Including Grants)	**-1058.4**	**-2163.5**	**-2055.40**	*-5%*
% of GDP	*3.30%*	*7.10%*	*6.50%*	
Budget Deficit (Excluding Grants)	**-1846.9**	**-3014.8**	**-2632.20**	*-13%*
% of GDP	*5.80%*	*9.80%*	*8.30%*	


Jordan - Fiscal balance, percent of GDP
2
0
-2
-4
-6
-8
-10
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019

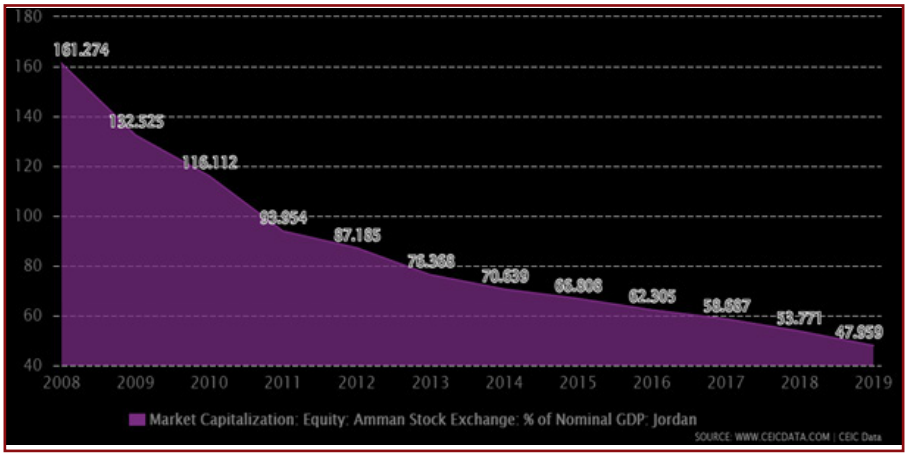

Jordan - Government debt
110
100
90
80
70
60
50
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019

Revenue from January 1999 to September 2020:

Revenue data was reported at JD 570.20 million in September 2020. This records a decrease from the previous number of JD 1,024.20 million for August 2020.



Jordan's Market Capitalization (% of GDP from 1978 to 2019)



3.10.5 The Financial Position of the Social Security Investment Fund for the Year 2020

Growth of the fund's assets were predicted to reach JD 11.2 billion, and income to reach JD 497 million in the year 2020.

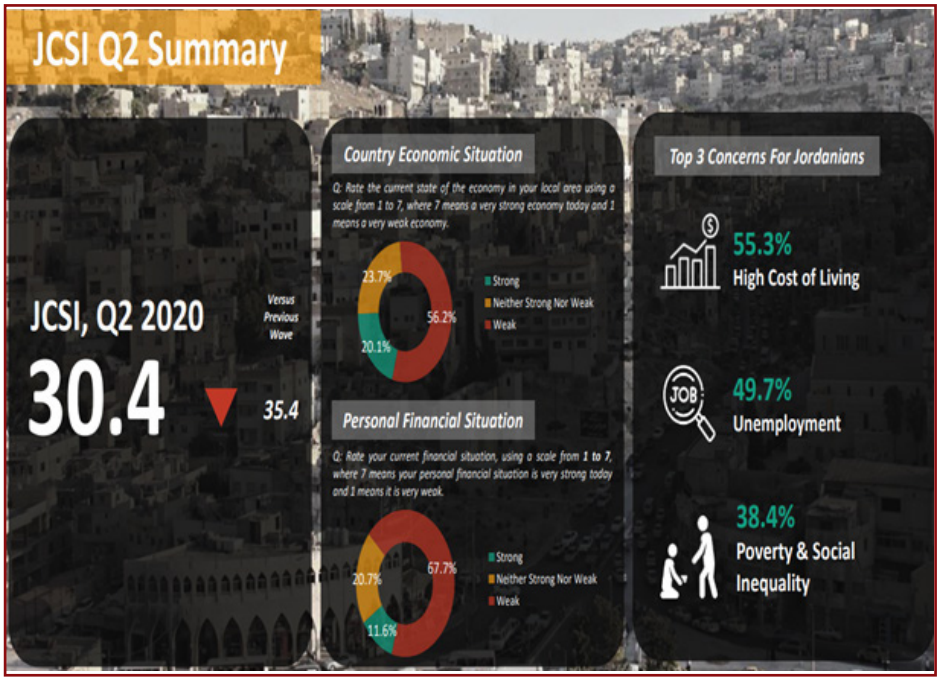
The strategic distribution of the fund's investments (investment portfolios) were as follows: cash market instruments 13%, bonds 58.2%, loans 3.6%, stocks 14.5%, real estate investments 6.5%, and tourism investments 2.6%.

According to the preliminary financial statements, the income achieved at the end of the year 2020 was about JD 497 million, compared to JD 556 million for the year 2019 (a decline of 10.6%).

3.10.6. Jordan Consumer Sentiment Index

Ipsos's Jordan Consumer Sentiment Index (JCSI, is a quarterly national survey of consumer attitudes on the current and future state of the local economy, personal financial situation, as well as confidence to make large investments and ability to save.

Ipsos'xJCSR reached its lowest levels in the second quarter of 2020. Reviving the economy and protectingLlivelihoods tops Jordanians' list of priorities as concern regarding the containment of the pandemicssubsides.



4. Background-Containment Measures (IMF-Policy Tracker)

At the onset of the globalcpandemic, Jordan implemented a range of measures to try and limit the spread of the virus. Early measures included:

- The suspension of all international flights,
- The enforcement of strict curfews, restrictions on movement,
- and the closure of businesses, schools and universities.

As the number of contagions remained low, restrictions were progressively relaxed over the summer. In parallel, the government launched a public communication and awareness campaign to in

form the public on examination and treatment facilities, and imposed social distancing measures and the use of masks.

In thelfall of 2020, the sharp rise in COVID-19 cases led the government to enforce local lockdowns. In early October of 2020, the Government re-instated a nationwide lockdown for Fridays until the end of0that year, and closed schools and universities until the end of the scholastic semester.

4.1. Curfew Phasing Out (Reopening the Economy)

- The re-opening of the economy continued throughout the month of April 2020, with work partly resuming for selected sectors, as well as most commercial activities on Apri. 30, 2020.
- On May 4, 2020, Jordan lifted most lockdown measures and allowed most economic sectors to operate under strict safety guidelines.
- In late May 2020, thetgovernment allowed companies in hard-hit sectors to cut employees. salaries by 30% for the months of May and June.
- The Government announced that transport between governorates would resume, night curfews would be shortened, hotels and cafes would be allowed to re-open, along with sporting events with no spectator effective June 6. Universities and schools remained closed and a curfew continued to be in effect at night.
- On Jul. 15, 2020, the Ministry of Education announced that schools would reopen on Septembe. 1st for the new academic year.

- The Ministry of Health and local companies developed the "Aman" ("Safety") application, which alerts users when they come io contact with someone who has COVID-19.
- The government also started organizing the return of Jordanians who were abroad at the onset of the crisis and had not been able to return, given the interruption of international flights.
- On Augus. 13, 2020, Jordan closed its border with Syria due to virus concerns following an uptick in new cases.
- Following a recent rise in COVID-19 cases, the government re-instated Friday curfews starting Augus. 27, 2020 in Amman and Zarqa.
- On Septembe. 8, 2020, Jordan re-opened its airports for regular commercial flights with strict measures to contain the pandemic. Passengers from green-listed countries (low COVID-19 cases countries) were able to enter Jordan if they could prove they have resided for at least 14 days in the origin country, presented a negative PCR test that was conducted in less than 72 hours before departure and took another test at the airport in Jordan. Passengers from other countries would need to quarantine for 7 days and take another PCR test at the end of the quarantine.
- The government enacted Defense Order 16 in mid-September, 2020, which introduced new measures designed to contain the pandemic (e.g.: limits to social gatherings) and included strict penalties for people and businesses which do not comply with health safety measures (includin. fines, establishment closure and potential imprisonment).

- On Octobe. 6, 2020, thentgovernment announced that a total lockdowl would be imposedion all governorates on all coming Fridays and Saturdays until further notice.
- On Octobr. 20, 2020, the newly formet government announcat:
  - Total lockdowns which wouly take effeto in all governorates only on Frida, . aA daily curfew from 11 p.m. to 6 a.m. for citizens and from 10 p.m. to 6 a.m. for businesses across the country.
  - Schools and universitiesowould remain closed and distance learning re-instated until the end of the first semester of the scholastic year 2020/2021.
- On Octobr. 22, 2020, teG government issuee Defenss Orders 19 and 20h allwsing Friday prayers at mosques whilg maintaining strict safety guidelines, restricting restaurants' operations to only 50t of their capacity with no more than six people per table, ane introducing fines for establishments and persons not abiding by the Defenss Orders' rules.
- ThegGovernment announced thav.starting November 11, 2020, a total lockdowl would be implemented for 4 days.
- On Novembr. 3, 2020, the Ministry of Healtthagreed with the Private Hospitals Association to allocate at least 1,000 beds and 150 ICU beds for COVID-19 patients who would be referred to private hospitals by public hospitals.

