PN-ABF-712

ARIES

Assistance to
Resource Institutions
for Enterprise Support

Small Business Development Project
Phase I

Sponsored by the

U.S. Agency for International Development

Contract DAN-1090-C-00-5124-00

Directed by

Robert R. Nathan Associates, Inc.

April 20, 1987

PN-ABF-712

ARIES

Assistance to
Resource Institutions
for Enterprise Support

Small Business Development Project
Phase I

April 20, 1987

Submitted to:

USAID/Jordan

By:

Wesley C. Weidemann,
Team Leader
George Pulver
Laurene Semenza
Diana de Treville

The views and interpretations in this publication are those of the author(s) and should not be attributed to the U.S. Agency for International Development.

ARIES PROJECT OFFICE: Robert R. Nathan Associates, Inc., 1301 Pennsylvania Avenue, N.W., Washington, D.C. 20004 (202) 383-2700 Telex: 248482 NATECON

In Collaboration With: Appropriate Technology International Control Data Corporation Harvard Institute for International Development

AGENCY FOR INTERNATIONAL DEVELOPMENT CONTRACT DAN-1060-C-00-5124-00

ARIES

Assistance to Resource Institutions for Enterprise Support

The ARIES project is designed to strengthen the capabilities of support organizations in developing countries to implement small-scale and micro-enterprise development programs. ARIES builds on the work of the Agency for International Development's former Program for Investment in the Small Capital Enterprise Sector (PISCES) and Small Business Capacity Development projects. It works with intermediary support organizations that provide services to small and micro-businesses and industries, such as private voluntary organizations (PVOs), banks, chambers of commerce, management training centers, business people's organizations, and other developing country government and non-governmental organizations (NGOs).

The contract for this five-year project has been awarded to Robert R. Nathan Associates, Inc. (RRNA) with subcontractors Harvard Institute for International Development (HIID), Control Data Corporation (CDC) and Appropriate Technology International (ATI).

ARIES is core funded by the Bureau for Science and Technology's Office of Rural and Institutional Development (S&T/RD) and the Bureau for Food for Peace and Voluntary Assistance's Office of Private and Voluntary Cooperation (FVA/PVC). Mission funded technical assistance represents $3.8 million, or almost three-fifths of the five-year budget of $6.8 million.

The ARIES project has three major components -- research, training, and technical assistance -- designed to cross-fertilize each other. The applied research component focuses on economic, social, and organizational issues surrounding intermediary support organizations to inform AID missions and host country actions in this subsector. The training component includes design, testing, conduct and follow-up of training programs in such areas as finance, management and evaluation for PVO and NGO personnel. The technical assistance component provides short-term technical assistance to AID missions and intermediary organizations to assist small and micro-enterprise development.

PROJECT OFFICE: Robert R. Nathan Associates, Inc., 1301 Pennsylvania Avenue, N.W., Washington, D.C. 20004 (202) 393-2700 Telex: 248482 NATECON

In Collaboration With • Appropriate Technology International • Control Data Corporation • Harvard Institute for International Development

AGENCY FOR INTERNATIONAL DEVELOPMENT CONTRACT DAN-1090-C-00-5124-00

TABLE OF CONTENTS

Chapter		Page
I	INTRODUCTION	1
	GOJ Programs and Objectives for Small Business Sector	1
	USAID Strategy for SSE and Relationship to CDSS	2
	Description of the SSE Sector	4
	Strategies in Project Design	10
II	CONSTRAINTS FOR SMALL SCALE ENTERPRISES	14
	Credit and Finance	14
	Private Commercial Banks	16
	Sector-Oriented Banks	21
	Non Banking Financial Institutions	23
	Suppliers	24
	Money Lenders	25
	Business Services	25
	Training	27
	Credit	30
	Rural Sector-SSE Agribusinesses	31
	Production and Distributions Environments of SSEs	33
	Improving Access for SSEs: Institutional Profiles of Key Intermediaries	33
	Micro and Marginal Firms	45
	Research and Feasibility Study Facilities	45
	Public Sector Research Facilities	46
	Private Sector Research Facilities	47
	Policy, Regulatory, and Business Practices	47
	Interest Rate Ceilings	48
	Price Controls	49
	Import Tariffs	50
	Exchange Rates	52
	Licensing	53
	Tax Policies	54
	Labor Policies	56

TABLE OF CONTENTS
(Continued)

Chapter		Page
III	CONCLUSIONS AND RECOMMENDATIONS	57
	Credit and Finance	57
	Loan Guaranty Fund	57
	Supplier Credit Program	59
	New Financial Institutions	61
	Business Services	63
	SSE Background in Jordan	64
	SSE Business Center	65
	Applied Research Center	67
	Training Facilities	68
	Intermediaries: Overview	69
	Policies and Regulations	76
	Interest Rates	76
	Price Controls	76
	Import Tariffs	77
	Exchange Rates	77
	Licensing and Registration	78
	Tax Policies	78
	Labor Policies	79
	Loan Collateralization	79
	Project Outline	79
	Credit Program	79
	Training and Technical Assistance	81
	Applied Research	83
	Proposed Implementing Agency	84
	Estimated Costs and Finance Methods	85
	Relationship to the ILO Project	86

APPENDICES

Appendix		Page
A	Scope of Work	A-1
B	Female Entrepreneurship	B-1
C	*Naqaba* Profiles	C-1
D	Labor Policies	D-1
E	Rural Extension to SSEs: A Preliminary Overview	E-1
F	List of Persons Contacted	F-1

LIST OF TABLES

Table		Page
1	Number of Micro and Small Enterprises	5
2	Breakdown of Enterprise by Industrial Classification	6
3	Characteristics and Distribution of Industrial Microenterprises	7
4	Characteristic and Workplace of Industrial Microenterprises	8
5	Intermediaries	70
6	Characteristics of Intermediary Institutions	71

I. INTRODUCTION

Growth in the Jordanian economy has declined in recent years because of falling oil prices, wars, civil unrest in the Region and concommitant policies of governments in the Regions. This has resulted in a decrease in the regional demand for Jordanian goods and services. In addition, the sluggishness of the oil markets has negatively affected the capital inflows associated with worker remittances and the unemployment problem. Migrant workers have returned from the Gulf, reducing the base of foreign exchange earnings and increasing the number of unemployed. As the public sector can no longer be relied on to increase employment and incomes, the Jordanian Government is turning to the private sector in its efforts to restructure the economy.

GOJ Programs and Objectives for Small Business Sector

The Third Development Plan, 1986-1990, of the GOJ recognizes that the development of the private sector offers the most viable opportunity for sustainable growth. The Government plans to create a new set of policies and regulations to encourage the growth of the private sector in terms of income, employment, and export potential.

In particular, Jordan has targeted the small private enterprises, in industry, services, and trade, as one area for development. This is because most private businesses are small (employ less than 25 employees) and labor intensive and are located in all parts of the country. Their growth would result in:

- a balanced geographical distribution of economic activities
- Increased job opportunities in the eight governorates and income-generation
- counter migration to urban centers
- export promotion.

