Jon Alterman:

Good morning, and welcome to CSIS. I'm Jon Alterman, senior vice president, Brzezinski Chair in Global Security and Geostrategy, and director of the Middle East Program. I'm really delighted to welcome the finance minister of Jordan, Mohamad al-Ississ, to CSIS. Minister al-Ississ received four degrees from Harvard University, worked at Boston Consulting Group, and has been a professor at the American University in Cairo. He served first as an economic advisor to His Majesty, King Abdullah of Jordan, then as minister of international cooperation, and then as finance minister. I met Mohamad during his first semester at Harvard University. I have been a big fan ever since. Mohamad, welcome to CSIS.

Mohamad al-Ississ:

Thank you, Jon. It's good to see you. I have to admit that one of my claims to fame is that I was one of your students.

Jon Alterman:

Thank you very much. One of the things that we talked about before—that I know has taken a lot of your energy as finance minister—Jordan has been struggling with the Covid-19 pandemic. How has Jordan fared compared to countries of similar income levels, and what do you think accounts for both Jordan's successes and its difficulties?

Mohamad al-Ississ:

Like the rest of the world, Covid-19 hit Jordan hard. I think the Covid-19 pandemic showed a country's preparedness for quick response and for strategizing. The biggest challenge we faced, like everybody else, was balancing lives and livelihoods. We started the first wave with a complete lockdown. That allowed us to delay the first wave. We capitalized on that time to contract vaccinations ahead of time, to contract medications, and to rapidly increase our bed capacity for Covid-19 by building field hospitals.

Jon Alterman:

Jordan was having infection rates of about ten per week, much better than almost every country in the world.

Mohamad al-Ississ:

Absolutely, but that came at a heavy economic cost. Let's be frank, Jordan entered the pandemic with pre-existing economic conditions, and just like normal lives, countries with pre-existing economic conditions suffered the most from the pandemic. Having said that, we made the most out of the delay to increase our capacity, so that when the second wave hit, we were able to remain open and absorb the bed need and medication need at hospitals in a way that allowed us to continue economic activities, minimize the damage, and ramp up the vaccination program.

Jordan was the first country—and I'm very proud of that personally—to open vaccination program equally and transparently to everybody, including refugees. The Covid-19 virus does not differentiate between citizens and refugees, and that quick vaccination program is manifesting now in low infection rates. While the rest of the world is being hit with the fourth wave, Jordan is doing well. The infection rates are lower than 3 percent, and the economy is fully open.

Jon Alterman:

As you mentioned, Jordan has hundreds of thousands of refugees—not just from Syria, but from other conflicts in the region. People have come to Jordan. Jordan also has a significant low-income population. What are the most important steps that Jordan has taken in the midst of the pandemic to try to protect vulnerable populations?
Mohamad al-Ississ:

Jordan has been host to one of the largest refugee populations—on a per-capita basis and in absolute numbers—among other countries. We host 1.3 million Syrian refugees. Together with the Palestinian and Iraqi refugees, the number is more than 3 million—out of a population of 10 million. The host community has been under a lot of stress. There is a testament to the ethical setup of Jordanian society— that in spite of the difficulties, we have not witnessed upticks in any forms of xenophobia. That's really remarkable.

First of all, the government moved quickly to identify those who are in need, and we were enabled to do that by the databases that we have. We are able to quickly identify those whose jobs are most at-risk, those whose jobs are in the informal sector, and daily wage laborers. And for those people, we initiated quick intervention programs to provide them with cash injection.

Jon Alterman:

What percentage of the workforce are either in the informal sector or in that cash wage group?

Mohamad al-Ississ:

In the informal sector, the ranges vary of course. It's hard to assess, but I would roughly put it somewhere in the neighborhood of 20 percent. If you add another number for those that are the most vulnerable, that's pretty sizable. Additionally, Jordan has been really dependent on the tourism sector. Jordan had a stellar year in the tourism sector in 2019, so when the shutdown came, that sector—which employs a lot of the informal sector—was hit with a double whammy. We moved fast in providing cash injections for them. We reprioritized our spending activity. As minister of finance, it was very clear that my spending priorities are health and safety nets. We diverged the limited fiscal space we have to serve that. That not only allowed us to save livelihoods, but it allowed the economy to continue functioning at the same time.