4.2. Jordan's Fiscal Policy Responses

- On Mar. 18, the Ministry of Finance announced a host of measures in response of the epidemic. Measures included:

  - Sales tax exemption on sanitizers, face masks, and medical equipment;
  - The allocation of 50 percent of maternity insurance revenues JOD 16M—about USD 23M) to material assistance for the elderly and the sick;
  - The introduction of price ceilings on essential products;
  - The postponement of 70 percent of customs duty collections due from selected companies
  - The reduction of social security contributions from private sector establishments (from 21.75% to 5.25%).

- On Mar. 31, Prime Minister issued the Defense Order No. 4, establishing a coronavirus relief fund under the name "Himmat Watan" (a nation's effort), to which local and foreign donations will be deposited to support the Kingdom's efforts to eradicate COVID-19.
- The Government allocated additional spending JOD 50M) for purchases of health equipment and supplies, rental of hotels for quarantines, and additional COVID-related security costs.
- It also instituted a temporary cash transfer program for the unemployed and self-employed (JOD 81M).

- On June 15, Prime Minister announced measures to support the tourism sector, by:
  - Allowing tourism sector to pay its 2019 tax liability in installments with no penalty;
  - Reducing the general sales tax from 16% to 8% and of the service tax from 10% to 5% for hotels and restaurants.
- The Ministry of Labor announced a plan to re-instate a one-year military service to help contain youth unemployment in the aftermath of the pandemic.
- In October, the government extended temporary employment protection schemes (financed by the Social Security Corporation) to cover restaurants and cafes.
- On Dec. 3, Prime Minister announced that the government would help fund hard-hit sectors to protect nearly 180,000 jobs at around 20,000 private sector institutions.

4.3. Jordan's Monetary Policy Responses

- The Central Bank of Jordan (CBJ) reduced most policy rates by 50 basis points on Marhrd3rd, and further by 100 basis points on Marh. 16th in 2020.
- In addition, the Central Bank announced a package of measures aimed at containing tht consequences ousCOVID-19 on the economy. The measures included:

- CBJ allowed banks to postpone loan repayments by clients in the impacted sectorsg Injected additional liquidity ofJOD 55 Mmillion by reducing the compulsory reserve ratio on deposits from 7% to 5% andJOD 500 millinM by redeeming its CDs held by banks.
- Expanded thalsectorial coverage and reduced interest rates on its refinancing program from 1.75% to 1% in Amman and from 1% to 0.5% in other governorates, while increasing loan tenors and volume limits.
- Cut the policy rate by 150 bases; and injected 8t of the GDP in liquidity, by (I) reducing the reserve requirement from 7 to 5t JOD 55 Mmillion to banks); (II) conducting outright purchases and reverse repos JOD 1.1 billinB); and (III) expanding support for subsidized lending schemes, especially SMEs JOD 800 millinM).
- On Novembr. 22, 2020, The Central Bank of Jordan (CBJ) announced that the loan moratorium period for the sectors most-affected by the COVID-19 pandemic is extended until the end of June, 2021.
- Trading on Amman Stock exchange was suspended from Marh. 16, 2020 to May 10, 2020.

4.4. Jordan's National Social Protection Response (NSPR) During COVID-19

- Reviewing Jordan's various responses to the COVID-19 pandemic indicates that the measures taken complement the areas of focus in the Social Protection Strategy. These actions showcase how the country may have successfully utilized the emergency as a window of opportunity to strengthen and consolidate its social protection sector as a whole.

Dignity (Social Assistance)				Opportunity (Decent Work & Social Security)			
Protective Measures During COVID				Protective Measures During COVID			
Financial assistance to new and old beneficiaries	In-kind assistance to new and old beneficiaries	Emergency cash assistance to Daily Wage Workers	Financial & in-kind assistance to refugees and vulnerable groups	Loans to small businesses	Suspending old-age insurance contributions	Labour protections & regulating remote work	Unemployment insurance (Musaned 1,2,3 & Tadamon 1,2 & Tamkeen 1,2)

- Nearly 70% of Himmat Watan Fund payments went to financing the Social Assistance sector. The majority of financing to the Social Assistance sector (96.1%) was paid out to support the cash-assistance response, and only 2.6% was spent on in-kind assistance as shown in the figure below:

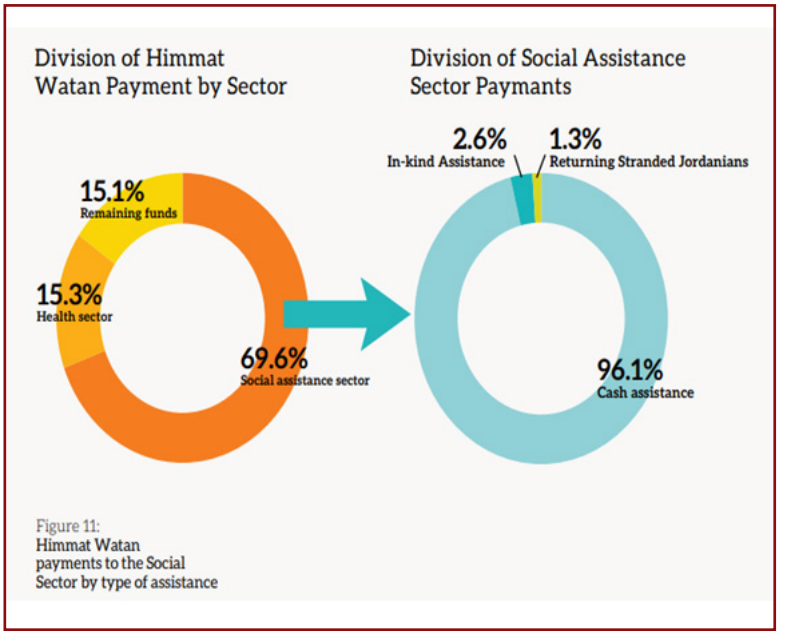


Figure 11:
Himmat Watan payments to the Social Sector by type of assistance

- The NSPR have reached an estimated 441,578 households (approximately 2,075,416 individuals) for an approximate overall budget ofJOD 120 millinM through new and existing cash assistance programs implemented by the NAF and the Zakat Fund throughout the duration of the crisis.

5. Jordan and the IMF-International Financial Support

- On May 20, 2020, the Executive Board of the International Monetary Fund (IMF) approved Jordan's request for emergency financial assistance under the Rapid Financing Instrument (RFI) equivalent to about US$ 400 million. RFI is an instrument that was designed in order to help countries address the impact of the pandemic. There are no reform-based conditions, but there ae, requirements in terms of transparency to make sure that the utilization of those funds are dedicated to address healthcare, social issues related to fighting the pandemic.
- The program has been updated to support spending to contain and treat COVID-1 —if needed, it may be adapted further to thd altering circumstances to ensure sufficient support for the people. The purchase under the RFI is expected to cover part of Jordan's financing needs stemming from the COVID-19 shock.
- On Marh. 26, 2020, the IMF Executive Board Approves US $1.3 billinb Extended Arrangement Under the Extended Fund Facility (EFF) for Jordan. The EFF is more to support a reform agenda that the government in Jordan has designed and presented in 2019, at the London conference. This program aims at achieving a certain number of objectives/pillars as follows:

- **The first pillar** is to preserve macroeconomic stability by gradually reducing the deficit and curbing the debt dynamic, and also strengthen the monetary stability by strengthening the reserves of the central bank.
- **The second pillar** is to strengthen the economic competitiveness of Jordan in order for it to create additional jobs, by improving business environment, increasing the level of attractiveness of Jordan's various sectors to investors, and also reduce the cost of production, reducing the cost of labor, as well ao reducing the cost of energy. And this is why the reform of NEPO, and the energy sector was a priority.
- **The third pillar** is the social pillar anisis aimed to strengthen and widen the social coverage in ordetoto provide additional social protection, and also to improve labor protection and labor markets.

Global Assessments on Jordan's Economy During COVID-19

6. Jordan—The International Monetary Fund (IMF):

On Octobr. 28, 2020, the IMF conducted (virtually) the 1st review mission under the Extended Fund Facility that was approved in Marc,. 2020. Key findingrewere:

- Timely containment and stimulus measures helped save lives and livelihoods during the first COVID-19 wave. However, the health and economic effects of the second COVID-19 wave were still unfolding. Still, the crisis had taken a toll on the economy.
-

- Unemploymens had surged, tourism and remittances have declined, and revenues of the central government and of other public sector entities have dropped. Despite these difficult circumstances, tht government showed policy discipline, including institutionalizing the drive against tax evasion and strengthening tax administration; and maintained external market access.
- The progras provided for flexibility to accommodate higher-than-expected COVID-related spending ans aimed to protect the most vulnerable. Thers was considerable uncertainty around the economic forecast: IMF's central scenario wis for real GDP to decline by 3t in 2020; and increase by 2.5t in 2021, reflecting a gradual recovery as the pandemiessubsided.
- The 2020 fiscal targets have been relaxed to support th' government's efforts to protect lives and jobs.
- The COVID-19 pandemis had significantly increased Jordan's financing needs aAnd robust financial support from multilateral and official bilateral lenderl would be critical in the period ahead and may need to be stepped up in the event of a more protracted downturn.
- Concessional financing from Jordan's international partners in line with commitments, including to support Syrian refugeess remained critical.
- IMF's teas was proposing to bring forward some IMF disbursements into 2021. Total IMF disbursements, including the amount drawn under the Rapid Financing Instrument, over 2020 – 202e were expected to amount to USD 1.7 billinB.

