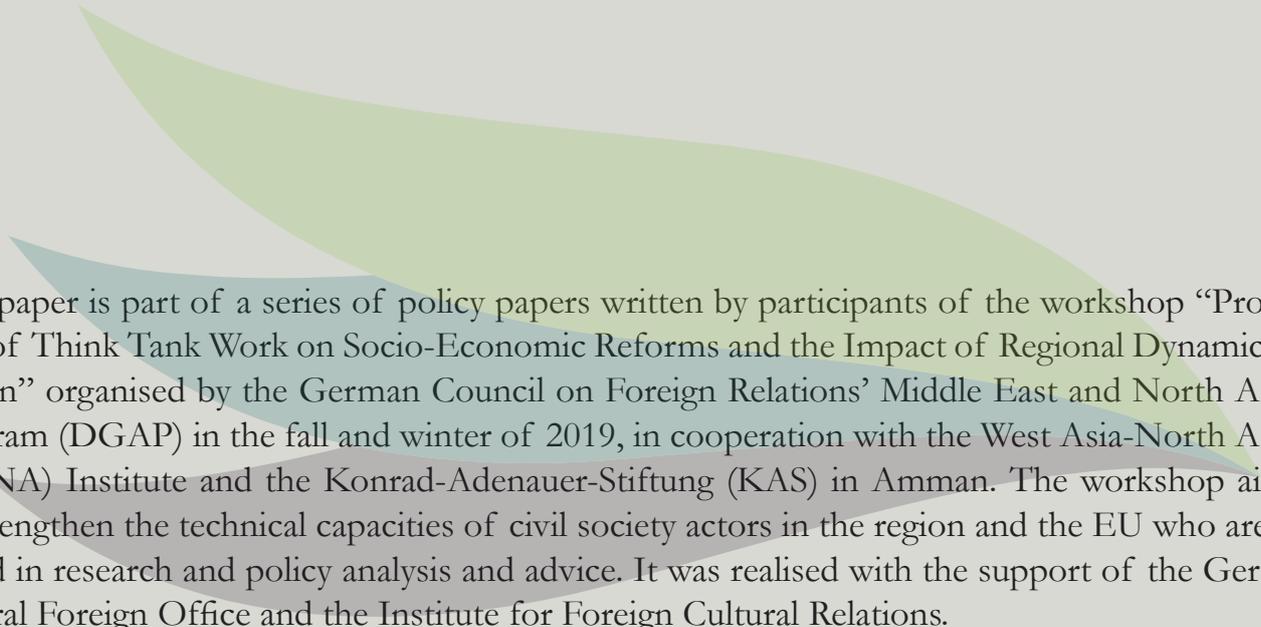


Unlocking the Potential of Entrepreneurship in Creating Jobs for Youth in Jordan





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Manufactured in Jordan

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1. Introduction

Current business tendencies and the Jordanian government's 2019/2020 priorities plan encourage entrepreneurship as an important economic driver. In this regard, Jordan has seen many incubators and funding entities established to support youth entrepreneurship and boost youth employment. Yet, the unemployment rate has been increasing continuously in recent years. One specific aspect of start-ups which promises to boost job creation is their business model for the sector, which does not receive enough attention from the entrepreneurial ecosystem. Most entrepreneurship support programs (ESPs) focus on start-up success and continuity regardless of impact in terms of job creation. In addition, most successful start-ups in Jordan fall within the Information and Communication Technology (ICT) sector, which is one of the weakest sectors in terms of job creation. Therefore, it is important to reconsider the start-ups' business themes and structures from the early establishment stage to increase their effectivity in solving unemployment. One of the key solutions is to consider the ICT role in projects, with a special focus on the sharing economy. In addition, the entrepreneurship ecosystem in Jordan must be enhanced to support the development of successful business ideas, and more effective networking processes are needed to identify local needs, customers, and business providers. Finally, more research work in this area is needed to develop plans based on comprehensive and useful data. One of the key challenges in Jordan is the economic situation. Although governmental and international efforts are focused on fostering economic growth and job creation in the country, the unemployment rate is rising continuously, having reached 19 percent during the first quarter of 2019 according to the national Department of Statistics.¹ The unemployment rate is even higher among Jordanian youth under the age of 30, who make up around 63 percent of the total population. According to the World Bank, youth unemployment in Jordan reached 36.7 percent in 2019.² This situation threatens to exclude youth from contributing to Jordan's economy and may push them to seek other opportunities abroad.³ Furthermore, Jordan suffers from high rates of poverty and a reduction of living standards, in addition to a chronic increase in the budget deficit and the distribution of trade balance. All of these problems have led to a continuous decline in Jordan's economic growth, which was 8.2 percent in 2007 and stood at only two percent in 2017. These economic struggles have been complicated by the debt burden, regional instability, and the unprecedented influx of refugees.⁴

¹ "19.0 percent Unemployment Rate during the first Quarter of 2019," Jordanian Department of Statistics, 2019 <http://dosweb.dos.gov.jo/empuemp_2019q1/> (accessed December 2, 2019).

