65807

A STUDY OF THE EQUITY MARKETS AND PRACTICES OF THE HASHEMITE KINGDOM OF JORDAN: METHODS, CONSTRAINTS, AND RECOMMENDATIONS

Prepared for

THE UNITED STATES AGENCY
FOR INTERNATIONAL DEVELOPMENT
USAID/JORDAN

By

IHAB R. LUTFI
CONSULTANT

OCTOBER 15, 1989

Ihab Lutfi

87 Skyline Terrace
Mill Valley, Ca. 94941
U.S.A.
Tel : (415) 383 2734

P.O.Box: 925819
Amman, Jordan
Tel : 812233
Fax : 812233

15 October 1989

Mr. Barry MacDonald
Deputy Director
Projects and Private Sector Operations
USAID/Jordan
Amman, Jordan

Dear Mr. MacDonald:

Re: Equity Markets and Practices in Jordan
Contract No. 278-0277-00-s-9168-00

Enclosed please find three copies of the Final Report on the Equity Markets and Practices of Jordan. The various comments and suggestions advanced by USAID/Jordan have been incorporated in this final version.

It has been a pleasure working with USAID/Jordan on this project. I look forward to cooperating with you again in the near future.

Yours Sincerely,

Ihab A.R. Lutfi

TABLE OF CONTENTS

LIST OF TABLES

INTRODUCTION

A. Background

USAID/Jordan has previously conducted assessments of the Jordanian financial sector and the formal equity market in the country. The present assignment was intended to evaluate the informal methods used by the Jordanian private sector to raise equity capital, to finance operations, to identify constraints in the present system, and to recommend policy and legal changes to enhance the flow of equity capital to private business. Furthermore, the assignment was intended to suggest alternative ways in which USAID could encourage a more efficient and higher flow of equity capital to private business.

B. Strategy and Scope

The strategy followed in conducting the study encompasses the following:

* A definition of the identity of all potential users of equity financing in the Jordanian economy.
* A definition of the identity of all potential providers of equity financing in the Jordanian economy.
* An examination of the existing linkages between the users and providers of funds.
* An analysis of the constraints faced by the users of equity.
* An analysis of the constraints faced by the suppliers of equity.
* Financial sector-specific recommendations to increase savings mobilization to equity investment.
* General recommendations to create new opportunities for equity financing.

Appendix A contains a copy of the Scope of Work.

C. Staffing

The services of Mr. Ihab Lutfi were acquired as a consultant to carry out this assignment. Mr. Lutfi is the former Chief Executive Officer of the Jordanian Technology Development Fund (JTDF). Prior to the termination of the JTDF, the organization acted as a project development organization and as an investment fund. The consultant received assistance from Mr. Khaled Al-Naief of USAID.

The project was originally intended to include the services of two experts from Price Waterhouse, and to extend for a duration of five weeks. This, however, did not materialize and the project time frame was extended by 10 days.

D. Report Organization

Section One of this report presents an assessment of the existing equity "system" in Jordan. This includes an analysis of the potential users and providers of equity, and the current linkages between the two. Section Two provides an analysis of constraints faced by both users and providers of equity. Section Three contains specific and general recommendations to enhance the flow of equity capital to private business.

SECTION ONE: THE EXISTING SYSTEM

The existing equity "system" in Jordan has three major components:

A. Users of funds
B. Providers of funds
C. Linkages between users and providers

This section identifies the users and the providers of funds, and projects a general profile of each. It also examines the existing linkages between the two components of the system.

A. USERS OF THE FUNDS

For the purposes of this study, "users of the funds" are either entrepreneurs or companies, striving to secure either growth or diversification (horizontal or vertical).

1. Entrepreneurs

In Jordan, there are basically two types of entrepreneurs: either they are affluent and/or well-connected, or else they are less affluent and/or not well-connected. Although there are obviously shades of progression between these two extremes, this distinction is nevertheless important because it affects not only the potential sources of risk capital and the methods used by the individual entrepreneurs for raising capital, but it also affects the constraints they face. These two types of entrepreneurs, and their methods of operation, are discussed further in Part C, "Linkages", of this Section.

2. Companies

The Jordanian Company Law of 1989 allows five legal forms of companies to operate in Jordan. The five forms are: partnership, limited partnership, limited liability company, partnership by shares company and public shareholding company.

A *partnership* can be formed between a minimum of two and a maximum of twenty natural persons. Partnerships are allowed to carry on trade activities and individual partners are liable for all debts of the company.

In a *limited partnership* there are general partners and limited partners. Limited partners invest in the capital of the company but are not allowed to become directly involved in its management. The extent of the liability to creditors of the limited partners is limited by their share in the equity of the company. General partners are managing partners and the extent of their liability to creditors extends beyond their share in the company.

A *limited liability company* is sometimes referred to as a private shareholding company with limited liability. The number of partners in this company may be from two to fifty and the minimum capital must exceed JD thirty thousand. The extent of the partners' liability to creditors is limited by their shares in the company. Partners may invest in a limited liability company either in cash or in kind. In kind participation must be assessed by the partners and the value declared must be approved by the Director of Companies at the Ministry of Trade and Industry before shares are issued in return for investment. A limited liability company is managed by a director (president) or an executive committee of two to five partners.

A *partnership by shares company* is similar to a limited partnership in the sense that partners are divided into managing partners and investing partners. The company director or president must be one of the managing partners. The liability of the managing partners towards creditors exceeds the limit of their participation in the company. Investing partners' liability is limited to the extent of their shares in the company. The minimum required capital for this form of company is JD 100,000, and the shares may be traded in the Amman Financial Market.

Public shareholding companies must be started by at least two founding partners. The company may sell shares to the public to raise equity capital, and the issuance of shares is regulated by the Issue Committee at the Ministry of Trade and Industry. The minimum capital for a public shareholding company must exceed JD 500,000 and must be paid in cash and in full within a period of four years. Shares may be issued for intangible participation in a manner regulated by the law.

Proprietorships are referred to as "private" and are not regulated by the Directorate of Companies at the Ministry of Trade and Industry. Proprietorships are supervi d by the Department of Trade.

Table (1) shows the numbers : total declared capital of companies, by legal form, as registered at the Ministry of Trade and Industry in the years from 1986 to 1989.

Table (1)

NUMBERS AND TOTALDECLARED CAPITAL OF NEWLY REGISTERED COMPANIES AT THE MINISTRY OF INDUSTRY (BY YEAR)

COMPANY TYPE	CUMULATIVE NUMBER REGISTERED	1986 NUMBER/ CAPITAL	1987 NUMBER/ CAPITAL	1988 NUMBER/ CAPITAL	1989 * NUMBER/ CAPITAL
PARTNERSHIPS	22191	1479 JD 12,310,000	1559 JD 14,509,000	1544 JD 12,915,000	1014 JD 7,845,000
LIMITED PARTNERSHIPS	3325	254 JD 4,120,000	259 JD 3,006,000	[illegible] JD 2,257,000	152 JD 2,020,000
LIMITED LIABILITY	2179	225 JD 14,756,000	160 JD 14,314,000	157 JD 17,052,000	70 JD 7,727,000
PARTNERSHIP BY SHARES	0	0 JD 0	0 JD 0	0 JD 0	0 JD 0
PUBLIC SHAREHOLDING	205	5 JD 10,461,000	2 JD 7,000,000	2 JD 7,000,000	2 JD 19,000,000

* FIGURES FOR 1989 ARE PARTIAL AND GO UP TO AUGUST 1989.

B. PROVIDERS OF THE FUNDS

Both current and potential providers of funds in Jordan are identified as:

1. Individuals
2. Banks (commercial, investment, finance companies, and specialized)
3. Insurance companies
4. Governmental/semi-governmental (Social Security, various funds, etc.)
5. Venture capital funds
6. Organized Jordanian expatriates
7. Arab and International investment institutions
8. Aid agencies

The Amman Financial Market is actually a "linkage" rather than a provider itself of funds, and is therefore discussed in Part C, "Linkages".

1. Individuals

Most of the wealth in the Kingdom is concentrated in the hands of individuals and families. The wealth of such people may be classified, in general, as either old money, expatriates' money, or new money.

"Old money" in Jordan was derived, in the main, from trading, and is concentrated in the hands of a few well-known families. There is currently a trend among the new generation of these families to move towards production, but this trend is new and is limited by factors to be discussed in Section Two of this document.

There is a large population of *Jordanian expatriates* living in the Gulf States. During the Third Expatriates' Conference recently held in Amman, discussions were held with a number of expatriates living in Kuwait, Qatar, and Saudi Arabia. Most expatriates in the Gulf work as salaried employees, and therefore accumulate moderate earnings. Although only a few of these expatriates could be considered "wealthy", those who are tend to invest their money in the international markets. For a variety of reasons, Jordanian expatriates in the Gulf tend to feel insecure; they recognize that, as the process of nationalizing jobs in these countries proceeds, sooner or later they will have to return to Jordan. Also, a number of these expatriates are of Palestinian origin and, as various sociological studies have shown, their experience as refugees has made many of them risk-averse. Their utility is satisfied by buying real property, a missing factor in the lives of so many Palestinians. Despite the fact that Jordanian expatriates as individuals may appear to be small investors, when joined together in a group, and/or organized to act collectively, they possess a tremendous financial power.

New Money: As a result of the oil boom in the Gulf States in the midseventies and early-eighties, the Jordanian expatriates working in the Gulf made large remittances back to the Kingdom. A significant percentage of these remittances was used to purchase lands and real estate, and the construction sector flourished. As a result, large profits were made by many *resident* Jordanians. This created a new and mostly liquid wealth in the country, often in the hands of people who are not oriented towards investment. Part of their new wealth was used to obtain consumer comforts, while much of the rest was placed in various types of deposits in the banks.

A portion of the wealth of these individuals and families is still on deposit in the local banks. For example, a brief examination of the total deposits with commercial banks in Jordan for the month of May 1989 yields the following information:

> Total deposits by the private sector (resident and non-resident) is J.D. 2.256 billion.
> The total in time deposits is J.D. 1.5 billion and the total in demand deposits is J.D. 441 million.

Table (2a) provides information on deposits with commercial banks, specialized credit institutions, and finance companies. Table (2b) provides information on deposits with select banks.

Table (2a)

Total deposits with commercial banks including Housing Bank

	DEMAND PRIVATE (RESIDENT)	SAV & TIME PRIVATE (RESIDENT)	DEPOSITS (NON-RESIDENT)
CONSOLIDATED FOR COMM BANKS	358.6 MM (5/89)	1456.4 MM (5/89)	440.6 MM (5/89)
CONSOLIDATED FOR SP. CREDIT INST.	29.2 MM (3/89)	159.4 MM (3/89)	
CONSOLIDATED FOR FINANCIAL COMPS	15 MM (4/89)	83.9 MM (4/89)	

Table (2b)

Deposits with select commercial banks

USAID EQUITY MARKETS PROJECT

PROVIDERS	UNCLASS. DEPOSITS	JD DEMAND	FORN CURR. DEMAND	JD SAVINGS &TIME	FORN CURR. SAV. & TIME
PRIVATE DEPOSITORS:					
ARAB BANK	4309 MM (1988)				
CITIBANK		1.7 MM (1988)	1.3 MM (1988)	4.9 MM (1988)	20.5 MM (1988)
ISLAMIC BANK		30.9 MM (1988)	0.3 MM (1988)	121.2 MM (1988)	6.1 MM (1988)
JORDAN KUWAIT		22.2 MM (1988)	1.9 MM (1988)	86 MM (1988)	12.2 MM (1988)
NATIONAL FINAN. INVEST. COMP.				11.2 MM (1988)	0.3 MM (1988)

2. Banks

For the purposes of this study, "banks" refers to all financial institutions which are permitted to accept deposits and which are regulated by the Jordanian Central Bank (JCB).

Based on the above definition, in addition to the Postal Savings Fund, there are five basic types of banks which are allowed to operate in Jordan. These are:

a. Commercial banks
b. Investment banks
c. Specialized credit institutions
d. Financial companies
e. Housing finance corporations

a. *Commercial Banks*. A commercial bank's principle function is to receive deposits subject to check, and to make loans to its customers. Besides these primary banking functions, it keeps the community supplied with various kinds of legal currency, acts as a collection agent for promissory notes, drafts, and similar commercial paper, and transmits funds to distant points upon request. It may offer its vaults for the safekeeping of valuables, and offer interest for time deposits. Internationally, these banks also may perform the function of a trust company, but the writer was unable to determine to this date whether Jordanian banks are allowed to fully and legally perform this function. In Jordan, there are 15 commercial banks, 9 of which are Jordanian and 6 of which are foreign.

The Jordanian banks are:

1. Arab Bank Limited
2. Jordan National Bank
3. Bank of Jordan
4. Cairo-Amman Bank
5. Jordan-Kuwait Bank
6. Jordan-Gulf Bank
7. Petra Bank
8. Arab-Jordan Investment Bank
9. Jordan Islamic Bank

The foreign banks are:

1. The British Bank of the Middle East
2. Al-Rafidain Bank
3. Arab Land Bank
4. Citibank
5. Al-Mashreq Bank
6. Grindleys bank

According to the Central Bank statistics, during the month of May 1989, commercial banks provided JD 1,710 million in credit facilities, maintained a cash balance of JD 15.7 million, deposited JD 233.5 million with the JCB (for which no interest is received), and *invested 14.8 million abroad* and JD 48.5 million domestically.

b. *Investment Banks.* Investment banks offer investments and wholesale bank services. Services include lending, and equity underwriting and brokerage. Investment banks are allowed to accept deposits of all kinds, except for demand deposits.

In Jordan, there are five investment banks:

1. The National Financial Investment Company
2. Arab Finance Corporation (Jordan)
3. Islamic Investment House
4. Finance and Credit Corporation
5. Jordan Investment and Finance Bank

c. *Specialized Credit Institutions.* These institutions were established in the mid-60's to stimulate the development of specific sectors of the Jordanian economy. These institutions are owned mostly by the government, and depend on the JCB, commercial banks, international financial institutions, and foreign governments for funding.

There are 5 specialized credit institutions:

1. The Industrial Development Bank
2. The Housing Bank
3. The Agricultural Credit Corporation
4. The Cities & Villages Development Bank
5. The Jordan Cooperative

According to the JCB bulletin, in March 1989, the specialized credit institutions had JD 361 million in loans offered to individuals and private enterprises and JD 3.5 million in cash. Total resident private deposits were JD 307 million, of which demand deposits accounted for 29 million, savings for 154 million and time deposits for 5.6 million.

d. *Financial Companies.* Financial companies provide equity brokerage, leasing, real estate financing and limited lending. Their main sources of funds are time deposits, their own equity capital, and borrowing.

There are six financial corporations in Jordan:

1. Jordan Securities Corporation
2. Jordan Finance House for Development & Investments
3. National Portfolio Securities
4. National General Investment Company
5. National Development & Finance Company
6. Middle East Exchange Company

e. *Housing Finance Companies.* These institutions are permitted to accept savings and time deposits from clients. Until recently they offered real estate financing, but they now appear to be heading towards diversification.

There are four housing finance companies in Jordan:

1. REEFCO
2. DARCO
3. Beit El-Mal
4. Real Estate Investment Company

3. Insurance Companies

There are 17 insurance companies in Jordan, offering a variety of insurance products and services. Sixteen of the seventeen companies are Jordanian public shareholding companies. The remaining company is the American Life Insurance Company, which operates in Jordan as a branch of a foreign company.

All sixteen Jordanian companies offer general insurance, which includes marine, fire and accident insurance. Ten Jordanian companies offer life insurance and the American Life Insurance Company offers both life and accident insurance.

The seventeen insurance companies operating in Jordan are:

1. Jordan Insurance
2. Middle East Insurance
3. National Ahlia Insurance
4. United Insurance (Al-Mutahida)
5. Arab Maritime Insurance (Al-Bihar)
6. General Arabia Insurance
7. Jerusalem Insurance (Al-Quds)
8. Arab Eagle Insurance (Al-Nisr)

9. Jordanian-French Insurance (JOFICO)
10. Arab International Federation Insurance
11. Arab Belgium Insurance
12. Yarmouk Insurance
13. Holy Land Insurance
14. Arab Insurance
15. Philadelphia Insurance
16. Jordan and Gulf Insurance
17. American Life Insurance Company

Insurance companies are generally profitable in Jordan. During 1988, consolidated profits of insurance companies were JD 4.2 mm before taxes. Insurance companies also paid JD 2.6 mm in dividends to investors.

Insurance companies are allowed to invest but are not allowed to buy lands or real estate for the purpose of trading. The insurance business is regulated by the Insurance Companies' Law #30 of 1984, and is supervised by the Directorate of Insurance Companies at the Ministry of Trade and Industry.

Article 41 of the Insurance Companies' Law required the establishment of a Federation for Insurance Companies. The Federation was established on July 1, 1989, and is a professional and legal body which supervises the professional conduct of all insurance companies and acts as a liaison between the companies and the government.

Table 3 shows the insurance companies' consolidated financial statements.

Table 3

Insurance Companies' Consolidated Financial Statements

INSURANCE COMPANIES FIGURES FILED WITH DIRECTORATE OF INSURANCE FOR 1989.