7. ILO—Net Assessmens Highlightt Significant Impact of COVID-19 os Enterprises ans Employees in Jordan

In April 2020, the ILO and UNDP in collaboration with Fafo conducted a sample survey of 1,190 enterprises (home-based businesses, micro and small businesses, as well as larger enterprises). This repors presented findings from in-depth interviews carried out by UNDP with key informants that provided cass studies to supplement the findings of the survey data.

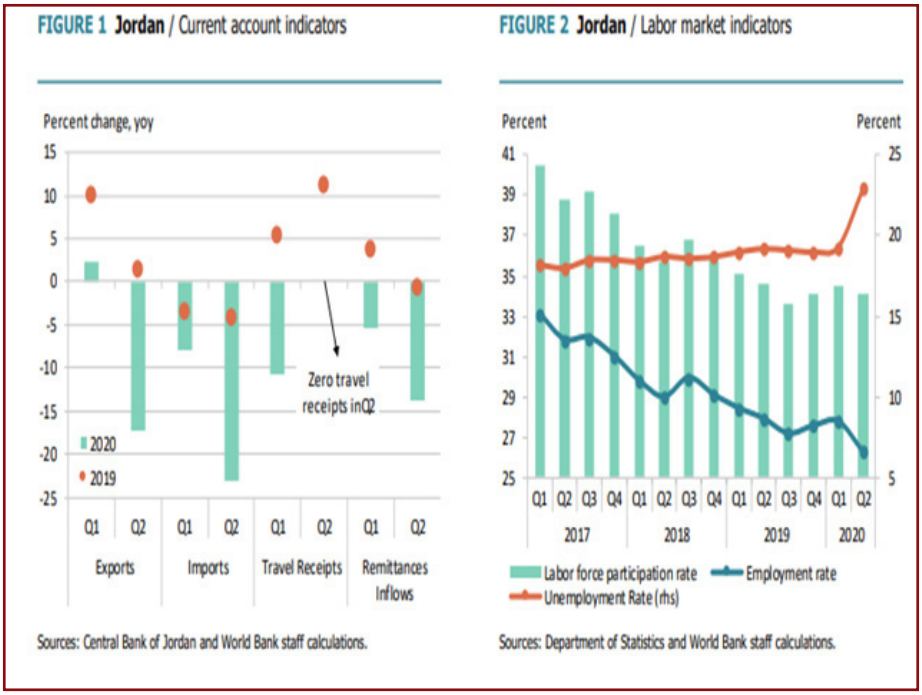
And the key findings were:

- All surveyed enterprises reported challenges in terms of cash flow, reduced demand and supply, and disruption in the value chains as a result of measures responding to COVID-19.
- Only 7% of surveyed enterprises reported operating as usual at the time of the survey.
- 39% were operating but with either reduced staff (7%) or reduced working hours (16%) or both (16%).
- 51% of the surveyed enterprises had closed temporarily.
- 42% of enterprises indicated that they would be able to continue paying salaries to all workers under existing conditions for less than one month, another 42% for less than three months.
- Micro businesses (55%) and small enterprises (44%) indicated that they lacked the means to keep paying salaries, while medium (33%) and larger enterprises (23%) were more likely to be able to pay salaries for an additional month.

- Around a quarter (26%) of enterprises indicated that under the conditions at the time of the survey they would be able to stay operational for less than a month, 30% would be able to remain operational for 1 to 3 months, 5% for 4 to 6 months and only 13% for more than six months.
- The vast majority of employees who were not able to come to work due to the lockdown were still receiving full or partial payments from their employers. 71% of the employees not able to come to work were still receiving full payments, while 20% were receiving partial payments.
- Nearly 40% of the surveyed enterprises stopped payment to social security as a result of the COVID-19 crisis, making use of the waver introduced in Defense Order 1. A larger share of small enterprises stopped payments compared to larger enterprises. While 45% of the micro enterprises have stopped their payments, only 34% of the enterprises with more than 100 employees have done so.
- Over one-half of the respondents (52%) remained confident that they would weather the crisis and resume profitability, while 20% were not confident of their economic resilience and robustness.
- Only 25% of enterprises had a business continuity plan in place.
- In terms of measures taken to reduce the spread of COVID-19 at the workplace, more than 72% of surveyed enterprises reported that they had disseminated protective gear, including masks and gloves to employees, and 55% had enhanced cleaning and sanitizing efforts across facilities at the time of the survey. 23% of micro businesses had not yet taken any measures.

- 53% of businesses considered direct financial support as the most essential support needed to cope with the situation at this stage, with 60% of micro businesses and 43% of enterprises with more than 100 workers indicating the need for such support.
- Many business owners expressed a clear view of the type of support needed such as pay subsidies, direct financial support, access to credit and policies for reducing the cost of doing business, licensing fees and work permits, and enacting insolvency regulations and laws.
- Government measures currently largely focus mostly on formal SMEs. Targeted measures should be considered for micro and home-based businesses. Such measures could include helping enterprises to reduce their fixed costs. Fixed operating costs include rent, utilities, other overheads, servicing of debts, tax payments, social security contributions and the wages of essential staff. There are different options for supporting enterprises to cover their fixed costs, including waiving payments due, providing grants or making credit available.
- The repors highlighted that government measures should focus on helping and incentivizing businesses to 'build back better'. This should include supporting business preparedness, aligning business models towards more inclusive and sustainable practices, accelerating digital transformation so companies can evolve with the market, remain competitive and resilient to future crises.

8. World Bak--Jordan's Economic Update, October 2020



- The Central Government (CG) fiscal deficit appears to be expanding. Overall fiscal deficit (excludig. grants) of CG during 5 monts- of 2020 widened to 4.0t of forecasted annual GDP as domestic revenues declined by 26.2y--yY as a result of lockdown and postponement of tax payments. On the spending side, recurrent spending registered a nominal decline of 1.2-yYoY while capital expenditures reached an unprecedented low.
- In 2019, the national poverty rate reached 15.7%. Meanwhile, labor market indicators for Q2 o -2020 reflected the significant disruptions of the COVID-19 pandemic on Jordan's labor market.

- During Q2 o -2020, employment stood at 26.3%, dropping by 1.5% point-yYoY. Meanwhile, unemployment in 2- of 2020 edged up to 23.%,; 3.8 percentage points higher than Q2 o -2019.
- The youth (ages 15 – 24 years), particularly young women, seemed strongly affected by the crisis. During the same time, the labor force participation rate declined by 0.4-yYoY, indicating increased discouragement for labor market engagement.
- The declines in households' labor and remittances incomes due to the COVID-19 economic shoce were expected to increase poverty in the near-term by 11%, although the government emergency response through cash transfers and continued expansion of the social safety nen could help mitigate about a third of that increase.
- As lockdown restrictione were lifted and employment recoverds, poverts was expected to fall, but a return to pre-crisis levels was subject to uncertaintt due to the economic recovery path potentially facing subsequent waves.
- Household recovers was expected to be uneven; informal workers and those in interaction intensive services sectors like construction, transportation and hospitalitl would likely sed reduced incomes for longer periods of time.

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	2.1	1.9	2.0	-5.5	3.8	2.2
Private Consumption	6.6	0.6	0.4	-5.6	2.6	1.4
Government Consumption	3.4	4.0	4.4	5.0	3.3	1.7
Gross Fixed Capital Investment	7.4	0.4	3.7	-6.4	4.6	4.0
Exports, Goods and Services	5.0	0.6	12.4	-28.8	6.4	2.9
Imports, Goods and Services	9.5	-0.8	7.6	-18.1	3.1	1.6
Real GDP growth, at constant factor prices	2.2	2.0	2.2	-5.0	3.4	2.0
Agriculture	4.8	3.2	2.6	3.0	0.2	0.1
Industry	1.7	1.2	1.4	-11.3	4.7	2.2
Services	2.2	2.3	2.4	-3.0	3.2	2.0
Inflation (Consumer Price Index)	3.3	4.5	0.8	-0.1	2.1	2.3
Current Account Balance (% of GDP)	-10.6	-6.9	-2.3	-7.5	-6.4	-5.2
Net Foreign Direct Investment (% of GDP)	4.9	2.2	1.8	0.4	2.4	2.6
Fiscal Balance (% of GDP)[a]	-2.2	-3.3	-4.6	-8.2	-5.6	-4.9
Debt (% of GDP)[b]	92.8	92.9	97.4	113.5	114.1	115.2
Primary Balance (% of GDP)[a]	0.7	0.0	-1.1	-4.1	-1.5	-0.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.
(a) Central Gov. fiscal balance incl. grants, use of cash and unidentified fiscal measures as per IMF-EFF of 1.5% of GDP in 2021 and 2.2% of GDP in 2022.
(b) Government and guaranteed gross debt including debt holdings by SSIF. Includes WAJ estimated borrowing for 2020-2022. Includes legacy arrears in 2019.