The basic infrastructure needed for small enterprises to grow exists, as does a large skilled and unskilled labor force, many returning from the Gulf. The government is also determined to legislate policies and regulations favorable to the development of the private sector in all the governorates. Studies are being carried out to evaluate the legal, financial, and regulatory environment needed to implement the government's strategies.

The government is also studying changing the tax and tariff policies to promote private sector growth. The research work is scheduled during the "plan" period to cover not only the impact of public policies on the direction and volume of private investments, but to include actual pre-feasibility studies for potential industrial markets. The studies will be made available to private entrepreneurs at minimal cost.

Consideration is being given to new support institutions which will contribute to the GOJ effort to promote the role of private enterprise in general and SSE in particular.

USAID Strategy for SSE and Relationship to CDSS

The USAID/Jordan CDSS is designed to address as directly as possible the increasing unemployment and balance of payments/foreign exchange problems facing the country.

The new strategy of USAID/Jordan is to work directly with private sector manufacturing and service industries to empower them to be the new engines of Jordan's income, employment, and export growth. This will be accomplished directly through AID resources and indirectly, through policy dialogue.

Greater attention is being paid to small enterprise which tend to be the most efficient users of capital and generate more employment opportunities.

The USAID/Jordan strategy for small and micro sized scale enterprises is as follows:

1. To improve access of small and micro enterprises to formal sources of credit on a direct or indirect basis.

2. To provide technical assistance and training.

3. To promote availability of capital through the establishment of a business development center and or a venture capital fund .

In meeting USAID/Jordan's new CDSS objective, the following projects are being considered in addition to this project.

- Private Enterprises Technical Resources Assistance
- The Private Services Sector Project
- Financial Markets Project (Scheduled for FY 1988)
- Agricultural Marketing Project
- Export Promotion Project (Scheduled for FY 1988)

All these new projects will provide support in different areas such as policy dialogue, improved capital access to small and medium sized entrepreneurs, improved marketing orientation and skills in industrial and agri-business, also increase exports of products and services.

Description of the Small Scale Enterprise (SSE) Sector

Data from the 1984 Industrial Census and a survey of the Jordaninan SSE sector conducted by SARSA in the same year provide the basis for the information contained in this section (see tables 1-4). Though insufficient for a detailed view of the sector, the data allows the following observations to be made.

Entrepreneurial establishments number approximately 55,120. Of this number, approximately 80 percent are micro enterprises.

Table 1. Number of Micro and Small Enterprises

Governorate	Trade	Services	Industry	Total
Amman	12,421	9,496	4,801	26,718
Zarka	7,500	1,287	1,137	9,924
Irbid	6,955	1,722	1,490	10,167
Mafrak	991	255	235	1,481
Balqa	1,693	485	385	2,563
Karak	1,086	246	176	1,508
Tafila	350	42	37	429
Maan	1,325	735	270	2,330
Total	32,321	14,268	8,531	55,120

Source: 1984 SARSA estimate.

Table 2. Breakdown of Enterprise by Industrial Classification

	Micro enterprises (1-5 workers)			Small enterprises (6-25 workers)		
	Industry[a]	Services	Trade	Industry	Services	Trade
1. Total number of enterprises	6,811	11,410	25,858	1,720	2,858	6,463
2. Number of enterprises by governorate						
Amman	3,841	7,597	9,937	960	1,899	2,484
Zarka	897	1,030	6,000	240	257	1,500
Irbid	1,190	1,378	5,564	300	344	1,391
Mafrak	188	204	793	47	51	198
Balqa	308	388	1,355	77	97	338
Karak	141	197	869	35	49	217
Tafila	30	28	280	7	14	70
Maan	216	588	1,060	54	147	265

a. Figures based on the 1984 Industrial Census.
Source: Estimates from SARSA Survey.

Table 3. Characteristics and Distribution of Industrial Microenterprises

Governorate	Number of business	Number of workers	Average salary (J.D.)	Value added (J.D.x1,00)	Value added (percent)
Amman	4,731	5,352	942.4	15,006	70
Irbid	1,464	1,526	812.5	4,418	21
Balqa	254	277	906.6	764	4
Karak	182	187	866.0	491	2
Maan	216	238	840.7	646	3
Total	6,847	7,580	909.9	21,325	100

Source: 1984 Industrial Census.

Table 4. Characteristics and Workforce of Industrial Microenterprises

	Kind of industry	Number of enterprises	Number of workers			Average wage per person (J.D.)	Value added (J.D.x1,000)
			Paid	Unpaid	Total		
1.	Mining and quarrying	28	71	25	96	1,039	206
2.	Food manufacturing	412	577	470	1,047	1,796	1,617
3.	Beverages	0	0	0	0	--	--
4.	Cigarettes and tobacco	0	0	0	0	--	--
5.	Textiles	72	84	72	156	795	221
6.	Clothing	611	315	662	977	906	1,193
7.	Leather and leather products	25	29	33	62	757	76
8.	Footwear	75	107	78	185	1,017	310
9.	Furniture and wood products	967	979	1,083	2,062	1,010	3,013
10.	Paper and paper products	1	0	0	0	--	--
11.	Printing and publishing	43	78	46	124	1,257	208
12.	Chemical and chemical products	5	7	6	13	985	60
13.	Petroleum refining	0	0	0	0	--	--
14.	Rubber and rubber products	4	3	7	10	760	18
15.	Plastic and plastic products	4	5	5	10	828	11
16.	Non-metallic mineral products	600	1,051	564	1,615	1,069	2,496
17.	Basic metal products	7	10	8	18	1,036	45
18.	Non-electrical machinery	1,045	1,225	1,201	2,426	1,059	123
19.	Electrical machinery	4	4	4	8	795	12
20.	Transport equipment	0	0	0	0	--	--
21.	Miscellaneous	7	9	7	16	1,000	23
22.	Energy electrical products	0	0	0	0	--	--
23.	Industrial services	2,937	3,026	3,126	6,152	730	7,688
	Total	6,847	7,580	7,397	14,977	1,156	17,320

Source: 1984 Industrial Census.

Trade and service establishments dominate both small and micro enterprises, accounting for 59 percent and 26 percent of all units respectively. Industrial units number only 8,531.

At least 50 percent, if not 70 percent, of all enterprises are located in Amman and account for a significant portion of the value added. This reflects the overall geographic distribution of productive units in the Jordanian economy.

Enterprises cover a range of disparate activities. The Census, which provides a breakdown of microenterprises by industrial activity, indicates that 43 percent of the enterprises are involved in industrial services, 15 percent in the production of non-electrical machinery, 14 percent in furniture and wood products, and the rest in a variety of activities ranging from clothing to printing. This underlines the importance of devising strategies responsive to the needs and concerns of specific entreprenuerial groups.

Workers in micro enterprises seem to be evenly distributed between those who are paid and those who are unpaid apprentices or family members. The average number of workers per enterprise appears to be 2.18. The total number of workers in micro businesses is approximately 95,974.

The number of workers employed in the entire SSE sector is estimated to be 206,384--of which approximately 56,000 are unpaid workers. It is not clear whether these unpaid workers were counted in the official labor force figures.