We also initiated a number of interventions to help the formal sector jobs be saved. We launched this program called “Estidama,” which helps co-subsidize wages for formal sector jobs in sectors most at-risk, because we believe that the best way to protect jobs is by maintaining the employee-employer relationship as long as possible—until the wave subsides and life can be resumed. That proved highly effective.

In addition to all of the above, we significantly expanded our national aid fund, which reaches the poorest of the poor. We have good systems that enable direct cash handouts through electronic wallets. Finally, this was a great opportunity to push digitization of payment and digitization across the board. It was also a great opportunity to push the formalization of the labor force, so we conditioned all the above initiatives on the recipients registering in our social security corporation and electronic wallets.

Jon Alterman:

As you think about the response to Covid-19, have you done all the things you need to do to protect vulnerable populations? Are there still things on the to-do list that you feel will have to be done in the coming year?

Mohamad al-Ississ:

Absolutely not. I think this is the biggest fiscal shock to hit any country in a century. For a country like Jordan—which had very limited fiscal space to start with—the need is much bigger than the ability. The biggest challenge is balancing these two drives in a way that maintains macro stability yet saves. This is what keeps me up at night, personally, as a minister of finance. The questions are, “am I allocating
my small fiscal space to the right direction? Are the recipients the right recipients? How else can I open more fiscal space in a way that aids those who are in need?” We’ve done a lot. I’m very proud of what we’ve done. We’ve done it in a very efficient manner. If you look at the contraction that Jordan witnessed during 2020, it was 1.55 percent—one of the lowest worldwide and much smaller than I and the World Bank were predicting at the time.

We did it at limited expenditure. We didn’t have much to spend, so we had to be very judicious in how we spend it. I am proud of our response, but that should not be seen as equating what we’ve done with what we’ve needed to do.

Jon Alterman:

What are the milestones you’ve set for recovery from Covid-19?

Mohamad al-Ississ:

First and foremost, the milestone is doing what we need to do to ensure the economy continues functioning and continues to be open. The best way to achieve that is vaccination. The sooner we can vaccinate our communities, the sooner we can provide a level of protection that ethically allows us to remain open. Second, we need to increase our bed capacity in a fashion that allows us to make the ethical decision to stay open. The government had this internal debate during the second wave. There were many voices calling to close the economy. It was very clear from an economic perspective that we could not close the economy. We agreed that the ethical responsibility to close happens when we run out of bed capacity. That’s why it became very clear that whatever we invest in the healthcare sector is a drop in the bucket of the cost that we would incur if we were to close. We doubled and then tripled our Covid-19 bed capacity in a span of two or three months. We used prefab field hospitals. We increased our oxygen capacity. We rented some of the private hospitals in the meantime so that we could segue into that. Vaccination immunity is the key milestone, but on the economic front, the key issue is how do you protect sectors that have been hit hard in a way that enables them to recover once we open up and global integration is re-achieved. That is a really tough challenge for a country which has a limited fiscal space. Covid-19 happened at a time when every country was looking inwards, and therefore we had not only to take care of our citizens, but we had to take care of the high numbers of refugees we’re hosting. Post-Covid, the refugee crisis was no longer headline news, and the world had moved past it. We see this in the donor fatigue. That added to our increasing challenges.

Jon Alterman:

And, the industries are tourism, travel, some services?

Mohamad al-Ississ:

The service industry was hit hard because a lot of it was based on face-to-face interaction. Tourism was butchered. In addition to the usual suspects when it comes to sectors worldwide, Jordan depends on expat remittances. As the other countries were also hit, this was not a Jordan-specific shock. This was a global and regional shock, and therefore you saw a freeze of economic activities, domestic remittances and from abroad, in terms of exports and in terms of tourism. This was really a tail, a right tail shock that is homogenous across the
globe. Therefore, the multiplier effect of the impact was exacerbated.

Jon Alterman:

Well, the importance of remittances that Jordan’s economy has been diminishing. I mean, 20 years ago, it might have been about 22 percent of GDP. Now it’s I think about 8 percent of GDP. We have an energy transition that we think is coming that presumably will also affect Jordan’s remittances. What’s the future role of remittances? Do you think that’s going to continue to be strong, or is that going to diminish over time?