² "Jordan: Youth unemployment," TheGlobalEconomy.com, 2019 <https://www.theglobaleconomy.com/Jordan/Youth_unemployment/> (accessed December 2, 2019).

³ "Opportunities for youth in Jordan," UNICEF, 2019 <<https://www.unicef.org/mena/reports/opportunities-youth-jordan>> (accessed December 2, 2019).

⁴ "Opportunities for youth in Jordan," UNICEF, 2019 <<https://www.unicef.org/mena/reports/opportunities-youth-jordan>> (accessed December 2, 2019)

2. Entrepreneurship as a Means to Boost the Economy

Many cases worldwide have shown that entrepreneurship boosts job creation and supports local and global economies, creating direct gains for business owners and indirect gains for the community. In addition, entrepreneurship decreases imports, increases exports, and enhances the gain of hard currency. Moreover, it raises the potential for founding small and medium enterprises (SMEs).⁵ To reduce unemployment rates in Jordan, many local and global stakeholders have supported youth entrepreneurship to create new jobs. This approach has led to the introduction of many reforms to enhance the business environment, which enable entrepreneurs to start new companies easily and expand their businesses while boosting the national economy.⁶

Nowadays, Jordan houses 208 entities that support entrepreneurship programs, including incubators, accelerators, business consultation centers, and research centers⁷ – all of which have resulted in a considerable boom in the field of entrepreneurship.⁸

Moreover, 98 percent of newly registered companies in the country are SMEs and start-ups, which generate more than fifty percent of private sector GDP and sixty percent of new employment opportunities.⁹ In an effort to attain an economic revival, the Jordanian government adopted a national development plan based on production and job creation. Accordingly, the government has set the goal of supporting economic growth through entrepreneurship and trade as its top national priority, as stated in its 2019/2020 priorities plan clause on the “Production State.” To this end, the government is committed to the following actions to support entrepreneurship: supporting small business owners and entrepreneurs by means of the Jordanian Entrepreneurship Fund, which will support 825 innovative projects (69 million Jordanian dinar have been earmarked for this purpose); introducing eighty business incubators in Jordan’s governorates to spread entrepreneurial culture throughout the Kingdom; and allowing the leasing of government land in the governorates to establish small investment projects.¹⁰

⁵ “Government Priorities Plan 2019-2020” [in Arabic], Government of Jordan, 2019, pp. 56-60 <<http://www.your.gov.jo/Government-Priorities-.pdf>> (accessed December 2, 2019), and Adam Schiff et al., “Entrepreneurship environment assessment in Jordan,” Silatech Research and Policy Report, May 2015, pp. 1-2 <https://conservancy.umn.edu/bitstream/handle/11299/172490/Schiff_percent20Schmidt_percent20Troncoso-percent20Entrepreneurship_percent20Assessment_percent20in_percent20Jordan_percent20May.pdf?sequence=1> (accessed December 2, 2019).

⁶ “Accelerating Entrepreneurship in the Arab World,” World Economic Forum in collaboration with Booz & Company, October 2011 <http://www3.weforum.org/docs/WEF_YGL_AcceleratingEntrepreneurshipArabWorld_Report_2011.pdf> (accessed December 2, 2019).

⁷ “A study of youth choices towards entrepreneurship and the institutional environment in Jordan” [in Arabic], Higher Population Council, 2018 <https://www.hpc.org.jo/sites/default/files/Study-percent20enhancing_percent20enterperneurial_percent20attitudes_percent20-percent20AR.pdf> (accessed December 2, 2019).

⁸ Emad Abu Ulfotoh, “Why did Jordan excell in Arab entrepreneurship?” [in Arabic], AlJazeera, July 4, 2017 <<https://bit.ly/2UbJtgz>> (accessed December 2, 2019).