The estimated total number of SSE workers also includes foreign workers who are not considered to be part of the Jordanian labor force. It is not known how many of the foreign workers are registered or unregistered.

Strategies in Project Design

The identification team used a number of strategies for identifying areas for assistance to the small scale enterprise (SSE) sector. These strategies were conceived under ARIES to provide a wholistic, balance approach to enterprise promotion efforts, as indicated below.

Integration of policy and project initiatives. Past efforts to encourage the growth of SSE tended to concentrate on project interventions aimed at particular target groups. These efforts were often frustrated by a policy environments that countered the interests and consequently, the growth potential of SSE. Moreover, past projects focussed on a relatively small number of firms, and the costs of assisting small firms has been fairly high.

Working with intermediaries. There are a large number of SSEs, and their small size and pervasive numbers make it prohibitive to work directly with individual businesses. For this reason, working with SSE support institutions and organizations is preferred.

Industry-specific approach. The SSE sector is diffuse, with merchant, industry and services sub-sectors. Within a subsector, different lines of business have significant differences in terms of markets, sources of materials, regulatory problems, etc. Rather than targetting a project

or program at a group based on size alone, the team decided to work with a strategy based on specific characteristics of the business group and focus on the SSE within that group.

Working with existing organizations. Starting a new organization can be a costly and difficult process which diverts resources and attention away from the intended purpose. Even more important is that existing organizations provide a conduit or mechanism to reach individuals or groups of individuals and this provides the basis for building support institutions. While not ruling out the possibility of starting new organizations, the strong preference is to work with those already functioning.

Strengthening existing business linkages. There are generally very good reasons why businesses choose certain distribution and marketing channels. Strengthening these linkages has a higher probability of pay-off than trying to invent new ways of doing business.

"Mainstreaming" small business. Wherever possible, the attempt should be made to identify means of preparing SSEs to make use of formal business systems and organizations, such as banks, distribution networks, marketing channels and institutional service organizations. Conversely, wherever possible, methods should be sought to strengthen the mainstream business service organizations and provide incentives for these institutions to include services for SSE as part of their regular business. For example, efforts should be made to remove barriers, such as collateral requirements, that prevent SSEs from participating in the mainstream banking system instead of setting up a separate banking system for SSEs.

A correlary to this approach is the mainstreaming of female entrepreneurs. Instead of trying to set up separate institutions to deal with females in business, the strategy is to identify the barriers barring women from participating in mainstream business institutions, and to remove them. This entails working directly with women and with institutions interested in assisting women.

Strengthening microenterprise support institutions. The smallest businesses or micro-enterprises are generally unable to take advantage of the business support services mainstream organizations. The strategic approach in these cases is to identify institutions that are already dealing with micro-entrepreneurs and strengthen their ability to work with micro-enterprises.

Social Welfare vs. business approach. A differentiation must be made between the business orientation, needs, and growth potential of the very small, or micro, enterprises, and small enterprises. The vast majority of micro-enterprises will never grow significantly larger. Tradesmens and family-operated shops usually do not grow since managing a growing business requires a different set of skills and orientation than running a micro-business with one or two helpers. For this category of micro-enterprise a social welfare approach is appropriate. Services can be provided which will help to increase the incomes of these entrepreneurs, without expecting significant business growth.

A minority of micro-entrepreneurs and most small entrepreneur, on the other hand, have the personality characteristics associated with entrepreneurial development,

and have the potential to manage and run growing enterprises. In this case, the strategy is to screen and select those entreperneurs with the potential for growth, and to provide them with business skills and services to encourage this growth.

Working with existing businesses. When faced with the choice of assisting in starting new businesses or assisting in strengthening existing businesses, the decision should be made to work with existing businesses. Start-up costs for business are very high and the chances of failure in new businesses are also high. Therefore the economic return to any support offered to existing businesses is higher.

Identification of subsidies. The use of concealed subsidies has the effect of distorting incentives faced in the economy. Whenever subsidies are to be used, they should be readily identifiable and specifically targetted.

II. CONSTRAINTS FOR SMALL SCALE ENTERPRISES

This chapter starts with a review of the institutional and individual entities offering financial service in Jordan. Particular emphasis is placed on those sources of credit with creative financing packages for small entrepreneurs. The chapter then addresses the state of business services in Jordan and outlines the training and TA needs of small entrepreneurs. The chapter concludes with an assessment of the Jordanian policy environment. Business and regulatory practices with particularly negative effects on SSEs are highlighted.

Credit and Finance

More than 25 financial institutions operate in Jordan. Of these, 17 are private commercial banks, two are sector-specific banks, two are non-banking finance corporations, and four are public credit cooperatives or development-oriented corporations. In addition, money lenders and suppliers of raw materials in the informal sector complement the role played by the financial institutions.

Few of the loan extensions and credit transactions currently executed, however, involve small entrepreneurs. Of the institutions mentioned above, only two have an explicit policy of targeting small entrepreneurs in a

specialized program, and another does not actively exclude small entrepreneurs from its client base. The other institutions are disinterested, or made it clear during interviews that the risks and costs of SSE financing could not be justified in their current line of business. The suppliers of raw materials, parts and products for re-sale extend limited amounts of credit. Money lenders serve very specialized groups of small entrepreneurs, such as goldsmiths.

This situation could be changed. The liquidity needed by SSEs is available within the banking system. The most effective strategy would be to work with banks and other intermediaries to remove the barriers to tapping the available funds. Measures such as credit guarantees for bank loans and cost sharing on loan appraisals would help to lower the cost and risk of extending loans to SSEs.

Interviews at a number of Jordanian banking institutions revealed a willingness to participate in a USAID-sponsored partial guarantee scheme. The interviews also underlined the feasibility of restructuring and strengthening existing institutions, particularly those currently serving or planning to serve the SSE sector.

The creation of new institutions or mechanisms to operate independently or within existing institutional structures is not recommended. Such efforts require an intensive mobilization of human and financial resources and run high risks of failure.

Interviews with suppliers likewise demonstrated the feasibility of extending credit to SSEs along existing business linkages. Owing to their sustained and continued involvement with clients, suppliers are interested in participating in a supplier credit guarantee scheme that would enable them to increase their business volume with less than proportionate additional risk.

Below are summary conclusions based on a general review of the institutions including interviews with a number of institutional representatives. The conclusions are grouped by institutional type, i.e., private commercial banks, private non-banking financial institutions, sector-oriented banks, public financial institutions. Suppliers and money lenders complete the list.

Private Commercial Banks

Commercial banks operating in Jordan fall into two categories -- those owned by Jordanian shareholders and those owned by foreign banking groups whose lead organization is located in London, Luxembourg, or the Middle East. Banks generally have limited their loan activity to short-term loans whose repayment durations cover a year or less. In addition, these banks have acquired a highly liquid position -- to the extent that additional capital inflows would not expand the banks' ability to lend. The financial services offered by these banks included import/export financing, investment guidance, provision of foreign exchange, and credit information. Such services are generally provided to customers of long standing. Most lending is secured by collateral or guarantees that translate into collateral, and, as indicated below, there is currently no attempt (Jordan Islamic Bank being an exception) to lend to SSEs.

