Rasha Manna, the managing director of the entrepreneur support group Endeavor Jordan, lays out the challenges facing the Kingdom’s startups, and what it takes to overcome them.

The one major difficulty Endeavor faces in Jordan is pipeline—finding companies that meet the Endeavor selection criteria. Endeavor searches for the best-in-class entrepreneurs in high value-added sectors that have founded, and are scaling, high-growth innovative businesses. We select those entrepreneurs who have the potential to be role models to inspire a future generation of entrepreneurs and who have it in their DNA to give back to the community, so that the work we do with a select group of entrepreneurs has a multiplier effect on the economy.

Scale-ups have the ability to move the dial in terms of job creation, wealth generation and to attract significant investments to the Kingdom. Undoubtedly, Jordan is a small market. So for a business to scale, it often means it has to expand out of Jordan. In fact, targeting a regional and global market is a prerequisite for selection to Endeavor Jordan. We actually advise and encourage our entrepreneurs to expand into more lucrative markets. Ideally, we would see business development and sales offices being set up in such markets, and understandably, this might require the entrepreneur to move there themselves for a period of time to ensure such functions are properly operating. However, the negative impact of the entrepreneur leaving Jordan on a more permanent basis is a serious risk that will be detrimental to the local ecosystem in the long-run.

We are proud of what our Endeavor Jordan entrepreneurs have achieved despite the prevailing political tension in the region and the difficult economic conditions.

Alissar Flowers is a Jordanian success story that scaled from a small flower shop in Amman’s old town to become a regional leader in the luxury flower industry with service lines spanning from floral solutions for the hotel industry to retail outlets, flower farms, agri-trading, and their most recent expansion into the e-commerce space.

Ibrahim Safadi has taken Luminus Education from one branch of Al Quds College in the Abdali neighborhood to become a state-of-the-art vocational training center with a second branch opened in 2016 to service the north of Jordan. Luminus Education’s vision and achievements led to an investment by the IFC in 2015.

Arabia Weather was born out of one young man’s passion for weather while still in school to become the leading provider of weather products, services, and solutions to consumers and businesses in the MENA region. These are just a taste of the success our companies continue to achieve. Endeavor works hard to ensure that these entrepreneurs, along with the rest in our portfolio, continue to scale and achieve even bigger success. When that happens, we need to ensure these are identified as Jordanian success stories. In doing so, these companies will have a multiplier effect on the ecosystem.
Endeavor has been studying entrepreneurship ecosystems around the world and there is a clear cycle that can be seen in successful ecosystems that results in the cultivation of high-growth companies and industries and ensures the long-term sustainability of the ecosystem. Endeavor calls this cycle the Entrepreneurship Acceleration Cycle, in which entrepreneurial ambition, growth, commitment, and reinvestment creates a significant multiplier effect impacting a new generation of entrepreneurs. While Jordan doesn’t lack entrepreneurs with the ambition to start their own business and who have the ability to execute and deliver on their vision, the third phase of the cycle requires successful founders to have the desire to stay in Jordan, to establish new ventures here, and share their resources with the next generation of Jordanian entrepreneurs. The fourth stage of the cycle is when founders of successful companies go on to reinvest their intellectual, social, and financial capital in other businesses.

THE WHOLE LEGAL AND REGULATORY ENVIRONMENT DOES NOT SEEM TO BE TIED TO A LONG-TERM VISION FOR WHERE THE COUNTRY IS HEADING

To gauge entrepreneur sentiment on doing business in Jordan and to understand the extent to which they might consider relocating we conducted a survey, the findings of which we released in January during a round table discussion that engaged members of the private and public sector. The highlights of the survey are as follows:

We asked entrepreneurs if they are considering relocating their business out of Jordan: 72 percent responded that they were indeed considering this. Of those that responded positively, 45 percent said they would consider not just relocating the legal entity, but their entire back office as well. We then asked where they would consider relocating to, 67 percent expectedly said the UAE, whilst 25 percent said the United States.

When questioned about what keeps them in Jordan, 69 percent indicated that it was simply the fact that this was home and where their families are. This was followed by 31 percent saying Jordan was a good testing ground for their business, and 24 percent mentioned it was the low cost of human capital. Only 7 percent cited Jordan has a good infrastructure as reason to stay, while 2 percent indicated government support was a factor.

When asked what the factors driving them to consider relocating were, responses were: 74 percent (access to larger markets); 45 percent (high taxation); 40 percent (regulatory instability); 38 percent (access to funding); 31 percent (ease of transactions and more lenient capital controls elsewhere); and 23 percent (bureaucracy and corruption).

The negative sentiment of the respondents was then emphasized when we asked how long before they thought the Jordanian economy would improve; 27 percent think it will take more than 10 years, another 36 percent were slightly more positive, expecting it to take five to 10 years. Now, we are by no means suggesting that 72 percent of entrepreneurs in Jordan are packing their bags and heading to the airport, but what our survey does reflect is entrepreneur sentiment. The findings do mean that 72 percent of entrepreneurs are that frustrated with Jordan’s business environment, and it is time we do something about it before the situation deteriorates further.