⁹ K. Samer and J. Mohamed, “Research study on strengthening small and medium enterprises in Jordan,” Konrad Adenauer Stiftung and the Jordanian Young Economists Society, 2014

<https://www.kas.de/documents/252038/253252/7_dokument_dok_pdf_41279_2.pdf/571a302c-7e84-7fdd-fa5b-72d2ecc44e85?version=1.0&t=1539652585795> (accessed December 2, 2019).

¹⁰ “Government Priorities Plan,” pp. 56-60.

3. Regulatory Framework

Jordanian legislation does not define entrepreneurship or start-ups in particular, considering them equal to SMEs. This means that start-ups are required to pay taxes and include their employees in social security as if they were SMEs.¹¹ Among entrepreneurs' key complaints are paying taxes and social security conditions. Having special exemptions – especially in the first years – is a popular demand among many. Consequently, until now, plans and strategies to develop entrepreneurship have been included within those for SMEs. This is clearly shown in the main national strategy tackling the structure for developing, coordinating, implementing, and monitoring policies and programs for SMEs and entrepreneurship, the “2015-2019 National Entrepreneurship and SME Growth Strategy.” On the other hand, a new Ministry of Entrepreneurship and Digital Marketing was established early this year. The Ministry is working on the first draft of a policy regulating entrepreneurship specifically as an independent business field. While this is a positive step, the organization of entrepreneurship in Jordan still needs more advanced and collaborative efforts between different stakeholders, especially in a complex business context where different governmental, private, and international entities interact.

4. Dominant Entrepreneurial Sectors and Job Creation

4.1. Start-ups Based in the Information and Communication Technology (ICT) Sector

Over the past five years, the ICT sector has grown exponentially by 37 percent in Jordan which, in turn, contributes significantly to the socio-economic development of the country. In 2018, the ICT sector produced a total revenue of USD 749,116,414, representing a unique contribution to the total GDP. As a result, the government considers this sector one of the key drivers of economic development in the country and has developed favorable policies and regulations to support its future growth.¹² According to a recent study by the Ministry of Entrepreneurship and Digital Economy, 42 percent of Jordanian start-ups are based in the ICT sector.¹³ Among those start-ups or entrepreneurial projects are Liwwa, an online lender providing access to capital for SMEs in Jordan and the United Arab Emirates (UAE), and Mawdoo3, a comprehensive online Arabic content publisher that provides premium quality Arabic content. Other examples include HyperPay, Arabia Weather, Jamaloon, and CashBasha.¹⁴ The common factor among these pioneering projects is that they provide services utilizing ICT, which enables them to expand beyond the geography of Jordan, reaching customers in the MENA region and beyond. In addition, governmental, international, and local entities are leading efforts to enhance Jordan's position as the regional digital hub by adopting a knowledge-based economy model supported by ICT. For example, the telecom sector has been developed over the past few years, becoming one

¹¹ “A study of youth choices towards entrepreneurship.”

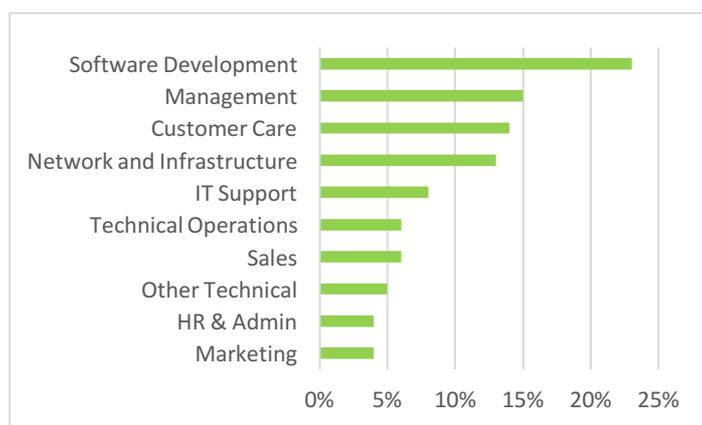
¹² “Jordan ICT & ITES sector statistics 2018,” The Information and Communications Technology Association in Jordan, 2018 <<http://intaj.net/wp-content/Studies/2018.pdf>> (accessed December 2, 2019).

¹³ “Jordan Start-up Ecosystem Survey Results,” Jordanian Ministry of Entrepreneurship and Digital Economy, January 16, 2019 <<https://www.docdroid.net/74PKBVN/jordan-startup-ecosystem-survey-results.pdf>> (accessed December 11, 2019).

