

# Analytical Study on the Jordanian Government's Measures to Protect Individual Institutions During the COVID-19 Crisis

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## Abstract

The Corona pandemic posed a major threat to the Jordanian economy. Small businesses and individual institutions have fallen prey to government closures to limit the spread of the virus. However, the Jordanian government has shown great efficiency and distinction in taking precautionary measures to confront the threat of the outbreak of Coronavirus (Covid-19). The measures taken by the Jordanian government were a fundamental step in protecting individual institutions from the risk of bankruptcy. These measures also came to reduce the financial burden on the owners of individual institutions and helped them to fulfil their obligations. This paper aimed to identify an Analytical study on the Jordanian government's measures to protect individual institutions during the Covid-19 crisis. An analytical approach was used. Theories were used to collect study data. The results revealed that the crisis has severely affected individual enterprises and home enterprises. Many of them lack any cash reserves, financial resources and assets, and are unable to obtain loans to cope with the crisis. Furthermore, Resorting to innovative tools at this stage, such as promoting digital sales and e-commerce, will be one of the most important interim means that enable Individual Institutions to remain strong in the market.

## Keywords

Jordanian Government's Measures, Individual Institutions, COVID-19

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## 1. Introduction

In recent decades, significant attention has been placed on the Jordanian economy as one of the Middle East economies open to the outside world (Plan, J. E. G., 2018). Jordanian. on free enterprise, in addition to being based on services that contribute about two-thirds of the value of economic production. According to Al-Hindawi [2], the economy depends mainly on local production and it is supported by foreign aid and remittances from Jordanian expatriates working abroad. However, the Jordanian economy is suffering from the repercussions of the crises that occur internationally, regionally and locally. Consequently, it is surrounded by many crises that affect it greatly [9].

Jordan has faced an economic hardship, which is the most severe since the financial crisis to which it was exposed at the end of the eighties, due to the repercussions of the Corona pandemic. The pandemic has negatively affected the external financing. It also contributed to the increase in expenditures to deal with the economic and social repercussions of the spread of the virus [8].

At the same time, the pandemic has influenced businesses of all sizes and types in unusual ways, including dramatically reduced economic activity and disruption of supply chains [10]. Folliot [8] adds that MSMEs are basically unprotected, under their insufficient cash reserves and resources compared to large companies, as well as poor standards of productivity

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in Jordan. Nevertheless, a set of measures have been taken to support and encourage the economy and minimize the impact of the epidemic on workers and individual institutions.

Vitas Group (2020) mentions that among the most important measures taken by the Jordanian government during the Corona pandemic is that it postponed payment of taxes and provided financial advances to individual institutions. On the other hand, the Central Bank postponed the payment of bank loans without fines to relieve the institutions.

The paper highlights the need for government measures to focus on assisting and motivating individual enterprises to "build better". This includes supporting their readiness, aligning business models to include more participatory and sustainable practices, and accelerating the digital transformation to enable companies to keep pace with the market and maintain their competitiveness and ability to face future crises.

## 2. Literature Review

### 2.1. Jordanian Government's Measures to Protect Individual Institutions

The coronavirus pandemic poses an immediate downside risk to the world's and Jordan's economic recovery [4]. In addition, the growing regional uncertainty poses an additional challenge to the Jordanian economy. Given already high debt levels in Jordan, political responses are constrained by limited fiscal space and a sharp decline in capital flows to emerging markets as global risk aversion rates rise [9]. [11] Emphasis that, the peg of the Jordanian dinar to the US dollar also constrain Jordan's monetary policy response. Given the deteriorating, global liquidity conditions, meeting aggregate financing needs could become more difficult; Consequently, Jordan's extension of a \$1.25 billion bond in the fourth quarter of 2020 could be challenging. Central Bank of Jordan [6] adds that, in the medium term, the recovery in growth and the pace of opportunity creation will depend on the pace of the global recovery and the resilience of the Jordanian economy; the latter can be strengthened by a great focus on implementing structural reforms. The new IMF Extended Facility will be pivotal to Jordan's macroeconomic stability in the medium term.