Risk of economic scarring in Jordan:

1) Fall in business investment leading to an ageing of the existing capital stock.

2) Rise in long-term unemployment and economic inactivity in the labor market.

3) Increase in business failures including many commercially viable businesses.

4) Shrinkage in the capacity of the financial system to lend.

9. Jordan's Rising Economic Challenges in the Time of COVID-19

(Middle East Institute—Augut. 27, 2020)

Business Activity Stalled

- The travel and tourism sectol would be significantly weakened due to Jordan's restrictions on tourism and diminished global appetite for travel thal would likely continue through all of 2021.
- Jordan's tourism industry, which generated US $5.8 billibn in revenues in 2019, was a critical sector for growth. Jordan was planning on reopening the country to tourists from a limited set of pre-approved countries with low COVID-19 case numbers on Augut. 5, 202 —(it has not allowed tourists into the country since March. 2020) —but it backtracked at the last minute over feart of importing more COVID-19 cases. As COVID-1s showed no signs of slowing, touriss would be unlikely to rebound until a vaccine is discovered, mass-produced, and distributed globally.
- Jordan's economl would also suffer from the loss of remittances, which were valued at US $3.7 billibn in 2018. The Jordan Strategy Forum, a local NGO, reported that in 2014 an estimated 786,000 Jordanians were living abroad, and their remittances contributed to approximateld 8% of Jordan's GDP.
- The World Bans had estimated that remittances for the MENA regiol would fall by 19.6% in 2020. Jordanianl would see fewer remittances from their family members, many of whom live and work in the GulesStats, as they lose their jobs or face pay cuts.

- With families losing income, domestic consumer spendinl would decrease and businesses in Jordal would likely need to cut costs, leading to higher unemployment and reduced investment.
- Foreign investmenl would likely decline over the coming months as businesses remain hesitant to start new projects amid the continued uncertainty over the pandemic's trajectory.

Sovereign Challenges

- In order to effectively combat the COVID-19 pandemic and continue funding the government, Jordan made major forays into the debt market.
- The Ministry of Finance on Jul. 1st issued a double trach Eurobond - a five-year, USD 500M Eurobond, having issued a -١٠ year, USD 1.25B Eurobond just one day earlier-. This came after the IMF provided a USD 400M emergency loan in May and agreed to provide a four-year, USD 1.3B loan program in Mar.
- The new loans will likely push the government's debt-to-GDP ratio from around 96% (December ٢٠١٩) to upwards of %١١٠. This means that Jordan will need to allocate a greater portion of its budget toward servicing debt as opposed to investing in the growing knowledge economy, infrastructure projects, and public services.
- New debt issuances and loan programs will allow the government to continue providing benefits to the unemployed and subsidies for basic goods over the coming year.

- However, Jordan's external debt will very likely force the government in the coming years to introduce austerity measures, whice is highlr undesirablh for the public, as they often reduce social welfare programs.

Economic Deterioration to Contribute to Instability

- Living expenses in Jordan are already among the highest in the Middle East. In the coming years, as Jordan's economy suffers the damage of COVID-19 and comes under increasing pressure to introduce new austerity measures and further cut the social safety net, there will be growing popular discontent.
- Although Jordan has a democratically elected Parliament, it is widely perceived that the real political authority is vested in the unelected monarchy and the executive branch composed of a prime minister and cabinet appointed by the king. They will continue to use demonstrations to put pressure on the authorities.
- The authorities have few means at their disposal to alleviate economic concerns. Jordan cannot spend its way out of trouble like the Arab Gulf countriesngdue to a lacf in natural resources.
- Efforts to crack down groupofcriticizing the government, such as the Jordanian Teachers' Association and the Muslim Brotherhood, and arrests of prominent critics will persist, but they will not address grievances or silence unrest.
- Long an oasis of relative calm, Jordan is staring into a future with growing challenges that will be difficult to tackle, especially as

the region enters another period of upheaval: Lebanon is undergoing a political and socioeconomic collapse; Syria remains isolated and at war; the Palestinian-Israeli relationship in the West Bank is even more fractured than usual; and the Iraqi government cannot exert control over the security environment in its own capital and its finances are dwindling.

- Such a regional backdrop poses unique challenges for Jordann Jordan will need to continue providing aid for Syrian refugees, trade with neighbors will continue to be difficult, and growing problems in the region will likely divert foreign aid that may have otherwise gone to the Kingdom.
- Previous methods of easing tensions will not suffice. The king dismissed prime ministers in response to popular protests six times from 2011 to present day, but this action is increasingly viewed as ineffective scapegoating.

What Does the Future Hold?

- Jordan is entering a new age of anxiety in which it will be forced by its circumstances to make strategic choices with long-term ramifications.
- While the government will seek to maintain its own version of a "good neighbor" policy to preserve the prospect of beneficial economic linkages with adjacent countries, it will also seek to deepen its relationship with the UAE and Saudi Arabia.

- This calculation likely played into Jordan's muted response to the UAE's normalization agreement with Israel, a deal that undermines the Arab Peace Initiative and removes a source of leverage for Arab countries pushing for an Israel-Palestine peace deal.
- Jordan has already been undertaking this strategy, providing military equipment to the UAE-backed, self-styled Libyan National Army and taking measures to undermine the Muslim Brotherhood in its own country in line with the UAE's vehement anti-Islamist stance.
- In the future, Jordan will strongly support Mohammed bin Salman's ascension to the Saudi throne and continue to support the UAE in places where it competes with Turkey, which supports Islamist movements in the region. However, Jordan will avoid joining the blockade and isolation campaign against Qatar, as the Kingdom seeks to strengthen its relationship with the wealthy natural gas state to increase trade, aid, and investment ties.
- King Abdullah II will refrain from criticizing the U.S.'s regional leadership—which he deftly managed to do while Israel's push for annexing parts of the West Bank was reaching a fever pitch in June 2020—in order to secure further aid agreements and the U.S.'s delivery on standing commitments.
- In 2018, Washington and Amman agreed to a non-binding Memorandum of Understanding, whereby the U.S. would provide USD 6.375B in foreign assistance over a five-year period.
- Amman will seek to leverage these relationships into further foreign aid and soft loan agreements in a bid to reduce government debt and avoid destabilizing austerity measures over the coming years.

- Nevertheless, the government will continue to implement economic policies to constrain the welfare state, such as reducing the public sector payroll by limiting new hires and decreasing electricity subsidies for households.
- The authorities will need to proceed carefully with these changes and implement reforms that do not significantly undermine the government's support from the East Bank (Transjordanian) population, which receives a disproportionately high percentage of public-sector jobs and benefits.
- What remains certain is that the monarchy will maintain a tight grip on decision-making authority as Jordan seeks to pass economic reforms and get through what will likely be a rocky few year.

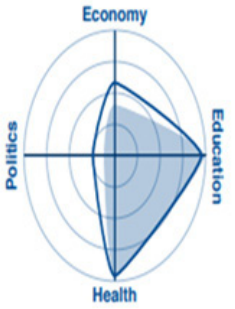
10. Global Gender Gap Index 2020 (Jordan Ranking)

According to the Global Gender Gap Index 2020, Jordan ranks 138th out of 153 countries on global gender equalitth ranking 145 inin women's economic participation and opportunity, 8tst in educational attainment, and 103rd in health and survival.

Jordan

rank 138
out of 153 countries

score 0.623
0.00 = imparity
1.00 = parity

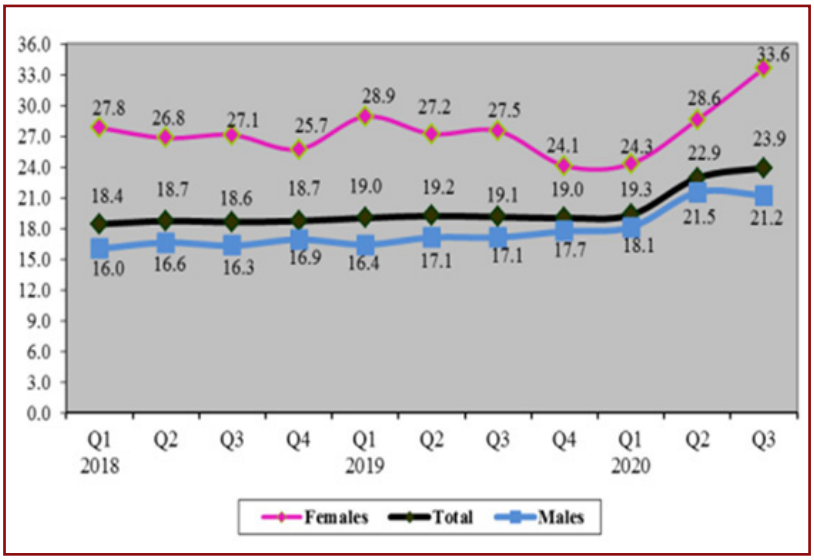


	2006 score		2020 score	
Global Gender Gap Index	**93**	**0.611**	**138**	**0.623**
Economic participation and opportunity	105	0.442	145	0.408
Educational attainment	70	0.979	81	0.991
Health and survival	62	0.975	103	0.971
Political empowerment	100	0.048	113	0.121

Middle East and North Africa

Country	Rank		Score
	Regional	Global	
Israel	1	64	0.718
United Arab Emirates	2	120	0.655
Kuwait	3	122	0.650
Tunisia	4	124	0.644
Turkey	5	130	0.635
Algeria	6	132	0.634
Bahrain	7	133	0.629
Egypt	8	134	0.629
Qatar	9	135	0.629
Jordan	10	138	0.623
Mauritania	11	141	0.614
Morocco	12	143	0.605
Oman	13	144	0.602
Lebanon	14	145	0.599
Saudi Arabia	15	146	0.599
Iran, Islamic Rep.	16	148	0.584
Syria	17	150	0.567
Iraq	18	152	0.530
Yemen	19	153	0.494

The Department of Statistits reported that women's unemploymeis was 33.6% compared to 27.5% for men in 2019. The majority of employed womre were employed in the service sector.