Mohamad al-Ississ:

We’re hoping, in the short to medium run, it will recover and continue to be a source of supporting the Jordanian economy. You might look at the negative, which is that depleting remittances will hit the economy hard, but there is also some positive lying in that in the fact that for a long time, we spent our meager resources prepping our human capital for jobs that lay abroad.

Jordan does not have natural resources, so we invested heavily in our human capital. It’s good when these investments are exported and the remittances are achieved. It’s even better when the human capital is returned, their service is exported, and that benefit is achieved. If we are able to read the ongoing trend in a way that allows us not to deny it, but to live with it and focus on the export of human capital services, we actually will be ready for tomorrow.

How do we do that? I think Covid-19 expedited the digitization of services, all throughout the world. And therefore, I think what would have been hard to achieve, or longer to achieve before in terms of export of medical tourism, educational tourism, auditing services, consulting services, legal services, all the good things that Jordan can excel at, there’s an ample opportunity if we capitalize on it now.

Just two weeks ago, we had one of our startups in Jordan, Jawaker—a gaming app—exit for around $250,000,000 dollars at the height of this difficulty. This is the model that we want our youth to follow. You can do well in Jordan by selling your services abroad. It’s not easy to achieve, but I think that’s a bright spot for Jordan to focus on.

Jon Alterman:

This has been something Jordan’s been investing in for more than 20 years. I remember Project Reach in the late 1990s was an effort to bring technology capacity to Jordan, which it would then sell to other countries in the Arab world.

Mohamad al-Ississ:

Right. The challenge, of course, remains that these require investments in infrastructure and in human capital. The past decade has been brutal to Jordan, Jon. It has has been really brutal. We’ve witnessed exogenous shocks regionally worth 44 percent of our GDP. It started with the disruption of the Egyptian oil, when we lost 97 percent of our electricity fuel. That cost us around $7.5 billion in the span of a couple of years. Our population increased 20 percent in the span of a year, when we had the influx of refugees.

It's really mind-boggling that as we speak, only 9 percent of what Jordan needed in its response plan to the Syrian crisis was achieved in 2021.
Our borders with our key trading partners of Iraq and Syria—and trade through Syria—were closed when the Islamic State Group (ISG) advanced. The security cost that was associated with the turbulent time of the past decade had to come by redirected investments from existing pots. While were able to meet the volume of education we needed, I believe we need to overcome the drop in quality by over-investing in it. That's a real challenge. Jordan opened its educational system, its healthcare system, and its labor market to the refugees we host. It's really mind-boggling that as we speak, only 9 percent of what Jordan needed in its response plan to the Syrian crisis was achieved in 2021. This crisis is way bigger than the size of Jordan. Let me state very clearly, Jon, that it was out of the refugee camps in Pakistan that the Taliban came. What Jordan is doing by providing a future for these refugees is a global public good. This is way bigger than the size of Jordan, and the response should be as such.

What Jordan is doing by providing a future for these refugees is a global public good. This is way bigger than the size of Jordan, and the response.

Jon Alterman:

When His Majesty was in Washington in July, he said in an interview with Fareed Zakaria that a lot of Syrian refugees aren’t going to go back any time soon. What does that mean for Jordan to once again incorporate a large and—in the case of many of the Syrian refugees in Jordan—not a highly skilled population?

Mohamad al-Ississi:

First of all, Jordan believes that the resolution to the Syrian crisis is the best means to ensure that these refugees go back, so we're not pushing any form of compulsory return. Return is on voluntary basis, but reality is that we're witnessing the first, second, and third generations of refugees existing and being born in Jordan. The reality is that this will take some time to be achieved. From an economic point of view, we cannot afford to deny that fact.