Considering the rapid global developments resulting from the impact of the emerging coronavirus and the challenges it poses to the national economy, the Jordanian government has sought to take a package of precautionary measures to contain the negative repercussions of the COVID-19 virus on the performance of the local economy [3]. These measures are summarized to allow banks to restructure individual, small, and medium-sized companies' loans that have been affected by the repercussions of this virus. It also stressed the

need for the Central Bank to inject additional liquidity into the national economy, with a worth of 550 million dinars, by reducing the mandatory cash reserve, reducing financing costs and increasing the deadlines for existing and future facilities for economic sectors, including medium and small projects, through the Central Bank's program to finance and support economic sectors (Reliefweb, 2020). Kebede, Stave, Kattaa & Prokop [11] believe that the government resorted to supporting the procedures of the Jordanian loan guarantee company by reducing the commissions for the company's programs and increasing the percentage of insurance coverage for the local sales guarantee program.

The Jordanian government has provided a loan guarantee program to confront the Corona crisis [1]. This program aims to facilitate financing for professionals, craftsmen, individual owners and small and medium companies, and enable them to obtain financing on easy terms and costs to help these groups cover their financing needs for financing operating expenses and working capital [10]. As well as enabling these economic sectors to maintain their operations, pay the salaries of their employees, cover their various operating expenses, continue their activities and provide their services during conditions and procedures to contain Coronavirus, and enable them to resume their activities at normal levels and expand their business during the coming stages [3].

### 2.2. Governmental Agencies That Have Contributed to Protecting Individual Institutions

#### 2.2.1. The Masseur Took by the Central Bank of Jordan to Protect Individual Institutions

The central bank played a significant role during the Corona pandemic. It has created a program that covers the funds and loans provided by banks operating in the Kingdom to professionals, craftsmen, individual institutions and small and medium-sized companies operating in all governorates of the Kingdom and for the sectors listed below according to the following ceilings for each beneficiary from The program by category and sector [6]:

1. Sector Ceiling (in Jordanian Dinars)
2. Professions and craftsmen sector 20 thousand dinars
3. Retail trade 50 thousand dinars
4. Wholesale trade 250 thousand dinars
5. Tourist services excluding hotels 250 thousand dinars
6. Hotels 1 million dinars
7. Information technology 500 thousand dinars
8. Manufacturing industries, including industries based on

agricultural activity, 1 million dinars

9. Transportation 1 million dinars
10. Health facilities and services excluding hospitals, 250 thousand dinars
11. Hospitals 1 million dinars
12. The education sector and other services 500 thousand dinars

*First:* Postponing the instalments of credit facilities granted to clients of economic sectors affected by the Coronavirus pandemic, by companies and individuals:

1. Allowing the banks to postpone the instalments due from the affected companies, provided that this is not considered a structuring of the facilities, and that it also does not affect the credit rating of the companies with Crave company, provided that the banks do not charge a commission or impose delay interest on these companies as a result.
2. Allowing banks to schedule the debts of clients who meet the concept of scheduling without cash payment and delay interest.
3. Postponement of retail customers' instalments, including credit card payments, housing loans and personal loans, without any commission or delay interest.
4. The above procedures will be implemented until the end of the current year 2020.

*Second:* Pumping additional liquidity to banks at an amount of 550 million dinars.

The Central Bank decided to reduce the compulsory reserve ratio on deposits with banks from 7% to 5%, which will provide additional liquidity to banks in the amount of 550 million Jordanian dinars. This enables banks to reverse this measure by reducing the interest rates they charge on the facilities granted by them to all economic sectors, including individuals and companies, noting that this is the first time that the Central Bank has reduced the mandatory cash reserve since 2009 [7].