PROVIDERS NAME	AGE	CASH	PLEDGES	BONDS	SHARES	REAL ESTATE
INSURANCE COMPANIES:						
CONSOLIDATED STTMT		22 MM	3.5 MM	6 MM	9 MM	10.5 MM

4. Governmental and Semi-governmental Institutions

The government of Jordan, through the JCB, invests directly in large public shareholding companies. This includes companies in the industrial sector, such as the Jordan Cement Factories (27%), Jordan Phosphate Mines (67%), Arab Potash Co. (63%), Jordan Petroleum Refinery (7%), and Jordan Tanning Co. (15%); companies in the services sector, such as Machinery Equipment Renting & Maintenance (13%), Jordan Himeh

Minerals (30%), Dar Al-Sha'ab Press (67%), Irbid District Electricity (55%), and Jordan Hotels and Tourism Co. (86%); and some banks such as the Housing Bank (8%), the Industrial Development Bank (21%), the Cairo Amman Bank (10%) ar ' the Arab Bank (11%).

Except in the above cases, the government is not a direct provider of funds. The government of Jordan does, however, own public corporations which, in turn, are providers of funds in the Jordanian economy. Most prominent among these corporations are the Social Security Corporation, the Pension Fund, and the Post Office Savings Fund.

The *Social Security Corporation* was established in 1978 to provide social security services to Jordanians living both in Jordan and abroad. The system is intended to be self-financed, primarily from subscriptions and from revenues derived from investments. During 1987, the corporation received JD 44 million in subscriptions and JD 11.3 million in revenues from investments, and spent a total of JD 10.5 million. The corporation is required to invest effectively in order to generate an acceptable R.O.I.. Sectors targeted for investment are: industry, services, banking and finance, agriculture and food production, housing, and tourism. As of 31 August 1989, total investments committed by the Social Security Corporation were JD 282 million, of which more than JD 275 million is already paid up. The investments of the Social Security Corporation are detailed below, as they appeared at the end of August, 1989:

	J.D.	% of Total
Equity participation in companies	39,923,382	14.12%
New hotels and tourist rest houses	20,929,065	7.40%
Developing existing rest houses	2,716,085	0.96%
Amra hotel expansion project	1,396,797	0.49%
Housing projects and loans	18,639,300	6.58%
Loans	89,347,563	31.60%
Syndicated loans	2,534,000	0.89%
Bonds	3,000,000	1.06%
Lands	40,000	0.01%
Real estate	253,108	0.08%
Deposits wit the Central Bank	18,420,663	6.51%
Deposits with the local banks	85,504,127	30.24%
Total	282,694,090	100.00%

The *Post Office Savings Fund* was established in the early 1970's to encourage limited-income people to save. In 1978, after it accumulated sufficient savings, it entered the investments market.

The Fund operates through branches of the Post Office throughout the Kingdom, and is totally owned and managed by the Post Office, a 100% government-owned entity . The Fund has 315 branches, 230,000 depositors and a total of JD 8.6 million in deposits. All of the deposits are guaranteed by the government. Until 1987, the investment portfolio of the Fund totaled JD 6.1 million, JD 5.5 million of which were invested in Public Shares (90.2%), and 0.5 million of which were invested in syndicated loans (8%). The difference between deposits and active investments, which is JD 2.5 million, remained liquid in the form of time deposits in the banks.

In 1987, a policy change came into effect and the Fund sold all of its shares to the Treasury and bought bonds to the extent of JD 5 million. The current investments of the Post Office Savings Fund can be broken down as follows:

	J.D.	ROI
Syndicated loans	140,000	8.5%
Bonds	5,000,000	8.5%
Loans	100,000	
Time deposits	2,000,000	9.5%

The decision by the Fund to switch from investing in equities, to bonds, came in the wake of losses realized in the market during 1986. Total losses of the Fund on investments in equities were estimated to be JD 1.6 million out of a total equities profile of JD 5.7 million. The biggest single loss was realized in shares of the Cement Company (JD 1.1 million). Also, out of a portfolio which included 35 companies, the Fund lost money on 17, and realized profits on only 9.

Today, the Fund is prohibited from including equities in its portfolio. The prohibition comes from a directive of the Cabinet, and is intended to protect the savings of the public.

The *Jordan Investment Corporation* took over both the investments and employees of the now terminated Pension Fund. The Corporation was established in Temporary Law #29 for 1988, which stated that the objectives of the corporation are to invest in all institutions, local and international, in a manner which maximizes its interests and supports the production sector of the Jordanian economy.

The Corporation, which is 100% government owned, has approximately JD 143 million *in shares calculated at par*, JD 17 million in several Jordanian/Arab corporations (such as the Jordan-Iraq Company), JD 2 million in bonds, and JD 7 million in time deposits.

Although the corporation controls a large portfolio of investments and acts as an arm for the government in investments, it is suffering from major administrative and corporate problems. Almost all of its decisions, administrative and investment, must be approved by the board. The corporation still has no clear corporate structure. Employees of the corporation have become subject to the government pay scale. This resulted in many employees leaving the corporation, with its management in many cases failing to replace old employees. Although the corporation has computer equipment, there are only a few people who can operate it.

Despite all of its problems, management of the corporation seems to be well aware of the need to become more aggressive in investments and more oriented towards project development. Management is willing to commit funds to study projects when such projects are presented.

In addition to the above major governmental investors, several smaller institutions exist which are funded directly or indirectly, partly or wholly, by either the above-mentioned investors or by other semi-governmental bodies such as the Royal Scientific Society or the four Jordanian universities. These institutions include several employee savings funds, and some recently created venture capital organizations such as the Jordanian Technology Development Fund (JTDF) and the Jordan Technology Group (JTG), in addition to the venture capital program at the Industrial Development Bank. The universities and the RSS invest by establishing endowment funds at banks. Employee savings funds also establish endowment funds, and invest in real estate developments. These investments are normally managed by non-professionals and tend to be very conservative.

5. Venture Capital Funds

The Jordanian Technology Development Fund (JTDF) was created as an autonomous department of the RSS in order to provide both project development services and seed capital for developing projects. JTDF attracted both foreign, direct investment and investments from the private sector. Implemented projects include a computer assembly company (Jordan Computer Industries) and an entertaining/educational film-making company (Center for Information on Technology). The JTDF was in the process of establishing three joint ventures (John Shearer Middle East, the Jordanian-Canadian Development Corporation, and a Canadian honey facility) when it was abruptly closed down in May of 1989, only one year after its startup.

The *Jordan Technology Group* concept was initiated and technically developed by the JTDF. The Group joins together several institutional investors in a private shareholding company. The company is intended to provide venture capital in Jordan and has only been in business for less than one year. JTG's interests are focused on the utilization of excess military capacity for production, attracting foreign direct investment to Jordan, and managing offset arrangements on behalf of the Jordanian government.

The *venture capital program at the Industrial Development Bank* is several months old. Funds for this program were provided by the E.C. through the European Development Bank. The program offers facilities to finance new projects (being implemented for the first time in Jordan), or projects which use new technology. It also finances growth to facilitate the introduction of new technology to existing companies.

Financing instruments take the form of either direct equity participation by the bank, or the granting of loans with easy terms to individuals in order to capitalize the money in a company: the IDB may participate directly in the equity of a company to the extent of 50% of its capital, although the bank's participation is restricted to companies of the legal form in which the bank's liabilities are limited to its shares. The bank may also grant loans to entrepreneurs to help them pay up to 75% of their share in the equity of a company. Such loans may be granted only by mortgaging the individual's share in the company, although the IDB may also ask for additional guarantees. The interest charged on these loans is 5%, and a grace period of three to four years may be negotiated. Pay-back time is negotiable, while pay-back itself comes from 50% of annual dividends. Maximum total financing for a single project may not exceed JD 150,000. The total funds available for this project are ECU one million.

To date, four loans have been granted to finance three projects, and one participation in the equity of a new company has been approved. The projects for which loans were granted are:

- Manufacturing of pencils. A loan was granted to an individual to finance his share of the equity in this industrial company.
- Kan Zaman. Two loans were granted to finance the equity participation of two of the partners. The project is in the tourist sector.
- Manufacturing of soil dryers and soil stimulants. A loan was granted to a highly qualified technical individual to finance his project.

Total loans granted to this date amount to ECU 211,000.

The IDB also participated in a company to manufacture packaging materials for medicines and food. Total participation of the IDB in this project is ECU 238,000.

The USAID has recently been involved with a group of individuals and institutional investors in establishing a private venture capital fund. The project is still in the early set-up stages and no clear direction appears to have been set for the organization. As of late September, the organization was still without a general manger.

6. Organized Jordanian Expatriates

As mentioned above, there is a large Jordanian expatriate community living in both Saudi Arabia and the Arabian Gulf countries. Recently, attempts have been made to organize and utilize this community for the benefit of their mother country. Three Jordanian Expatriates' Conferences have been held during the past three years, but no clear steps have yet been implemented to secure the flow of equity investments to Jordan. Current proposals include the establishment of an investment body to be fully funded by expatriates, although it may be some time before such an institution materializes. The proposed scope of operations is also still unknown.

7. Arab and International Investment Institutions

There are both Arab and international investment institutions which are interested in investing in Jordan for various reasons. These institutions include *the Islamic Development Bank* (based in Saudi Arabia), *the Arab Fund for Economic and Social Development*, *the Arab Investment Company*, *the Saudi Fund for Development*, *the Abu Dhabi Fund* *for Arab Economic Development, the Kuwait Fund for Arab Economic Development*, and several bi-lateral funds owned jointly by the government of Jordan and other governments. *The Inter-Arab Investment Guarantee Corporation*, which is based in Kuwait, provides, in addition to inter-Arab investment guarantees against war and appropriation, information on projects in the Arab countries to encourage the flow of inter-Arab capital and investments.

The *International Finance Corporation* has its own interests in providing financing in Jordan. According to unofficial but reliable information, the IFC can both invest and extend credit facilities of up to U.S.$6 million per year for the implementation of projects in the Kingdom. One of the major problems currently facing the IFC, as far as financing Jordanian projects is concerned, is size. Due to the limitations of administration costs, the IFC cannot lend small sums of money (less than $1 million), and hence many Jordanian proposals are turned down as too small. A brief description of the role of non-Jordanian investors in Jordan is provided in Part C, Linkages, below.

8. Aid Agencies

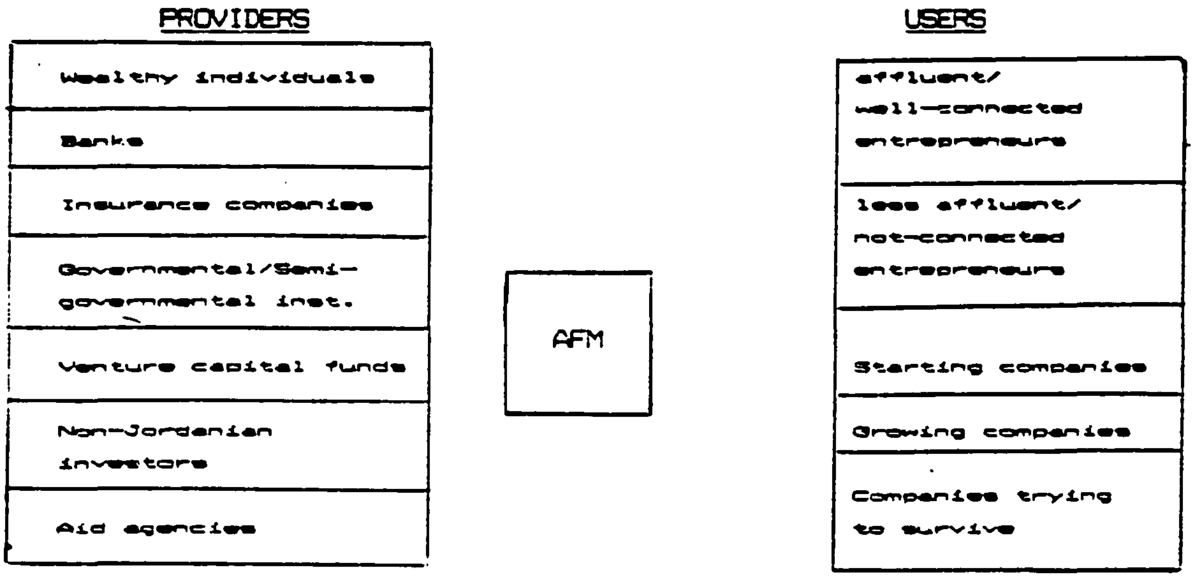
International aid agencies operate different programs set to fulfill policy requirements of different countries. The most common form of aid is the provision of export credit or financing for locally-sourced products. Such financing exposes the buyer to foreign currency exchange risks.

C. LINKAGES

Parts A and B of this Section identified the two major components of the Jordanian financing system, the users and the providers. Part C now examines the current linkages between the providers and the users of funds in the country. These linkages explain the current methods used by the Jordanian private sector for raising equity, or risk capital, and show the relative importance of the various types of investors and investment instruments in providing equity capital for private business.

Money is in demand by either entrepreneurs or newly formed companies for start up, or by existing companies which wish to finance growth and diversification, or by companies which are struggling to survive. Table (4) juxtapositions the various potential users with the potential providers of funds in Jordan.

Table (4)



1. Linkages available to entrepreneurs

The one, inescapable truth about the Jordanian equity system is this: *entrepreneurs interested in beginning a business in Jordan effectively must depend on their own savings and the savings of their immediate family and friends in order to be able to proceed.*

As a part of this study, we conducted a survey of the entrepreneurs who initiated 18 existing companies in Jordan. These companies are of various sizes, legal forms and fields of business. The survey revealed that all of the proprietorships surveyed had had to be fully funded (both capital and security for debt) by their owners. Sources of funds were identified by the entrepreneurs as "own savings" by 66% and "family savings" by 33% of those surveyed. Equity for partnerships and private shareholding companies came mainly from the personal savings of the entrepreneurs themselves. These entrepreneurs typically relied on themselves, or on their family or close friends to get a business underway. Founders in 7 out of 13 companies surveyed (54%) in this category were found to be from the same family or related to one another, while two out of thirteen were childhood friends from the same town (15%), two were found to be joint ventures with the government (established by the Jordanian Technology Development Fund), and one, or 7%, was a joint venture with a foreign company which invested 50% of the equity during the 1970's and divested to 20% in the 1980's. Only one out of a total of 18 companies surveyed (5%) was a successful attempt to group entrepreneur investors previously unknown to one another. Appendix B provides a listing by legal form of these 18 companies, and lists the relationships between the partners, their sources of equity, types of business, size by number of employees and by annual sales, age, and the problems in the equity-raising market of Jordan identified by the individuals interviewed in these companies.

We also interviewed 37 other entrepreneurs, each of whom had registered a business with the Ministry of Trade and Industry in 1988. Out of the 37 individuals, only five actually started a new business, two were already in business but had obtained the license for growth operations, one started but failed to continue, and two are still trying to start. Again, the most common complaint of these entrepreneurs was the lack of available sources of money (both equity and debt). The most common source of project funding for start-ups was identified as the savings of the individual and his immediate family. More than 50% of the respondents indicated that lack of funding channels was a major factor contributing to their failure to start. Appendix C provides a summary of these interviews with various entrepreneurs.

Although some entrepreneurs do manage to secure funding from banks, as these interviews clearly demonstrated, entrepreneurs typically must rely on their own saving, or the savings of friends or relatives, in order to begin a project, despite the existence of the eight different potential providers of funds listed above. In general, banks will consider providing startup money only to entrepreneurs with more than 100% security, although in most cases they refuse even then because of the difficulty of collecting on the security, should the client default.

As a result of this system, it is obviously considerably easier for an affluent and/or well-connected entrepreneur to implement his projects than it is for a less affluent/not connected entrepreneur to do so. Affluent entrepreneurs generally secure funding from private or family savings, or from close relatives or old friends. In most cases, trust is placed by the investors in the individual and his ability to secure profit rather than in the viability of the project itself. But because most of these investments are made on the basis of personal trust and not on the strength of the project alone, it is not enough in most cases for an individual to be bright with a good idea and well-connected; a certain level of wealth also must be possessed by the entrepreneur himself as an additional security to other investors, indicating the entrepreneur's ability to contribute in the event a bail out of the company becomes necessary.

Less affluent and/or not-connected entrepreneurs, obviously, lack access to the personal savings and the savings of friends and relatives which are available to their more affluent counterparts. Furthermore, because of the requirements of the banking system, and because of the lack of any other, institutional avenues, a less affluent/unconnected entrepreneur has only one real route for securing startup money: to identify either a rich individual or a company, and sell the project to them. In many cases, however, this is not effective, either because the entrepreneur fails to communicate the value of his project, or because he does not proceed for fear of falling at the mercy of the prospective financier, once he has given all of the information.

The IDB venture capital program is a recently developed avenue for providing equity financing. The program has succeeded in providing four loans (for purposes of equity, as discussed above) for three projects, and has participated in the equity of one company. Total loans amounted to ECU 211,000 and the one equity participation amounted to ECU 238,000.

