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**Enhancement of the Business Environment in the
Southern Mediterranean**

**Women's entrepreneurship & SME development in
Jordan**

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List of Abbreviations

AWO	Arab Women Organization of Jordan
AIDOS	Italian Association Women for Development
BDC	Business Development Center
BPWA	Business and Professional Women Amman
CBJ	Central Bank of Jordan
EBESM	Enhancement of the Business Environment in the Southern Mediterranean
JFBPW	Jordan Forum for Business and Professional Women
JNCW	The Jordanian National Commission for Women
JOHUD	Jordanian Hashemite Fund for Human Development
JRF	Jordan River Foundation
MFIs	Microfinance institutions
MSME	Micro, Small and Medium Enterprises
OECD	Organization for Economic Cooperation & Development
NGO	Non-Government Organization
NHF	Noor Al Hussein Foundation
WBDI	the Women Business Development Incubator

1. Introduction

Jordan is characterized by its young population, high unemployment rates, and low participation of women in the labour force, which is only 22 %, compared to 88 % for men¹, Micro, Small and Medium enterprises (MSMEs) comprise 98.5% from the total amount of registered companies². Fostering a dynamic entrepreneurship and SME sector, in particular for the youth and women, is seen as a priority amongst economic development goals in Jordan.

Entrepreneurship encouragement has become a vital factor for economic growth, and women's entrepreneurship is an important factor for economic growth and development in any country. An increase in poor women's income often leads to relatively higher spending on family welfare, critical for reaching key national development goals.

In Jordan, where female participation rates in the labour force is among the lowest regionally and globally, entrepreneurship can offer new opportunities for women to generate their own income, and to support their families accordingly (IFC and CAWTAR, 2007). However, according to a USAID report, entrepreneurship among women in Jordan is gaining popularity, as women willing to enter the labour market, seem to prefer independent work as opposed to employment, in particular in the government sector (USAID, 2009)

This report "Women's entrepreneurship & SME development in Jordan", carried out in the framework of the "Enhancement of the Business Environment in the Southern Mediterranean" project (EBESM)³ aims at identifying, through surveys, main obstacles and challenges faced by non-university women entrepreneurs to initiate or develop their business, suggest actions to overcome these challenges, identify success stories that could be used as models for good practices, and propose recommendations for Jordanian policy-makers, economic officials and international donors to contribute to enhance policies supporting women entrepreneurship in Jordan. **The targeted group is non-university educated women entrepreneurs; this non-university educated group is selected as a proxy for the low to low-middle income.**

A similar exercise was carried out in six other countries from the Southern Mediterranean Region (MED)⁴, to collect empirical evidence on the impact of existing policies on women entrepreneurship. This will help identifying successful practices that could be prudently translated in other countries, and drawing interesting conclusions with regard the priorities to tackle, be it at national or regional levels.

2. Policies to support women's entrepreneurship development

In Jordan, governmental policies supporting women's entrepreneurship are Insufficient, even not existing. Therefore, it is important for the government to take action by means of targeted policies such as tax exemptions, and the promotion of easier registration procedures for companies and businesses at both the formal and informal levels in particular to help women develop and expand their business.

While there are no laws specific to business creation for women in Jordan, they can register their business according to "Companies Law No. 22" which abolished the 15% capitalisation

¹ World Bank Group report on gender in Jordan.

² 2015 Nomou Impact Report

³ EBESM is an EU funded project and implemented by GIZ. For more information on this project, see: www.ebesm.eu

⁴ These are: Algeria, Egypt, Lebanon, Morocco, Palestine and Tunisia.

fee⁵ and gave entrepreneurs more freedom to estimate the value of their fixed assets. The law further allowed the following forms of legal entities for businesses: general partnership, limited partnership, Limited Liability Company, limited partnership in shares, public shareholding company, Mutual Fund Company, offshore company and foreign company.

With the exception of the Greater Amman Municipality (GAM), home-based businesses are still unable to obtain a license in Jordan. This prevents them from trading with other businesses and diversifying their markets, which limits their end market to family and friends, and causes them to operate informally and remain in the same income bracket.