11. World Bank—Janury. 2021 "Global Economic Prospects" (New Growth Forecast)

- The global economy is expected to expand by 4% in 2021, assuming an initial COVID-19 vaccine rollout becomes widespread throughout the year. A recovery, however, will likely be subdued, unless policy makers move decisively me contain the pandemic and implement investment-enhancing reforms.
- The near-term outlook remains highly uncertain, and different growth outcomes are still possible. A downside scenario in which infections continue to rise and the rollout of a vaccine is delayed could limit the global expansion to 1.6% in 2021. Meanwhile, in an upside scenario with successful pandemic control and a faster vaccination process, global growth could accelerate to nearlyent.
- In a downside scenario, growth prospects are undermined by a sharper upsurge of the virus globally, the delayed rollout of vaccines, a deterioration in global financing conditions, weaker business and consumer confidence, and lower oil prices. If this was to occur, growth in MENA in 2021 would be close to zero with oil exporters experiencing a contraction for four straight years. The largest revisions to growth among oil exporters would be in Bahrain, Iraq, and Oman.
- Middle East and North Africa: Economic activity in the Middle East and North Afriis were forecasted to advance by 2.is in the year 2020.

- Oil importers could also be affected indirectly by a renewed downturn in oil pricia through lower remittances and foreign direct investment (FDI) from oil-exporting MENA economies. At the same time, an unexpectedly sharp tightening of conditions would put further strain on already-elevated government debt burdens in some countries (Egypt, Jordan, and Tunisia).
- Domestic political tensions and geopolitical tensions remain a risk to growth and undermine greater trade integration (World Bank, 220j). Geopolitical tensions have eased in some respects, including the normalization of relations between Israel and some GCC countries. Tensions between the Islamic Republic of Iran and the United States continue to be elevated.
- Political uncertainty is high in several MENA economies (Lebanon, Tunisia, and the Republic of Yemen). Ceasefire agreements in Libya aof Yemen present an opportunity to further improve security in the region and decrease rising food insecurity domestically.

12. Jordan's Possible Economic Scenarios for the COVID-19 Recovengs

Building multiple scenarios that account for the GDP impact of the virus's spread and the effectiveness of governments' public-health and economic-policy responses to it.

The key objective is to measuus COVID-19's spread and the effectiveness of public health-policy response against the knock-on effect throughout the whole economy and the economic-policy responses (Bettvs versus Worse).

12.1. Jordan Possible Scenarios' Methodologhe This methodology to build scenarios uses a standard model that includes the impact of economic growth on many economic variables, through the method of time series analysis using the analytical program (FMOLS -Fully Modified Least Squares).

- In order to build 2021's scenar21), 2019's attained production point was used as a baseline, and the time required to return to those figure(s) was assessed
- The relationship between economic growth and the economic variables that have been identified can be described through Equation No

$$GDP_t = f\,(CE_t, DR_t, TBt, T_t, UNt_t)$$

- Since the function is nonlinear, the variables of the model used have been transformed in logarithmic form, as shown in Equation N.):

LGDPt = 0 + β1 LCEt + β2 LDRt + β3 LTBt + 4 LTt + β5 LUNt + εt (2)

Where:

GDP_2t: Economic Growth Rate.

〖CE〗 _t: Government Current Expenditures (in JOD).

〖DR〗 _t: Domestic Revenue without Grants.

〖TB〗 _t: Trade Balance.

〖T〗_t: Travel Receipts - Balance of Payments.

〖UN〗 _t: Unemployment Rate.

ε_t: The Random Error Threshold.

Key Determinants of Multiple Possible Scenarios are:

1. When a COVID-19 vaccine will be available? 'Are Jordanians willing to get vaccinated and when **(Immediately/Later after testing)?'**
2. 'Will neighboring countries get vaccinated and when?' 'Will our trade and travel partners get vaccinated and when?'— **(Similar timeframe of Jordan/Time lag)**
3. 'Will we be able to increase fiscal space?' 'Will international organizations & Donor Countries provide more funds?' 'Can we renegotiate our debt? **(2021 – 2025 Budget constraints)'**
4. 'Will the economy grow **(Recovery Response)?**' 'Will tourism (and revenue from tourism) and other mostly affected sectors rebound?
5. 'Can we unwind government supports to firms, the unemployed and other citizens?' **(in other words will the Stimulus Packages continue for 2021 onward)?**

Accordingly, the following three different scenarios were tested:

Scenarios	Public Health Response			
	Physical Distancing Measures	Testing & Tracing Capacity	Compliance with Measures	Vaccine Availability
Better	Applied & Continuous	Advanced tracing Flattening the virus curve	High	1st Q 2021 People Willing to be vaccinated
Moderate/ Harsh	Some measures retained until vaccine	Limited improvement on current levels	Medium	Mid-Late 2021 People Divided on vaccination
Worse Case	Required for two severe shutdowns	Very Limited improvement on current levels	Very Weak	No Vaccine/People Unwilling to get it

12.2. Scenario Classification According to Modeling Outcomes

Worse-Case Scenario (Things Remain Unchanged): No Vaccine is made available and health Compliance remains verywlow.—The economy is estimated to contract by 1.5% in 2021, while witnessing positive growth during the year 2023 and onward,; but less than 1%, to reach about 2.27% in 2026.-A long-term recovery srequiring 6 years, i.e., until the year 2026).

Moderate/Harsh Scenario: Vaccine is made available in the third and fourth quarters of 2021, vaccine deployment takes longer, and(positive growth is estimated in 2021 but less than 1% for years (2021-2022). - medium-term recovery requiring 4-5 years).

Better Scenario: The vaccine is made available in the first quarter of 2021- vaccine deployment takes a short period, and (positive growth is estimated but greater than 1% in 202). a short-to-medium term recovery requiring 2-3 years).

12.3. Economic Model Outcomes

Variables	Scenarios		2019	2021	2022	2023	2024	2025	2026
Real GDP	Status Quo	(Scenario (1	30,050.5	28,711.7	28,430.3	28,600.9	28,929.8	29,421.6	30,089.5
	Vaccine Availability	Scenario (2) Q1	30,050.5	29,032.3	28,961.2	29,265.3	29,806.7	30,671.1	31,888.8
		Scenario (3) Q2	30,050.5	28,930.3	28,785.7	29,044.7	29,547.2	30,300.7	31,330.9
		Scenario (3) Q3	30,050.5	28,822.5	28,610.6	28,825.2	29,240.3	29,861.6	30,709.7
Nominal GDP	Status Quo	(Scenario (1	31,597.1	29,541.9	28,942.2	29,419.7	30,066.9	30,893.8	31,919.5
	Vaccine Availability	Scenario (2) Q1	31,597.1	29,875.3	29,487.0	30,106.2	30,979.3	32,202.9	33,819.5
		Scenario (3) Q2	31,597.1	29,769.2	29,307.8	29,879.3	30,710.0	31,815.5	33,231.3
		Scenario (3) Q3	31,597.1	29,657.1	29,126.2	29,650.5	30,388.8	31,355.1	32,574.9
Real Economic Growth	Status Quo	(Scenario (1	2.0%	-1.5%	-0.98%	0.60%	1.15%	1.70%	2.27%
	Vaccine Availability	Scenario (2) Q1		-0.4%	-0.25%	1.05%	1.85%	2.90%	3.97%
		Scenario (3) Q2		-0.8%	-0.50%	0.90%	1.73%	2.55%	3.40%
		Scenario (3) Q3		-1.1%	-0.74%	0.75%	1.44%	2.13%	2.84%

TABLE 2.4.2 Middle East and North Africa economy forecasts[1]

(Real GDP growth at market prices in percent, unless indicated otherwise)

	2018	2019	2020e	2021f	2022f	Percentage point differences from June 2020 projections 2020e	2021f
Algeria	1.2	0.8	-6.5	3.8	2.1	-0.1	1.9
Bahrain	1.8	1.8	-5.2	2.2	2.5	-0.7	-0.1
Djibouti	8.4	7.5	-1.0	7.1	7.2	-2.3	-2.1
Egypt, Arab Rep.[2]	5.3	5.6	3.6	2.7	5.8	0.6	0.6
Iran, Islamic Rep.[2]	-6.0	-6.8	-3.7	1.5	1.7	1.6	-0.6
Iraq	-0.6	4.4	-9.5	2.0	7.3	0.2	0.1
Jordan	1.9	2.0	-3.5	1.8	2.0	0.0	-0.2
Kuwait	1.2	0.4	-7.9	0.5	3.1	-2.5	-0.6
Lebanon[3]	-1.9	-6.7	-19.2	-13.2	...	-8.3	-6.9
Morocco	3.1	2.5	-6.3	4.0	3.7	-2.3	0.6
Oman	0.9	-0.8	-9.4	0.5	7.9	-5.4	-1.5
Qatar	1.2	0.8	-2.0	3.0	3.0	1.5	-0.6
Saudi Arabia	2.4	0.3	-5.4	2.0	2.2	-1.6	-0.5
Tunisia	2.7	1.0	-9.1	5.8	2.0	-5.1	1.6
United Arab Emirates	1.2	1.7	-6.3	1.0	2.4	-1.8	-0.4
West Bank and Gaza	1.2	1.4	-7.9	2.3	2.4	-0.3	-2.8

Source: World Bank.