According to IDB officials, the two most critical problems in this program are, first of all, the small size of the fund and, secondly, the lack of what they termed good investment ideas or, in other words, well-developed projects.

The USAID'S PETRA project was a pioneering program to provide both funds and assistance to entrepreneurs from the less affluent sectors in the society. According to an assessment by USAID of the PETRA program, more than 100 applications were being received every month for project assistance and funding in the first quarter of 1988. Of these projects, it was anticipated that 73% of the competing applications would be rejected. This indicates, however, that 27% were likely to receive funding. Given the fact that until March 1988, fourteen businesses were started up, eight women projects were financed, and funds were channeled to micro businesses and non-profit organizations from this program, it is obvious that there are people out there who have good ideas, but nowhere to turn for funding and/or for business development advise.

2. Linkages available to Companies

In a typical scenario, a *beginning company* registers with the Ministry of Trade and Industry. As our interviews of over 60 entrepreneurs and/or companies clearly indicated, most beginning companies in Jordan attempt to start with as close as possible to the minimum equity investment amount permitted by law. The partners must pay 25% of the required capital in order to receive permission to conduct business; then, for the remainder of the required operating capital, the owners of the company approach the banks for loans. Typically, the owners are required to provide personal guarantees, in addition to pledging assets--between 120 and 150% if land, and 100% if the security is cash--to secure the loan for the company. Furthermore, banks generally will only provide this type of secured loan to clients who are known to them.

Because of this fact, individuals who are trying to establish a business, unless they are wealthy themselves, must look for a "strong partner" to join in with them to help with obtaining maximum debt from banks (i.e., name borrowing).

Our survey revealed a strong aversion on the part of institutional investors (i.e., insurance companies, finance companies, and banks) to providing equity for start-up companies. All of the insurance companies interviewed indicated that they possess neither the excess capacity (in personnel), nor the qualified personnel necessary to assess start-up companies' potential for success.

The IDB venture capital program is a potentially good, but limited, source of equity capital for start-up companies. The program theoretically only provides equity to needy individuals who are unable to raise funds independently, however, and the available funds are limited. The program also restricts the provision of the funds to new and pioneering projects.

For the most part, our research indicated that this scenario is true regardless of the type of company involved. Table (5) provides a listing of the different funding sources and instruments available to companies already created and in the process of start-up operations.

Table (5)

RESOURCES USED TO FINANCE DIFFERENT FORMS OF COMPANY SET-UPS

COMPANY TYPE	OWNERS EQUITY	PARTNERS LOANS	PARTNERS PLEDGE SECURITY	BORROWING FROM BANKS	GOVT./SEMI GOVT. INVESTING	FOREIGN INVESTING
PARTNERSHIP	AS MIN AS POSSIBLE	COMMON AS PARTNER CURRENT ACCOUNT	COMMON	SECURED OVERDRAFTS COMMON	NO	NOT COMMON BUT JOINT VENTURES POSSIBLE
LIMITED PARTNERSHIP	AS MIN AS POSSIBLE	APPEARS AS DEBT ON BAL SHEET	YES	SECURED OVERDRAFTS COMMON	NO	NOT COMMON BUT JOINT VENTURES POSSIBLE
PRIVATE SHAREHOLDING	AS MIN AS POSSIBLE	NO	POSSIBLE BUT NOT COMMON	SECURED OVERDRAFTS COMMON	RARE	DIRECT RARE BUT JOINT VENTURES POSSIBLE
PUBLIC SHAREHOLDING	PRIMARY ISSUES (AFM)	NO	NO	SECURED	POSSIBLE	DIRECT RARE BUT JOINT VENTURES POSSIBLE
PARTNERSHIP BY SHARES	-	-	-	-	-	-

Beginning companies in Jordan capitalize the minimum amount for a variety of reasons, including tax advantages, avoidance of declaration of wealth, and utility of the investors. By and large, no project financing is available to any form of company in Jordan. Banks and providers of funds ask for feasibility studies, but tend to ignore them in most cases and revert to personal lending with 100% to 150% security.

Growth companies have a relatively easier task raising funds to meet their objectives. Because these companies have been in business for a while, they normally have a track record and have established bank contacts. Most growth companies tend to finance growth to the maximum extent possible via debt. Successful companies are able to access funds to borrow from banks or, occasionally, from semi-governmental institutions, from international investors (mostly through joint-ventures), and, more recently, some large successful companies have approached the IFC. Although in many cases growth companies can raise equity by either going public or selling shares to new partners, this practice is not common in Jordan. In general, there is a tendency to focus on maximizing the wealth of the original partners and an aversion to the dilution of their shares. In some cases, the tax advantages of debt play a factor, but in many other cases the owners simply fail to assess the risks associated with high financial leverage.

We interviewed four successful companies which were in the process of attempting to secure funds for growth. The main problem facing all four companies was not the ability to secure the funds. Rather, they were concerned about obtaining financing for the best (lowest) cost of capital and in a manner which satisfied their growth interest. In principal, all four companies objected to admitting new partners if the only thing that such partners brought in was cash. All four companies did, however, indicate a willingness to expand the number of partners if, and only if, the new partners injected much more into the business than money. Among the desired traits of new partners were the ability to secure new markets and/or the ability to bring in new technology.

Table (6) provides a listing of growth-funding sources for companies of the various legal forms in Jordan.

Table (6)
Growth financing channels

GROWTH SOURCES AND INSTRUMENTS BY COMPANY LEGAL FORM AS IDENTIFIED BY OUR SURVEY.

SOURCE	PARTNERSHIP	LIMITED PARTNERSHIP	PRIVATE SHAREHOLDING	PUBLIC SHAREHOLDING
INDIVIDUALS (ADDITIONAL EQUITY)	AS MIN AS POSSIBLE BY SAME PARTNERS. NEW PARTNERS UNLIKELY	AS MIN AS POSSIBLE BY SAME PARTNERS. NEW PARTNERS UNLIKELY	AS MIN AS POSSIBLE	NEW ISSUES. NORMALLY LONG PROCESS AND NOT COMMON
INDIVIDUALS (PARTNERS LOANS)	POSSIBLE	POSSIBLE	SHARE HOLDERS LOANS POSSIBLE	NO
COMPANIES RETAINED EARNINGS	MOST COMMON	MOST COMMON	MOST COMMON	MOST COMMON
BANKS	OVERDRAFTS/ FIXED LOANS	OVERDRAFTS/ FIXED LOANS	OVERDRAFTS/ FIXED LOANS	OVERDRAFTS/ FIXED LOANS
GOVT./SEMI GOVT.	NO	NO	EQUITY IF THEY GO PUBLIC POSSIBLE	MAY PROVIDE DEBT OR EQUITY. MAY GUARNTEE BOND ISSUE (ONLY MINING & IND)
INSURANCE COS	NO	NO	MAY PROVIDE EQUITY IF APPROACHED BUT RARELY APPROACHED	POSSIBLE FOR BOTH EQUITY AND DEBT (SYNDICATED LOANS)
INTERNATIONAL	MAY BE AS JOINT-VENTURE	MAY BE AS JOINT-VENTURE	MAY BE AS JOINT-VENTURE	MAY BE AS JOINT-VENTURE. EQUITY FROM SOME ARAB COMPANIES OR BANKS BUT NOT COMMOMN

For *companies trying to survive and continue*, market forces are determinant. Large companies, however, which provide extensive employment and which can secure the support of the government, sometimes manage to convert bank debt to equity. These companies write off their losses, capitalize debt and reduce capital (par value of shares). This operation is not very common, but it has been done with several public shareholding companies. Banks do not like to capitalize debt because it reduces their claim on the assets of the company, and because it forces them to become involved in the management of operations they know little about.

Table (7) provides a summary of the responses the different users are likely to receive from the different providers when they approach them for funding.

Table (7)

LIKELY RESPONSES OF PROVIDERS TO USERS VARIOUS DEMANDS AS IDENTIFIED FROM OUR SURVEY.

USERS	USERS	PROVIDERS	PROVIDERS	PROVIDERS	PROVIDERS	PROVIDERS
OPERATOR	STATUS	INDIVIDUAL INVS.	BANKS	INSURANCE COS.	GOVT./SEMI GOVT.	FOREIGN
POOR/UNCONNECTED ENTREPRENEURS	PROJ DEV/ START-UP	UNLIKELY TO PROVIDE EITHER DEBT OR EQUITY	NO	NO	NO	NO
RICH/CONNECTED ENTREPRENEURS	PROJ DEV/ START-UP	PROVIDE MIN EQUITY OR SECURITY FROM OWN SAVINGS, AND SAVINGS OF FAMILY AND FRIENDS	MAY PROVIDE SECURED DEBT	NO	NO	NO
COMPANY	START-UP	PARTNERS PROVIDE MIN EQUITY+PARTNERS LOANS+SECURITY	MAY PROVIDE SECURED DEBT	NO	ONLY POSSIBLE IN CASE OF PUBLIC COS THOUGH UNLIKELY IF BY INDIVIDUALS	NO
COMPANY	GROWTH/ DIVERSIFICATION	PARTNERS PROVIDE MIN NEW EQUITY. UNLIKELY TO ALLOW NEW PARTNERS IN.	LOANS POSSIBLE	NO, BUT POSSIBLE IF GOES PUBLIC	ONLY POSSIBLE IF GOES PUBLIC	RARE
COMPANY	SURVIVAL	PARTNERS TRY TO BRING IN NEW PARTNERS	MAY CAPITALIZE DEBT ONLY IN CASE OF LARGE PUBLIC COMPANIES WITH GOVT PRESSURE	NO	IF PUBLIC MAY INJECT NEW EQUITY THROUGH SEMI GOVT. INSTITUTION	NO

3. Current Investment Preferences

Table (8) below shows the current investment practices of the various potential providers of funds in Jordan. The table is based on information gathered from interviews and surveys.

Table (8)

CURRENT PRACTICES AND PREFERENCES FOR INVESTMENTS BY INVESTORS

INVESTOR	OVERDRAFTS	TERM LOANS	[illegible] LOANS	REAL ESTATE	BANK DEPOSITS	BONDS	STOCKS	ACTIVE	INTERNATIONAL
INVESTING INDIVIDUALS	N/A	N/A	N/A	YES	YES	YES	YES	LIMITED	YES
BANKS:									
COMMERCIAL	MOSTLY	YES	YES	NO	YES	YES	YES	NO	YES
INVESTMENT		YES	YES	NO	YES	YES	YES	NO	YES
FINANCE COS.			YES	NO	YES	YES	YES	NO	
INSURANCE	N/A	N/A	YES	LIMITED	YES	YES	YES	NO	NO
SEMI-GOVERNMENT	N/A	N/A	YES	MOSTLY SOCIAL SECURITY-	YES	YES	YES, BUT MOSTLY JORD. INV. CORP.	LIMITED-MOSTLY IN GOVT. PROJECTS	LIMITED
VENTURE CAPITAL	NO TRACK	NO TRACK	NO TRACK	NO TRACK	NO TRACK	NO TRACK	NO TRACK	NO TRACK	NO TRACK
ARAB INVESTORS	N/A	N/A	YES	YES	LIMITED	LIMITED	LIMITED	VERY LIMITED	YES
FOREIGN COMPANIES	N/A	N/A	YES	NO	NO	NO	NO	JOINT VENTURES	

Our surveys of the various investors in Jordan revealed that *banks* of all kinds, including finance companies, have one main objective: to lend. Banks also invest excess liquidity in what they perceive to be "safe" Amman Financial Market stocks and bonds. Total investments in the AFM, however, are relatively small, largely because the banking system has been fairly efficient in *lending* (which is a different matter entirely from being efficient in *mobilizing deposits towards equity)*. Most lending by banks actually goes to finance consumption. Our discussions with bankers revealed that they are satisfied with their current operations: they are not interested in changing. In their view, as expressed to us, their job is to lend money, not to provide equity. The general impression derived from these meetings with bankers was that they are conservative by nature, and unlikely to initiate new investment tools for providing equity. Previous, unsuccessful attempts to invest in Jordan have had the greatest influence on them in this regard; they implied that they would only be interested in participating in the creation of tools for equity investment if they were first able to observe *someone else*'s successful venture into this area. Banks themselves do not provide equity directly, of course, but it is possible for banks to establish subsidiaries which invest in portfolios of securities, equity and, perhaps, in venture capital. Our research clearly indicated, however, that Jordanian banks are not likely to participate in initiating this idea.

Meetings were also held with various *insurance companies*, as well as with their Federation. Unlike banks, insurance companies have no "hard and fast" rules against investing in equities. Current insurance company preferences, however, are to provide government-guaranteed syndicated loans, to invest in the securities of the AFM, and to earn interest on deposits at the banks. At the moment, insurance companies in Jordan are generally not interested in providing equity for individual projects, largely because they have neither the capability nor the staff to evaluate these projects. In addition, the people we spoke with indicated that they are not interested in investing in projects of this nature, first of all, because they perceive them as risky and, secondly, because they are not a part of their mission. Although they welcomed, with caution, the idea of pooling resources to establish a fund to provide equity, it remains to be seen whether or not it is possible to convince Jordanian insurance companies to overcome their fundamental conservatism and to act accordingly.

Our findings indicated that there are four insurance companies which are possible targets for fund pooling. These are: Jordan Insurance, Jerusalem Insurance (Al-Quds), National Ahlia Insurance, and Arab International Federation Insurance. These companies all expressed cautious interest in a scheme of this kind.

Semi-governmental investors primarily provide equity for new projects initiated by the government. This is the investment strategy articulated by their managers, and it is verified by an examination of their portfolios. The portfolios of the three major semi-governmental investors are described above in Part B of Section One.

Foreign companies' involvement in Jordan is primarily restricted to joint ventures with private companies. Very little foreign, direct investment comes to Jordan. There are a few examples, however, such as one in the dairy sector.

Discussions with various government departments indicates that *Arab investors* generally concentrate on investments in real estate. According to local bankers, Arab investors have only limited deposits in Jordanian banks, while the AFM indicated that Arab Investors purchase limited numbers of shares and bonds. There are very few active, direct investments by Arab investors in Jordan and, according to international statistics, large investments are made by Arab investors overseas, particularly in Europe and the U.S..

The greatest potential source of equity in Jordan is *individuals and companies with excess liquidity.* We talked to over 25 individuals and companies, and not one of them was opposed to the idea of investing in equity, if an appropriate project could be identified, a good financial package established, and a clear market for the product existed. All of the entrepreneurs, however, voiced doubts about the ability of projects to succeed in Jordan. Their major concerns focused on macro economic constraints to business and on the constraints discussed below in Section Two.

Jordanians, in general, still prefer to invest in trade. We surveyed a sampling of seventeen investors about their investment preferences. The results show a clear preference for providing equity for trade (13), while industry, services, and agriculture trail behind at 7 each. Tourism scored only 5, while agricultural industry was considered very risky with only 3 investors indicating their preference to invest in this sector. The overriding factor explaining these investors' aversion to investing in agricultural industries is the existence of extensive government regulations. According to investors, the prices for most agricultural materials necessary as feed stock for industry are controlled by the government through government monopolies, and the prices for finished goods are fixed. Table (9) shows the number of investors preferring the different sectors of the economy. The accuracy of the results are obviously limited by the small size of the sampling of investors.

Table (9)

Sector	Preferences (as expressed by 17 investors)
Trade	13
Agriculture	7
Industry	7
Services	7
Tourism	6
Agricultural industry	3

4. Instruments

Table (10) provides a listing of the different financial instruments available in Jordan, and the individuals and types of organizations which can benefit from them. These instruments are equity, loans, bonds, installment financing, and leasing.

Table (10)

FINANCIAL INSTRUMENTS AVAILABLE TO DIFFERENT FORMS OF BUSINESS

INSTRUMENT	PARTNERSHIP	LIMITED PARTNERSHIP	PRIVATE SHAREHOLDING	PUBLIC SHAREHOLDING
EQUITY	YES, BUT MINIMAL	YES, BUT MINIMAL	YES, BUT MINIMAL	YES, BUT MINIMAL
OVERDRAFTS	SECURED	SECURED	SECURED	SECURED
TERM LOANS	SECURED	SECURED	SECURED	SECURED
SYNDICATED LOANS	NO	NOT COMMON	NOT COMMON	POSSIBLE
BONDS	NO	NO	NO	POSSIBLE BUT DIFFICULT, REQUIRE GOVT GUARANTEES
INSTALMENT FINANCE	YES	YES	YES	YES
LEASING	YES	YES	YES	YES

Although *equity*, as discussed above, is clearly only provided to the absolute minimum extent in Jordan, it is nevertheless the most vital element for beginning businesses in the country (meaning, all entrepreneurs must have it themselves in order to start; if they do not have it themselves, they cannot start). By definition, equity is what investors commit to a business from their own resources. In Jordan, this commitment is made, but in a rather indirect manner. A common scenario is for an investor to plough as little cash as possible directly into the company for equity, and to secure the debts of the company by providing personal guarantees with security. Another common practice is to borrow from the banks against acceptable securities and then to capitalize part of the proceeds as equity, while using other parts to provide partners' loans or shareholders' loans to the company. While these practices indicate an aversion to providing equity in the accounting sense, they do show a willingness on the part of investors to commit to a business. Investors in Jordan avoid providing equity for reasons other than a lack of funds or a lack of commitment.