¹⁴ “Top start-ups in Jordan to invest in,” Venture, April 23, 2019 <<http://www.venturemagazine.me/2019/04/startups-in-jordan-to-invest-in/>> (accessed December 2, 2019).

of the largest telecommunications markets in the region. The highest revenue in the ICT sector comes from software development activities, which reached USD 82,516,683 in 2018, followed by software licenses sales, telecommunications equipment and telephone wholesales, and IT hardware and infrastructure installation respectively. All in all, software, internet and mobile apps, and games development together achieved a revenue of USD 189,335,496 in 2018 in domestic and export markets, contributing to 23 percent of total jobs in the sector. Therefore, these areas, which depend on creativity and intellectual property, have a greater potential to create jobs and revenues, if they are invested in and supported.¹⁵

Figure 1: Employment by function in the ICT sector.¹⁶



In 2018, 65 percent of the total revenue of the IT sector was domestic, equaling USD 487 million, while export revenues that relied on markets abroad was USD 262 million, constituting 35 percent of total revenues.¹⁷ The main export markets for Jordan in IT services are Saudi Arabia (21.55 percent), the UAE (15.09 percent), Kuwait (12.62 percent), and the Netherlands (7.64 percent). Other markets in the region include Iraq, Egypt, Qatar, and Palestine.¹⁸ However, export revenue growth has declined by 2.2 percent in the last year.¹⁹ Hence, there is a need to maintain regional relations with these countries and to increase investments and incentives for more projects in this area.

On the other hand, in 2017, the number of people working in the ICT sector was 17,632, while the total number of employees in other economic sectors was 1,040,527. Similarly, statistics from previous years follow the same curve, which leaves the ICT sector contributing to only 1-2 percent of total jobs in the country. In terms of newly created jobs, 813 out of 25,995 new jobs were established in the ICT sector, which constitutes around three percent of total jobs created in 2017.²⁰ Hence, these numbers do not align with the targeted job creation needed in Jordan.

¹⁵ "Jordan ICT & ITES sector statistics 2018."

¹⁶ Source: Author's own compilation.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ "Employment and Unemployment," Jordanian Department of Statistics, 2019 <http://dosweb.dos.gov.jo/labourforce/employment-andunemployment/> (accessed December 2, 2019).

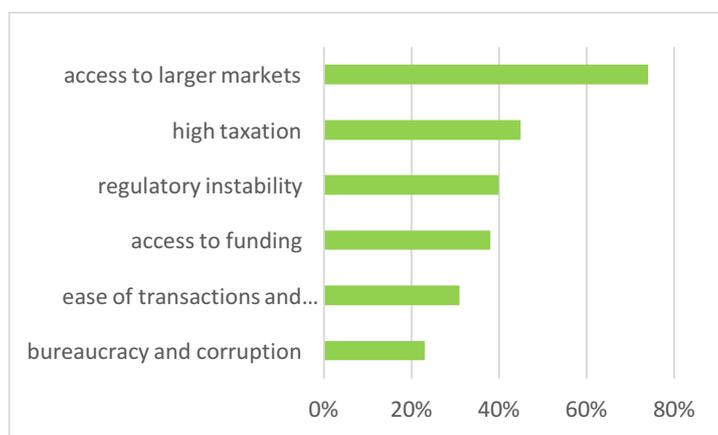
4.2. Tech-enabled sharing economy start-ups

One of the new and leading incubators in Jordan is Generations Impact, which targets youth unemployment as the core issue of its work. It hosts start-ups with a special focus on social impact and job creation. Launched by Mercy Corps and the technology hub iPARK, the incubator hosts dynamic service start-ups that respond to direct needs of the local community and creates a (relatively) high number of jobs.²¹ One such hosted start-up is Mrayti, a home delivery beauty service. It is the first specialized mobile beauty salon in Jordan, and is based on the notion that beauty should be accessible, affordable, and non-time consuming. Bookings are processed via mobile and web applications. The start-up employs four full-time employees and over forty freelance stylists. All these employees are female, many of whom struggle to find other job opportunities and, in some cases, are the only provider for their families.²²

Bilforon is another similar start-up, also hosted by Generations Impact. It is a specialized homemade food delivery platform,²³ and employs around 200 home chefs in its business network.²⁴

These projects fall within the sharing economy framework and are based on a simple principle: entrepreneurs develop a marketplace application to connect service providers with customers in exchange for a commission on every order.²⁵ Although these projects employ a relatively high number of people, they still need to address issues such as public safety and hygiene, the two main obstacles to implementing such projects.