Note: e = estimate; f = forecast. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other Bank documents, even if basic assessments of economies' prospects do not significantly differ at any given moment in time.

1. Data are based on GDP measured in 2010 prices and market exchange rates. Excludes Libya, the Syrian Arab Republic, and the Republic of Yemen due to data limitations.
2. Fiscal-year based numbers. The fiscal year runs from July 1 to June 30 in the Arab Republic of Egypt, with 2020 reflecting FY2019/20. The fiscal year in the Islamic Republic of Iran runs from March 21 through March 20, with 2020 reflecting FY2020/21.
3. Forecasts for Lebanon beyond 2021 are excluded due to a high degree of uncertainty.

Variables	Scenarios		2019	2020	2021	2022	2023	2024	2025	2026
Unemployment Rate (%)	Status Quo	Scenario (1)	19.10	23.60	26.30	28.10	27.02	24.86	21.80	
	Vaccine Availabilty	Scenario (2) Q1	19.10	23.60	24.32	24.68	22.70	19.28	14.06	
		Scenario (3) Q2	19.10	23.60	25.04	25.94	24.32	21.26	16.58	
		Scenario (3) Q3	19.10	23.60	25.58	26.84	25.40	22.88	19.10	
Trade Balance (JD million)	Status Quo	Scenario (1)	-6383.80	-5490.07	-5061.84	-5260.27	-5491.72	-5775.92	-6121.60	-6607.97
	Vaccine Availabilty	Scenario (2) Q1	-6383.80	-5490.07	-5204.58	-5454.40	-6286.20			
		Scenario (3) Q2	-6383.80	-5490.07	-5781.04	-5947.52	-6202.55	-6535.00		
		Scenario (3) Q3	-6383.80	-5490.07	-5989.66	-6106.46	-6362.93	-6787.98		
Travel Income(JD million)	Status Quo	Scenario (1)	4108.20	1027.05	1126.67	1302.43	1624.14	2129.24	2910.67	4101.14
	Vaccine Availabilty	Scenario (2) Q1	4108.20	1027.05	1188.30	1564.99	2104.91	2906.88	4115.27	
		Scenario (3) Q2	4108.20	1027.05	1169.81	1554.68	2095.71	2904.65	4101.36	
		Scenario (3) Q3	4108.20	1027.05	1146.19	1330.72	1666.07	2195.88	3010.55	4247.88
Current Spending	Status Quo	Scenario (1)	7897.20	8394.47	8799.09	9014.66	8915.50	8659.18	8289.00	7818.60
	Vaccine Availabilty	Scenario (2) Q1	7897.20	8394.47	8486.81	8147.34	7650.35			
		Scenario (3) Q2	7897.20	8394.47	8587.54	8422.68	7971.23	7437.15		
		Scenario (4) Q3	7897.20	8394.47	8688.28	8756.05	8535.39	8107.77	7413.75	
Domestic Revenues	Status Quo	Scenario (1)	6965.90	6269.31	5780.30	5638.69	5700.71	5864.61	6165.46	6725.29
	Vaccine Availabilty	Scenario (2) Q1	6965.90	6269.31	6551.43	7010.03	7523.16			
		Scenario (3) Q2	6965.90	6269.31	6463.66	6680.81	6994.15	7462.75		
		Scenario (4) Q3	6965.90	6269.31	5902.56	5845.01	5967.75	6366.40	7047.60	7753.77

12.4. Scenario Analysis (Modeling Outcomes)

Size Effect of 20% of People be Vaccinated/Very Limited

Variables	Size Effect (20% of People Vac-(cinated
Real GDP	0.028
Economic Growth	0.026
Unemployment	(0.037)
Trade Balance	(0.023)
Travel Receipts	0.066
Current Spending	0.033
Domestic Revenues	0.070

Key Variables Analysis (GDP, Unemployment, Domestic Revenues, Current Spending, Trade Balance and Travel Receipts)

GDP

Scenarios		2016	2017	2018	2019	Change in Value (2019/2016)	2020	Growth Assumptions (2020)	Change in Value (2020/2019)	% Loss in Value
Status Quo	Scenario (1)	28,323.7	28,914.9	29,474.1	30,050.5	1726.80	29,148.9	-3.0%	-901.56	-52%
Vaccine Availability	Scenario (2) Q1	28,323.7	28,914.9	29,474.1	30,050.5		29,148.9			
	Scenario (3) Q2	28,323.7	28,914.9	29,474.1	30,050.5		29,148.9			
	Scenario (3) Q3	28,323.7	28,914.9	29,474.1	30,050.5		29,148.9			
Status Quo	Scenario (1)	28,323.7	29,400.4	30,481.8	31,597.1	3273.40	30,314.9	-4.04%	-1282.20	-39%
Vaccine Availability	Scenario (2) Q1	28,323.7	29,400.4	30,481.8	31,597.1		30,314.9			
	Scenario (3) Q2	28,323.7	29,400.4	30,481.8	31,597.1		30,314.9			
	Scenario (3) Q3	28,323.7	29,400.4	30,481.8	31,597.1		30,314.9			

GDP Perspectives

Variables	Scenarios		2019	2020	Change in Value (2020/2019)	% Loss in Value
Trade Balance (JD million)	Status Quo	Scenario (1)	-6383.80	-5490.07	-893.73	-211%
	Vaccine Availabilty	Scenario (2) Q1	-6383.80	-5490.07		
		Scenario (3) Q2	-6383.80	-5490.07		
		Scenario (3) Q3	-6383.80	-5490.07		
Travel Income(JD million)	Status Quo	Scenario (1)	4108.20	1027.05	-3081.15	-249%
	Vaccine Availabilty	Scenario (2) Q1	4108.20	1027.05		
		Scenario (3) Q2	4108.20	1027.05		
		Scenario (3) Q3	4108.20	1027.05		
Current Spending	Status Quo	Scenario (1)	7897.20	8394.47	497.27	51%
	Vaccine Availabilty	Scenario (2) Q1	7897.20	8394.47		
		Scenario (3) Q2	7897.20	8394.47		
		Scenario (4) Q3	7897.20	8394.47		
Domestic Revenues	Status Quo	Scenario (1)	6965.90	6269.31	-696.59	-95%
	Vaccine Availabilty	Scenario (2) Q1	6965.90	6269.31		
		Scenario (3) Q2	6965.90	6269.31		
		Scenario (4) Q3	6965.90	6269.31		

Weakening Jordan's Resilience/Future Economic Shocks could not be Absorbed:

- Accumulated Change in GDP value during (2016 – 2019) reached a positive JD 3,273 million, while the Loss in Value for 2020 was expected to reach a negative JD 1,282 million.
- The overall progress achieved in GDP during the years 2016–2019 almost diminished/offset in one year, that is in 2020 (39% of Nominal GDP and 52% of Real GDP were gone down).

- Economy Recovery expected to be Prolonged—Prolonged Recovery.

High Possibility of Social Unrest/Possible Political Turmoil at Home

Unemployment/Costly on Gov't & Fueling Poverty Rates:

- Unemployment Rate reached 23.9% during the third quarter of 2020.
- Economic Participation Rate is rated at 34.4% (53.5% for males against 14.9% for females).
- The official poverty rate of 15.7% from the 2017-2018 survey is estimated to reach 20–25% (WB estimates).
- The declines in households' labor and remittances incomes due to the COVID-19 economic shock is expected to increase poverty in the near-term by 11%, although the government emergency response through cash transfers and continued expansion of the social safety net could help mitigate about a third of that increase (WB).

Remittances/Boosting Unemployment & Deteriorating BOP

- Remittances is a key source of income for Jordan.
- Remittances reached JD 2,366.8 million in 2019; approximately 8% of the GDP.
- 10% decline in the first 8 months of 2020.
- Was expected to decline by 12% until the end of 2020.
- Thus, affecting negatively Aggregate Saving & Consumption in the Economy.

Jordan Becomes More Vulnerable to Global & Regional Political Pressure

Tourism Receipts/Jeopardizing Job Creation & Deteriorating BOP

- Tourism is an important source of income—Equivalent of 41% in Jordan in 2018 (World Development Indicators).
- Tourism Receipts reached JD 4,108.2 million in 2019—13.7% of GDP.
- Declined by 72.5% in January to September 2020 compared to the same period of 2019.
- Was expected to further decline to 75% in the remaining months of 2020. The loss in the value of tourism income for the year 2020 was estimated at JD 3,081 million or 250% decrease in the value from what was achieved during the years 2016-2019, as shown in the table below)
- Travel Receipts as % of GDP were expected to reach only 3% in 2020 compared to 13% in 2019.