Loans are extensively used by companies of all legal forms in the country. Most Jordanian companies attempt to borrow the maximum amount of funds possible to substitute for the shortage of equity. As a result, most companies in Jordan are heavily leveraged, with an average debt:equity ratio of between two and four, and the cost of capital is a major burden on their operations.

Probably the most common of all debt instruments in Jordan is the *overdraft.* Overdraft facilities are extended for one year, and are generally renewable annually. Disbursement of funds are usually liberal, and interest charges vary from one client to another, according to their financial standing. Overdraft facilities are generally secured, and are offered to companies of all types and, usually, in all fields of business, since there are no hard and fast rules to restrict their assignment. Most companies use overdraft facilities to finance their operations, and commonly refer to this kind of financing as "working capital". In 1988, overdraft facilities in Jordan amounted to JD 628 million, and constituted 41% of total debt financing in the country. In May 1989, overdraft facilities amounted to JD 606 million, and constituted only 38% of the total debt financing in the country.

Term loans are generally used to finance fixed assets and/or working capital, and are usually extended for a period of up to eight years. Interest on term loans is fixed for the entire period of the loan, and repayments are expected either quarterly or semi-annually.

Because term loans are project-specific loans, they tend not to be popular with either bankers or borrowers. Bankers must become convinced of the viability and credibility of the project, while borrowers dislike the lack of flexibility which comes with a term loan as opposed to an overdraft, and the need to meet payments when they become due. Term loans are provided against collateral, which may include mortgages of real property, charges on shares and bonds, bank guarantees, the endorsements of letters of credit, or the acceptance of transfer of rental rights at industrial estates for projects located there.

Term loans are usually offered to companies of all legal forms, without clear discrimination against any line of business.

Syndicated loans are available to large projects, in both the industrial and mining sectors, which are beyond the capacity of a single financing institution. Participants in syndicated loans may include, in addition to banks, semi-governmental institutions, investors, and insurance companies. Syndicated loans are usually granted for a period of seven years at a floating rate of interest, plus a 1 to 2% commission.

Bond issues began in Jordan in 1979 and are traded in the Amman Financial Market. In Jordan, bond issues include corporate bonds, development bonds, treasury bonds and treasury bills. Bond issues are generally available only to public shareholding companies and government authorities, and they are usually used to finance large projects in either the mining or industrial sectors. Between 1979 and 1988, 27 bond issues were made, and all issues were guaranteed by the government.

Leasing is practiced by three companies in Jordan, with emphasis on the construction sector. Leasing is available to companies of all legal forms, but this type of financing is still uncommon in this country.

Installment financing is practiced by the Islamic Development Bank and by institutions operating according to the Sharia'a Islamic code. Both leasing and installment loans constitute only a small portion of the financial instruments used in Jordan, when compared with the other forms of instruments in use.

5. The Amman Financial Market

Potentially the single most important forum in Jordan for linking the providers of funds (i.e., investors) with the users of funds (i.e., entrepreneurs and companies) is the *Amman Financial Market (AFM)*.

The AFM links investors and users of funds by providing equity and debt. Equity is provided to companies through the issuance of shares in the Primary Market and in the Parallel Market. Debt is provided through the issuance of corporate bonds and development bonds, both of which are guaranteed by the government. The Secondary Market provides a forum for speculation by investors.

Table (11) shows stock and bond issues and fixed capital formation during the years 1978 through 1988.

Table (11)

AFM stock and bond issues and fixed capital formation, 1978-1988.

Years	Shares share JD	Corporate bonds in (J.D million)	Development bonds in (J.D million)	Total (In J.D)	Fixed capital Formation in (J.D million)	Issues to fixed capital formation
1978	11,901,117	—	10.0	21,901,117	229.1	9.6%
1979	16,887,705	5.0	11.0	32,887,705	294.5	11.2%
1980	47,764,260	5.0	10.0	62,764,260	397.8	15.8%
1981	74,547,574	5.0	9.0	98,547,574	564.8	15.7%
1982	91,308,682	25.0	12.0	128,308,682	597.3	21.5%
1983	59,910,000	22.0	12.0	93,910,000	502.8	18.7%
1984	6,283,630	19.5	13.0	38,783,630	485.6	7.9%
1985	10,675,000	8.5	20.0	39,175,000	473.1	8.3%
1986	11,420,000	19.0	15.5	45,920,000	459.7	10%
1987	28,159,538	5.0	26.0	59,159,538	446.0	13.3%
1988	7,000,000	9.66	17.0	33,660,000	—	—
Total	365,857,506	123.66	155.5	645,017,506	—	—

Only companies registered as public shareholding companies with the Ministry of Trade and Industry may benefit from the AFM stock exchange facilities. To be listed in the Parallel Exchange, a company must be registered as a public shareholding company with the Ministry of Trade and Industry, it also must have received an inception certificate, and its paid-up capital must equal at least 50% of the total shares' par value of the company (declared capital). In addition to meeting the above requirements, for a company to be listed in the Regular Exchange, at least one year must have elapsed following the inception date of the company, an annual report must be published, and certain information disclosure requirements must be fulfilled. In practice, most newly-formed public shareholding companies list in the Parallel Market for one or two years before listing in the Regular Market. Table (12) shows the number of companies listed in the market from 1978 to 1988, while Table (13) provides a list of all Jordanian shareholding companies and their status as of 31 December 1988.

Table (12)

Number of companies listed in the AFM from 1978 to 1988.

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Regular Market	57	71	71	72	86	95	103	104	104	106	107
Parallel Market*	—	—	—	—	13	14	12	13	11	13	13
Co's To Be Listed	—	—	—	—	16	17	16	11	8	4	4
Total	57	71	71	72	115	126	131	128	123	123	124

* Trading in the Parallel Market started on Feb 20, 1982

Table (13)

List of all Jordanian shareholding companies and their status as of 31 December 1988.

Shareholding Co's

Regular Market

Banks and Financial Inst.

1 Arab Bank
2 Jordan National Bank
3 Cairo Amman Bank
4 Bank of Jordan
5 The Real Estate Financing Corp.
6 Industrial Development Bank
7 The Housing Bank
8 Jordan Kuwait Bank
9 Jordan Gulf Bank
10 Petra Bank
11 Arab Jordan Investment Bank
12 Jordan Islamic Bank
13 Arab Finance Corp. (Jordan)
14 Jordan Securities Corp
15 Al Mashrek Currency Exchange
16 Jordan Finance House
17 Islamic Investment House
18 The National Financial Investment
19 National Portfolio Securities
20 Darco For Housing & Real Estate Investment
21 Real Estate Investment Co
22 Jordan Investment & Finance Corp.
23 Finance & Credit Corp

Insurance

1 Jordan Insurance Co
2 Middle East Insurance Co
3 United Insurance Co.
4 The Arabian Seas Insurance Co.
5 General Insurance Co.
6 Jerusalem Insurance Co
7 Jordan Eagle Insurance Co
8 Jordan French Insurance Co
9 Arab Union International Insurance
10 Al-Ittihad Insurance
11 Arab Bergan Insurance & Reinsurance Co.
12 Petra Jordan Insurance Co
13 Universal Insurance Co
14 Yarmouk Insurance & Reinsurance Co
15 The Holyland Insurance Co.
16 Arab Life & Accident Insurance Co.
17 Philadelphia Insurance
18 Jordan - Gulf Insurance
19 AREFCO Life Insurance Co
20 The Arab National Insurance Co.

Services

1 Jordan Electric Power Co
2 Jordan Hotels & Tourism Co
3 Irbid District Electricity
4 Jordan Himmeh Mineral Co
5 Garage Owners Federation Office
6 Dar Al - Sha'ab Press, Print, Pub. & Distributing Co
7 Arab International Hotels Co
8 Livestock & Poultry
9 Jordan National Shipping lines
10 International Contracting & Investment
11 General Investment
12 Jordan Tourism & Spa Complex
13 United Middle East & Commodore Hotels
14 Jordan Leasing Corp.
15 Jordan Gulf Real Estate Co
16 Jordan Management & consultancy
17 Petra Enterprises & leasing Equipments Co.
18 Machinery Equipment Renting & Maintenance Co
19 Jordan Kuwait Co. for Agricultural & Food Products
20 Jordan Press Foundation AL-Ra'i
21 Jordan Press & Publication AD-Dustour
22 Ishraq for Investment & financial Facilities

Industry

1 Jordan Tobacco and Cigarettes
2 The Trans Jordan Minerals Research Co.
3 Jordan Cement Factories Co
4 Jordan Phosphate Mines Co
5 Arab Potash
6 Jordan Petroleum Refinery Co
7 The Jordan Tanning Co
8 Woolen Industries Co.
9 The Industrial, Commercial & Agricultural Co
10 The Arab Pharmaceutical Manufacturing Co
11 The Jordan Worsted Mills Co
12 Jordan Confectionery Co
13 Jordan Ceramic Industries Co
14 Jordan Dairy Co
15 Jordan Printing and Packaging Co
16 Jordan Paper and Cardboard Factories Co.
17 Public Mining Co
18 Jordan Spinning & Weaving Co
19 Rana Industrial Co
20 Jordan Pipes Manufacturing Co
21 Jordan Glass Industries Co
22 Arab Chemical Detergent Industries
23 Dar - Al Dawa Development & Investment Co.
24 Jordan Lime & Silicate Brick Industries
25 Arab Investment & International Trade Co.
26 Arab Aluminium Industries
27 Mas Industries Co
28 Orient Dry Batteries Industries
29 The Arab Paper Converting & Trading Co
30 National Steel Industry Co.
31 National Industries Co
32 Intermediate Petro - Chemical Industries Co
33 Jordan Industrial Investments
34 Jordan Chemical Industries Co
35 Jordan Rock - Wool Industries
36 Universal Chemical Industries Co
37 Aladdin Industries
38 Jordan Industries & Match Co
39 Jordan Wood Industries (JWICO)
40 National Cable & Wire Manufacturing Co
41 Jordan Sulphur Chemicals
42 Arab Center for Pharmaceuticals and Chemicals

Parallel Market

1 Beit - Al-Mal Saving and Investment for Housing
2 Middle East Exchange Co.
3 Jordan Medical Corp.
4 Arab Tourism Investment Co.
5 Jordan Trade Facilities
6 Central General Trading and Storage
7 Jordan International Trading Center
8 Jordan Enterprises for Catering and Tourism
9 National Development and Finance Co
10 Architectural Contracting
11 Jordan Ready To Wear Manufacturing Co
12 National Quarry Co
13 Jordan Precast Concrete

Companies waiting to be listed

1 The Jordan Company for T.V. Radio and Cinema Production
2 Jordan Marketing Corp
3 Arab Industrial Group
4 Jordan Poultry Processing & Marketing

The Primary Market is, essentially, the forum where equity is provided. During the boom years of the mid-1970's and early 80's, the number of large projects in Jordan was high. Many companies were established to cater to what appeared to be an ever-growing market. Between 1978 and 1982, the Primary Market in shares experienced an average annual growth of 56.7%, and the total value of new issues in 1982 exceeded JD 90 million. Following the regional recession in the 1980's, however, many public shareholding companies realized that they had over-invested. Production was well below capacity and, for most public shareholding companies, short-term debt was increasing. This prompted many of these companies to fund short-term debt through corporate and development bonds.

Although, in theory, the AFM is an effective forum for raising equity, in practice it only benefits companies of a specific size and legal form. Since only a few companies are either able or willing to go public, the AFM is automatically precluded from currently being considered a serious avenue of funding for small private business.

The most active trading in the AFM is done in the Secondary Market, where existing shares are circulated among competing, speculating investors. Unlike the situation in the West, individuals and not institutional investors are the biggest participants in the AFM. Around 600,000 investors traded in shares during 1987, with limited participation from institutional investors. This explains to a degree why, despite the fact that a large number of investors participated in the market, only a small percentage of total bank deposits was actually invested in the market (6% in 1987). Furthermore, it explains the volatility of the market and the unrealistic pricing of most shares.

Discussions with various investors in the Market have shown that most of them tend to invest in the AFM in stocks of banks and insurance companies, rather than in shares of industries or services. According to the AFM statistics for 1987, the highest JD investments in the formal exchanges went to banks (at a market value of JD 455 million), industry (JD 359 million), services (JD 62 million) and insurance (JD 39 million).

The Company Law of 1989 has offered a new opportunity for potential users of funds to gain access to providers through the AFM. A partnership by shares company may now be established with as little capital as JD 100,000, and may be registered and traded through the exchange. To date, however, not a single company of this form has been established. This could be due partly to ignorance and partly to a lack of desire to abide by AFM regulations, as well as for other reasons.

In sum, funds for equity financing are available in Jordan, but have not been mobilized. Large amounts of money simply remain idle in bank deposits. For a number of different reasons, the AFM benefits only a few users, and users have failed to take advantage of the recent changes in the Company Law. The result is an inefficient system for mobilizing savings into productive equity. By and large, equity in Jordan is only provided through direct contact--as it is in traditional, rural communities--despite the fact that Jordan today is a large and complex society. As a result, those who benefit from the availability of funds and who use them as equity are generally the savers themselves, their immediate family, their relatives, or, to a lesser extent, trusted friends. By and large, there are no channels in Jordan to provide equity financing to small start-up companies.

SECTION TWO: CONSTRAINTS

A. CONSTRAINTS FACED BY THE USERS OF EQUITY CAPITAL

The users of equity capital in Jordan face a number of constraints in their efforts to raise equity capital. Many of these constraints overlap with or are at least influenced by the constraints also faced by the providers of equity, which are discussed in Part B, below. Our interviews with various companies and individuals identified a number of common problems. In descending order of priority, these are:

1. Undoubtedly the greatest single constraint faced by the users of funds in Jordan is *a lack of funds being made available for investment.*

A lack of funds readily available for investment is not the same as a lack of funds. To understand the difference, it is necessary to determine, first of all, what money is available in Jordan and, secondly, to examine the attitudes of those who have this money, in order to determine whether or not they are willing to invest it.

Money placed in financial institutions in Jordan belongs either to private depositors (resident and non-resident) or to public institutions. For the purposes of this report, we are interested primarily in money available from private entities (individuals and companies), who placed the funds in the financial institutions to satisfy certain utility requirements.

A brief survey of bank deposits shows that large amounts of both Jordanian dinars and foreign currency are invested in the form of savings deposits and time deposits in the financial institutions in the country. More than 1.4 billion dinars is placed in Commercial banks in Jordan in the form of savings and time deposits belonging to resident Jordanians. In one bank alone, the bank manager informed the writer that several of his accounts had deposits of JD one million and more, and belonged to private individuals. One such account had JD 7 million in time deposits. On another occasion, one of the individuals interviewed by the writer revealed that he had D.M. 36 million in time deposits at a local bank. Non-resident deposits in Commercial banks amount to J.D. 440 million (according to the JCB bulliten of May, 1989) and mostly belong to Jordanian expatriates living in the Gulf States. Tables (2a) and (2b) in Part B of Section One provide a list of private deposits in the Jordanian banking system.

As these tables clearly illustrate, there is no lack of funds in Jordan. The problem is, under the current system, that it is not being made available to entrepreneurs or small private businesses in the form of equity capital.

2. What the users of funds lack, therefore, are *active institutions which provide equity to entrepreneurs and small businesses.*

As discussed in Section One, entrepreneurs and small businesses effectively must rely on their own savings or the savings of friends and relatives in order to develop project ideas. For the more affluent and/or well-connected entrepreneur, this situation is not a major constraint, but for the less affluent and/or not-connected, there is a major need for an active institution to which these individuals and businesses could turn for funds. Perhaps the best-known example of this type of institution is the Small Business Administration in the United States.

The PETRA project and the IDB venture capital program are perhaps the closest Jordan comes to providing institutional help in this regard. The PETRA project, however, is not able to deal directly in equity investments, while the IDB program is very small, with 50% of its venture funds already committed after less than one year in operation. Furthermore, both projects are funded by non-Jordanian sources, and thus do not constitute a mobilization of local savings.

3. Another major constraint is the *lack of an institution to provide active support for entrepreneurs and small businesses in the process of developing project ideas.*

There is a need to actively help an entrepreneurial class to develop. Historically, Jordan was, for thousands of years, a trading nation, rather than a producing nation. While this is slowly changing, old ways are not easily supplanted, and new ways must be learned. A successful entrepreneur is, in reality, a generalist, someone capable of using existing information to identify market opportunities and then putting together a complete package to exploit the available opportunities for profit. Most Jordanians, however, prefer to become specialists rather than generalists; Jordanian entrepreneurs therefore need access to generalists to help provide them with the skills they lack to develop their projects successfully.

Even affluent and/or well-connected entrepreneurs seem to suffer from a lack of awareness of the importance of these skills, as well as from a lack of expert human resources in the fields of financial management, marketing, and overall project development. Those who are wealthy enough do sometimes import expertise from places as far away as the United States, or else develop their projects in the form of joint-ventures with other companies. Equitable joint-ventures, however, are not easy to come by in Jordan because of the limited advantages Jordan appears to offer foreign corporations.