*Third:* Reducing the cost of financing the Central Bank's program to finance and support developmental economic sectors on existing and future facilities, as follows [6]:

1. Reducing the program's interest rates to become 1.00% instead of 1.75% for projects inside the capital, and 0.5% instead of 1.0% for projects in the rest of the governorates.
2. Banks should reduce interest by the same rate on existing loans as of its date.
3. Increasing the deadlines available for advances and for all sectors targeted in the program inside the capital and unifying them with the rest of the governorates to become 10 years,

including two years grace period for those who wish.

4. Raising the ceiling for advances for all sectors to 3 million dinars, while keeping the ceiling for the renewable energy and transportation sectors at 4 million dinars.
5. The inclusion of the export sector within the program (noting that the sectors currently covered are industry, tourism, agriculture, renewable energy, information technology, transportation, health, technical, technical and vocational education and engineering consultancy).

*Fourth:* Reducing loan guarantee commissions and increasing coverage of the local sales guarantee program [7]:

1. Reducing the commission for guaranteeing the industrial financing and services program from 1.50% to 0.75% for all loans that will be granted from its date until the end of the current year 2020.
2. Reducing the commission for guaranteeing emerging enterprise loans from 1% to 0.75% for loans that will be granted from its date until the end of the current year 2020.
3. Increasing the percentage of insurance coverage for the local sales guarantee program from 80% to 90%.

*Fifth:* Procedures for the business continuity of ATMs and points of sale:

The Central Bank issued a circular confirming that banks and payment services companies and electronic transfer of funds continue to provide basic financial services to customers without interruption, by ensuring the readiness of the information technology infrastructure through the readiness of business continuity sites, and ensuring the continuity of providing payment services, especially automatic teller machines (ATM) And points of sale (POS) with merchants, the continuous maintenance of these devices, and feeding them with sufficient banknotes after being duly processed to meet the needs of the public without any [7].

In continuation of the Central Bank's policy aimed at following up economic and financial developments and from the standpoint of its role in maintaining monetary and financial stability using monetary and banking tools and taking appropriate measures to ensure the fulfilment of the requirements for the continuation of economic activity. The Central Bank of Jordan will continue to provide any additional liquidity to banks through monetary policy tools, including there are reports, and interest rate changes will be reflected in these agreements [7].

### **2.2.2. The Masseurs Took by the Ministry of Labor to Protect Individual Institutions**

The Ministry of Labor announced a set of measures to preserve and protect workers' health and rights, including a

hotline to receive complaints from workers about any violations of labour laws; And publishing guides on virus safety measures for vital sectors (such as food supply, shopping, bakeries, pharmacies, grocery, water, gas, salary transfer, and industrial facilities) [10].

Concerning wage protection, the government sought to promote the use of e-wallets, to ensure full payment of the employee for fear of violating health safety, as no cash or paper bills will be used. Moreover, during the lockdown period, workers and employers were granted temporary electronic permits to move around and allowed access to their offices to deal with payroll issues and to ensure that all wages were paid on time [3].

In addition, in March 2020, the Executive Board of the International Monetary Fund approved an extended fund facility program of about \$ 1.3 billion, in part to mitigate the effects of the virus on vulnerable economic sectors and

individuals [11].

### 2.3. Jordan's Defence Orders That Support the Individual Institutions

Following the outbreak of the Coronavirus in Jordan, a royal decree was issued in Jordan on March 17, 2020, to approve the Cabinet's decision to implement National Defense Law No. 13 of 1992 in the Hashemite Kingdom of Jordan. This law gives broad powers to the prime minister to take appropriate measures in case of an emergency that would threaten national security or public safety throughout the Kingdom or in a region due to war, internal armed discord, public disasters, or the spread of pests and epidemics without adhering to the provisions of the applicable statutory laws. These measures have contributed to protecting the individual institutions and protecting the rights of their employees (The Jordan Times, 2020).