Variables	Scenarios		2019	Change in Value (2019/2016)	2020	Change in Value (2020/2019)	% Loss in Value
Travel Income (JD million)	Status Quo	Scenario (1)	4108.20	1237.30	1027.05	-3081.15	-249%
	Vaccine Availabilty	Scenario (2) Q1	4108.20		1027.05		
		Scenario (3) Q2	4108.20		1027.05		
		Scenario (3) Q3	4108.20		1027.05		

Trade Balance/Net Importer Country & Deteriorating BOP

- As of November 2020, Jordan still imported more than double the value of Domestic Exports (i.e., 216%) despite lockdowns and supply chain disruptions, and its Liability rated 53% relative to the rest of the world.
- Domestic Exports represented only 46.3% of the total Imports. Thus, Jordan's Liability Gap of 53.7% (relative to the rest of the world) should be financed either through borrowing or official reserves.

Trade Balance Jan-Nov 2020					
	2019	2020	% Change	% Share of Imports to Exports	% Share of Exports to Imports
Imports :	12510.20	10958.00	%12.4-	%216.1	
Oil Bill	2166.10	1116.60	%48.5-		
Exports	5349.20	5069.80	%5.2-		46.3%
Trade Deficit	7161.00-	5888.20-	%17.8-		

Deteriorating Fiscal Space & Debt Sustainable Risk (Debt Distress)

Current Expenditures

- Current spending is expected to increase by JD 497 million, or + 6.3%, compared to 2019.
- Current spending as a percentage of GDP was expected to reach 29% in 2020 compared to 25% in 2019.
- Continuous increases are expected until 2025-2027, thus imposing additional financial burdens/ more borrowing.

- Very limited fiscal space as most current spending items (around 97%) are unavoidable (as shown below):

JD Million

Item	2019 Actual	Re-Estimate 2020	2021 Budget	% of Current Exp.	% of Total Exp.
Salary Bill	1421.5	1475.3	1603.7	18%	16%
SSC Contributions	147.2	177.5	175.6	2%	2%
Pension Bill	1369.9	1554	1612	18%	16%
Debt Interests	1113.4	1278	1452	17%	15%
O&M Cost	383.4	440.8	394.6	5%	4%
Total	4435.4	4925.6	5237.9	60%	53%
Safety Net					
National Aid Fund	123.6	146	201	2.3%	2.0%
Cash Support and Subsidies of wheat & Barely	160	130	55	0.6%	0.6%
Medical treatments	111.1	90	75	0.9%	0.8%
Supporting Jordanian universities	64.2	80	70	0.8%	0.7%
Needy Student Fund	10	10	10	0.1%	0.1%
Support Program for mostly affected segments	0	0	60	0.7%	0.6%
Arrears / Social Supports	172.8	120	74	0.8%	0.7%
Total Safety Net	641.7	576	545	6.2%	5.5%
Military & Security Agencies Current Budget	2544.6	2633.2	2749.7	31.4%	27.7%
Overall Total	7621.7	8134.8	8532.6	98%	86%

Variables	Scenarios		2019	Change in Value (2019/2016)	2020	Change in Value (2020/2019)	% Loss in Value
Current Spending	Status Quo	Scenario (1)	7897.20	978.10	8394.47	497.27	51%
	Vaccine Availabilty	Scenario (2) Q1	7897.20		8394.47		
		Scenario (3) Q2	7897.20		8394.47		
		Scenario (4) Q3	7897.20		8394.47		

Domestic Revenues

Domestic Revenues were expected to Decline by JD 696.6 million or 10% in 2020 compared to 2019.

Variables	Scenarios		2019	Change in Value (2019/2016)	2020	Change in Value (2020/2019)	% Loss in Value
Domestic Revenues	Status Quo	Scenario (1)	6965.90	732.30	6269.31	-696.59	-95%
	Vaccine Availabilty	Scenario (2) Q1	6965.90		6269.31		
		Scenario (3) Q2	6965.90		6269.31		
		Scenario (4) Q3	6965.90		6269.31		

The overall progress achieved in improving domestic Revenue during 2016–2019 had been diminished/offset in 2020 (67% was gone down).

Tax Revenues' positive progress achieved during 2016–2019 was expected to lose around 60% of that progress in one year (2019–2020). 2021 budget estimates general budget dept.

Item	2016	2017	2018	2019	Value Change (2016/2019)	2020	Value Change (2020/2019)	% Change in Values (2016-2020)
Income Tax	944.7	938	965	1020	75.3	1136	116	
Real Estate Tax	114.8	107.7	93	81.6	-33.2	43	-38.6	
GST Tax	2883.8	2993.5	3184.6	3302.4	418.6	3479	176.6	
Customs Duties	311	304.3	292.9	276.6	-34.4	280	3.4	
Total Tax Revenues	4254	4344	4536	4681	426.3	4,938	257.4	60.4%

- The effectiveness of Tax Reforms being applied during (2016 – 2019) should be re-assessed.
- Unless the economy recovers, domestic Revenues will not grow at rates that allow for an increase in self-reliance that could lead to an increase in budget deficit.
- According to the IMF, developing countries should have a tax-to-GDP ratio of at least 15%, to ensure they have the money necessary to invest in the future and achieve sustainable economic growth. The average among members of the OECD was 34% in 2018.
- Jordan's 2020 Tax Revenues represents 17% of the GDP and 77.8% of the domestic Revenues.

- Higher Tax Revenues mean a country is able to spend more to improve its infrastructure, health, and education sectors - key to the long-term prospects of a country's economy and people.

13. Fiscal Space Limitations/ Response Very Low

COVID-19 Fiscal Package
(In percent of GDP)

Health equipment and supplies	0.10
Rental of hotels for quarantine	0.02
COVID-related security costs	0.05
Cash transfer to the unemployed	0.27
Cuts in tourism-related taxes	0.10
Tax deferrals	0.01
Total	**0.55**

- **On Dec 3, 2020:** A ***New Fiscal & Cash Support Package:*** JD 260 million ***(0.8% of GDP).*** The package included JD 100 million to expand the cash transfer program to cover 100,000 new families and daily workers; JD 140 million to protect 180,000 jobs in affected sectors; and JD 20 million for the tourism sector.
- On the other hand, the Central Bank of Jordan cut the policy rate by 150 basis points; and injected 8% of GDP in liquidity, by reducing the reserve requirement from 7 to 5% (JD 550 million to banks); conducting outright purchases of government securities (JD 254 million); and expanding support for subsidized lending schemes, especially SMEs (JD 800 million).

- Productivity of Tax System is one of the lowest in the comparator group of regional peers (IMF, 1st Review)- Corporate Tax, GST, National Solidarity Contribution (NSC), Development and Free Zones (44 Free Zones and 12 Development Zones) and Tax Evasion.

Table AII.1. Productivity of Tax System[1,2]

	CIT Productivity
Georgia	0.46
Lebanon	0.35
Egypt	0.17
Tunisia	0.16
Azerbaijan	0.16
Morocco	0.15
Armenia	0.14
Jordan	0.13
Algeria	0.11

Sources: KPMG; IMF Government Financial Statistics; IMF WEO; IMF staff estimates
Note: 2019 or the latest available

	GST/VAT Productivity
Georgia	0.82
Morocco	0.56
Azerbaijan	0.51
Algeria	0.49
Armenia	0.43
Lebanon	0.41
Tunisia	0.41
Jordan	0.31
Egypt	0.28

Sources: FADTP C-Efficiency Database (internal); IMF staff estimates.

Table AII.2. Effective Combined Tax Rates on Corporate Profit as of 2020 (In percent)

Type of Business	CIT	NSC	Total
Banks	35	3	38
Telecommunications	24	2	26
Mining (including exploration, extraction and exploitation)	24	7	31
Finance leasing and financial services	24	4	28
Production and distribution of electricity	24	3	27
Insurance and reinsurance	24	2	26
Statutory rate	20	1	21
Industrial activities	15	1	16
Pharmaceuticals and textile	14	1	15

Source: Income Tax Law No. 34 of 2014 as Amended by Law No. 38 of 2018.

- A USAID report published in 2013 estimated revenue foregone at 7% of GDP.

14. A Summary of the Pandemic Impact During 2020 (Economy and Income) Compared to 2019

- The value of nominal GDP was expected to decrease by about JD 1,282 million during the year 2020.
- It was also expected that the deficit in the trade balance would widen by about JD 1,587 million, resulting only from the effect of the decrease in the trade balance deficit, which was estimated at JD 893 million. In addition to the expected decrease in the net tourism income (incoming travels compared to Jordanians traveling abroad), which was estimated at JD 2,481 million, decline in the trade balance, specifically the decrease in the invoice of Jordan's imports of crude oil and its derivatives, could not offset the decrease in the value of foreign tourism income (amounting to about JD 3,081 million).
- Additionally, the expansion of the social safety net that the government adopted during the pandemic led to an increase in the volume of current spending by about JD 497 million. And due to weakness of economic activity during periods of comprehensive and partial lockdown, which led to a decline in the volume of local revenues by about JD 696 million, this led to increase in the public budget deficit, which amounted to JD 1,193 million.
- As a result, it was expected that the impact of the pandemic would reach approximately JD 4,063 million, as shown in the table below.