4. Most investors also identified government *regulations* as one of the most important factors affecting the provision of equity. Many Jordanian laws were established years ago, when a different economic climate prevailed. Although a new economic climate exists today, the old laws remain the same. The tax law, for example, favors cash savings over investments, with a devastating effect on the provision of equity in business (i.e., interest paid for debt is tax-deductible, while interest earned on deposits is exempt from taxation). Furthermore, while good administration eases the burden on investors and attracts them to a country, attractive investment regulations are not sufficient by themselves to make people invest their money in business; proper implementation is also necessary. Jordan, for instance, created a "one-

stop government window" at the Ministry of Trade and Industry to make it easier for investors (holders of equity) to start new businesses. This one stop government window, however, has failed to attract business and investment by reducing the administrative burden.

5. Most entrepreneurs and small businesses have difficulties *marketing* their products. This becomes a constraint in raising equity, since few providers of funds are likely to invest in the development of a product for which there is no *apparent market*. Often, however, this is more a problem of perception and lack of information than it is a real lack of markets. Our surveys disclosed a reluctance on the part of both users and providers of funds to finance evaluations of market potentials, and a lack of information about potential markets. There is also a need to develop more sophisticated marketing skills.

The *Jordanian market*, for example, for most products, is rather small. It does not in most cases justify (with the exception of some agricultural-based processing schemes) the establishment of import-substitution industries. Therefore, projects which can potentially attract equity investments must be able to take advantage of Jordan's location, friendly relations, and bilateral protocols, in order to penetrate other markets in the region.

Regional markets for Jordanian products can be divided into two classes:

1. *Foreign exchange-rich markets*, such as Saudi Arabia and the Gulf countries. These markets are open, and Jordanian industries find it difficult to compete in them for social reasons as well as for reasons relative to consistency of quality and price. Recent gains in the export of agricultural produce to the Gulf as a result of the devaluation of the dinar in no way contradict this general tendency. Furthermore, the penetration of these markets requires marketing capabilities currently beyond the reach of most Jordanian businesses.

2. *Foreign exchange poor markets*, such as Egypt, Syria, Iraq (at present), Yemen and South Yemen. These countries tend to prefer to pay for Jordanian products through barter, which means that the Jordanian producer does not receive the benefits related to foreign exchange from exports. Furthermore, more and more of these countries are becoming less and less interested in bartering products for which they can earn foreign exchange if they exported them to other countries.

A *non-regional market* for Jordanian products which has been little explored is the EC. This market has considerable potential for Jordanian products, if the appropriate products are identified and produced, and if appropriate marketing strategies are developed to exploit these markets. Particular advantages for Jordan in Europe are based on the existence of the Jordanian-EC protocol, and on the fact that many Far Eastern countries completely fill their annual import quotas to the EC. As a result, Jordan has the potential of becoming a part-production/assembly station for many products from the East, to be re-exported to Europe as Jordanian products, after fulfilling the country value-added criteria.

6. During our interviews, a number of Jordanians, both investors and entrepreneurs, identified various *factors of production* as constraints on their ability to provide or to raise equity capital. These included the work force (labor and management), energy, raw materials, capital equipment, and natural resources.

a. *The work force*: There is a need for the education and training of management in both the private and public sectors. Particular emphasis must be placed on the development of strategic, financial and marketing managers. The Jordanian work force, when utilized properly, is educated, easily retrainable and, with the proper incentives, can be dedicated. This is evidenced by the success of some Jordanian companies in unusual fields such as the pharmaceutical industry, the manufacturing of lifts and the manufacturing of some agricultural implements (i.e., Maice in irrigation, and Rama in spraying and ploughs). The recent devaluation of the Jordanian dinar has had the favorable effect of reducing the cost of labour, but this potential advantage is meaningless unless greater emphasis is placed on improving management for productivity, efficiency, and quality.

b. The *cost of hydrocarbon energy* is fairly high. Research is being carried out on developing alternate sources of energy, but so far the use of other forms has not been very successful in the industrial sector.

c. Most economic activities currently taking place in Jordan appear to depend on *imported raw materials*. This creates a scope for either the development of basic, primary industries (such as glass manufacturing or the development of a foundry) or for the easing of current restrictions on the import of basic materials needed for Jordanian industry.

d. *Capital equipment* for industry may be brought into Jordan without major restrictions and without duty (according to the Encouragement of Investment Law). Many Jordanian businesses also are able to buy reconditioned equipment from Europe at reasonable prices. Such equipment, however, in many cases, is not as good a bargain as buyers may think: yield, productivity and efficiency factors are one reason, while unavailability of spare parts is another.

e. Jordan has few conventional *natural resources*. As a result, this is not a major avenue for the injection of equity into the country's economy. Creative treatment of non-conventional resources, however, could provide an avenue for attracting equity, but substantial, professional studies are needed to evaluate the possibilities in this area.

7. A final constraint mentioned by a number of different entrepreneurs and other analysts, and one which is difficult to prioritize, is the *social-political climate* of Jordan. The socio-political profile of Jordan is complex. This complexity is brought about by a variety of factors which include but are not limited to the make-up of the society (the presence of a large number of refugees and immigrants), the cultural process of socialization and child up-bringing (i.e., the

supreme authority of the father-figure, etc.), and a variety of political and legal factors relating to a government administering the affairs of a country in a turbulent region. The latter often lead to strained relations between the government and the private sector and, in the end, take their toll on the willingness of potential providers of equity to invest more funds in business. The result is a risk-averse population, with a short-term outlook, leery of investing in a politically turbulent region of the world.

B. CONSTRAINTS FACED BY THE SUPPLIERS OF EQUITY CAPITAL

As was demonstrated above, it is abundantly clear that funds are available in Jordan. These funds have not, however, been made available for equity investments in Jordan. Are Jordanians, by temperament, only savers and not investors? Or are there significant constraints which, to date, have deterred them from providing equity capital in Jordan?

To answer this question, it is necessary to examine, first of all, the utility requirements of Jordanians with money. Interviews were conducted with nine well-known, wealthy individuals living in Jordan. From these interviews, the following tendencies were observed:

1. The primary concern of most Jordanians is the *safety* of their funds; hence, Jordanian investors prefer to invest in going concerns.
2. A second concern is for a *positive but secure return on their investment*; hence, they prefer to invest with an established institution or individual with a clear track record.
3. These individuals also desire *control.* This is a result of a general lack of trust on the part of investors in Jordan, and in the credibility and competence of Jordanian management.

It is clear from the writer's interviews with various investors and existing companies that Jordanians are not only savers: they are also willing to invest. This is evidenced by the fact the Jordanians do invest abroad. Indeed, many Jordanians are willing to remain passive investors, once credibility and trust in the competence of those managing their funds is established. Investors with varying interests identified the following as the main problems which stop them from investing in Jordan:

1. The single, greatest constraint to investment as identified by the potential suppliers of equity interviewed in the course of this study is a problem in the *availability of what they perceive as good investment ideas.*

During two interviews conducted in the course of this study at the Ministry of Trade and Industry, the writer witnessed two different investors at on two separate occasions interrupt the interview to enquire about projects for investment. These investors stated that they had money, were looking for ideas, and wondered if the Ministry of Trade and Industry had ready ideas for them to invest in. Of course, it is neither the function nor the duty of the Ministry to provide such information. It would have been appropriate, however, to refer such individuals to a specialized institution capable of providing investment options to the concerned people to meet their investment requirements. As is, and without commenting on the credibility of the two potential investors, they were turned away empty handed.

Good investment ideas never come out of a vacuum. Many ad hoc ideas may be presented, but for such ideas to become credible, viable and workable, specialized work, effort, time and money must be spent to develop them. What Jordanian investors really face, then, is a *lack of credibly developed project ideas, and good investment proposals*, rather than a lack of good investment ideas.

Although many individuals approach investors with ideas which in many instances appear credible at face value, those who present the ideas in almost all cases fail to provide sufficient evidence that the project can succeed. Primitive market evaluations, static financial projections, weak technology identification and the lack of financial packaging do not make for a good investment proposal.

Lack of project development can clearly be identified as the single most stifling factor in the development of both business and equity in Jordan. It is because of this factor that many industries in the country have failed in the past, and provided Jordan with its present rather unfavorable track record in new business start-ups. This is also the reason many investors are unwilling or unable to provide equity to entrepreneurs, and the reason that banks prefer to provide personal financing rather than project financing.

Although project development is identified by almost all of the providers of funds in Jordan as very important, very few of them are willing to spend money to develop a project before investing. This attitude towards project development stems from ignorance and a lack of familiarity with the process. Most people have become accustomed to seeing feasibility studies as meaningless write-ups, used only to convince one regulatory agency or another to provide some license. As a result, most of those who write such studies are writers and not researchers, the regulatory authorities who demand them do not consider them credible, and the entrepreneurs who pay for them are not normally requesting the study to satisfy themselves that they are making the right investment decision; hence, they will only pay as little as possible to have them generated.

Ideas, when properly developed by professionals, have greater chances of success than otherwise. This naturally does not mean that every idea when developed well will succeed, but chances of success have been known to reach between 70 and 80% (in incubator facilities in the U.S., in high-tech, with uncertain parameters). Although project development is expensive, it is much cheaper than financial and economic failure. For example, spending JD 40,000 to develop a project may save ultimately millions of JD's, if the development process indicates that the project is for one reason or another not feasible.

The project development process, as referred to in the context of this study, involves much more than the write-up of a feasibility document or a business plan. To be successful, project development must extend beyond the planning stages to involve the setting-up stages and beyond. The setting-up process is the bridge between a business plan and the creation of a fully funded company. The need for the involvement of professional project developers in this process stems from the practical realization that while business plans are necessary to identify investment parameters, they are not by themselves sufficient to attract investors or secure success. An analysis of a complete project development cycle is located in appendix E.

2. Another constraint identified by the providers of equity, as well as by the users of equity, is *government intervention in business*. This takes various forms, but includes monopolies on the supply of some basic materials, price-controls on some end-products, and general interference by government in business.

3. Potential suppliers of equity also identified a *poor track record* as a major constraint. In the general perception, there are only a few cases of success in business in Jordan, while stories of failure are relatively large in number by comparison, and most investors we interviewed believed that the general ROI on equity investments in Jordan in the past has not been encouraging.

4. Investors also commented on *the poor-quality of management.* Qualified middle- and upper-level management personnel are in short supply in the Kingdom, due to low pay scales. Particular shortages exist in the areas of financial, marketing and planning management.

Other constraints identified by investors are:

5. *poor markets* (whether actual or real is immaterial: since the markets appear poor to the investors, this perception acts as a constraint).

6. *conservative attitudes.*

7. *socio-political factors,* such as a perception of a potentially unstable environment for investment.

It is interesting to note, however, that the various investors did express their confidence that these problems could be overcome, once more effort is exerted on project development.

C. THE LACK OF EFFICIENT FINANCIAL INTERMEDIARIES

An additional constraint on the availability of equity in Jordan is the lack of *efficient financial institutions.* The significance of this constraint is in no way diminished by its position as the final item in this survey: it is a constraint which affects users and providers of funds alike.

In a small rural community, providers (affluent individuals) and users of funds (entrepreneurs) are usually either related or known to one another. Because affluent individuals, in such communities, tend to keep excess cash and have it readily available, entrepreneurs are able to approach them directly for financing. Until recently, Jordan operated in this manner, and through this system of direct contact savings were utilized fairly efficiently to the satisfaction of most people's utility.

In today's more complex and larger society, the above system does not work. Despite the fact that Jordan's wealth has grown many times over in the past twenty years, this growth occurred rapidly and the attitudes and mentality of many of the people have not changed. The affluent no longer keep their money readily available, projects proposed by entrepreneurs have become more sophisticated and complex, and direct contact between the affluent and entrepreneurs has become more difficult. These factors explain the current inefficiency of mobilizing savings into equity.

As demonstrated above, savings in Jordan tend to be in the form of real assets and bank deposits. A significant savings potential exists to be mobilized in Jordan. This is much more true now than one year ago, because until recently bank deposits were a good investment alternative, as the real net return on investment was positive. Today, however, with inflation running much higher than interest earned on deposits, the net real return on such investments is negative. This presents the individual investor with the option of departing from bank deposits and investing in real estate in the absence of other investment instruments. Departing from bank deposits to real estate, however, exposes the investor to disadvantages related to liquidity, divisibility, and vulnerability to loss of value.

This situation, as described above, creates a valuable opportunity for the Jordanian financial system. Since liquidity is a relative term to investors and means different things to different savers, financial institutions should now be able, from the economic standpoint, to offer a variety of investment instruments with varying degrees of liquidity.

Good bank management requires assets and liabilities practices which set liquidity at the bank to the minimum level required to meet the demands of the depositors. Banks in Jordan, however, have grown accustomed, over the years, to a prudent degree of liquidity and, according to the Price Waterhouse report of May 1989, to efficient lending. While this symbolizes efficiency in the banking sense, it also symbolizes inefficiency and failure in the mobilization of savings to production.

Savings mobilization by financial institutions requires three major factors:

1. An *overall favorable macro-economic and financial environment* in the country, which is conducive to successful operations.
2. *High-quality management* at all levels, which is independent (decentralized) and which concerns itself with financial success and viability.
3. A *well-developed legal and banking system.*

Among the most common complaints expressed by bankers themselves, when confronted with accusations of inefficiency in the financial system, are the following:

1. Banks have poor quality lower and middle management personnel.

2. Proposals for financing by entrepreneurs are deficient in quality and cannot be considered seriously.

3. The banking system is heavily regulated by laws which do not take new banking products into account.

4. There is a general lack of information on the credibility, reliability and trustworthiness of individuals.

5. There are no clear disclosure requirements for businesses. Getting a true, accurate and reliable picture of the financial standing of an organization in Jordan is difficult.

According to the Price Waterhouse report of May of 1989, the Jordanian banking system is efficient. The report states that 70% of bank deposits are lent (although, in fact, the Arab Bank, by far the largest banking institution in Jordan, registered at the end of June 1989 a liquidity ratio—i.e., cash in hand and at banks and in bonds, to total assets—of 65%), and that the high degree of liquidity in the Jordanian banks is a prudent practice, given the society's preference for cash. This in no way contradicts the findings of the present report. Loans offered by banks in the past have been mainly used to finance consumption, and although the financial system as a whole may be efficient in lending money, it is inefficient in mobilizing savings to equity or production.

SECTION THREE: RECOMMENDATIONS

To maximize the flow of funds from currently idle, loss-making bank savings to productive equity investments, two sets of recommendations should be observed.

The first set of recommendations involves the financing system itself, and is designed to bridge the gap between users and providers of funds and to increase the efficiency of the financial intermediaries in mobilizing savings to equity investments. The second set is more general, and is formulated to improve investment conditions, and hence to create new opportunities for equity financing.

A. FINANCIAL SECTOR-SPECIFIC RECOMMENDATIONS

Financial sector-specific recommendations, listed in order of priority, are:

1. Establish a Project Identification and Development Organization.
2. Establish new tools for providing equity investments.
3. Establish a data bank to provide information on entrepreneurs and investors.
4. Review Jordanian laws pertaining to equity, and evaluate their impact on the flow of equity to business.
5. Establish a Jordanian credit reporting bureau.
6. Provide training for investors.
7. Provide training for bank managers and credit analysts on risk-assessment, and develop structured systems to enable bank staff to make project lending decisions.

These recommendations are detailed below.

1. Establish a Project Identification and Development Organization.

<u>Rationale</u>

a. No investments can be made without identifying good opportunities and communicating their value to investors.
b. There is excess, idle liquidity in the country, whose owners are looking for good projects in which to invest.
c. There is a desire by holders of funds to diversify and to invest in projects, if good projects can be identified.
d. There is an acute shortage of well-developed projects in the country.
e. There is a need for a credible organization to help entrepreneurs develop their projects and market them to investors.
f. The prevailing economic climate is opportune for establishing new businesses in the country. The dinar is low, labour is relatively cheap, Asian countries are filling their annual import quotas to Europe, and ideas for assembling and packaging bulky products manufactured in faraway places for reexport to both Europe and the region appear feasible.

Philosophy

The general philosophy of the Organization would be to attract project ideas from all sectors of the economy and from people of all classes, rich and poor, in the country.

As project ideas were developed and more and more projects were turned into companies providing quality products and services, several benefits would occur: a track record of success would begin to be established; a qualified, educated, experienced and dedicated work force would be created; and, with the newly acquired real experience (by practice and not by observation), product quality would improve, resulting in better chances to compete in the international markets and in opening up new markets for Jordanian products.

Mode of Operations

Idea identification/generation. The Organization would receive project ideas from many individuals and institutions, both Jordanian and non-Jordanian. These include entrepreneurs, private industry, marketing companies, investment groups, R&D institutions, inventors, international corporations, and the government, in addition to ideas generated internally.

Selection. Ideas are screened to establish their suitability for further development. Selected ideas must fall within the scope of business of the Organization, support national and sectoral development strategies, and must be feasible according to the Organization's standards.

Preparation. The Organization examines and identifies the marketing, economic, technical, and financial aspects of the proposed projects. It then allocates resources for the preparation process. The product of this preparation process is a basic business plan which is used further in the project development cycle.