The Arab Bank, with approximately JD 4 billion in total assets, and 26 branch offices, is four times larger than the other Jordanian banks collectively. Its extremely conservative operational policies have allowed it to accumulate large liquid deposits at the Central Bank. Interviews with officers of the Bank, including the Deputy Chairman, revealed that Arab Bank could allocate JD 1-2 million towards participation in a USAID-sponsored small business program. Though the bank has not traditionally considered SSE financing in its lines of business, the officers were interested in involving bank funds in an SSE development effort and wished to be apprised of ongoing and future research activities in the field.

Petra Bank, the second largest bank in this group, with 24 branches (8 outside of Amman) is credited with being one of the most innovative. It has expanded its customer base by issuing VISA "debit" cards to individuals. The card-holding customers agree to having their employer deposit pay checks directly to their accounts. Whenever the VISA card is used, the account is debited and the participating merchant pays the transaction costs (6 percent of the sale amount). Transactions are monitored closely through point-of-sale terminals that allow immediate verification of the status of the account. In certain instances, customers can arrange to "overdraw" their accounts.

Petra Bank plans to extend the VISA service to SSEs, among others. A pilot program has been designed, using the debit system described above, to accommodate the need for credit along an entire commodity system -- furniture -- from the supplier of raw materials (timber merchants), to the manufacturers (furniture makers, which are dominated by

SSEs) to the wholesalers and retailers (buyers and sellers of furniture). Traditionally, only furniture wholesalers and retailers have access to formal sources of credit. Furniture makers are limited in their ability to provide collateral or guarantees to banks. This situation is exacerbated by an imperfection in the Jordanian Commercial Code which stipulates that transactions cannot be secured by title documents endorsed to the Bank. Petra Bank representatives indicated that they too are willing to discuss further the possibility of participating in a USAID-sponsored partial guarantee scheme.

The Bank of Jordan ranks fifth in this category in terms of total assets. The Bank's current loan extension policy excludes SSEs, the floor being JD 5,000, with occasional exceptions to as low as JD 1,000. Bank representatives expressed interest in implementing an SSE credit program that would incorporate the following design elements: a USAID guarantee on all Bank loans to SSEs; standard fee payments from USAID to the Bank; exclusive program rights.

The Jordan Islamic Bank was established in 1979 to overcome the constraints inherent in Islamic law with respect to certain financial practices, such as interest payments on deposits and interest charges on loans. For instance, long-term depositors at Islamic Bank are required to share in the Bank's profits and losses. Current account depositors are not. This approach has proven to be successful among religious conservatives and has attracted a large customer base. The Bank's growth rate has reached 25 percent during each of the past three years far exceeding the growth of other banks in the same time period. Deposits

currently amount to JD 130 million. Branch banks number 13, with six operating outside Amman. In terms of total assets, the Bank ranks third.

The Bank has pioneered several mechanisms under Sharia laws that by pass interest rate ceilings set by the Central Bank. They allow the effective "interest" rates to be commensurate with the risk and cost of processing the loan, no matter how small the amount. The mechanisms include:

- Murabaha, under which the Bank acts as an agent of the entrepreneur, purchasing the goods or equipment and selling them at a higher price to the interested business entity under the direction of the entrepreneur

- Musharika, under which the Bank and the customer share the initial costs, with the customer repaying the Bank from the profit portion of the income stream of the business either on a declining participation basis or on a permanent basis

- Mudaraba (similar to musharaka), under which the Bank pays the initial acquisition costs and payment is made to the Bank on the basis of an agreed ration of sharing of profits.

Finally, the Bank operates a compassionate fund of interest to microentrepreneurs. The maximum disbursement is JD 1,000. All disbursements are extended on a no-recourse basis with the customer obligated to repay only as able. Some of the disbursements are currently provided to women who are (divorced or widowed) and are thinking of a business start-up. In spite of the charity aspects of tis fund, a significant proportion of these loans are repaid.

The interview with representatives from Islamic Bank identified a number of possible avenues for cooperation between the Bank and USAID:

- USAID could deposit funds with the Bank earmarked for special uses, such as loans to SSEs in certain sectors. In keeping with its operating principles, Islamic Bank would ask to be repaid from the profits of the enterprise.

- USAID could deposit funds to expand the 'small grants" scheme referred to above. The Bank would remain flexible on the structuring of the scheme.

- USAID could sponsor a training workshop to strengthen the financial and credit analysis capabilities of Islamic Bank officers. Particular emphasis would be placed on methods for evaluating SSE applications.

Islamic Bank specifically rejected the possibility of participating in a supplier credit guarantee scheme. The Bank's approach is to work directly with SSEs and not provide assistance through other channels.

There are six other banks in the locally-owned category. They are the Jordan National Bank, Cairo-Amman Bank, Jordan Kuwait Bank, Jordan and Gulf Bank, Syrian Jordan Bank and Arab Jordan Investment Bank. Representatives of the banks should be interviewed in the next phase of the project, though it is unlikely that they will exhibit business attitudes markedly different from the ones enumerated above.

Foreign owned banks, on the contrary, are unlikely to modify their operational policies to include SSE loans in their lending portfolio. They operate in Jordan primarily

to respond to the credit, foreign exchange, and import/export financing needs of large corporate or institutional clients with business linkages or markets in Jordan or in the bank's home country. Citibank/Jordan, for example, only services accounts or clients that generate at least $25,000 in income per year (income being the difference between the Bank's charges and its cost of money), and there is little local autonomy in the decision-making and loan review process. Long lines of communication serve to stymie change. However, one or more of the six other foreign banks may be willing to participate in a USAID-sponsored credit guarantee program as an adjunct to their financing of various imports (wood, auto parts, or textiles). This potential collaboration should be examined more closely through interviews with bank representatives during Phase II of the project. The banks to be reviewed include the British Bank of the Middle East, Bank of Credit and Commerce, Bank al Mashrek and Rafidain Bank.

Sector-Oriented Banks

There are two sector-oriented financial institutions in Jordan, the Industrial Development Bank, of which the state owns 18.5 percent, and the Housing Bank, which is 16 percent state controlled. The Housing Bank, as its name implies, finances private sector housing through the extension of mortgages and developer loans. Though the bank does not provide direct assistance to SSEs, it has an extensive branch network (81 offices, 50 outside of Amman) that would facilitate the delivery of financial services to SSEs. This is a concept currently being assessed by the International Labour Office (ILO). The Industrial Development Bank already uses two of the Housing Bank's branch offices to extend its client coverage beyond Amman.

The Industrial Development Bank (IDB) houses the Small Scale Industry and Handicraft Fund (SSIHF), a unique source of credit for SSEs. The SSIHF covers loans amounting to approximately JD 3 million, as compared to IDH's portfolio of JD 40 million. SSIHF's funding is provided by the GOJ and various international and bilateral agencies, such as the World Bank and Kreditanstalt. A staff of five (one division head, four loan officers, one trainee) administer the SSIHF. Neither equity financing nor conventional banking services are offered. Loans are extended at a concessionary interest rate of 6.5 percent. The maximum loan amount is JD 4,000, with the working capital portion, if any, limited to JD 1,000. Each loan officer processes an average 100 loans per year. Of the 404 loans approved in 1986, the largest percentage was to establishments engaged in food processing (see table below).