We need to have the healthy incorporation of the refugee population in the economy in a productive manner that makes them not only contribute to the economy, but also contribute to the revenue base. The best way to achieve that is by ensuring that they are formalized—that they enter the formal workforce rather than competing informally. When they compete informally, there is unfair competition with Jordanian citizens, who would have to compete formally. The challenge is multiplied by the fact that—as you recognize—the Syrian refugees that came to Jordan are very different from the ones that went to Turkey, for example. They come from Southern Syria—a highly agrarian area with a different skill base. Jordan has limited water resources. Before the crisis, we were one of the most water-poor countries worldwide, so this was only exacerbated by the crisis. They could not do the same form of economic activities that they did in Syria because that was water intensive. They did that under residential consumption patterns, and that increased the demand for our limited water supplies. Economically, it means that the load is much heavier on Jordan. We have to provide all the human services that we provided before, but for a bigger population, which will invariably affect the quality. This is a call to the rest of the world. This is way bigger than the scale of Jordan. We need the rest of the world to come in. What Jordan is doing is helping countries worldwide because a refugee that is having a positive engagement in the economy of Jordan is a refugee not being radicalized or showing up at the shores of other countries.
Jon Alterman:

I want to ask you about the global response now. As you noted, the World Bank and International Monetary Fund (IMF) have an interest in Jordan. They have a role in Jordan. How do you think globally they have performed during Covid?

Mohamad al-Ississ:

I truly believe what the IMF has done over the Covid-19 crisis has been remarkable. They moved very quickly to identify means of increasing liquidity for countries to provide rapid emergency financing, and their most recent initiative in the special drawing rights (SDRs) to expand the liquidity available for markets is remarkable.

Our program, for example, with the IMF, has really worked hard to adjust that fine balance between lives and livelihoods. We had an adjuster for Covid-19 health spending. That allowed me to increase my spending on health, in response to Covid-19, without worrying about my primary deficit targets. We had a floor target on safety nets to make sure that when push comes to shove, we don't take the easy—but disastrous on a humanitarian basis—decision of cutting safety nets, rather than increasing them at a time of crisis. I really welcome the positive engagement we had with the IMF and let me speak about that a little bit. The key part to this engagement is full ownership. This is a Jordanian program...we've engaged on heavy, deep structural reforms to enhance our governance and transparency, and to improve the collection of domestic revenue—not by increasing the tax rate, but by ruthlessly fighting evasion and avoidance and closing loopholes.

Jon Alterman:

Cigarette smuggling and activities like that?

Mohamad al-Ississ:

Absolutely. That’s on income taxes because the more we collect from direct, progressive taxation, the less we have to resort to regressive taxation—which invariably hits the middle and lower classes. Finally, whatever Jordan’s path to macro stability, it will go through a single channel—job-rich growth. Whatever we do is to enhance job-rich growth—especially for our youth and women. The biggest threat facing Jordan is a socioeconomic threat resulting from unemployment. Unemployment among youth in Jordan is 1-in-2. Among our females—who are among the best educated worldwide—it’s 1-in-3. Across the overall population it is 1-in-4. These numbers keep us up at night, and we need to do whatever it takes to start stabilizing this trend and reversing it back on an inverted-U trajectory as soon as possible.

Jon Alterman:

What do you think the IMF and the World Bank are doing too much of, and what do you think they need to do more of?

Mohamad al-Ississ:

This is one of your best questions, Jon. Here's what they're doing a lot of good at. They're convening power has been powerful. By bringing—during the time of Covid-19—the ministers of finance and the central banks, all together, on a high frequency, they ensured that the response that
countries implemented had a multilateral element and that it was not unilateral. That's key. What they're doing good at is providing liquidity and ensuring that central banks across the world don't withdraw their expansionary policies too fast. What they're doing good at in Jordan is providing excellent technical assistance and good counsel.

I strongly believe that what they need to do more of is to help countries get more fiscal space to invest in recovery. Here is the big challenge that a country like Jordan faces. The U.S. economy is on a healthy trend of recovery, hopefully. Soon, inflationary powers will increase. The Federal Reserve will respond by pulling back a little bit from its monetary expansion. Fiscal policy will probably do the same. There will be pressure on countries that are either pegged to, or whose economy is highly dependent on, the U.S. economy—which is pretty much most of the world—to respond in tandem.

The pace of recovery in differing countries is heterogeneous. It's not homogenous. When the United States starts moving in a direction and the other countries follow, that invariably will start creating polarization in recovery. That's what the IMF and the World Bank and every single country has to spend a lot of time thinking about how to react to.

Jon Alterman:

As you know much better than me, Jordan has a history of protest against IMF programs. The sort of constraints that the IMF encourages governments to impose are often very unpopular with people who feel like they're on the short end of those constraints. What steps do you think it's important for the government to take to balance between the IMF's demands for reform and the public's demands to have what they see as necessary guarantees of livelihood?