Technology acquisition. Negotiations with identified suitable technology partners proceed. The agreements reached would generally be of the joint-venture type. This is desirable in order to ensure a commitment to the project on the part of the technology partner.

Investors. Once all of the project components are defined, the Organization approaches investors, both within and outside of Jordan, to provide equity for the implementation of the project as a private company. At this stage, the role of the Organization would depend upon the form of its setup, and on whether or not it has its own financial resources to become a cash equity participant in the company. In all case of projects fully developed by the Organization, however, it receives equity in return for developing the project. The extent of the payment of equity as a fee to the Organization would naturally depend on the nature of the project itself and would be subject to negotiation.

Implementation. Once a company is created, the Organization may be represented on its board of directors as a precondition for developing the project. Through its representation on the board, the Organization guides the company towards achieving success, without direct interference in the management of the company. The Organization supervises its investments through progress reports prepared periodically.

Audits. Audits are prepared from the progress report. These audits guide future decisions by the Organization on its investments and provide valuable lessons of experience which are built into the design and preparation of future projects.

The full project development cycle appears in appendix E.

Set-up

The proposed Organization would primarily perform project identification and development functions. The Organization would provide its services free of charge to entrepreneurs, but in return it would receive shares in the newly formed companies, once they were established.

The Organization could be set up to operate in one of three ways: 1) To concern itself purely with project development, without having access to investable funds to be managed by it; 2) To develop projects and to be linked to a pool of funds against which it could develop an investment portfolio; 3) To begin as a project development agency and then use its track record to justify the establishment of an investment fund to be linked to it and managed by it.

Each of the above proposed forms has its own advantages and disadvantages. The selection of the final alternative, however, should take into consideration the following:

a. Jordanian investors are followers and not leaders; they prefer to see the project developer invest his own money in the project as a sign of credibility.

b. The Organization must begin generating income to sustain its existence and growth within a reasonable period of time.

The Role of USAID

It is imperative that the Organization be staffed by highly-qualified and experienced professionals. It is also critical for the success of this idea that services be provided to credible users at no charge. USAID can play a role in both staffing and funding.

Staffing. The Organization is likely to require the services of from four to five professionals: a Chief Executive Officer, one or two Project Officers, a Finance Professional, and, at a later stage, an Operations Officer.

*the Chief Executive Officer (CEO) would preside over all strategic aspects of the Organization.

*the Project Officers would develop projects from the idea stage through the selection of company management.

*the Finance Professional would develop financial analysis, assist in generating financial policies for companies, and oversee their implementation. This individual would also oversee the development of financial packages for proposed companies.

*the Operations Officer would oversee established companies, provide assistance, and insure implementation in accordance with plans.

Funding. The preliminary estimation for the cost of a professionally managed operation of this kind runs between $700,000 and $800,000 per annum. It is proposed that USAID provide full funding during the first three years of operations, and then reduce assistance by 20% per year. Table (14) shows USAID's total cost as approximately $3,130,000 for seven years of operation.

Table 14

COST ITEM	FIRST 3 YRS	4TH YEAR	5TH YR	6TH YR	7TH YR	8TH YR	
SALARIES	$1,500,000	$400,000	$300,000	$200,000	$100,000	$0	
ADMIN. & GEN.	$450,000	$120,000	$90,000	$60,000	$30,000	$0	
CAPITAL	$150,000	$0	$0	$0	$0	$0	
TOTAL	$2,100,000	$520,000	$390,000	$[illegible],000	$130,000	$0	
PROJECT TOTAL							$3,130,000

Although it is proposed that USAID provide full funding for three years, and partial funding for four years thereafter, the Organization must secure continuity through revenues from created companies. This means that, in the fourth year, the Organization must generate approximately $230,000 from projects developed during its first three years. Table (15) shows the revenues required by the Organization to maintain expenditure during the first eight years of operations.

Table 15

REVENUES	FIRST 3 YRS	4TH YEAR	5TH YR	6TH YR	7TH YR	8TH YR	
TOTAL COSTS	$2,100,000	$750,000	$750,000	$750,000	$750,000	$750,000	
USAID CONT	$2,100,000	$520,000	$390,000	$260,000	$130,000	$0	
MUST GENERATE	$0	$230,000	$360,000	$490,000	$620,000	$750,000	
TOTAL REQUIRED REVENUES IN 8 YRS							$2,450,000

2. Establish new tools for providing equity investments.

Rationale

a. There is a need to provide investors in Jordan with new investment tools.
b. There is a need for equity-providing organizations in Jordan.
c. There is a need to show investors that equity funds, when properly managed, can provide better ROI than bank deposits.
d. The general economic climate in Jordan is ripe for the creation of this type of institution.

Philosophy

The general philosophy is to provide different portfolios to meet the utility requirements of the various investors.

As investors begin to accumulate profits by investing in equity, more investors will be drawn to this form of investment. In the end, this will result not only in attracting foreign investments to Jordan, but also in attracting some of the Jordanian funds currently parked abroad back to the Kingdom.

Alternative Modes of Operations

a. Equities funds
b. Mutual funds
c. Trust funds
d. Venture capital funds
e. Others

These funds could be managed either by the Project Development Organization, or by an independent investment management company. More research is needed to identify and prioritize the various set-up and management alternatives.

The Role of USAID

Provide technical assistance to study the different options, and to make the most appropriate recommendations.

Provide financial assistance to initiate the first fund, and to encourage other investors. One possible initial set-up could be a closed-ended trust fund for US $1 million. In the first fund, USAID could participate at a ratio of 1:1, US:Jordanian funding.

3. Establish a Data Bank to Provide Information on Entrepreneurs and Investors.

Rationale

a. There is a need for entrepreneurs to be able to identify investors and their investment habits, potential, and preferences.
b. There is a need to refer investors to credible entrepreneurs.
c. There is a need to build a data base for developed projects. While some projects may not be executed for lack of feasibility at any one time, conditions could change in the future.

The Role of USAID

Provide assistance in developing this data base.

Consider attaching this project to the Project Identification and Development Organization.

4. Review Jordanian laws pertaining to equity, and evaluate the impact of existing laws on the flow of equity to business.

Role of USAID

Provide technical assistance in reviewing laws and evaluating their impact.

Recommend appropriate measures to correct deficiencies and to provide incentives for investments in equity. Laws to be examined particularly include the laws on contract, income tax, banking, consumer protection (quality control) and encouragement of investments.

Recommend changes to allow the introduction of new banking instruments and products into the country, such as mutual funds or equities funds.

Identify means to ensure the implementation of the law. In this respect, many valuable lessons could be drawn from the Singapore experience.

5. Establish a Jordanian credit reporting bureau.

Rationale

a. Banks and finance institutions in Jordan face a cumbersome task in analyzing the credibility and in determining the degree of honesty of an individual.
b. There is a need for equity investors to be able to determine the credibility and trustworthiness of prospective partners.

Set-up

The function of the proposed credit reporting bureau would be simply one of gathering and disseminating information concerning the credit performance of individuals. The bureau would only gather information from and furnishes information to organizations which subscribed to the system. Information would be provided only with the written consent of the individual. Individuals who refused to grant permission for their credit report to be examined by an institution would automatically default and their application become ineligible for consideration.

The credit report itself would provide no speculation or comment, on the part of the bureau, on the worthiness of the individual. The report only would provide facts as furnished by subscribers, and possibly by the courts.

Establishing a credit reporting bureau in Jordan would not be easy. Some of the problems are:

a. For the system to work. all subscribers would have to provide accurate and timely information on their clients' performances.

b. Technical problems concerning confidentiality might be encountered, although such problems are normally eliminated with the passage of time.

c. Legal problems regarding reporting and disclosure of information could be encountered.

The Role of USAID

Determine the feasibility of establishing this bureau.

Provide assistance to create such a bureau.

6. Provide training to investors.

Rationale

a. There is a need to identify and train individuals, companies, and organizations with the potential of becoming equity investors.
b. Seminars should be provided on the investment climate and on potential projects.

The Role of USAID

Identify appropriate target individuals.

Identify appropriate seminar topics, and provide technical assistance in implementation.

7. Provide training for bank managers and credit analysts on risk-assessment and develop structured systems to enable bank staff to make project lending decisions.

The Role of USAID

Provide technical assistance.

B. GENERAL RECOMMENDATIONS

The following are general recommendations for improving investment conditions in the country. These are vital to any attempt to stimulate the movement of equity money in Jordan.

1. Identify and establish new markets for Jordanian products.
2. Enhance the capabilities and efficiency of the Jordanian factors of production.
3. Identify and exploit all resources of the ACC of potential benefit to Jordan.
4. Review and update the relevant parts of the legal system.
5. Review and upgrade the civil service.

These recommendations are detailed below.

1. Identify and establish new markets for Jordanian products.

Rationale

a. There are good potential markets for Jordanian products.
b. Markets for Jordanian products may be exploited effectively with modern marketing techniques, quality products and production, credit facilities, and the support of government.

The Role of Government

a. Markets for Jordanian products, whether local or international, can never be effectively secured by the government. The government can, however, help the private sector by providing information on both local and regional markets, and by more aggressive but professional promotion of Jordanian industry.
b. Among measures to be considered are the provision of easy credit for exports, and preferential treatment for the import of raw materials to foreign currency earners. Strict quality control must be imposed on exporters in return for providing them with the services described above, at least as an interim measure, until quality control becomes a factor driven by market forces.

The Role of USAID

Provide technical assistance in marketing to promote Jordanian products overseas.

Provide technical assistance on the development of sources for market information for the sale of Jordanian products.

Review the effectiveness of the MMIS program, enhance its capabilities, and make its services more easily and readily available to small businesses, or else create a new structure to provide similar services, but for small businesses.

Examine the possibility of establishing an export insurance scheme. Evaluate the advantages of establishing an exports credit program, and recommend alternative set-ups and funding sources.

2. Enhance the capabilities and efficiency of the Jordanian factors of production.

Rationale

a. There is a shortage of quality middle- and upper-level managers in Jordan.
b. There is a need for increased productivity and efficiency for Jordanian labour and management alike.
c. There is a need to reduce the cost and increase the efficiency of the flow of basic industrial raw materials.

The Role of the Government

a. Provide means of training management for productivity and efficiency (e.g., a new management college, to be funded by either the government or the private sector).
b. Provide incentives for training in the private sector. Such incentives could include tax benefits.
d. Examine the cost-structure for energy provided to industry, and identify possible means and incentives to reduce costs.
e. Identify means to make the import of raw materials for industry easier. Specific attention should be paid to industries with proven export capabilities and foreign exchange earnings.

The Role of USAID

Provide training assistance for middle- and upper-level managers.

Provide technical assistance to evaluate the effect of the current energy cost structure on industry.

Provide technical assistance to computerize and centralize customs in Jordan

Enhance the CIP program and provide assistance in identifying the best sources for purchase of basic materials.

3. Identify and exploit all resources of the ACC of potential benefit to Jordan.

Rationale

a. There is a need for a comprehensive examination of the natural resources available to Jordan.
b. There is a need to survey the combined resources of the four Arab

Cooperation Council States and to identify ways and means of exploiting these resources to the benefit of all parties concerned.
c. Considerable waste is generated by the ACC countries (with their combined population of 80 million). There is a need to identify wastes which could be recycled for use as basic materials in industry.

The Role of USAID

Provide assistance in surveying ACC resources which could be exploited for the benefit of Jordan.

Provide technical assistance in identifying waste, and evaluate its potential utilization in the country.

4. Review and update the relevant parts of the legal system.

Rationale

Due to the speed with which Jordan developed, the Jordanian legal system has lagged behind. Recent revisions in the Jordan Company Law have been welcomed by the business community, but similar revisions are also needed in the areas of contract law, banking law, tax law, etc.

The Role of USAID

Provide technical assistance in reviewing the contract law, the tax code, and banking laws and customs laws.
Examine in particular means to update the laws in a manner which stimulates and encourages equity investments in the country.

5. Review and upgrade the civil service

Rationale

a. There is a need for increased productivity and efficiency in government.
b. There is a need for effective implementation of the law in the civil service.
c. There is a need to develop new public management capabilities in the country.

The Role of the Government

a. Institute a systematic and aggressive training program for public management.
b. Insure that methods learned by trainees are implemented.
c. Provide greater authority to, and demand greater accountability from, public sector managers.
d. Begin a careful, slow, and controlled decentralization in the government.

The Role of USAID

Provide technical assistance in public management training.

APPENDIX A

THE SCOPE OF WORK

CONT NO. 278-0277-00-S-9168-00

A. SCOPE OF WORK

1. Describe the current methods used by Jordanian private sector businesses for raising equity, or risk capital. (for the purposes of this study the private sector is considered as those entities within less than 50% direct or indirect government ownership). Insofar as possible, differentiate the analysis by size, line of business (e.g. manufacturing, services, trade, agriculture), and legal form (e.g. single owner, partnership, private and public shareholding) of company. Consider public issues registered with the Amman Financial Market as well as private placements of equity with institutional investors and individuals .

2. Describe in detail the methods of operation and sources of funding of the full range of investors (institutional and non-instututional, public and private) in private businesses. Include in this assessment: commercial banks; finance companies; specialized credit institutions like the Industrial Development Bank; investment (Islamic) banks; government funds like the Post Office Savings Bank, the Jordan Investment Corporation, and the Social Security Corporation; insurance companies; venture capital companies like the Jordan Technology Group; pension funds; investment companies, and individual investors. Particular attention should be paid to non-institutional investors.

3. Assess the relative importance of the various types of investors and investment instruments in providing equity capital for private business. Develop tables showing the estimated contributions of each of these types of investors and instruments over the past three years by size, type, and legal form of company,

4. Analyze and prioritize the principal constraints faced by different sizes and types of private businesses in raising equity capital. Analyze and prioritize the principal constraints faced by suppliers of equity capital. To what extent do such constraints impede the growth of Jordanian businesses ? To what extent is the ability to borrow constrained by problems in raising equity capital?

5. Recommend policy and legal changes that could be undertaken by the government to encourage the provision of equity capital to private businesses. what role, if any, should be played by AID?

6. Suggest additional, alternative ways in which AID could encourage a more efficient and higher flow of equity capital to private businesses . At a minimum consider the relative merits of AID funding for: technical assistance and training for investors, intermediaries, and private businesses; and/or the capital requirements of "venture capitals" or other intermediaries.

7. If it is concluded that AID funding of capital requirements of intermediaries is desirable, suggest the most appropriate mechanisms through which this could be accomplished. Consider loans and/or grants to existing institutions or individuals, as well as the creation and funding of new institutions.