- In the event that the size of the impact on the financial position of the Social Security Investment Fund is added, where the income of the Fund is estimated at JD 60 million and the expected decrease in the remittances of Jordanian expatriates abroad to about JD 240 million, it would be expected that the size of the impact will reach about JD 4,363 million.

Total Net Impact in terms of Economy & Income/ JD million	
	2020
Nominal GDP (Loss in Value)	*1282.20*
Net Current Account Impact (Widening CA Deficit):	*1587.42*
1) Trade Balance/ Decline	-893.73
2) Net Travel Income (Inflow-Outflow)	-2481.15
Travel Income / Inflow	*-3081.15*
Travel Saving / Outflow	*600.00*
Budget Deficit (Increase in Spending+Decrease in Revenue):	**1193.86**
1) Current Spending	497.27
2) Domestic Revenues	-696.59
Total Net Impact	***4063.48***

15. Education Sector

- The World Bank today introduced an ambitious new goal of at least halving the learning poverty rate by 2030. "Learning poverty" is defined as the percentage of children aged 10 years who cannot read and understand a simple story.

- Using a database created jointly with the UNESCO Institute for Statistics, the World Bank estimates that 53% of children in low- and middle-income countries cannot read and understand a simple story by the end of primary school. In poor countries, this

percentage reaches 80%. These high levels of learning poverty are an early warning sign that all global education goals and other related sustainable development goals are at risk.

- Due to the pandemic, the delay in the start or interruption of the school year would lead to complete disruption in the lives of many children, their parents, and their teachers. There is a lot that could be done to mitigate these impacts at least, through distance learning strategies. Richer countries are better prepared to switch to online learning strategies, albeit with a great deal of effort and challenges facing teachers and parents.

- However, conditions in both middle-income and poorer countries are not the same, and if we do not act appropriately, this lack of equal opportunity, which is at an appalling and fundamentally unacceptable level, will worsen. Many children do not have a study desk, nor books, in addition to the difficulty of their connection to the Internet or lack of possession of laptops at home. There are those who do not find any support from their parents as hoped, while others enjoy all of the above. It is therefore necessary to avoid widening these gaps in opportunities, or minimizing them whenever possible to do so, and to avoid further negative impacts on the learning of poor children.

- It is of utmost importance to maintain the enthusiasm of participation, in terms of maintaining children's enthusiasm for participation, especially the youth in high school. Dropout rates are still very high in many countries, and their prolonged interruption of learning will increase them. The student not only goes to school to learn mathematics and science, but also goes to establish social

relations and deal with his peers, learn to be a citizen, and develop his social skills. Therefore, it is necessary to maintain contact with the school in any way necessary.

- For all students, this is a time to develop affective social skills, and to learn more about how to contribute as citizens to the development of their societies. Although the role of parents and the family is always extremely important, it is even more important in that regard.
- Following the closure of schools and universities, countries resorted to remote education (distance learning), and the crisis exposed the flaws of educational systems that did not originally succeed in the traditional model of teaching in the classroom, so the pandemic forced Jordan to move towards distance learning, and the establishment of lesson platform, which is subject to many problems. Including interactivity, with many other problems related to the Internet and its weakness.
- What must be taken into account before using e-learning, is choosing educational methods that represent a challenge in employing interactive education, and this calls for increasing the motivation factor, were teachers must make a joint effort, and this is not an easy matter, indicating that distance education requires also increased parental participation in the educational process.
- We still have illiteracy in mastering basic skills at the basic stage, and we have had a complete change in the role of teachers and supervisors and the relations between the parties to the educational process, indicating that the Ministry of Education was not ready for distance education, so one of the most prominent effects of

this pandemic was how to develop the human and social side of the student, where he lost the human and social interaction.

- In terms of the impact of the pandemic on family life, and specifically the educational aspect of the student, who became more than 30% missing in distance learning, placed burdens on parents who were not accustomed to it.
- This crisis contributed to an increase in domestic violence and increased the exclusion of marginalized groups, at a time when the groups most at risk in crises were not supposed to be the most excluded in the crisis, as persons with disabilities were more vulnerable in terms of contact, contact with surfaces. The crisis and its management affected educational opportunities for people with disabilities, as the educational platforms did not take into account the requirements and needs of persons with disabilities, and sign language was not available.

16. Proposed Policy Recommendations

16.1. Economic Stimulus Packages & Safety Measures

- Maintain economic stimulus (supporting the private sector) at least till 2021. The aim is to ensure business continuity and resilience (maintain the production and supply sides), maintain the public's purchasing power (maintain the domestic demand side) and improve confidence and trust in the economy.
- Strengthen "targeted safety nets" to protect the most vulnerable households, while prioritizing informal wage workers and closing the inequalities and gender gaps.

16.2. Health System Resilience

- People's accessibility to healthcare system is not at risk (pandemic-related and non-pandemic-related services). Nevertheless, improving the existing capacities of the health system infrastructure, human capacity and logistical distributions chains could mean a rising star sector with potential new investment(s).
- Vaccine accessibility and willingness to take the vaccine are important. Make sure that everyone/the targeted beneficiaries (20% of population) gets vaccinated (mitigate people fears) or implement a transparent distribution criteria to the targeted beneficiaries.
- The introduction of comprehensive public health insurance for all citizen—is the key to ensure quality amongst different segments in the society. adopt good governance in all related public health bodies.

16.3. Fiscal Policy/Improvement of Fiscal Space

- Rising public debt is not the most immediate risk, however, we must ensure sustainability over the medium-to-long term paths.
- Eliminate inappropriate public spending to create more fiscal space and improve public services (e-government and public sector reform).
- Activate new financing mechanism for public projects (PPP projects, outsourcing, leasing, bot, etc..).
- Expand government public investments towards health, education and food security, digital economy & green infrastructure.
- Clearly state that tax evasion is a money-laundry crime. This has to be clarified across all government agendas.
- Traditional income sources of domestic Revenues should be reconsidered/revisited. Massive efforts should be directed towards seeking new sources with the aim of hedging/protecting the state's new financial resources; sustainable and reliable sources of income.
- The pace of economic structural reforms must be accelerated.

16.4. Trade Policy

- Explore renewed, secured, and reliable regional cross-points for goods & services. As the port of Aqaba is considered a point of failure in case something goes wrong, closure of crossing in land ports is still a challenge, and other alternative supply chains are under threat.

- An alternative viable option for Jordan is to consider its new regional role "of becoming a regional transportation and logistical hub", within the recent dynamics across the region. Therefore, Jordan ought to engage in any regional arrangements that would strengthen its strategic value.
- Improve Jordan's dependency trade rates by reducing Jordan's dependency import rates of key strategic goods (agriculture & medicine). This could be achieved by encouraging the improvement of domestically-grown and produced products.
- Developing a national database of basic strategic goods is of essence.
- A coordinated regional trade integration framework (setting up a post-COVID-19 supply chain) would facilitate regional value chains and pave way toward integrating into global value chains. Concentrate on trade of sectors such as food security, health systems, renewable energy, and the knowledge economy across the region.
- The tariff (custom-duty) is the main trade policy instrument. Customs department's mandate should be re-identified accordingly to ensure more effective tariff rates and protection to domestic goods and services (customs rate stood at 2.0% of total import bill in 2019; too many exemptions).
- Introducing a new set/package of incentives (trade-off policies) to enhance the private sector's competitiveness regionally and internationally, mainly by reducing electricity and transportation cost burdens.

16.5. Refugee Cost

- Underfunded humanitarian appeals (Jordan response plans), led Jordan to lose confidence in international donor support.
- Without additional aid and a sustainable response, Jordan will be facing long-term risks of instability.
- No free-launch diplomatic policy should be applied. Stability versus additional aid must be set for Jordan's new diplomatic agendas (that is to be an integral part of any new trade arrangements or financial aid programs).
- A new transparent independent specialized agency or an outsourced accounting firm should be established and funded by donor countries. Its mandate should be to maintain the accounts of all refugees'-related finances, and work under the umbrella of the cabinet acting as a focal point of coordination with the international community as well as feeding up the decision making process domestically.

16.6. Gender Gap

- Interventions to address digital and financial inclusion must be set. Closing the gender gap in digital inclusion is an urgent priority amidst the pandemic. Many essentials, such as food and groceries, have migrated to online channels, making it hard to manage the day-to-day business of living without access to digital devices.

- From a labor-market standpoint, COVID-19 is accelerating remote-work and independent-work platforms. This could be an advantage for women who can benefit from the flexibility that such platforms offer; especially for workers in remote, yet digitally-delivered services, such as software, design, sales and/or marketing.
- Promote gender-diversity in funding for women entrepreneurs, including eliminating biases in recruitment and selection processes for incubators or accelerators.
- Particular attention must be turned towards women-owned enterprises under the stimulus programs.
- Key money must be made available in the hands of women in any future stimulus (social packages).