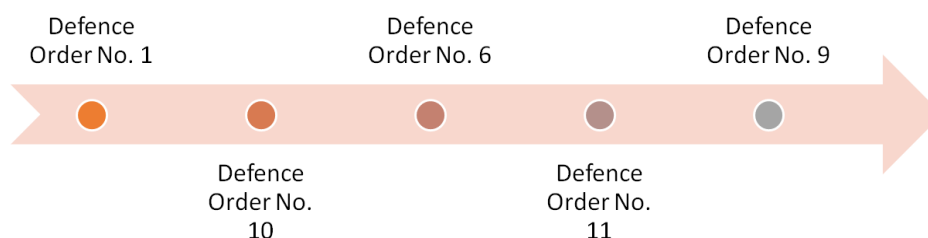


Figure 1. Defence Orders related to the individual institutions and SMEs.

#### *Defence Order No. 1*

On March 19, the Prime Minister issued Defense Order No. 1 of 2020, which suspends and replaces some provisions of the Social Security Law. The order provides the Social Security Corporation (SSC) the authority to (1) allow organizations to temporarily suspend an old-age contribution for 3 months from March 1, 2020, except for contributions related to maternity, unemployment, death and occupational health; (2) Enabling institutions to pay social security contributions in instalments until the end of 2023 without any interest or penalty; (3) Allocating 50 per cent of the maternity fund income for the year 2020 to provide in-kind support to those in need (such as the elderly and daily wage workers). Moreover, the government has established a Social Protection Team headed by the Minister of Social Development and member of the National Aid Fund (NAF), the Social Security Corporation, and national civil society organizations to protect the most vulnerable Jordanian families, through emergency cash and relief aid [20].

#### *Defence Order No.6*

On April 8, the Prime Minister issued Defence Order Number 6 to protect jobs and wages for private-sector workers including individual institutions to mitigate the impact of COVID-19 on employers and employees and

support the rapid economic recovery. The Defence Order explains the privileges and duties of employers and employees and aims to guide the gradual return to work [5].

The Defines Order recommends that during the period from March 18 to 31 (the first two weeks of lockdown), all workers can get their full wages (without a total or partial deduction for this period); including not deducting the annual leave for workers in the event of absence from work. Workers who performed overtime between March 1-18 can receive overtime pay as usual, and those who performed overtime between March 18 and March 31 are entitled to regular overtime payments [10].

Employers continuing productions after 1 April (with government approval) must obey the Standard Operating Procedures issued by the Ministry of Labour. Workers who continue to work during this period shall have the right of their full wages as well as normal overtime pay. Furthermore, employers can arrange with workers to reduce their wages by no more than 30 per cent. This is rigorously subject to individual workers' written consent. Such a reduction would also need to apply to managers, supervisors, and top management and not only the workers [5].

However, employers who do not resume their operations after April 1 (who do not have permission to continue

operations) are obligated to pay 50 per cent of their wages to their workers on the condition that it is not less than the standard minimum wage (which for the clothing sector is 220 Jordanian dinars) [11].

Enterprises that cannot pay their workers' wages in whole or in part can apply to the government to stop their operations. If the application is approved, the workers will not receive their wages during the suspension period but will continue to receive food and accommodation and their contract will remain in effect. Besides, the suspension period will not be counted from the total period of residence of workers in Jordan, which is three years [5].

Prime Minister Al-Razzaz has amended Defense Order No. 6, to enable companies most economically affected by the Coronavirus to decrease the salaries of their employees by 30 per cent and reduce annual leave days by 50 per cent for employees who have not worked for a month or more. The announcement, which listed 24 sectors 11 that can apply the decision to their work, also stipulated a deduction of 60% of the salaries of workers who do not perform any work, without the need for the approval of the worker or the Ministry of Labor, under the condition that their salaries are not less than the minimum wage (150 dinars) Once the discount is applied [10].

#### *Defence Order No. 9*

Defense Order No. 9, issued on April 17, was issued to protect individual, small and medium enterprises, independent workers, and daily wage workers, as well as help the private sector meet its obligations to Defense Order 6.1 [11].