APPENDIX B

FINDINGS ON COMPANIES (USERS)

USERS OF FUNDS

NAME	PARTNERS	EQUITY SOURCE	BUSINESS	SIZE	AGE	PROBLEMS	NOTES
PROPRIETERSHIPS							
FOUAD ABU RAHMEH		FAMILY	FARM	15 $100K	30 YRS	-LACK OF AVAILABLE CAPITAL -LACK OF BUSINESS ADVISE -LACK OF INFORMATION -GOVT RED TAPE	
MOH'D ASSAAF EST.		OWN SAVINGS+ CREDIT	CONSTRUCTION TRADE MANUFACTURE INVEST	LARGE	8 YRS	-SOCIO-POLITICAL -INEFFICIENT FLOW FROM BANKS TO PRODUCTOVE ASSETS -ENTREPRENEURS CAN NOT SELL IDEAS -LACK OF TRACK RECORD -GOVT RED TAPE	EMPHASIZES SOCIO-POLITICAL PROBLEMS AND LACK OF CONFIDENCE AFTER COLLAPSE OF PETRA BANK
MODERN COMPUTER CENTER		OWN SAVINGS FROM GULF	COMP DIST+ MAINT & SVCE	15 JD400K	5 YRS	-BANKS CAN NOT PROVIDE EQUITY -NO MECHANISM TO LINK RICH & ENTREP -POOR PROJECT IDENTIFICATION & DEVELOP -POOR SOCIAL ATTITUDES -LACK OF MGMT & PLANNING THROUGHOUT -POOR GOVT SUPPORT TO PRIVATE SECTOR -LAWS INCONSISTANT WITH DECLARED POLICY	
PARTNERSHIPS							
N I T AND PARTNERS		FAMILY + OVER DRAFT	MANUFACTURING	13 $200K	3 YRS	-LACK OF CONFIDENCE & TRUST BETWEEN GOVT AND PRIVATE SECTOR -IDENTIFY AND DEVELOP EXPORT MARKETS	
JORDAN MINERALS EST./ RAFIG BARGHOTI & CO	TWO LONG TERM FRIENDS	OWN SAVINGS + DEBT	MANUFACTURING	25 $3MM	3 YRS	-UNDEVELOPED LEGAL SYSTEM	
SPECIAL FURNITURE EST.	FOUR MEMBERS SAME FAMILY	FAMILY SAVINGS + DEBT	FURNITURE MAN.	38 $1.15MM	6 YRS	-LACK OF CAPITAL, BANKS ONLY GIVE DEBT -NO SUPPORT FOR MAN. IND.(EAZY CREDIT, EAZY CUSTOMS, GOOD TAX ADVANTAGES) -POOR QUALITY OF GOVT EMPLOYEES -CREDIT SQUEEZE FROM BANKS	
JORDAN LIFT	JOINT VENTURE BETWEEN GERMAN 2 LOCAL FRIENDS	SAVINGS + SUPPLIER CREDIT	LIFT MAN.	110 $1.7MM	16 YRS	-LACK OF QUALITY PROJECT DEVELOPMENT -NO UNDERSTANDING FOR FIN PARAMETERS -NO TRACK RECORD -GOVT INTERVENTION IN BUSINESS -SOCIO POLITICAL	THINKS USAID SHOULD BRING BACK CIP
NAYCE IRRIGATION	TWO RELATED	SAVINGS + SECURED CREDIT	MAN DRIP IRRIGATION SYSTEMS	30 $ -	10 YRS	-MONEY IN FEW HANDS NOT CHANELLED TO PRODUCTION -BANKS WILL ONLY LEND WITH SECURITY -NO PROJECT FINANCING -NO ONE TO HELP ENTREPRENEURS TO DEVELOP PROJECTS -NO EFFICIENT SYSTEM LINKING RICH AND ENTREPRENEUR	

USERS OF FUND-

NAME	PARTNERS	EQUITY SOURCE	BUSINESS	SIZE	AGE	PROBLEMS	NOTES
AUTOGRAPHICS	TWO OLD FRIENDS	OWN SAVINGS + EARNINGS + PARTNER CURRENT ACCOUNT	LAZER DISC APPLICATIONS			-NO PLACE TO GO FOR RAISING EQUITY -INEFFICIENT FLOW OF FUNDS TO PRODUCTIVE ASSETS (BANKS) -ONLY SHORTTERM DEBT AVAILABLE (BAD EFFECT ON COMPANY) -NEED HELP IN DEVELOPING NEW MARKETS	COMPANY STRONG IN R&D, CONSERVATIVE MANAGEMENT, CAREFUL APPROACH TO GROWTH
PRIVATE SHAREHOLDING COS.							
JORDAN COMPUTER INDUSTRIES	GOVT+PRIVATE SECTOR+INT'L	JTDF RAISED EQUITY FROM PARTNERS	MAN COMP HARD WARE UNDER LIC FM GES(SING)	25 $-	6 MONTHS	-PROBLEMS OF CONTINUITY OF GOVT INSTITS. AND PEOPLE -PUBLIC SECTOR LACKS BUSINESS MENTALITY -LACK OF UNDERSTOOD CORPORATE STRUCTURE -TOO MANY GOVT CONTROLS (MANY CASES NOT LOGICAL) -SOCIO POLITICAL PROBLEMS	THINKS GOVT/PRIVATE SECTOR VENTURES ARE A MISTAKE
NUQUL BROTHERS/ FINE	BROTHERS	OWN SAVINGS + LOANS+EARNINGS	TRADE + MANUFACTURING	350 $-	37 YRS	-UNSTABLE, INCONSISTANT LAWS -DIFFICULT ACCESS TO REGIONAL MARKETS AND SMALL LOCAL MARKET -GOVERNMENT RED TAPE -WEAK LAW TO ENCOURAGE INVESTMENT AND LITTLE SUPPORT TO INDUSTRY	
WORLD PLASTIC INDUSTRIES	FOUR RELATIVES	OWN SAVINGS+ DEBT	MANUFACTURING	40 JD750K	5 YRS	-LACK OF CAPITAL + DIFFICULT BANK CONDITIONS FOR STARTUPS -LACK OF BUSINESS SUPPORT AND ADVISE ESP. IN PROJ. IDENT., EVALUATION & DEV. -LACK OF MARKETING SUPPORT AT INFANCY	
RAMA ENGINEERING	THREE FAMILIES FROM SAME TOWN	OWN SAVINGS + SECURED CREDIT	MAN. OF AG. EQUIPMENT	35-40 $2.8MM	5 YRS	-LACK OF SUPPORT FOR EXPORTS -DIFFICULT REGIONAL MARKETS -TAKES TIME TO DEVELOP INTERACTION WITH FACTORS OF PRODUCTION (ESP TRAIN LAB) -BANKS WILL ONLY LEND TO THOSE WHO HAVE ASSETS -POOR MGMT IN GOVT AND POOR QUALITY EMP -ILLOGICAL CUSTOMS REGULATIONS	
CENTER FOR INFORMATION ON TECHNOLOGY	GOVT.+PRIVATE SECTOR	JTDF RAISED EQUITY FROM PARTNERS	MEDIA	2 JD-	10 MTHS	-LACK OF CONTINUITY IN GOVT INST. -LACK OF ASSISTANCE IN CORP PLANNING -LACK OF EQUITY FINANCING -DIFFICULT BANK CREDIT	
ORIENT PUBLISHING	TWO PARTNERS NOT RELATED	OWN SAVINGS + CREDIT AGAINST GUARANTEES FROM A WELL KNOWN	DESIGN PRINTING ADVERT+BOOK DISTRIBUTION	10 JD-	3YRS	-SML MARKET, NEED DEVELOPMENT WORK -BANKS ONLY LEND WITH SECURITY -LACK OF QUALITY EMP+LONG TIME TO TRAIN -LACK OF CLEAR SOURCES FOR EQUITY	
JORAM	THREE TWO RELATED	CAPITAL FROM MORTGAGE OF PROPERTY	LIGHT BULB MANUF.	45 JD-	1 YRS	-NO CLEAR SOURCES FOR EQUITY -NO ASSISTANCE IN BUSINESS PLANNING -GOVT INTERVENTION AND RED TAPE	

SUMMARY OF INTERVIEWS WITH COMPANIES AS USERS OF FUNDS

USERS OF FUNDS

NAME	PARTNERS	EQUITY SOURCE	BUSINESS	SIZE	AGE	PROBLEMS	NOTES
						-DISPARITY IN GOVT BETWEEN BETWEEN RULES AND IMPLEMENTATION	
PUBLIC SHAREHOLDING COS.							
LIVESTOCK AND POLTRY		STARTED MOSTLY EXPATS	AGRI BUS.	LARGE	13 YRS	-BANKS WOULD ONLY PROVIDE DEBT -DIFFICULT TO INCREASE CAPITAL EVEN IF BUYERS AVAILABLE -POOR MGMT IN GOVT -PRICE FIXING BY GOVT -MOST PEOPLE HAVE TRADE MENTALITY -SOME TIMES BOARD NOT COMMITED TO COMP -INVESTROS SCARED OF AGRI INVESTMENTS	
JORDAN TANNING			LEATHER IND	95 JDIMN	22 YRS	-LACK OF EXPORT MARKETS -NEED LESS GOVT CONTROLS	

53

APPENDIX C

FINDINGS ON ENTREPRENEURS (USERS)

SUMMARY OF INTERVIEWS WITH ENTREPRENEURS

ENTREPRENEURS

NAME	TEL	PROJECT	REQUIRED CAPITAL	AVAILABLE CAPITAL	FUNDS SOURCE	STATUS	PROBLEMS	NOTES
USAMA REEMAWI	796032	POWDERED JUICE	150000	LITTLE	FAMILY	NEVER STARTED	-LACK OF FUNDING CHANNELS -INCREASED COSTS	-IDEA NEVER REALLY STUDIED OR PROJECT DEVELOPED
SAMAAN FARDOUS	783163	CAR PARTS	30000	LITTLE	SELF+ FAMILY	NEVER STARTED	-LACK OF EQUITY -UNABLE TO RAISE DEBT	-ONLY ADHOC ANSWERS, PROJECT NEVER DEVELOPED
RADWAN HALABI	721071 722495	PAINT MAN	15000	STARTED		STARTED	-HEAVY COMPETITION -FEW MARKETS	-UNABLE TO REACH MR HALABI, TALKED TO AN EMPLOYEE
NABIL BATAWI	842757	CLEANING CHEMICALS	20000	-	-	NEVER STARTED	-LACK OF MONEY -COULD NOT FIND STRONG ENOUGH PARTNER	-EMPLOYEE IN A FACTORY DOING SAME
NODE SHAHED+ PARTNER	817414 832134	CLEANING TOOLS (GROWTH)	200000	200000	RETAINED EARNINGS	GROWTH OPERATION	-SMALL MARKET IN JORDAN -TRYING TO EXPORT TO SAUDI BUT DIFFICULT	-NOT A STARTUP OPERATION
ELIAS HABIB	952031	SPECIAL SUGAR	180000	-	-	NEVER STARTED	-WOULD NOT SAY	-MAN SEEMED SOUR AND NOT TRUSTING
HASSAN SEILAWI	630585	SHAMPOO	6000	-	-	NEVER STARTED	-NO MONEY	-SOUNDED UNKNOWLEDGABLE
SAID HUSEIN	672055	WASHING MACHINES	100000	-	-	NEVER STARTED	-NO ANSWERS	
MALEK URSI	[illegible]	TEXTILES	50000	-	-	NEVER STARTED	-LACK OF EQUITY SOURCES -UNABLE TO RAISE DEBT	-SOUNDED LIKE HE HAS TECH ABILITY BUT WITHOUT BUS OR PROJ DEV BACKGROUND
GASEM HAIKAL	650448 647705	SWEETS FACTORY	25000	25000	EARNINGS FM TRADE	STARTED	-NONE	-BEEN IN BUS FOR YEARS -SWITCHING FROM TRADE TO PRODN
FAWZI BARAKAT	652199	SHOE MAN	20000	SOME	FAMILY+ BORROWED	TRYING TO START	-NEEDS HELP WITH MARKETING -TECHNICAL PROBLEMS -SHORT OF OPERATING CAPITAL	-PROJECT NEEDS DEVELOPMENT
MATHHAR BAGHDAD	746165	PACKAGING OF DATES	16000	16000	FAMILY	STARTED, STOPPED	-TECH PROBLEMS -MONEY PROBLEMS -LOCATION PROBLEMS	-PROJECT NOT DEVELOPED BEFORE STARTUP
YOUSEF HAMDAN	842607	POLYETHELINE BAGS	750000	-	-	NEVER STARTED	-UNABLE TO RAISE ENOUGH EQUITY CAPITAL -LACK OF SUPPORT FROM BANKS -INCREASED COSTS	-NO STUDY OF THE PROJECT WAS MADE
MARWAN KABATILO	624447	PLASTIC WIRE	30000	-	-	NEVER STARTED	-NO MONEY	-ONLY AN IDEA AND DOES NOT KNOW HOW TO PROCEED
SUBHI JABRI	894379	FOOD PRODUCTS	2550000	?	EARNINGS+ DEBT	PHASED START	-NO SERIOUS PROBLEMS	-IN BUSINES FOR MANY YEARS

SUMMARY OF INTERVIEWS WITH ENTREPRENEURS

ENTREPRENEURS

NAME	TEL	PROJECT	REQUIRED CAPITAL	AVAILABLE CAPITAL	FUNDS SOURCE	STATUS	PROBLEMS	NOTES
ANWAR HASSOUNEH	731410	FROZEN VEGETABLES	100000	-	-	NEVER STARTED	-INCREASED COST OF LOCAL VEG. -INCREASED COST FOR EQUIPMENT -CAN NOT GET ENOUGH EQUITY	-PROJECT NEEDS FURTHER DEVELOPMENT
NAT'L COMPANY FOR ELECTRONIC IND	666669	VIDOE CASSETS+HEATERS+ ELECTRIC RAZERS	100000	100000	?	UNDER REVIEW	-WOULD NOT SAY	-APPEARS THAT THEY DON'T KNOW HOW TO START DEVELOPING THE PROJ
MUTASEM TAIAN	646769	EMBROIDERIES	335000	PART	BUSINESS	TRYING TO START	-CAN NOT DECIDE WHETHER TO PROCEED OR NOT	-NEEDS HELP IN EVALUATING IDEA
EID+MICHAEL DAHDAL	834167 640035	WASHING MACHINES+HEATERS +REFREGIRATORS	200000	PART	TRADE+ MAINT BUS	STARTING	-UNABLE TO RAISE ENOUGH EQUITY CAPITAL -NO EASY FINANCING OR ENCOURAGEMENT FOR LOCAL IND -TECH DIFFICULTIES	-WILL OPERATE UNDER CHEC. AND ITALIAN LIC. (SCAD & WHITEHOUSE)

70

APPENDIX D

FINDINGS ON PROVIDERS

008,016,024,032,040,048,056,064,072.

USAID EQUITY MARKETS PROJECT

PROVIDERS

NAME	AGE	CASH	LOANS	BONDS	INVEST	TOTAL INV+CASH	PROBLEMS
BANKS:							
ARAB BANK	59 YRS	2466 MM (1988)	1605 MM (1988)	376 MM (1988)	32 MM (1988)		-GENERALLY PROJECTS PROPOSED ARE BAD -NOT ENOUGH DEVELOPMENT WORK FOR PROJECT -UNFAVORABLE TRACK RECORD -POOR BUSINESS CLIMATE
PETRA BANK		NO FIGS	NO FIGS	NO FIGS	NO FIGS	NO FIGS	-POOR QUALITY OF BANK EMPLOYEES -POOR QUALITY OF FINANCING PROPOSALS -TRADITIONAL SOCIETY+ LACK OF INOVATION -DIFFICULT TO ESTALISH TRUST WORTHINESS
JORDAN ARAB INVESTMENT BANK			30 MM (1986)			75 MM (1986)	-PROJECTS NOT DEVELOPED ENOUGH FOR BANKS TO FINANCE -POOR PRESENTATIONS OF FEASIBILITY -DIFFICULT TO ESTABLISH CREDIT WORTHINESS -PEOPLE STILL TRADE ORIENTED -DUE TO RAPID GROWTH, HAVE POOR QUALITY EMP AND MANAGERS BOTH IN BUSINESS & BANKS -NOT SURE THAT ENTREPRENEURS EXIST IN JORDAN
INDUSTRIAL DEVELOPMENT BANK			20 MM (1986)			20 MM (1986)	-POOR MKT IDENTIFICATION BY ENTR. -POOR FINANCIAL PACKAGING BY ENTR. -POOR PRODUCT IDENTIFICATION BY ENTR. -LOW SHAREHOLDERS COMMITTMENT IN BIG COMPS -POOR MGMT CAPABILITIES -80% OF FEASIBILITY STUDIES WRONG -NO PROPER PROJECT DEVELOPMENT
CITIBANK	15 YRS	35 MM (1989)	11.6 MM (1988)	1.2 MM (1988)		48.7 MM (1988)	-WANT NAME LENDING, WILL NOT PROVIDE INFO -CITI BILAWS DO NOT PERMIT STARTUP LENDING -DIFFICULT TO EST. CREDIT WORTHINESS -POOR BANK MID MANAGEMENT -NO PROJECT DEVELOPMENT -POOR MARKETS -POOR TRACK RECORD -ENTR. ONLY THINK OF ROI WITHOUT RISK
ISLAMIC BANK	10 YRS	75 MM (1989)	454 MM (1988)	- (1988)	140 MM (1988)		-DIFFICULT TO ESTABLISH WHO IS HONEST -POOR PROJECT FEASIBILITY WORK -AS BANK INVESTS, IT DOES OWN FEASIBILITY WORK. THEY DO THIS BECAUSE THERE ARE NO PROJ. DEV. ORGANIZATIONS THEY CAN TRUST
JORDAN KUWAIT	13 YRS	40 MM (1988)	95 MM (1988)	16 MM (1988)	2MM (1988)		
CONSOLIDATED FOR COMM BANKS		293 MM (5/89)	1710 MM (5/89)	328 MM (5/89)	48 MM (5/89)		
CONSOLIDATED FOR SP. CREDIT INST.		131MM (5/89)	538 MM (5/89)	22 MM (5/89)	- (5/89)		

008,016,024,032,040,048,056,064,072.

USAID EQUITY MARKETS PROJECT

PROVIDERS

NAME	AGE	CASH	LOANS	BONDS	INVEST	TOTAL INV+CASH	PROBLEMS
FINANCE & INV COS:							
NATIONAL FINAN. INVEST. COMP.		25 MM (1988)	15 MM (1988)	2.2 MM (1988)	4.2 MM (1988)		-N.A.F.C. IS RISK AVERSE, HAPPY WITH LOW PROFITS -NOT INTERESTED IN INVESTING IN EQUITY OF SML BUSINESS -INVESTORS DO NOT APPROACH THEM FOR EQUITY, ONLY DEBT
INMA FOR INV. & FIN. FACILITIES	13 YRS	0.2 MM (1986)		0.3 MM (1986)	1.5 MM (1986)		-WANT ROI OF 30% PLUS -DIFFICULT TO ASSESS RISK -WILL ONLY INVEST WITH ESTABLISHED INVESTOR -POOR QUALITY PROPOSALS & IDEAS FROM ENTR. -TOO MUCH GOVT INTERVENTION INBUSINESS
JORDAN INV. & FINANCE CO.	7YRS		18 MM (1986)			26 MM (1986)	-WILL ONLY GIVE LOANS AND NOT EQUITY TO SML BUSINESS -FEW QUALIFIED, QUALITY PEOPLE TO WORK IN FINANCE COMPANIES -MARKET VOLATILTY MAKES FEASIBILITIES WORTHLESS -GEN. LACK OF MKTS FOR JORDANIAN PRODUCTS -NO DEVELOPMENT HELP TO PEOPLE WITH IDEAS -POOR TRACK RECORD -LACK OF INFORMATION, MANY PEOPLE DO NOT BENEFIT FROM MISTAKES OF OTHERS -CONSERVATIVE ATTITUDES -WORKING WITH OTHERS TO START VENTURE CAP.
REEFCO	24 YRS		10 MM (1986)			1.7 MM (1986)	-LACK OF ORGANIZED, WELL DEVELOPED IDEAS FOR INVESTMENT
CONSOLIDATED FOR FINANCIAL COMPS		65 MM (4/89)	139 MM (4/89)	11.5 MM (4/89)	(4/89)		

008,016,024,032,040,048,056,064,072.