Categories	Number Loans	Amount JD x 000	Avg (JD)
Food Products	86	291	3,400
Maintenance	66	202	3,100
Metal Works	63	199	3,200
Clothing	48	141	2,900
Carpentry	49	137	2,800
All others excluding trades and retailers	92	269	2,900

Owing to the branch office sharing arrangements with Housing Bank, SSIHF's loan volume is equally distributed between urban and rural areas.

An interview with the Director of the SSIHF revealed that assistance would be welcomed in the following forms: a

grant or loan; a USAID partial guarantee scheme; training. A supplier credit scheme was viewed as being beyond the scope of the SSIHF's activities.

It is recommended that the IDB and the SSIHF be reviewed much more closely during Phase II of the project. The SSIHF in particular can play an important role in an integrated SSE assistance program.

Non-Banking Financial Institutions

Due to their large-scale investment orientation, non-banking financial institutions are not interested in working with clients in the SSE sector. Representatives at both the Arab Finance Corporation and the Jordan Investment and Finance Corporation stressed that loan amounts in the magnitude of JD 100,000 and JD 50,000 were small and that their operations would not allow going below these floors.

Public Financial Institutions

Public financial institutions in Jordan tend to focus on the agricultural and public sectors. They provide financial, marketing, and infrastructure/commodity enhancement services to a variety of clients in these sectors, but not often SSEs. Institutions that fall into this category include the Agricultural Credit Corporation, the Jordan Cooperative Organization, and the Housing Corporation. One exception is the Cities and Village Development Bank (CVDB), a municipal bank with 93 employees, one branch office outside of Amman, and a portfolio level of JD 52 million.

CVDB is seeking to expand its operations into the SSE sector through a Regional Development Fund. The Fund is still in the planning stage. It is to service municipalities as well as entrepreneurs through two types of loans, working capital and equity (for new ventures). The latter type of loan is considered to be soft; it will be offered at concessionary interest rates (1-2%) with no collateral requirements. The Fund is not anticipated to be self-sustaining. This is a design draw back that might limit the fund's usefulness and impact on SSES.

Suppliers

Suppliers represent the single largest source of unsecured credit for SSEs. Suppliers -- whether importers or wholesalers -- maintain lines of credit with their bankers, and in turn, extend the same service to their better customers.

Suppliers can act as a conduit to formal credit for those who do not have direct access. They sometimes provide credit on a open account or post-dated check basis. Very often, however, they insist on cash terms since they are limited by the total amount of credit outstanding to the various clients. During interviews, many suppliers indicated that they would be willing to extend credit under a USAID sponsored partial guarantee scheme. This channel of assistance should be investigated further during Phase II of the project. Suppliers are well situated to make decisions on credit risk. They usually have a long established or personal relationships with customers, and are the first to know of new developments within the relevant market or business sector.

Money Lenders

Money lenders are often importers of gold who extend lines of credit to the goldsmiths. They finance no other group.

Business Services

SSE services in Jordan reflect: (1) the low level of training or capital needed for entry; (2) reliance on family, merchants or friends for capital or equipment needs; and (3) training and management based on traditional, apprenticeship or family methods of recruitment and professional training.

Many firms within different industries are organized according to guild-type associations called naqaba. (Inasmuch as these associations are not completely equivalent to western guild or union organizations, the term naqaba will be used.) Their role as an intermediary in both organizing supplier-firm linkages and representing the interests of their members to other naqaba and to public and private institutions has been of considerable importance for most SSE industry and service activities.

Technical Assistance

All forms of technical assistance to SSEs are primarily provided through informal channels, with the exception of agri-oriented technical assistance. This technical assistance is provided by private sector organizations such as the Jordanian Cooperative Corporation.

The lack of access to appropriate technical assistance in SSE industries and services is reflected in various ways: poor or inappropriate workmanship; inability to upgrade; over- or under-production; and market saturation. For example, in the beauty parlor, industry, naqaba members said that owners and workers were trained through apprentice systems and therefore could not easily upgrade their techniques. The few beauty schools that do exist are too expensive. As a result, the majority of SSEs "make do."

In addition to being restricted to basics, many firms rely on advice that may be incorrect or less than optimal. For example, a member of the auto parts naqaba, indicated that car mechanics and equipment repair shops have no access to information on the appropriate methods of repairing new models.

Interviews with naqaba members of all industries and services suggests that very few SSE owners are aware of how to acess the few available sources of formal assistance. In addition, SSE owners may not appreciate how certain forms of assistance could benefit their business, even when they are suffering from operations problems.

Furthermore, even when SSE firms are able to access formal sources of TA, formal procedures are constantly restructured into personalistic transactions. Both access and output are operationalized by personal linkages. For example, in the absence of formal credit bureaus, car dealers rely almost wholly upon gaining credit information from colleagues, relatives, and friends of the prospective client -- even though the business transaction is conducted in conjunction with a banking institution.

Training

Findings presented under Technical Assistance also apply to training. Discussions with all naqaba suggest that most training is obtained through informal, personalistic channels. This applies both to on-the-job training and to advice from business colleagues, family, friends, or supplier merchants and buyers with whom the firm owner generally will have supplier or production credit arrangements.

The remainder of this section will briefly discuss the formal institutions that do provide training, as well as the informal apprentice and middlemen systems.

Formal Training Institutions

In general, institutions currently engaged in vocational skills training are willing to expand their offerings with a greater variety of skills training, as well as with courses on basic SSE business management skills. These institutions also tend to be interested in participating in sector-specific studies, which could enhance both the kind and quantity of specific course offerings. By contrast, business training centers focusing on formal sector, large-scale firms are less willing to scale down in order to develop curricula appropriate for the unique needs of SSEs. Example of both types of institutions follow.

Jordan Institute of Management (JIM). Courses offered at JIM are geared to formal sector businesses and their capital-intensive management needs. No courses are directed to the particular needs of SSEs. Management seemed to show limited interest in developing specialized offerings for SSE.

Trade Training Center, Ein Albasha. This vocational training center is one of several which are under the general direction of the Amman Vocational Training Corporation. According to the Director, each center has different training facilities and capacities. Their program includes a long course of three years, organized with three days in the center and three days in a local firm as an apprentice. Several hours weekly are also spent in the classroom with math, Arabic, and other basic training. The short courses are directed at apprentices with limited skill acquisition and professionals in need of skill upgrading. This could include skills ranging from engineering to basic mechanics.

The curriculum is large and expanding. Electrical tooling, machine repair, auto repair, carpentry, construction, restaurant skills, and so forth are divided into different components. The staff consists of 10 master trainers (over five years of training experience; courses), 60 trainers, 8 teachers of Arabic, math, physics, etc., and 20 office and support staff.