Our role at Endeavor is to help companies overcome growth challenges, and we do this by connecting them with the right tools, resources and mentors needed based on the challenge faced. This puts us in a position where we frequently hear from entrepreneurs on such challenges, be they in our portfolio, going through the Endeavor selection process, or those who we simply encounter through the various outreach activities Endeavor organizes. Below are five recurring themes that we have elaborated on by sharing some of the stories we hear from entrepreneurs.

1 - To do business in Jordan is about who you know, and not what you know

This statement reflects a general sentiment in Jordan. To get anything processed, or resolved, you need to know someone in the municipality, or the ministry, or the bank. In fact to get a loan in Jordan, it is very much reliant on “name lending” and not how your business is performing.

2- Jordan’s legal and regulatory environment does not allow business to thrive

Entrepreneurs in Jordan feel like they are in a corporate war zone waiting for the next surprise attack. Setting up and running a business anywhere is no walk in the park; finding the right product-market fit, customer acquisition, recruiting and managing talent, managing competition, and the list of business challenges that entrepreneurs have to deal with goes on. However, those are not the kind of challenges we are hearing about, at least not in the past two years. Entrepreneurs find that a considerable amount of their time is consumed dealing with challenges relating to the regulatory environment that is problematic for entrepreneurs because of the sheer number, ambiguity and complexity of the laws and regulations in place, but also the frequency with which they change. Jamalon, an Endeavor Jordan company, is an online platform providing access to books in English and Arabic. Ala’ Alsallal, the founder of Jamalon, is on a quest to improve their services and customer experience by reducing delivery time to the client. In order
to do so Alsallal realized he needs to disrupt the region’s publishing industry. He decided to invest in a print-on-demand service and leased the required machinery with plans of setting up this facility in Jordan. Unfortunately, Alsallal found the local regulatory environment was not conducive for this. Jordan places custom duties on imported paper, though not on books, making it cheaper to import books to Jordan rather than make them in Jordan. With local sales constituting less than 10 percent of Jamalon’s sales, if Alsallal was to export the books from Jordan, he would not be able to compete with the price of books published in Lebanon or Egypt where the publishing industry thrives. Consequently, Alsallal made the decision to move the production line to Dubai.

Another challenge we frequently hear about in relation to the customs department is how long it takes to process customs declarations, which can take up to 30 days in Jordan. That is quite a considerable window of uncertainty for businesses to operate within. If you benchmark that against the UAE, they recently announced that they have reduced customs declaration processing time to around five minutes.

3- Even when there are good laws and regulations in place, we come up short on implementation and execution

Very often entrepreneurs feel they are at the mercy of which customs officer or which municipality or tax department employee whose desk their papers happen to fall on, or who decides to pay them a visit, and what mood they happen to be in on that day. Tamer Masri is the founder of Jobedu, a platform for young Arab artists to express themselves. The designs are printed on t-shirts which are sold online and through their retail stores. Last year, they decided to place the designs on key chains that they manufactured in China. The customs department held up the shipment in customs for months under the pretext that some of the designs were inappropriate for Jordanian culture. After months of going back and forth to no avail, the shipment was sent to the UAE. What happens next is that Masri then places the same order, for the same designs, and this time the customs officer did not have a problem with the designs and they are currently being sold in the Jobedu stores.

4- Unclear, overlapping and frequently changing legislations are a deterrent to investors and result in heightened risk perception

In 2015 the government surprised the clothing industry by announcing overnight that they would be reducing taxes on clothing from 16 percent down to 8 percent. Now no one will complain about a sudden drop in taxes. However, just over a year later, again with no prior notice, the government reversed the previous decision and taxes were back up to 16 percent.

5- There is a disconnect between the different government entities

There is no clear direction that is communicated and that all government entities and all their personnel work towards. The whole legal and regulatory environment does not seem to be tied to a long-term vision for where the country is heading. For instance, the restaurant industry deals with 12 different government entities, making the hospitality sector feel like there is war between the public and private sector. One of the Endeavor companies is EAT Restaurant Group, which has 15 branches in Jordan. Omar Tabbaa shares stories of the struggles of opening and operating new branches given the lack of clarity of required procedures and paper work needed to license each new outlet. There is no consistency in how vague procedures are implemented and legislations are unpredictable making planning a difficult task. Conversely, EAT have now opened their third outlet in the UAE. Tabbaa says the process there is like a cookie-cutter, allowing entrepreneurs to be able to anticipate time and cost associated with expansion efforts much more effectively.

While we hardly think that it is solely the government’s responsibility to improve the business climate in Jordan, there are some small steps that would go a long way in making Jordan’s business environment more attractive. We list below a few recommendations that came up from the roundtable discussion organized earlier this year.

• There should be a clear communication strategy to eliminate the disconnect between the public and private sectors on the one hand, but also within and between the government entities. The government’s vision should be clear to all public sector employees so that we all speak the same language.

• There needs to be a process in place to ensure the private sector is consulted with on laws and regulations that impact their industries.

• When laws and regulations are introduced, we need to be able to commit that these will remain unchanged for at least a 10-year period.

• Jordan needs to address the gaps in the regulatory environment, especially with regards to bankruptcy and insolvency laws. Furthermore, we need to ensure our labor law is not a hindrance to productivity.

• Procedures impacting ease of doing business in Jordan need to be simplified so that business owners are able to focus on actual business challenges and on growing their business.