USAID EQUITY MARKETS PROJECT

PROVIDERS

NAME	AGE	CASH	PLEDGES	BONDS	SHARES	REAL	PROBLEMS
INSURANCE COMPANIES:							
CONSOLIDATED STTMT		22 MM (1988)	3.5 MM (1988)	6 MM (1988)	9 MM (1988)	10.5 MM (1988)	
NATIONAL AHLIA	YRS	563 K (1988)	337 K (1988)	69 K (1988)	264 K (1988)	835 K (1988)	-LACK OF QUALIFIED PEOPLE TO EAVALUATE INV PROJECTS AND IDEAS -WILLING TO INVEST IN NEW IDEAS BUT THEY DO NOT COME BY -INS COS ARE TRADITIONAL & CONSERVATIVE
GENERAL ARABIA	YRS						-INS COS HAVE NO EXCESS CASH TO INVEST -INS COS WILL INVEST IN BANKS, REAL ESTATE AND AFM -A SHIFT IN INV PORTFOLIO NOT IMPOSSIBLE BUT MUST BE JUSTIFIED -NO EXCESS OR QUALIFIED PEOPLE TO EVALUATE POTENTIAL PROJ FOR INVESTMENT
MIDDLE EAST INS	YRS						-NEED GOOD PROPOSALS & WILL INVEST -ENTR. DO NOT DEVELOP IDEAS WELL & CAN NOT GET HELP
FEDERATION OF INSURANCE COS	NEW						-INS COS HAVE JD 7MM LIQUID ASSETS NOT COUNTING PLEDGES -TO SHIFT PORTFOLIO OF INS COS NEED MAJOR EFFORT BUT NOT IMPOSSIBLE -MOST APPROPRIATE COMPANIES TO APPROACH FOR POSSIBLE EQUITY ARE: JORDAN, JERUSALEM, NATIONAL AHLIA, AND ARAB INT'L FED

69

APPENDIX E

PROJECT DEVELOPMENT CYCLE

APPENDIX E

A complete project development cycle, as defined above, involves the following:

1. An assessment of market requirements for the product, how they are being met and at what cost. This includes data gathering from first sources, if necessary, on all local and foreign sources and suppliers, as well as constraints on the sale of the end product (price fixing, etc).

2. An assessment of the availability of basic materials, their cost, and supply risks. This includes research to identify possible alternative supply sources and supply materials.

3. An assessment of the technology and equipment required to initiate a viable facility in Jordan. The analysis would consider the best technology/cost combination to meet market demand and performance criteria.

4. A strategic marketing plan, complete with a set of policies to achieve maximum market penetration over a period of several years.

5. A complete financial analysis, including all of the investment evaluations necessary to make an investment decision. Financial packaging is an important factor in this process.

6. The complete basic design, specifications and costs of the proposed facility.

7. A complete search to identify suitable technology partners.

8. Negotiations with the would-be technology partner on the terms of the technology transfer, and the striking of the best possible deal concerning costs and commitments.

9. Preparation of legal contracts concerning technology transfer (licensing, joint-venture, marketing rights, and trademark rights, when applicable).

10. Search for and identification of suitable investment partners. Practical experience in Jordan has shown that a business plan, regardless of how elaborate it may be, does not, by itself, attract investors. With the completion of the above three steps, however, investors tend to become interested.

11. Negotiations and agreements with investors on conditions to govern the investment.

12. Preparation of all legal documents for partnership with investors and registration of a company of the suitable type with the appropriate local authorities.

13. Development of the company's corporate structure and identificatcn of company management.

14. Active participation in assisting company management, particularly during the infancy stages. In Jordan, this is necessary to ensure that modern management methods are adhered to and to avoid deviations, except when necessary, from the original plans.

15. Promotion of the business to new investors to increase company capital, when needed.

16. Periodic review of the performance of the project.

The first six items of the cycle are normally embodied in a business plan as a feasibility study. The items which follow are what is missing in Jordan and in the opinion of the writer symbolize the critical path for stimulating equity investment in Jordan.

EQUITIES PROJ, LIST OF INTERVIEWEES

#	ROLE	TYPE	INSTITUTION	BUSINESS	PERSON	TITLE	TEL #
	PROVIDERS OF FUNDS:						
		BANKING:					
1			ARAB BANK	COMMERCIAL BANK	M. AQEL	CREDIT MANAGER	660130
2			PETRA	COMMERCIAL BANK	B. ATARI	PRESIDENT	627311
3			JORD. ARAB INV.	INVESTMENT BANK	AMER SALTI	V. PRESIDENT	668629
4			CITY	FOREIGN BANK	G. DABBAS	GEN MGR	644065
5			GRINDLAYS	FOREIGN BANK	A. COOPER	GEN MGR	660201
6			IDB	SPECIALIZED BANK	T. WAHBEH	MGR	642216
7			ISLAMIC BANK	ISLAMIC BANK	F AL-RASHEED	V. PRESIDENT	
8			JORDAN	COMMERCIAL BANK	M. A. IBRAHIM	V. PRESIDENT	
		INSURANCE:					
9			NATIONAL AHLIAH		K. ABU QURA	ASS. GEN. MGR.	658172
10			GENERAL ARABIA		N. SALAMEH	DEP GEN MGR	644740
11			MIDDLE EAST		S. GAMMO	GEN MGR	
12			JORDAN FRENCH				
13			JERUSALEM (QUDS)		A. KHALIL		621993
14			YARMOUK		W. HADDADIN		
15			INS COS FEDERATION		H. ABDEL KHLEQ		
		FIN & INV COS:					
16			JO INV & FIN CO		S. FARAJ	DEPUTY GEN MGR	674264
17			REEFCO		DR. A. MANGO	PRES	
18			INMAA		S. HAMAMI	GEN MGR	
19			NATN'L INV & FIN CO		G. DALLAL	V. PRES	77430
		SEMI-GOVERNMENT:					
20			SOCIAL SEC		DR. M. FARHAN	PRESIDENT	648212
21			JORD. INV. CORP.		DR Z. KHALIFEH	PRESIDENT	
22			POST OFFICE SAVINGS		A. WAQFI	TREASURER	
		VENTURE CAP:					
23			JTDF		I. LUTFI	CEO	812233
24			JTG		A. BADR-EL-DIN	CEO	689160
25			JORD VENT. CAP. CO.		S. FARAJ	CARE TAKER	674264
26			V.C. OF IDB		HUSAIN NIMER	DEPT. HEAD	642216
27			AIMCORE		N. DAJANI	CHAIRMAN	
		INDIVIDUALS:					
28			M. ASSAAD	GROUP OF COMPS			678111
29			R. ABU JABER	GROUP OF COMPS			
30			M. SUKHTIAN	GROUP OF COMPS			663216
31			S. MASRI	GROUP OF COMPS			
32			M. ANNAB	GROUP OF COMPS			742796
33			W. DAJANI	TRADE			624111
34			N. DAJANI	GROUP OF COMPS			676938
35			A. TABBAA	GROUP OF COMPS			
36			A. MALHAS	TRADE			651959
		EXPATS:					
37			SIDQI KHDER	ADV TO MOPW, QATAR			
38			JAMAL SALEH	DIR. ZAMEL GRP, S.A.			
		USAID:					
39			K. AL-NAIEF				604171
40			RICHARD RUSEAU				604171
41			B. MCDONALD				604171
42			T. DAILY				604171

64

EQUITIES PROJ, LIST OF INTERVIEWEES

# ROLE	TYPE	INSTITUTION	BUSINESS	PERSON	TITLE	TEL #
USERS OF FUNDS:						
	PRIVATE COS:					
43		AUTOGRAPHIC	LAZER IMAGING	DR. MAHMOUD	PRES	
44		RAMA	AG IND.	S. NIMER	GEN MGR	795106
45		ADNAN SHALAN & CO	CHEMICALS	F. SHAALAN	PRES	894441/2
46		ARAB ELECT				
47		RUM	IND. & FARMING	M. ANNAB	GEN MGR	642796
48		COPPER WIRE	MANUFACTURING		CEO	
49		JORAM	LIGHT BULBS	FRAIHAT	MANAGER	
50		JORDAN LIFT	ELEVATORS	MORIS	PRES	
51		SUKHTIAN	HOLDING	M. SUKHTIAN	DIRECTOR	663216
52		M ASAAD	HOLDING	M ASSAAD	PRES	678111
53		JO RUBBER IND	TYRES, ETC.			623339
54		MODERN COMP CTR	COMPUTER SALES	T. SHAKER	GEN MGR	675049
55		FOUAD ABU RAHMEH	FARMING	F. ABU RAHMEH		
56		NIT & PARTNERS	MANUFACTURING			
57		JORD MINERAL EST	MANUFACTURING			
58		SPECIAL FURN EST	FURN. MANUFACTURING			
59		MAICE IRRIGATION	DRIP IRRIGATION	S. NIMER	DIRECTOR	795106
60		NUQUL BROTHERS	TRADE+MANUFACTURING			
61		WORLD PLASTICS	MANUFACTURING			
62		CTR FOR INFO ON TECH	FILM PRODN	A. RAMAHI	DIRECTOR	840356
63		ORIENT PUBLISHING	DESIGN+PRINTING	H. JAMAL	GEN MGR	681303
	PUBLIC COS:					
64		LIVESTOCK & PUL	AG IND	ABDEL AZIZ	PRES	
65		JO KU AG & FOOD	TRADE + IND	HANI HNEDI	PRES	825425
66		ARAB PHARMACEUTICALS	IND			ZQ 554961
67		JORD TANNING	IND			651337
	SEMI GOVT:					
68		AG MARKETING	MARKETING			
69		TOMATO FACT	FACTORY			
	ENTREPRENEURS:					
106		INTERVIEWED 37 ENTREPRENEURES, 19 INTERVIE	WS RECORDED IN APPENDIX ATTACHED			

65

EQUITIES PROJ, LIST OF INTERVIEWEES

# ROLE	TYPE	INSTITUTION	BUSINESS	PERSON	TITLE	TEL #
REULATORY & GOVT. SUPPORT BODIES:						
107	M OF T & IND	DEPT. OF INVEST.	PROMOTE INVESTMENTS	DR. EMAISH	DEPT HEAD	663191
108		DEPT. OF INDUSTRY	REGULATE INDUSTRY	DR. BANI HANI	DEPT HEAD	663191
109		DIR. OF COMPANIES	REGULATE COMPANIES	MR. G. DABBAS	DEPT HEAD	663191
110		DIR. OF INSURANCE	REGULATE INS. COS.		DEPT HEAD	663191
111		ONE STP. GOVT. WNDW.	EASE RED TAPE		DEPT HEAD	663191
112		IND. CITY	IND. SUPPOT+FACILITIES	F. SUHAIMAT	DIRECTOR	824188
113		FREE TRADE Z	REEXPORT+STORAGE	Y. KAIED	DIRECTOR	642001
114		CENTRAL BANK	CENTRAL BANK		RESEARCH DEPT.	
115		AMM. FIN. MKT. (AFM)	STOCK EXCHANGE	MR. BELBESI	DEP. DIRECTOR	
116		EXP COUNSIL	EXPORT INFO. & SUPPORT	MR. ABU RAHMEH		685603
117		BUS ASSOC	ORGANIZE BUSINESS	MR. ASFOUR		
HUMAN RESOURCES:						
118	R.S.S.	ECON. DEPT.	ECON. INFO.	DR. A. QASEM	DEPT HEAD	844701
119	MGMT INST	ARB. ORG. FOR MGMT	MGMT. COLLEGE		DIRECTOR	814118
CONSULTANTS:						
120	MANAGEMENT	MMIS	MANUF. & MKTING	J. ANDRICA	GEN MGR	649040
121	ECONOMIC	JAWAD ANANI	ECONOMICS	DR. J. ANANI	CONSULTANT	647333
122	FDR FOUNDATION	F.E.S. FOUNDATION	MACRO ECON. ADVISERS	DR. M. BUHBE	DIRECTOR	827985
LEGAL:						
123	LAW PRACTICE	OMAR NABULSI	LAWYERS	O. NABULSI	PRESIDENT	654411
124	LAW PRACTICE	DAIF ALLAH AL-MASADA	LAWYERS	D. MASADA	PRESIDENT	622755
125	LAW PRACTICE	ZIAD HABBAB	LABOUR RELS. LAWYER	Z. HABBAB	PRESIDENT	648958
AUDITORS:						
126		MURRY & WINNEY	AUDITING FIRM	M. SAADEH	DEP. GEN.MGR.	681885
127		SABA AND CO.	AUDITING FIRM	MAZEN DAJANI	GEN. MGR.	622563
128		ARTHER ANDERSON	AUDITING FIRM	S. ABU-LUGHOD	GEN. MGR.	
SOCIOLOGIST:						
129		UNIV OF JORDAN	SOCILOGIST	DR. SARI NASER	PROFESSOR	843555
PSYCHOLOGIST:						
130		UNIV OF JORDAN	INDUSTRIAL PSYCHOLOGY	DR. M. DIQES	PROFESSOR	843555

SELECT BIBLIOGRAPHY

Abdel Jaber, Tayseer. "Problems of International Competitiveness: The Competitiveness of Jordan's Manufacturing Industry." Matthes Buhbe and Sami Zreigat, eds. The Industrialization of Jordan: Achievements and Obstacles. Amman: Friedrich Ebert Stiftung, 1989.

Annab, Ziyad. "Sources and Policies of Finance to Industry: Industrial Financing and Industrialization." Matthes Buhbe and Sami Zreigat, eds. The Industrialization of Jordan: Achievements and Obstacles. Amman: Friedrich Ebert Stiftung, 1989.

Arab Bank Ltd. Annual Report, 1988.

Central Bank of Jordan. Monthly Statistical Bulletin, vol. 25, no. 5. Department of Research and Studies: May 1989.

Chitale, Sudhir. "Industrial Growth and Employment Creation: the Role of Small and Medium-Scale Enterprises in Jordan." Matthes Buhbe and Sami Zreigat, eds. The Industrialization of Jordan: Achievements and Obstacles. Amman: Friedrich Ebert Stiftung, 1989.

Citibank. Annual Report, 1988.

Directorate of Companies, Ministry of Trade and Industry. Company Law #1 for 1989. Amman: Official Gazette No. 3597, 1898.

Harrell, Edgar C. and Neideffer, David L.. Financing Commercialization of Technology in Jordan. February 1987.

Hashemite Kingdom of Jordan. Temporary Law #29 for 1988: Law of the Jordanian Investment Corporation. Amman: Official Gazette No. 3580, 1988.

Hashemite Kingdom of Jordan. Income Tax Law #57 for 1985. Amman: Official Gazette, 1985.

Jordan Islamic Bank. Board of Directors Tenth Annual Report. 1409 H.-1988.

Jordan Kuwait Bank. Twelfth Annual Report. 1988.

McElvenn, Ivor. "The Human Factor in Industrialization: Organizational Management Effectiveness: A Case for Jordan." Matthes Buhbe and Sami Zreigat, eds. The Industrialization of Jordan: Achievements and Obstacles. Amman: Friedrich Ebert Stiftung, 1989.

Nathan, Robert, et al. Small Entrepreneur Study. July, 1987.

National Ahlia Insurance Company Ltd. Annual Report, 1988.

National Finance Company. Annual Report, 1988.

Pension Fund. Annual Report and Balance Sheet. 31 December 1986.

Pershing, John. Feasibility Study for a Private Investment Bank. Amman: December, 1986.

Pollak, Christian. "Aspects of International business Cooperation: Joint Ventures between Businessmen from Jordan and Abroad." Matthes Buhbe and Sami Zreigat, eds. The Industrialization of Jordan: Achievements and Obstacles. Amman: Friedrich Ebert Stiftung, 1989.

Price Waterhouse. Financial Markets Development Strategy. April 1989.

Private Enterprise Technical Resource Assistance (Petra). Evaluation Final Report. August, 1988.

Riley, Susan. Jordan Banking System. Amman: USAID/Jordan, March 1986.

Shoraka, Jahil. A Comprehensive Approach to Rural Financial Intermediation. USAID, 1987.

————. A Preliminary Assessment of the Financial System of Jordan. August, 1986.

Social Security Corporation. Third Annual Report, 1986-1987. Amman: 1988.

USAID/Jordan. Jordan Banking System Update. March 1988.