The Center is prepared to work with the SSE project in the design and implementation of specific training courses, and is prepared to offer courses in other localities. Although the courses are now restricted to industrial and service activities, the Center would like to move into agri-industry activities for small farmers.

Voluntary Societies (GAMA'IYYAH). The General Union of Voluntary Societies was established to "provide social welfare for such citizens as need it." The welfare orientation of the Union does not exclude business and

vocational-oriented activities, although these income-generating and training activities seem to be conducted in a welfare-oriented manner. Not much attention is paid to the goals of program sustainability and of training relevance to the overall economic environment.

Nevertheless, the Union is would like to move in the direction of more economically informed training and vocational support programs, and is prepared to participate in the project in developing such programs.

Informal Training

Two important informal training mechanisms are the apprentice system and the exchange of information from the middlemen to the firm.

The apprentice system, a method of recruiting both labor and future practitioners of the trade, was used by most SSEs reviewed in the course of field work. While the system has traditionally served both craft and service-oriented businesses for centuries, the new technologies and forms of management of increasingly capitalized economies cannot be transmitted properly in the closed system of apprenticeships. The operating problems found to typify the majority of SSEs reviewed suggests that the training and skills gap stands to increase over the next years unless informed and industry-specific steps are taken to address the issue.

Access to different forms of business management and technical assistance are sometimes obtained through personal relationships with middlemen. For instance, new equipment

or materials may be sold by suppliers contingent upon acceptance of informal training. The difficulty is that the suppliers' knowledge may not be sufficient to result in optimum performance by the purchaser of the new equipment. This is especially problematic in subsectors characterized by fast, growth in new techniques and materials.

It is in this context that middlemen can be a critical conduit for project information relating to training programs, particularly within the context of the naqaba organization (discussed below) to which both supplier and firm purchaser belong. In all instances, naqaba members expressed interest in utilizing this conduit between supplier and firm.

Credit

Initial findings based on studies with the naqaba suggest that firms having a capital outlay below JD5,000-10,000 tend to rely both on supplier credit and on personal loans for their material and cash needs. This finding seems consistent across industry and service type. As one naqaba member put it, "The suppliers use the banks, and the (smaller) retailers use the suppliers as banks." A brief discussion of informal credit mechanisms and associated interest follows.

Informal Supplier, Producer, or Operating Credit

Results of the naqaba study show that most of the SSEs have difficulty in obtaining appropriate lines of supplier and operating credit. The smaller firms operate according

to short-term financial strategies and on low levels of capital. Furthermore, SSE operators often do have the collateral needed for formal bank loans. By consequence, informal credit arrangements with suppliers and merchants are often the only means by which SSEs can obtain needed supplies. This arrangement is common in industry and service sectors, as well as in the agriculture sector.

Firm owners who rely upon this form of credit are often constrained in their business activities by low credit units maintained by their suppliers, who themselves are limited by the total supplier credit outstanding to their various clients.

While interest is generally not associated with these loans, suppliers are able to obtain fees on the goods extended on terms to their clients by increasing the price of goods or by offering cash discounts. Commercial terms obtained by cash and those obtained by delayed payment varies from industry to industry, as well as among suppliers within a specific industry.

Rural Sector - SSE Agribusiness

The development of agribusiness over the past decade, particularly in the Jordan Valley, has linked small farmers into large economies and into non-traditional agri-based technologies. Increasingly, farmers are growing specific crops under formal or informal contract conditions for processors, exporters, or private merchants, in addition to growing specific cash crops for spot sales.

These forms of small farmer, market-oriented production are, agri-based SSEs. For just like a small firm that produces industrial goods, these small farmers are operating a portion of their farm in accordance with current agri-industry technology. Programs directed to TA, marketing information, credit, and management practices for such small farmer agri-firms can be treated in the same way as urban-based SSE programs.

Agri-industrial activities have created secondary, off-farm SSE needs and opportunities which are not yet met. For example, staff of the Agricultural Credit Cooperative indicated that farm equipment repair shops were one area in which both upgrading and expansion were needed.

The overlaps of agricultural and non-agricultural industrial, service, and marketing sectors need to be treated in more detail in the second phase of project planning.

Private Sector SSE Agribusiness

Interviews with agricultural wholesalers/retailers and with staff of local agricultural credit facilities suggest that the downturn in the agricultural sector over the past few years is in part related to macro-policy decisions. Marketing and input supply have been increasingly placed within the public sector. By consequence, small farm agri-industrial production has suffered. Small farmers have been increasingly unable to obtain either marketing channels or input/supplier credit from the agricultural import/exporters whose markets have been absorbed into the public sector. Out of approximately 100 large import/exporters, 30 have had to stop working or to sever their ties with their farmer-clients.

Public Sector SSE Agribusiness

Public sector activities in small farmer agri-enterprise activities are associated with several credit, processing, and marketing institutions. One of the branches of the Agricultural Credit Association was visited in the Jordan Valley. The Association focuses on upgrading both small farmers' skills and local staff skills, as well as on developing new agri-based enterprises for small farmers. This focus largely corresponds to the goals of the SSE project.

Production and Distribution Environments of SSEs

During Phase II of the project, the operating environment of SSEs should be examined closely, with particular emphasis on the following points:

- Separation of Production from Distribution
- Uneven Development between and within Industries
- Informal Production Credit and Marketing
- Uneven Development of Distribution Systems between and within Industries
- Jordan's Distribution-Oriented Economy and Micro and Macro Levels
- Impact of External Economic and Political Conditions on SSE: the Naqabas' perspective.

Improving Access for SSEs: Institutional Profiles of Key Intermediaries

Several features of SSEs render them difficult to assist. SSEs are very small, usually scattered, and not

generally directly linked into formal institutions of credit or training. Because they are scattered and the problems associated with them vary both by industry and in relation to their particular economic condition, it is generally not cost-effective to work directly with SSEs.

Without direct access to formal institutions of credit SSEs must rely upon informal channels, particularly with respect to: (1) economic linkages with suppliers; (2) loans from family or friends; (3) training, which tends to be acquired by means of informal advice, apprenticeships, or through a family business. These ad hoc, often short-term strategies tend to marginalize further many SSEs from the economic main stream, especially those involved in activities of fast technological growth for which formal training may be a critical requisite (for example, repair shops of electronic equipment).

The solution is to identify appropriate pre-existing intermediary institutions by which SSEs can more efficiently be reached. This is more cost-effective, in addition to often having the secondary effect of helping to strengthen the capacity of the intermediary to work more effectively with SSEs. Focusing on industry or service-specific services offered through appropriate intermediaries strengthens the abilities of these intermediaries to assist SSEs by (1) expanding pre-existing activities supportive of SSEs, and (2) supporting new activities directed to SSEs.

There are a variety of intermediaries, through which SSEs can be reached. These include: Chambers of Commerce and Industry, Regional Development Fund, Naqaba (trade

guilds), worker's unions, Regional Development Fund, Village or Councils - Sub-regional Council - Regional Councils, local and foreign private voluntary associations, and agricultural credit cooperatives.