Mohamad al-Ississ:

I strongly believe that the source of that dichotomy that we witnessed vis-a-vis the reform programs came from the fact that we did not have ownership over our reform program. That's why when I negotiated the current program with the IMF, I didn't wait for the IMF to come to me with their reform plan. I actually went to the IMF and said, "This is what we believe structurally needs to be fixed in Jordan to generate jobs and to enhance the safety net. This is what we need to do."

We have one of the heaviest structural reform programs out of IMF programs worldwide, but we have full ownership of it. We need to implement it to improve the standard of living and to improve job creation. That comes first. We front loaded growth-positive reforms, and we front loaded enhancing our domestic revenue by harnessing the revenue that will be achieved when we fight evasion and avoidance. We didn't take the easy fix—that we resorted to before and which many countries find themselves stuck in—which increases regressive marginal rates. It's very easy for a minister of finance to do that, but that would be wrong. The biggest balance a minister of finance has to achieve is between the economic impact of fiscal policy and the fiscal reality on the ground. There are no shortcuts in fiscal policy. There is no alternative to growth. There is no alternative to investing and enhancing our collection mechanism and going heavily after
those who are avoiding and evading to showcase to everybody that no one is above the rule of law.

Once that's achieved, voluntary compliance will increase. Nobody likes taxation, but when people see that the reach of the law is equal across the country, it makes it less painful.

**Jon Alterman:**

One of the areas of growth that we talked about when we spoke in Oman a couple of years ago is energy. Jordan may be on the verge of becoming a major energy exporter to both Lebanon and Iraq. Does Jordan plan to become an energy exporter, and what does it look like?

**Mohamad al-Ississ:**

This is one of these positive lights at the end of the tough economic tunnel that Jordan went through. The rebirth of the focus on climate change, resilience, responsiveness is very good news for countries like Jordan—and for the world as a whole. Jordan is in the sweet spot of having excellent exposure to solar and wind power simultaneously. We can harness it at a fraction of the cost that the rest of the world accesses it at. We can generate a kilowatt of electricity at one of the lowest rates worldwide if we expand our renewable energy market. The challenge for Jordan has been sluggish growth, which left us locked in expensive conventional means of generation. We could not expand into renewable energy fast enough in a way that dipped the weight average cost of generation.

The export of energy to Lebanon—that is now being negotiated with the Jordan-led regional initiative—will have a direct, positive ramification on the average Lebanese citizen who will see their electricity come back through exports from Jordan. It will also have excellent ramifications for Jordan. The same plan is now being established with Iraq. There is a vertical Levant-axis, and then there is a horizontal axis between Iraq, Jordan, and Egypt—through the efforts that His Majesty is investing into building regional integration. This is good news for Jordan. This is good news for the region, but this is excellent news for the world.

In addition, very soon we will start unleashing the power of green hydrogen. The great transformation in natural gas happened when it was liquified, and therefore could be exported worldwide. The export of renewable energy, I believe, will take place in a similar fashion once we’re able to harness that as green hydrogen which can be exported to the rest of the world. The rest of the world can have affordable, competitive access to green energy. Jordan will be a leader in that.

**Jon Alterman:**

As you alluded to, much of Jordan's electricity is generated from gas that Jordan imports from Israel.

**Mohamad al-Ississ:**

And Iraq and Egypt.

**Jon Alterman:**

There was some concern in Jordan that those contracts to import the gas actually ended up smothering the development of the solar industry. How fast and how far do you think solar can develop in Jordan? Where is this headed and how soon?

**Mohamad al-Ississ:**
The reality, Jon, is that the world did not witness a transformation in the price of energy like we witnessed over the past decade since the birth of humanity. The pace at which the cost of energy dropped because of advances in renewable energy is remarkable. This is the reality. The challenge in the energy sector for every country is that a lot of the generation agreements are long-term commitments that a country undertakes. We’re talking about 30-year commitment. You’re locked in 30-year conventional contracts while you have a new technology that’s evolving very fast. How do you switch from the former to the latter fast enough? That will determine the pace at which you become competitive and re-instigate growth. Jordan has one of the greenest electricity-generation footprints worldwide because most of our generation comes from natural gas and renewable sources. If the demand picks up, the sky is the limit when it comes to expansion in renewable energy. That’s why the export of electricity directly to Lebanon, Iraq, or the West Bank, or the export of energy indirectly through hosting cloud services, servers, or exporting ammonia and green hydrogen, is the path that can put Jordan on the map. That shift would be remarkable for a country like Jordan—to shift from being a net energy importer, with a heavy impact on our balance of payment, to an exporter in that domain.