Home-based businesses from certain sectors such as food processing and handicrafts can register only in Greater Amman, which helped women in legalising their activities. Despite these regulations, a low level of registration noticed. This could be explained by the fact that trade is not included in the list of permissible activities from home without registration. Moreover, requirements to submit paperwork and payment of Social Security Corporation fees (11% of all worker's earnings) will be subject to inspection. The only perceived benefit is to be able to obtain loans from Micro Finance Institution (MFIs) and banks.

On the other hand, according to instructions issued by the Ministry of Municipal Affairs, based on the Vocational Licenses Law number 28/1999, entrepreneurs starting up their businesses are required to submit a leasing contract for a facility in trade-zoned areas or in similar zones. This puts a cost burden on women entrepreneurs in their start-up phase.

The Ministry of Planning and International Cooperation Programme Enhanced Productivity Centres (IRADA) and Development & Employment Fund (DEF) are the main providers of government support to MSMEs. DEF is a major provider of microfinance, both through direct lending to micro and small enterprises, and indirectly through grants to other microfinance institutions (MFIs) for re-lending to microenterprises. IRADA has 32 offices throughout Jordan offering business-counselling services to micro and small enterprises in the governorates (enterprises with less than JOD 100,000 of investment), including feasibility studies, marketing support, and training). Women interviewed mentioned this initiative as one of the main supporter in business development services and training.

Moreover, Jordanian National Commission for Women (JNCW) was established in 1992 as a semi-governmental body by decision of the Prime Ministry and is chaired by Her Royal Highness Princess Basma Bint Talal. This includes the commitment to create a national mechanism that promotes women's and economic, social and political participation, protects her gains, and defends her rights in order to achieve a higher level of social justice and equality between men and women.

To date there is no clear and comprehensive policies or strategies on the national level that address the challenges that women entrepreneurs are facing or even gives any incentives for women to enter the labour market.

Many donors and local NGOs worked on suggesting policies to enhance women economic participation but most of the studies and recommendations are focusing on the employment market and not on women entrepreneurship and MSMEs development and support.

⁵ It is calculated by dividing a company's earnings per ordinary share by the current market price per ordinary share in order to arrive at the earnings yield.

3. Current initiatives supporting women entrepreneurs

The Jordan Forum for Business and Professional Women (JFPBW) ⁶ is a not-for-profit business association that was established in 1976 for the purpose of serving the Jordanian business and professional women, and increasing their contribution to the development of the national economy of Jordan. This is the first association to be established in Jordan with the aim of empowering women a time when their participation in the national economy was still something of a rarity and a luxury most could not afford.

The Forum which is governed by women for women was set up to advocate and support women in business. It is dedicated to achieving the purpose of its initiation through technical and professional support, advocacy, networking and fostering constructive dialogues and actions that empower businesswomen nationally, regionally and internationally.

Currently JEPBW is implementing several programmes such as the Women Empowerment programme, the Vocational Training programme and Banat.com to achieve its goal.

The Business Development Centre (BDC) established in 2004, is a non-profit organisation committed to fostering economic development and public reform in Jordan and the Middle East. As a national and regional resource, BDC has been on the forefront of various successful multi-million dollar projects and works with a business ecosystem of potential contributors and participants such as: business service providers, government entities, universities and international partners to continue its mission of delivering effective development programming. BDC is implementing the following projects targeting women: SEEDS, Women's Road Map to Long Lasting Careers Forum, Increasing the Competitiveness of Women-Owned and Managed Businesses and Beyond Effectiveness for Professional Business Women.

Recently the Jordan Chamber of Industry established the Industrial Business women committee to address the challenges facing women entrepreneurs when establishing industrial business.

The Italian Association Women for Development (AIDOS,) in partnership with the Noor al Hussein Foundation, established the **Women Business Development Incubator (WBDI)**, which focused on supporting the development of new women-owned businesses and increasing the business, technical and managerial capacities of women with existing businesses. The program's target populations were low-income women, between 20 and 50 years old. In addition to the business and technical training that is provided, the program participants are also given training on reproductive health. From 2002 through 2012, the WBDI contributed to the establishment of 114 new women-led enterprises and trained around 745 women. (World bank, 2012), WBDI was effective in challenging two key causes at grassroots level, namely: the unfavourable cultural attitude toward female entrepreneurship and the stereotyped role of women in the society and in the economy.