The following section will discuss the strengths and weaknesses of a selection of different public and private institutions that can serve as intermediaries between SSEs and project inputs. Ways in which access could be facilitated will also be suggested.

Public Sector Intermediaries

Regional Development Plan and Fund

The Regional Development Plan and Fund are recently developed concepts which aim to decentralize public institutions and associated income-generating activities over each of Jordan's eight Provinces.

The Plan: To date, councils have been established at the regional and subregional levels. The government is considering giving them fiscal decision-making powers for certain projects. The members of these councils are not salaried. It is planned that technical assistance will be provided by staff located in the provincial offices. Specific implementation procedures for TA remain to be developed. Institutional organization and operation are still at the stage of interministerial planning.

The Fund: One recommendation resulting from the joint MOP/SARSA Study suggested that the Fund should be created to assist with small projects conducted by councils located at

the regional, subregional, and eventually, the village or village cluster level, as soon as councils have been formed and capitalized at that level. The majority of these projects are income-generating for the council's needs.

The purpose of the Fund is to help identify, promote, and market projects for the regional councils and local entrepreneurs, as well as to conduct related feasibility studies. In order to facilitate the kinds of public and private projects that could be funded trough these councils, thirty categories of proposed projects were generated by the SARSA data base. These projects were organized by geographic distribution and population.

Specific implementation procedures for the Fund are currently under negotiation in an interministerial committee and, it may be months until the Fund will be able to actively participate with the project. Since local councils have not yet been formed, and since subregional and regional councils do exist -- but only on a voluntary basis and not yet with access to technical assistance -- it may be some months before they, too, can be effective intermedi- aries by which local SSEs can access project inputs.

Evaluations of similar decentralization funds, such as the Loan Department Fund in Egypt, established to capitalize local village council and regional council enterprise projects, provide some interesting insights into the operations of such funds. These evaluations show that the amount of training which must be delivered at both council and local bank levels to utilize such a Fund effectively is extremely costly. These evaluations also indicate that, the projects selected for funding tend to reflect the interests

of the local elite rather than the specific development or economic needs of the community. The MOP should consider examining the problems of design and implementation of Egypt's Loan Development Fund, when designing and implementing the Regional Development Fund.

Agricultural Credit Corporation (ACC)

Branches of the ACC are established throughout the country from which production, medium-term, and long-term credit can be obtained by farmers. Because of major downturns in the private agricultural sector over the past few years, and associated increases in default rates, the government requested the ACC to reschedule its loans to farmers. The government pays the principal on medium- and long-term rescheduled loans.

However, recent financial problems of private sector farmers have caused the ACC to develop increasingly conservative lending policies and to establish regulations by which certain activities are no longer supported (green houses) and others are encouraged (dairy).

Members of an ACC branch in the Jordan Valley expressed great interest in the SSE project. The same members suggested that training in management and in enterprise selection was on of the most important areas the SSE project could focus on in the agricultural sector. Additionally the ACC was interested in the training of its own staff in enterprise and loan assessment -- an area in which it considers itself particularly weak. Other areas in which the ACC suggested project linkages included studies on marketing and the development of associated processing facilities,

small farming equipment supply and repair services, and transportation studies. These areas of concern were corroborated in discussions with members of the agricultural materials merchants naqaba and the agricultural products wholesalers naqaba.

Specific ways in which the ACC might, as an intermediary, access private agri-based SSEs as well as receive staff training, should be investigated in the second phase. Although there are other sector credit and TA facilities, the ACC appears at this time to be the strongest and most likely to meet the needs of rural SSEs.

Other Public Sector Agricultural Institutions

In order to address the difficulties which have increasingly beset the agricultural sector, the government has initiated two new institutions over the past several years. The Jordan Agricultural Marketing and Processing Company, which is involved in contract farming, processing, and marketing, and the Agricultural Marketing Organization. Phase Two will examine the relation of these -- and several other preexisting public sector intermediaries directed to agri-based activities (Jordan Cooperative Corporation, Jordan Valley Farmers' Union, Jordan Valley Authority) -- to the development of agri-based SSEs.

Private Sector Intermediaries

Voluntary Societies

The General Union of Voluntary Societies consists of approximately 600 organizations, of which 259 are involved

in vocational training and income-generating projects. The Union's main income is derived from the National Lottery, which in 1986 amounted to 8 million dinars. Funding priorities are established by a point system based on the type of activity, financial needs, and number of beneficiaries. A cost-sharing mechanism of 40 percent by the society and 60 percent by the Union is generally employed. The Union also maintains small loan funds used for such purposes and buying carpentry tools.

Current SSE activities being supported by the Union include a pickling factory on the West Bank, other small agricultural projects, and a number of women's traditional income-generating activities. The Union is anxious to move in the direction of sustainable income generating projects, and specific avenues of coordination with this project need to be fleshed out in the second phase.

The Jordan office maintains a small research center where studies are made of these and other requests for funding. Coordinating the activities of this center with the research component of the SSE project should be explored in the second phase.

Chambers of Commerce and Industry

Both Chambers are primarily mechanisms by which local businesses are licensed for operation. The programming activities center largely on import/export activities of larger firms which, because of their size or capitalization, are not eligible for the SSE project. Neither Chamber expressed interest in working to develop programs suitable for the needs of SSEs.

Phase 2 should, however, examine more closely linkages which could be developed in the long term, particularly in the area of import/export activities of the Chambers and policy regulation.

Business Center Concept

The establishment of a private business center which would intermediate SSE business, training, and financial needs offers one possible method of coordinating project inputs. The greatest strength of such an association is its specialization in SSE activities, to the exclusion of other concerns. Further, it can act as an umbrella organization to specifically support SSE activities of the more diverse public and private intermediaries discussed in this section.

Now that a basic understanding of both the activities and priorities of extant intermediaries has been obtained, phase two should systematically explore whether such a business center would be an appropriate project mechanism by which to coordinate these diverse activities in specific relationship to SSEs.

Naqabas (Craft Association- Owners) and Ittihad (Trade Unions)

During the course of the first phase, several different naqabas were visited, in addition to the General Worker's Union. (The latter is an umbrella organization to which 17 trade and service unions belong.) The craft association naqabas included: hairdressers for men; beauty parlor owners; agricultural materials merchants (importers of seeds; equipment; fertilizers), agricultural products wholesalers importers and exporters of food stuffs

restaurant owners, bakery owners, clothing and material stores owners, used clothing stores owners (not formally organized), freight and movers, long distance truck owners, taxi offices owners, and car spare parts owners. Both group and individual interviews were conducted with a total of over 70 persons. Followup sessions were held with four of the groups.

These discussions proved to be the most informative method of detailing industry-specific SSE constraints as well as provisionally identifying more broadly based constraints in the SSE sector, and in the economy.

The forms used to develop profile sheets of the naqaba are recorded in Appendix C. These profiles indicate specifics regarding credit, training, policy and economic environ- ments, labor, and activities conducted by the naqaba. In the second phase, a more detailed profile of these naqaba will be developed.