Jon Alterman:

We’ve just discussed a lot of challenges that Jordan faces—all of which you have a central role tackling. You spent a lot of time studying these things at Harvard. You were working closely with the Harvard Institute for National Development. What did your academic training prepare you well for in your current role, and what do you wish your academic training had done more to prepare you for?

Mohamad al-Ississ:

This is really a wonderful question. The academic training gave me a solid toolkit for analytical problem solving. I think that is what our educational system should shift to. That helped me identify the cause of the problem. For example, part of the ownership of the IMF program for economic reform had a deep diagnostic understanding—in an analytical fashion—of what got us to that situation at its root, so we can put the right prescription. Before, the prescription was one-size fits all across different countries. So that was extremely important. Where I found myself probably less prepared than I should have, because educationally, a lot of the economic development programs in the top universities in the United States spend a lot of time focusing on mathematical solutions to development problem. When you get your hands dirty in day-in, day-out development management, you realize that a lot of the challenges are coming from a managerial basis, a human resources basis, and a communication basis—from trust and re-establishing confidence-building measures with your society.

How you communicate a complex problem—and how you convince and bring the rest of society with you on the path of reform—requires much more than mathematics.

In our ivy leagues and other top universities, we do a great job using numbers to crack tough problems. The world is not theoretical that way. If “e=mc²” was not this elegant, we wouldn’t be reminded of it every day. How you communicate a complex problem—and how you convince and bring the rest of society with you on the path of reform—requires much more than mathematics. It requires good management, trust, and
communications. We don't do enough of that in our educational systems. The second issue, I think, is providing the fine balance between structural reforms that will pay dividend in the medium to long term—five to seven years—versus the real pain that our people face now. How do you bridge that gap through safety nets and other means? That is a really tough challenge that we need to face. I honestly feel blessed with the preparedness I had. The reality on the ground when it comes to reform is that—and I don't say this lightly—every inch of reform we conquered was a D-Day.

Jon Alterman:

As you said earlier, Jordan has been dealt a very difficult hand. It has limited natural resources, a very tough neighborhood, but despite it all, Jordan's built both stability and a fair degree of economic security. Covid-19 has been both a shock and a disrupter. When you're in cabinet meetings, what do you argue might be the next disrupter, and what should Jordan be doing now to prepare for it?

Mohamad al-Ississ:

If there is one constant that Jordan's economic modern history had is the fact that exogenous shocks will happen. Unfortunately, Jordan is not in the Caribbean. We're in a very rough neighborhood. Covid-19 has been both a shock and a disrupter. When you're in cabinet meetings, what do you argue might be the next disrupter, and what should Jordan be doing now to prepare for it?

Jon Alterman:

I might visit more if it were.

Mohamad al-Ississ:

It has its charms.

Jon Alterman:

It does, absolutely—especially its people.

Mohamad al-Ississ:

Very, very true. The fact that you live in an unstable neighborhood as a small open economy means that a shock that happens across the border will quickly translate to your streets. The best way to prepare yourself for that is by building buffers—building fiscal buffers, economic buffers, safety net preparedness, and diversifying your economic targets. When your economy is highly dependent on the physical export of merchandise to Iraq, closing the border with Iraq butchers the economy. When your exports are global, high human capital services—such as coding—it can continue functioning. In Amman, Jordan, Expedia now has one of their few offices that code for the mothership in Seattle. It has one of the highest female-to-male ratio among coders out of all their offices, including in Silicon Valley. When the next regional shock happens, that office will continue functioning. That's the best assurance to resilience in the economy—ensuring the geographic and sector diversification of our economic basket.

Jon Alterman:

I now have a number of very interesting audience questions. We have a student named Maddie who asks, "Who does Jordan identify as its most likely regional partners in the economic challenges it faces?"