The EU funded "Spring Forward for Women" Programme aims to advance the economic empowerment of women in the Southern Mediterranean region and to assist them to reposition themselves in political and decision-making spaces so that they may have greater influence in shaping the future of their countries in the on-going democratic transition while protecting their previous gains. By addressing the barriers that have impeded the access and engagement of marginalised women in economic and public life, the programme is increasing the access and effective participation of marginalised women in economic and

⁶ USAID Jordan Economic Development program

public life. This project was successful in reaching its goal. In total the project has assisted 320 women in opening and/or continuing to run and expand their small businesses.⁷

4. Results of the interviews

25 women entrepreneurs were face-to-face interviewed, from throughout the country and from different sectors of the economy. None of them has a university degree; the majority is married and has children. Most women work in the food processing, manufacturing, beauty services and handicrafts sectors.

The following are the key findings of the interviews:

Most women interviewed live in urban and semi-urban areas and are from low to low-middle class. The majority have limitations in communication using other languages than Arabic, which negatively influence their ability to use social media and e-marketing tools.

Business characteristics

The majority of the women interviewed are operating informally from their homes, because of costly registration and vocational licence fees. Furthermore, most of the women interviewed are unaware of the legal details that may affect their businesses; they mentioned that the complicated registration processes are the main reason for operating informally. Generally, the lack of knowledge of the laws and regulations to establish a business is the main reason for not registering their business. As well, the lengthy and complex registration and licensing procedures discourage women from going through the official process.

In addition, the women stated that they did not see additional benefits in registering their business as long as they do not need to apply for a loan. However, some women showed interest in registering to be able to export their products. The minority that are operating formally are Limited Liability Companies with one partner and operate from rented premises.

All women are managing their business and own at least 51% of it. Most started their business alone using their savings, with support from their families and husbands that were supportive mainly for the following reasons:

- Most of the customers are women so the direct interaction is with women.
- Women are contributing to increase the family income.
- Women own their business or work from home so they work flexible hours and can simultaneously take care of their children.

Moreover, the majority of women are employing 1-3 employees who are mostly family members, including their husband.

It was noticed that the majority of these women were not aware of the need to account for a monthly salary for themselves as managers. Ignoring this and other costs such as rent, water and electricity costs, when calculating the net income of their businesses, leads to false judgment on the business performance. This is a main reason of failure when moving to operate formally.

⁷ <http://jordan.unwomen.org/en/news/stories/2016/3/un-women-support-marginalized-women#sthash.s4OPdGpS.dpuf>

Business performance

The majority of women stated that the main success factor is their family support, and their business is profitable. Moreover, they are willing to expand their business but they are facing financing difficulties from banks and MFIs because of the loans requirements such as collaterals and high interest rate. However, some of the women used alternative access to finance tools as Rotating Credit and Savings Association (ROSCA locally known as “jamaaya”⁸ which is an easier access to credit that requires no collaterals and no interest rates.

Additionally, the few women who think that their business is not profitable stated that they are facing difficulties in managing their business because of strong competition, high costs of raw materials, marketing difficulties and access to finance.

It is important to highlight what is a **profitable business** in the women’s point of view. The majority of women defined a profitable business as a business that covers their family expenses. However, the majority are not including family members’ implicit salary costs or rental expenses, which leads to misleading profit calculations and expectations.

Business motivation and perception

Most women were unemployed or out of the labour market before deciding to open their business. They mentioned that they have the passion to improve and expand their business. They will stay in their business even though some of them are facing financial and management challenges; they will not leave their business and move to a salaried job. As a majority of women business owners plan to expand operations, greater access to capital is important. The women are growth-oriented; expansion into new markets over the next three years is their main goal.