Figure 2: Driving factors to consider relocating outside Jordan.²⁶



²¹ “Ana V. Ibáñez Prieto, “Mercy Corps, iPARK launch social business incubator ‘Generation Impact’,” Jordan Times, December 9, 2018 <<https://www.jordantimes.com/news/local/mercy-corps-ipark-launch-social-business-incubator-percentE2percent80percent98generation-impact-percentE2percent80percent99>> (accessed December 11, 2019).

²² Jordan’s Start-up Economy Survey Results.”

²³ Ibáñez Prieto, “Mercy Corps, iPARK launch social business incubator ‘Generation Impact’.”

²⁴ Bilforon, 2019 <<https://bilforon.com/>> (accessed December 2, 2019).

²⁵ Mohammad Albattikhi, “Sharing Economy Start-ups Are Not Tech Companies,” Medium, February 25, 2019 <<https://medium.com/beyond-capital-blog/sharing-economy-startups-are-not-tech-companies-74f8e5129018>> (accessed December 2, 2019).

²⁶ Source: Author’s own compilation.

4.3. Scaling Projects and Expanding Beyond Jordan

While most start-ups in the current entrepreneurial ecosystem are still in their early stages, the number of start-ups that could scale up and expand seems very small. Moreover, many of those start-ups that do scale-up relocate outside Jordan when reaching this stage. This affects the local ecosystem in terms of generated revenues, investments, and job creation. According to a survey conducted by Endeavor Jordan, 72 percent of Jordanian entrepreneurs consider relocating their business out of the country. Moreover, 45 percent of those entrepreneurs have the possibility of relocating both their legal entity and their back office. The majority of survey respondents chose the UAE as an alternative country from which to operate their business, while a quarter of them chose the United States.²⁷ As Jordan is a small market, access to larger markets was the main driver for 74 percent of those entrepreneurs who considered relocating, with 45 percent citing high taxation and 40 percent referring to regulatory instability. In addition, financial access and advancements represent important attractions, while bureaucracy and corruption could be factors that contribute to destroying businesses in Jordan.²⁸

There is a lack of resources, data, and studies on entrepreneurship, especially quantitative and evidence-based research. This makes it harder to plan and envision comprehensive and practical strategies that lead to better measures and regulations. In addition, feasible business ideas could be more efficient when built on scientific research and relevant databases. Because building those databases is not a task that individuals can do independently, there is a need to produce such databases on the national level to provide concrete data for entrepreneurs and official decision-making bodies.

According to many experts, the main challenge for start-ups to succeed is not finding funding sources, but rather the feasibility of the business idea itself. According to the tech market intelligence platform CB Insights, 42 percent of start-up failures relate to producing unfit products for targeted markets.²⁹ In this regard, entrepreneurship experts in Jordan repeatedly emphasize that the quality of start-ups' concepts seems unsatisfying and not convincing to investors. Economic studies and national reports encourage citizens to invest and establish businesses in general sectors including education, agriculture, and services, which means the range of business ideas produced is broad and vague.

²⁷ Rasha Manna, "Start up Jordan," Venture, May 20, 2017 <<http://www.venturemagazine.me/2017/05/start-up-jordan/>> (accessed December 2, 2019).

²⁸ Ibid.

²⁹ "The Top 20 Reasons Start-ups Fail," CB Insights, November 6, 2019 <<https://www.cbinsights.com/research/startup-failure-reasons-top/>> (accessed December 11, 2019).

5. Recommendations

5.1. Introduce special laws and a unifying official legislative council for entrepreneurship in Jordan

Although the Ministry of Entrepreneurship has recently been established to develop this business field, many other relevant stakeholders remain out of the loop with regard to planning and monitoring the entrepreneurial ecosystem, which lacks maturity in terms of institutional structuring and connectivity. Therefore, establishing a unifying official council to include all parties in the dialogue of improving entrepreneurship in Jordan is necessary to avoid fragmentation and duplication. This platform must provide a shared space and include different ministries, local business councils, agencies, the private sector, and non-governmental organizations. This legislative authority would enhance the process of implementing laws and policy measures, especially in its intersected and complex context. Regulating this sector requires clear definitions of entrepreneurship-related terminology, distinguishing it from SMEs and other types of businesses, as a primary step to determine the challenges and opportunities in developing this sector.