Mohamad al-Ississ:

Maddie, this is a very tough question. I hope you give me an easier one. Iraq traditionally has been a very close partner of Jordan. Egypt, Jordan, and Iraq are now building a beautiful axis of economic and political transmission. The Gulf Cooperation Council (GCC) has been the bedrock of economic support for Jordan. I think what I just said in my answer to the previous question is a manifestation of this current answer. Jordan has excellent regional relationships across the board, and this is the best resilience assurances to potential shocks
coming our way. Jordan is one of the few countries that talks on the same day to different regional partners that don't talk to each other. I don't think any other country has that in the region. Jordan is playing a wonderful role now building and re-establishing vertical integration in the Levant after many years of the opposite. I would venture to say that Jordan can be a hub for re-integration in the region because it does not play with single players. It plays fair with everybody.

Jon Alterman:

We have a question from Andrew Vickery from Eon Dental, which he says is a Jordanian startup. He asks if there are any missing financial products that might catalyze the economy—like venture debt or growth equity?

Mohamad al-Ississ:

This is a terrific question. I'm a strong believer that one of the hurdles to growth of our rich small and medium enterprise (SME) entrepreneurs is access to finance. Jordan has an excellent banking sector, but we don't have diversification sufficient enough beyond that. We need to develop our capital markets. Our capital markets took a massive hit in the 2008 financial crisis, and unlike regional counterparts, they have not recovered to date. We need to invest in that. We need to invest in better governance, better transparency, and less insider to regain trust and momentum. We need healthier angel investment, venture capital, and mutual funds—the plethora of things that allows access to finance based on a healthy feasibility business plan, not on connections. Until and unless we achieve that, we will not unleash the beautiful power brewing in our SMEs and startups.

Jon Alterman:

I have another question, and we were talking about the refugee burden. There's also Syria fatigue among donors who have looked at a conflict that hasn't been resolved over ten years. How does donor fatigue on the Syrian refugee issue affect Jordan's strategies to deal with the Syrian refugee challenge.

Mohamad al-Ississ:

I'm glad you're raising this issue, Jon. There is a Syria fatigue, and there is an acknowledgement that this challenge will only be resolved once the whole world comes to a political resolution that helps stabilize the region as a whole. The reality on the ground in Jordan—although it doesn't make it to the front or back pages of the New York Times anymore—is that we are hosting 1.3 million refugees, out of a population of 10 million.

The world has moved on, but the reality on the ground stays. That puts Jordan in a difficult situation whereby it has to look at managing that load with its domestic resources—which invariably will mean a few things. Number one, we will prioritize our host communities and citizens. Number two, we will prioritize core services. And that's a shame. It's a shame because, with a small investment—a fraction of what we spend on security from radicalization worldwide—a lot of these refugees and host communities can be turned into positive engines of growth and prosperity for Jordan and the region. That requires a better education system, better access to health, better public transportation, and better safety nets.

Jon Alterman:

We need to invest in better governance, better transparency, and less insider to regain trust and
You mentioned earlier the tourism sector—which had been growing in Jordan and then suddenly took a horrible hit. First, when do you expect that will return? What’s the estimate, because obviously it depends on things happening outside of Jordan as much, if not more, than things happening inside of Jordan? What are the strategies to rebuild the tourism sector?

Mohamad al-Ississ:

The tourism literature puts the recovery to pre-Covid levels close to 2024. We don’t have the luxury of waiting until 2024 because our economies highly depend on tourism, so we try to expedite the recovery through different interventions. Number one, we did a number of programs that protected the tourism industry throughout the worst of the pandemic—at a very limited fiscal space—to ensure that they continue to survive, and that the employee-employer relationship continues to exist.

We also enhanced the resilience of the sector by creating and investing in resilient funds to shield them from the negative shocks that will continue to happen. The vaccination program in Jordan is probably one of our best investments to reassure our incoming tourists that Jordan is a safe place to visit. Tourists, by the way, can be vaccinated in Jordan should they choose to—if they can't access vaccination from their host countries.

Thirdly, we've created green zones in the triangle connecting Aqaba, our port; Petra, our gem; and Wadi Rum, that unique magical place that we have. That green zone is completely shielded by not allowing entry to those who are not vaccinated or without a negative PCR test. A tourist can come to that area knowing fair well that they will not be exposed to Covid-19 and that they are protected.