Moreover, most women interviewed do not think that being a woman constitutes an obstacle to do business.

Social and other assistance

Women interviewed expressed strong demand for greater access to information and training in order to expand their businesses. They mentioned the need for training in different areas of expertise and skills that are necessary to grow their businesses, including leadership skills, marketing and networking. Some women lack skills in marketing, accounting, financial management as well as knowledge and experience in legal requirements, business planning, and budgeting.

Furthermore, some women stated that they need capacity building and training but they are not aware of the support that could be provided by non-government organisations (NGOs) or business development centres (BDC) that offer these services. It is worth noting that women who participated in training programs showed higher professionalism in managing their business than women who did not attend any training program.

Moreover, women do not have adequate connections for credible introductions to industry associations, chambers of commerce and other key business networks. Consequently, women entrepreneurs tend to be at a disadvantage in terms of getting the resources,

⁸ A group of people committing to contribute a certain amount per month (or other agreed interval) with one member receiving the total contributions per payment cycle. After all members have received a payment, the ROSCA members may start a new cycle or choose not to participate further

information and advice needed to succeed. Most women are not associated with any organisation. They find themselves alone having to solve business issues or problems alone. It is thus very important that they come together via private sector associations to help address business problems.

Problems, challenges (discrimination)

Interviewed women clearly stated the need to create a policy environment that is more conducive to women's economic participation in general and women's entrepreneurship in particular such as:

- Amending registration laws and regulations to include trade to the list of permissible activities from home, and allowing home-based businesses to apply for vocational licenses for certain industries such as soaps production and food processing.
- Create special tax exceptions for women starting-up their business.
- Improve business development services and technical assistance which can allow women entrepreneurs to tap into new and more profitable markets.
- Improve access to finance by providing loans with low interest rates that support the growth of women-owned businesses

Additionally, women indicated a desire for business mentorship and professional networking, reiterating the need to provide information and connections to them.

Professionally oriented connections with banks, business consultants, accountants, lawyers, and chambers of commerce, are often hard to access. Some women mentioned the lack of networking and access to markets as a barrier. They insisted that it is very important to have specialised networking organisations that can support them and can open new marketing channels.

On the other hand, the majority of women interviewed noted that insufficient availability and access to updated market information and intelligence (e.g. information on market opportunities, export markets, market competition, etc.) and meeting regulatory and consumer requirements are an obstacle for them to develop or expand their business. Especially women with home-based businesses stated that they need effective marketing services such as exhibitions that allow them to promote and sell their products. They also noted the need for information centres that can provide with information about their markets.

Key Success Factors

Based on our observations, the following are factors that helped develop the participants' businesses and as a result, their living conditions:

- a. **Attending training courses in different topics** such as marketing, budgeting and networking was the reason of many successful businesses. Building capacity in accounting for instance is critical, especially for women who do not account for implicit costs such as salaries for family members working in the business. In addition, knowledge of marketing techniques also played an effective role in success. The survey showed that the women who participated in business training were more able to understand the market and be more creative than the women who did not attend any training. Also attending training programs gives the opportunity to network with other women entrepreneurs as well as exchanging knowledge and experience.

- b. **Studying the market and introducing competitive products and services, Women** who were creative and did not keep to the same products were successful, for example manufacturing organic soaps instead of regular soaps caused the opening of new marketing channels locally and regionally. Women who studied the market before starting their business were successful. For example, studying the market before opening a beauty centre by choosing a location that is not near another competitor, introducing new services that are different from the competitors’.
- c. **Utilising social media as a marketing tool** especially Facebook and Instagram. Women who used social media channels reached more customers and got feedback from them. Also, using social media channels to market their products and get orders was effective in increasing their customers’ base and their sales.