The government has also provided a second "solidarity" program that helps enterprises whose activities have been totally or partially disrupted, and whose workers are not covered by the provisions of the Social Security Law. Under this program, employers can apply for unemployment compensation insurance for non-working workers, in exchange for a one-time payment of 140 Jordanian dinars for each worker covered by unemployment compensation insurance (The Jordan Times, 2020).

#### *Defence Order 10*

On May 3, Defense Order No. 10 for tax filing was issued. This includes scheduling the withholding tax collected to the Income and Sales Tax Department until June 30, 2020.

#### *Defence Order No. 11*

Defense Order No. 11 was issued after the government decided to ease curfews and allow various sectors to gradually resume operations in May. The matter focused on measures that must be taken by small and medium-sized

companies, individual institutions and citizens to reduce as much as possible the practices that may cause infection among people. This includes obeying to the specified distance space and wearing a face mask and gloves before entering public entities, ministries, government departments, institutions and official and public bodies, where services are provided directly to the public [10].

### 3. Methodology

The current research is based on the qualitative approach as it fits the purpose of the study. The secondary data will be used. The main reasons to use such approach are, to clear the ambiguity about the phenomena or problems, according to theoretical theories, to face the reality, and the different types of scientific research, which organizes the order of tasks, and then explain the reasons, and reach the results that explain the place of the phenomenon.

Based on related literature, the researcher will tend to analyze the Jordanian Government's Measures to Protect Individual Institutions during the Covid-19 Crisis.

### 4. Results

This paper aims to explain the Jordanian Government's Measures to Protect Individual Institutions during the Covid-19 Crisis. There is no doubt that the repercussions of the "Corona" crisis imposed on the whole world huge economic challenges, as a result of the closure, and affected the incomes of some directly affected sectors such as individual institutions, tourism sectors and others.

The results showed that since the beginning of the crisis, banks have been working on all axes with the aim of relieving citizens, as individuals and companies, from the repercussions of the "Corona" crisis, and these measures have strengthened the instructions of the Central Bank of Jordan.

Banks started working to postpone loan installments for three months (March, April and May), so it was done without commissions and late interest, after this was permitted by the Central Bank.

When it comes to the reality, the results revealed that the Central Bank allowed the postponement or restructuring of the installments of the affected companies until the end of 2020, in agreement with the bank, noting that the total installments that were postponed amounted to more than 1.2 billion dinars, from which more than 400 thousand customers benefited.

The government adopted several measures after the period of partial closure and the return to business. It has been keen to approve defense orders that provide best practices for health safety to the owners of individual institutions, with the aim of preventing the spread of "Corona". Plans were also drawn up to reduce the number of employees in individual institutions and to provide the necessary health supplies to their customers, such as sterilizers and masks.

## 5. Discussion and Conclusion

In light of the spread of the new Corona epidemic (Covid-19), economists are aware, that the greatest danger now directs its threat toward small and medium-sized companies, which must suffer to survive and resist the virus as a result of the imbalance in many aspects of production and supply at the global level. These individual enterprises may suffer from failure to fulfil their financial obligations, whether it is related to workers' wages, repayment of loans, purchase of raw materials necessary for the continuity of their production movement, or any financial requirements due to them.

When it comes to the reality, the results revealed that the crisis has severely affected individual enterprises and home enterprises. Many of them lack any cash reserves, financial resources and assets, and are unable to obtain loans to cope with the crisis. Most of the government's measures are currently focused on small and medium enterprises. Therefore, the report recommends taking measures targeting small and micro enterprises in the informal sector to ensure that the most vulnerable are protected.

Analysing the literature has led the researcher to find out that, overcoming major economic crises are usually difficult for large, medium and small companies alike. However, resorting to innovative tools at this stage, such as promoting digital sales and e-commerce, will be one of the most important interim means that enable them to remain strong in the market. Furthermore, measures are taken by governments, such as adopting monetary policies such as lowering interest rates, directing banks to enhance lending and facilitate access to the necessary financing, play a pivotal role in protecting individual institutions from the risk of collapse and enabling them to pay their debts and the wages of their workers, with appropriate and easy terms and maturities.

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