

Jordan Business Migration

In a recent survey we conducted at Endeavor Jordan, we asked entrepreneurs the following question: 'If you were starting your business over again, would you set it up in Jordan?' **60% of respondents said they would not.**

One of the major challenges we face at Endeavor Jordan is our pipeline: finding companies that meet the Endeavor selection criteria. Endeavor looks for high-impact entrepreneurs who lead high-growth, innovative businesses that can create material wealth and employment in Jordan. We find, quite often, that the founders of such companies are either in the process of relocating from Jordan, or have already relocated to markets that are more favorable for their business. To assess the degree of such migration, Endeavor Jordan set out to research this phenomenon.

The data was collected from a survey of 125 Jordanian companies in November 2016. Surveyed companies were of different sizes and from a variety of sectors. Noteworthy is that almost half of the surveyed companies came from the technology sector. Almost half of the survey's respondents indicated that over 51% of their revenues today come from outside of Jordan, while around two-thirds of survey respondents have over 80% of their employees based in Jordan.

The survey results draw a bleak picture. When asked if they are considering moving their business abroad, **72% of respondents indicated that they are.** Just under half of this group indicated that they are considering moving not just their headquarters, but their entire operations. This finding held true for respondents regardless of sector, but it was **most extreme for the technology sector, of which only 15% responded that they are not considering relocation.**

When asked where they would consider relocating to, **67%** of respondents said they **would move to the United Arab Emirates (UAE).** This held true for the different sectors surveyed. 24% of respondents indicated that they would choose relocating to the U.S.; the majority of those considering relocation to the U.S. are from the technology sector, likely to be drawn by the U.S.'s advanced technology ecosystem.

The survey also asked respondents to share their reasons for choosing to keep their businesses in Jordan so far. Over two thirds responded that the reason is that **Jordan is home.** Under one third considered Jordan a **good testing ground** for their business, and approximately one quarter said that the **low cost of human capital** was among the reasons they remain in Jordan. The low cost of human capital was cited more frequently by companies in the technology and financial services sectors, rising to over one third for both sectors. In addition, one quarter of respondents said it was their **knowledge of the market** that kept them here. While Jordan has always prided itself on the high quality of its human capital, only 14% cited this as a reason for staying in Jordan. Despite the government's efforts to support the entrepreneurship ecosystem, only 2% of respondents mentioned government support as a reason for staying in Jordan.

MadfoatCom, a financial technology company that launched the eFAWATEERcom electronic payment system, which it currently operates on behalf of the Central Bank of Jordan (CBJ), is one of the survey respondents that has chosen to remain in Jordan. In addition to the fact that the company's anchor client, the CBJ, is based in Jordan, Nasser Saleh, MadfoatCom's CEO, cited the high quality of financial services and technology talent as a reason to keep the company in Jordan, in addition to a favorable ecosystem relative to surrounding countries. Asked what might change his choice of location, Saleh responded:

"We might consider relocating our headquarters and keeping part of the operations in Jordan if the tax system becomes more unfair for our sector, and if the cost of quality technology resources and operations becomes higher than other countries."

Saleh added that he may consider a move "if current and new investors in the company demand that we relocate to a more investment-friendly country."

When we reviewed the reasons for relocating, **74% of respondents said they'd consider moving to access larger markets**. Some of the other key factors that were listed as a reason to relocate include **high taxation** (45%) and **regulatory instability** (40%) in Jordan, **access to funding** (38%), and **easier transactions** (31%). 23% of respondents said they would relocate due to **bureaucracy/ corruption** in Jordan. The challenge of access to funding was more prominent for the technology sector; 57% of respondents cited this as a reason to relocate. 56% of financial services companies said they would relocate due to easier transactions and capital controls elsewhere.

Ala' Alsallal, Founder of Jamalon, was one of those entrepreneurs who relocated to Dubai in 2016. He maintains operations in Jordan, where almost 90% of his employees are based, citing "keeping costs down" as the reason for doing so. When Jamalon decided to scale and introduce print-on-demand books to the Middle East, they did not find a regulatory environment that would be conducive for this in Jordan. Alsallal added:

"Customs and taxation regulations for exports, as well as free-zone regulations, have been so behind other countries in the region. Given that 95% of Jamalon's sales are outside of Jordan, we found Dubai to be a good location for our print-on-demand, which will shape the future of the publishing industry in MENA. We would have loved to have set this up in Jordan."

Kharbeesh is another company whose co-founders, along with most of the executive team, relocated to Dubai this year. Mohammed Asfour, the company CEO, told us:

"Our business in the UAE has been growing much faster than in it has in Jordan, which made the move a necessity. It has also facilitated our expansion into the Saudi market. However, the company does not plan to relocate its operations from Jordan, which will continue to serve as a support office to Dubai and the KSA."

More worrisome than the above is that surveyed entrepreneurs do not believe it is likely to see a short-term reversal of the unfavorable situation in Jordan. Over two thirds said that it will take over five years for the economy in Jordan to improve, and more than a quarter do not expect to see improvements to the Jordanian economy before ten years.

Whilst workers' remittances have always constituted a significant source of income for Jordan, the brain drain of Jordan's smartest and most entrepreneurial cannot be without its drawbacks. While it is understandable for founders, salespeople, and business development personnel to be based out of the larger markets in the region, our concern is that we may see some businesses relocate their operations entirely, which 45% indicated that they would consider.

With prices rising in Jordan and the best of the country's talent increasingly seeking jobs abroad, Jordan is fast losing what is considered its competitive advantage. It will take more than just tax incentives to reverse this trend and to drive Jordan to regain the entrepreneurship lead role in the region. A more holistic approach is needed to ensure Jordan remains an attractive place to live and to invest in. This requires the long-term commitment of the public and private sector to address matters such as healthcare, education, infrastructure, security, employment, and affordable housing. This work should be reinforced by a cohesive government strategy that develops a consistent policy framework that will increase the confidence and ability of entrepreneurs and investors to grow companies out of Jordan.