5.2. Change the approach to the ICT sector: tech-enabled sharing economy start-ups

Although the ICT sector is one of the lowest job creators, it is still one of the main economic pillars boosting and stabilizing the local economy. Since software development creates the most jobs in ICT, Jordan's private sector should encourage and maintain more projects in software, mobile apps, and games development. However, a new approach to ICT projects based on a tech-enabled sharing economy could use ICT efficiently and still achieve greater job creation. In order to establish more efficient and successful projects in this field, business ideas should be developed based on real local needs, using ICT in parallel. Therefore, the Ministry of Entrepreneurship, in collaboration with the private sector, should take the lead in building and ensuring the required infrastructure for designing such projects. Besides, the Ministry should prepare a strategic plan to follow up on these projects continuously, to evaluate their progress, and better monitor emerging problems in the ecosystem. Moreover, incubators and accelerators should raise awareness among their entrepreneurs of the concept of sharing economy projects and their impact.

5.3. Navigate for new markets and expand beyond Jordan by means of ICT

As the Kingdom provides a small domestic market, which at the same time suffers from recession in most sectors, the search for new and non-traditional markets of demand becomes a priority. Examining real demands and possible linkages in the supply chains of goods and services could be a key to creating more jobs within the current available resources. More promising opportunities could be found in service sectors such as tourism, homemade products, and hydroponic, organic, and specialist kinds of farming.

More importantly, there is a dire need for targeting regional and global markets, in parallel to designing scalable and expandable business models, which is only possible by the strategic utilization of ICT. This kind of knowledge should be produced as fact sheets, newsletters, and indicative business plans on a regular (yearly, quarterly, and monthly) basis by different parties including the Ministry of Entrepreneurship and Digital Marketing as well as strategic business and investment research centers. Ultimately, a clear national vision for feasible business options should be produced and updated regularly, to provide clear insights and guidance for young entrepreneurs, so they have a solid basis on which to plan their businesses. This emphasizes the importance of providing connection channels between entrepreneurs and professional experts.

5.4. Connect entrepreneurs with local contexts

Exchanging ideas between entrepreneurs and local councils or citizens, where real needs could be delivered and discussed constructively, is crucial. Therefore, incubation programs - incubators and accelerators - must adopt a more practical and contextual approach in their programs by providing mentoring and consultation programs in an interdisciplinary and research-based approach, in addition to including fieldwork and local networking instead of lecture-based training inside isolated rooms. On the other hand, the Ministry of Entrepreneurship and other official bodies, such as municipalities and local development centers, should provide facilities for networking processes between entrepreneurs and local communities, and between customers and the business providers that enable such projects.

5.5. Rethink students' graduation projects as start-ups

One promising opportunity for youth to generate competent ideas lies within the graduation projects of college students, which usually take place in the final year, and are completed in order to graduate. Many such projects could be transformed into start-ups or business projects after graduation, especially when taking into consideration the time and effort invested in them. This opportunity could be enhanced by enabling an interdisciplinary learning environment that connects different students from different disciplines. Additionally, incubators and entrepreneurship support programs could be involved to some extent, providing feedback in the early stages when designing these projects to enhance the possibility of creating feasible and marketable projects.

Furthermore, in the age of the fourth industrial revolution, basic IT knowledge among college students across different disciplines is a necessity. As such, re-envisioning national curricula and education plans to enable interdisciplinary and project-based learning at different levels is vital in order to keep up with the latest technological developments. To this end, addressing the main concepts of IT and entrepreneurship in school and university curricula would raise students' awareness and help them develop technological and entrepreneurial skills at a young age.

The Ministry of Education and the Ministry of Higher Education, in collaboration with the Ministry of Entrepreneurship and Digital Economy, should open dialogue with a wide spectrum of experts and entities to create a national curriculum that takes the required knowledge and skills of future entrepreneurs into consideration. Besides, designing graduation projects in an

incubation context, similar to the support start-ups receive from incubators, would be better enhanced and developed on the national level by the same ministries.

5.6. Increase research on entrepreneurship

There is a dire need to produce research and databases to support the scientific development of entrepreneurship in Jordan and to help entrepreneurs to develop better ideas when designing their projects based on valid data. Moreover, mapping local service providers across the country is a necessary step for creating sharing economy businesses built on linking service providers with customers, in addition to analytic research for markets and customers. Therefore, private and public research centers should be oriented and supported by governmental authorities to conduct such research, with a special focus on job creation and business models.



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