Hindering Factors

- a. **Ignoring hidden or implicit costs** in budgeting such as rent, salaries and other operating costs such as for water and electricity is leading to a failure when moving from informal or home to formal business operations. As an example, a lady moved from informal to formal operations stated that she was selling her product at the price of JD20 and she thought she was making JD 15 revenue/profit, so she decided to rent a shop and start her business. She then discovered that she is not making any profit after paying the new operating costs. She decided to close her business.
- b. **Sticking to the same products** leads to more competition within the same community, especially for a limited customers’ base. An example is food-processing businesses, which is facing high competition owing to lack of market awareness and knowledge sharing with other women entrepreneurs. Another example is women producing the same dairy product “labneh” in the same way and selling it to the same market, while they can diversify using the same raw material (milk) to other products such as cheese or other dairy products.
- c. **Weak marketing, such as poor display and packaging**, which decrease sales and increase products’ damage. Ignoring good and creative packaging for products such as for chocolates is a reason for failure.

5. Good Practices

Bank al Etihad presented a comprehensive set of banking solutions, as well as financial and non-financial services, specifically designed for women |(Shorouq) which aims at empowering women by allowing them to achieve the financial freedom and security they aspire to.

This program was designed for all women; women in business, professional women, affluent women, busy housewives, as well as women thinking to invest for their families or retirement. The program offers the following financial services: Collateral-free loans and Start-up business loans, which were designed to fulfil women needs. More over the program offers non-financial services such as networking events, coaching & advisory and mentorship.

6. Recommendations

Jordanian policy makers, officials working on economic development, and international donors should strengthen their on-going efforts at supporting women entrepreneurship by:

Policy

- Jordan must develop an economic development strategy focusing on women in general and women entrepreneurship in specific, currently no policies as well as instruments that supports women business. This fact was raised during an event held by Young Entrepreneurs Association (YEA) on March 14th 2017. It is essential to develop clear polices and strategies that supports women enterprises and start-ups by the government of Jordan with coordination with women associations and committees.
- Produce an enabling environment for women entrepreneurs by introducing public policies such as tax exemptions to start-ups, including trade to the list of permissible activities from home, and allowing home-based businesses throughout Jordan rather than only in Amman in order to provide an incentive for the creation of women's enterprises.

Access to finance

- Design dedicated banking and micro finance schemes targeting women with low interest rate, and less collateral.
- Conduct educational and awareness workshops to increase women's awareness of the nature of banking services and available financing products;
- Introduce women to the rules and working mechanisms of microfinance institutions.
- Develop new access to finance tools such as saving and loan groups⁹.

Training and capacity building

- Develop tools and support services such as mentoring for example introducing successful women business owners to women start-ups to exchange knowledge and experience with the support of chambers of commerce and industry.
- Provide customized training programs for women by NGOs or official organizations. Municipalities could provide or at least partly finance training space and courses when women entrepreneurs decide to start a business, by establishing a partnership between municipalities and training centres with funding by international organizations to support women to strengthen their financial and managerial knowledge.

Outreach and marketing

- Provide training to business-interested women in the use of social marketing tools and channels in the business domain.
- Provide training courses on packaging and sales promotion.
- Ask municipalities or CBOs to provide exhibition space for the products of women entrepreneurs and other SMEs.

⁹ Are groups of 15-25 who save together and take small loans from those savings.

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Annex1:

List of main stakeholders – Jordan

Public Sector:

1. Name of the institution: Jordanian National Commission for Women (JNCW)

Name of the person in charge of the women entrepreneurship dossier: Dr. Salma Nims

Full contact details of this person:

- Phone: 00-962-6-5560741
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2. Name of the institution: Ministry of Municipal Affairs

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3. Name of the institution: Ministry of Planning and International cooperation

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Private Sector/ nonprofit organizations (NPOs):

1. Name of the institution: Jordan Chamber of industry

Name of the person in charge of the women entrepreneurship dossier: Dr. Maher Mahroq

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2. Name of the institution: Jordan Chamber of Trade

Name of the person in charge of the women entrepreneurship dossier: Ms. Reem Badran

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Microfinance Institution:

1. Name of the institution : MicroFund for Women

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NGOs:

1. Name of the organization: Young Entrepreneurs Association

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2. Name of the organization: Jordan Women Industrial Community

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3. Name of the organization: Jordanian National Forum for Women

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4. Name of the organization: Jordan Forum for Business and Professional Women (JFPBW).

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