Finally, we're investing heavily in next year's budget in bringing back budget airlines so that they come back to Jordan and promote Jordan worldwide. I think there is a first mover advantage to countries that can attract first tourism that will outlive the short recovery from the pandemic.

Jon Alterman:

We have two interesting questions from Kim Hamlin from Wharton Business School. The first is “what are the most important political and economic factors that private sector investors must account for in Jordan?” The second is “what are the most important regulatory hurdles to be addressed for the digital economy companies, and particularly fintech, that you see today?”

Mohamad al-Ississ:

You're not giving me an easy time, Kim. Thank you for that. It's very clear to everybody in government that the biggest challenge facing Jordan is unemployment, and the only resolution for that lies in a dynamic private sector. Once we accept that—and not only do we accept it, we wholeheartedly believe it—then it becomes very clear that our role as a government is to become a private sector growth enabler. When a private sector company functions in Jordan, it is not serving a 10 million person market. It is serving a market with a high human capital of 10 million that has access through our free trade agreements to the U.S. market, EU market, and the entire Arab market—meaning you work from Jordan but you can export, leveraging our markets of one billion people. That is key.

Second, the human capital in Jordan means that your cost of doing business in Jordan can be enhanced by leveraging the skills that are available. Third, Jordan has invested heavily in improving our landscape for doing business. I know it's an infamous title to mention these days in Washington, but the last Ease of Doing Business report showed that in
2019, Jordan was the top reformer worldwide—achieving a 29 rank jump as a testament to the regulatory overhaul that we are undertaking to open up our economy to the private sector.

Having said that, I think you put your finger on a very important challenge that we need to capture, which is expediting our transformation to digitizing our payments and fintech. This requires an active revamp of our regulatory framework and infrastructure all together. As finance minister, I am invested in achieving that because the more we move into digital fintech and payment, there is more transparency and formalizing in the economy—which means there is less evasion and avoidance in domestic revenues. I am keen—and the country is keen—on investing in that.

**Jon Alterman:**

Finally, let me ask you a really American question. You work very closely with a king. The king's been in power for more than 20 years. The king has a strategy for the country. What do you think is in His Majesty's vision for Jordan that Americans don't understand? What do we need to understand about His Majesty's direction that we don't yet?

**Mohamad al-Ississ:**

Jon, it's been the privilege, and I'm saying this wholeheartedly. It's been the privilege of my life working closely with His Majesty because I witness firsthand that beautiful vision that he has—and the positive aspiration that he has for the people of Jordan. The challenge Jordan faces is that it's like the good student of economic reform that continues to be bombarded with the exogenous shocks that derail you.

That's one challenge. The second challenge is the dichotomy between implementation of the visions that His Majesty has and the government’s administrative capacity to implement. That is a real challenge. How can we expedite the reforms that His Majesty continuously nudges us towards to improve the lives and livelihoods of our citizens?

Third, the region went through a very tough decade of regional disintegration and societal polarization simultaneously. The net result of that is that it became very easy for disenfranchised voices to dominate the airwaves in a way that is bigger than their actual size. That can continue to distract and derail. A lot of the considerations and concerns are real and are factual, but the solution will always be in expediting and enhances the pace of reform. This is what His Majesty always pushes us towards. He always encourages us to be courageous and to think of the citizens before we think of our careers—to think of how we can expedite the actual impact on the daily citizen in a way that improves lives and livelihoods.

I'll add a final one. There is a real dichotomy in the region between such a vision and the state of malaise that has descended in our region post the Arab Spring. The sooner we get to that and the sooner we transfer the dream of the Jordanian and the Arab youth to become growing, learning, and prospering in our countries—rather than migrating from our countries—the sooner the Arab world can be in a better place. That is His Majesty's vision.

**Jon Alterman:**

Thank you to His Excellency, Dr. Mohamad al-Ississ, the minister of finance of Jordan. It's always great to see you. Thanks so much for joining us today.

**Mohamad al-Ississ:**

Jon, it's always one of the highlights of me coming to Washington to sit across from you and enjoy this engagement. Thank you for hosting me, and thank you for everybody who joined.
Jon Alterman:
Thank you very much.

Mohamad al-Ississi:
Thank you, sir.