Naqaba are a particularly appropriate intermediary by which to link to small businesses, since their organization frequently corresponds with supplier - retailer linkages. In all cases, it was found that while suppliers had most frequent access to formal banking arrangements, the wholesalers or retailers purchasing from these suppliers had less banking access. Instead, these SSEs used the suppliers as banks, maintaining generally both long- and short-term supplier-credit relations with them.

A brief, overall profile of the naqabas shows that:

1. Most naqaba contain importers, wholesalers, and retailers.

2. There are very few women owners, except in the taxi naqaba where there are 500 women taxi owners.

3. The majority of naqaba SSEs are micro.

4. Many use family labor and apprentices instead of, or in addition to, hired labor. The choice often seems to be service or industry-specific. For example, auto mechanics seem to favor apprentices, whereas taxi owners employ primarily hired labor.

5. Activities of specific naqaba vary greatly and cannot be generalized. Many are engaged in legal and representational activities. A few maintain social activities, such as insurance programs and health units. Business-related informal dispute settlement, both among members and between members and nonmembers, is often engaged in. None have training programs or mechanisms to access their members to training programs (although all of the interviewees stressed the need for various kinds of training). Some have income-generating activities, such as repair garages for long haul truck owners. Several have conducted feasibility studies, such as restaurant owners and bakers who commissioned studies on price controls.

6. Of the activities mentioned above, the two in which naqaba were most interested include training (for themselves, their workers, or their clients to whom goods were

sold on supplier credit), and feasibility studies on a variety of concerns ranging from market studies to policy issues.

7. The business climate of each industry varies. In general, it appears that the SSE service sector tends to be stable or growth-oriented (with the exception of long distance truck owners and agriculture products and materials import/exporters), while the SSE industry sector tends to be troubled by such problems of market saturation and inappropriate government policy.

8. Almost 100 percent of SSEs obtain credit through their suppliers, or through personal loans. The suppliers themselves are the major link to formal banking services. The resulting economic configuration is characterized by tighter, formal linkages at the top (supplier: importer/exporters), with looser, informal linkages prevailing further down the chain.

9. In all cases, the response to a guaranteed, supplier credit arrangement was positive.

10. A check list of common difficulties by industry or service showed the following: (1) Liquidity - yes, only a minority thought liquidity to be nonproblematic: (2) Credit (for selves: for clients) - yes, for all in varying degrees: (3) Marketing (imports; export; local) - yes, especially in agricultural import/exports and clothing; (4) Training (of shop owners; workers; clients) - yes; but assistance in identifying the kind and magnitude of training is badly needed; (5) Government Policies: restrictions - yes, in nearly all cases; (6) Licensing - not so much of a problem

in obtaining them as in the negative impact of arbitrary licensing policies; (7) Merchandising, inventory, accounting, display (for selves; clients) - yes.

The varying needs of owners, operators, and workers located at different levels of a particular commodity chain can be addressed in this project by working with the naqaba, in conjunction with the supplier credit program.

Ittihad (trade unions) are organized under the General Union of the Worker's Guilds. There are now 17 affiliated workers guilds: Mechanical and Land transport; Air and Tourism; Rail; Ports; Electrical; Petrochemical; Textile; Food Production; Mining and Steel; Commercial Personal Shops; Photocopying, Typing and Printing; General Services; Private Education; Health Services.

These Unions offer a complementary access for worker-focused training in the SSE project. A more detailed examination of this issue will be conducted in the second phase.

Professional Unions exist for six professions, including dentistry, doctors, engineers, and lawyers. There is an umbrella organization to which these separate Naqaba belong. An appointment made to discuss the activities of these naqaba was called off by the umbrella organization due to scheduling conflicts, and because it was at the end of the first phase, could not be rescheduled. These naqaba will be examined in more detail in the second phase.

Private Municipal Councils, their structure and their potential role in a SSE project, will be appraised in the second phase.

Micro and Marginal Firms

Since these enterprises are often not registered, may be seasonal or periodic, and frequently are run out of households, their identification and profiling is difficult and time consuming. However, because in many countries these 'hidden' enterprises are often associated with key production, processing or marketing activities. Such a detailing is a critical element in developing a comprehensive SSE strategy.

For example, in Egypt, over 90 percent of white cheese consumed in the country is processed and sold as an off-farm women's SSE. None of these enterprises are registered; all operate out of homes; all are key sources of revenue for domestic expenses. (1982/83 figures.) Paradoxically, according to official government records this critical micro-enterprise does not exist.

In the Second Phase, one or more limited examinations of the micro sector should be conducted, and general guidelines laid for more intensive and long-term studies of the micro-sector, to be conducted during the life of the project.

Research and Feasibility Study Facilities

Applied research and feasibility study facilities are a key element in assisting SSEs effectively to identify and address the policy constraints and operating problems that they experience. In Jordan, such facilities are spread across both public and private sector institutions, among which there is minimal coordination of data. Several of the facilities are briefly discussed here.

Public Sector Research Facilities

The research development facilities of the Ministry of Planning (MOP) is one of the most extensive public sector research facilities. Its major data base consists of a fully computerized survey of the Kingdom, which was conducted by MOP and Clarke University under a USAID grant (the National Village Survey, or SARSA Study). This plan, covering both rural and urban areas, formed the basis for the Five-Year Regional Development Plan and its associated Fund. The data base seems to have been largely abandoned following the writing of the Plan. No further analysis is being done at this time nor does there seem to be a formal plan to continue analyzing and refining this rich source of information. A series of analyses were conducted for this report using the data base, and while major gaps do exist these data nevertheless reflect the most comprehensive source of local-level socioeconomic facts available.

According to an MOP staff member, MOP has recently initiated a special program in the Technology Department to conduct small, private and public sector feasibility studies. No details were readily available on this activity.

The MOP is planning to initiate a National Data Bank in conjunction with the Royal Scientific Society. This Bank will focus primarily upon macro-monitoring of public sector activities associated with the five-year plan. Details are still in the planning stage.

The Department of Statistics also maintains a substantial data base. The Industrial Census which it conducted in

1984 has been widely used by both donors and government in detailed planning. We were told that the Department of Statistics and MOP closely coordinate their research.

Private Sector Facilities

The Royal Scientific Society is supported by both public and private sources. It is commissioned to conduct various studies relating to both public and private sector interests.

The General Union of Voluntary Societies maintains a research and feasibility study unit which is used in conjunction with the projects of its member societies. Time did not allow examining their resources during Phase I.

Policy, Regulatory, and Business Practices

Efforts on the part of governments have often been frustrated by a policy environment that is detrimental to small businesses. A recent study at Michigan State University concludes that: "In most countries of the third world, the general policy environment is skewed distinctly against small producers." Jordan proves to be no exception to this rule with a number of policies, regulations, and business practices which work to the disadvantage of small enterprises.

What follows is a brief discussion of some of the features of the regulatory and business practice environment that appear to have major impacts on the Jordan economy and a particular impact on the small-scale sector. A number of these policies have negative impacts on some of the most

vulnerable groups of society such as females in the business sector and micro-entrepreneurs.

Interest Rate Ceilings

The Central Bank since October 1986 imposes upper limits on the interest charges which can be imposed by banks. The reason for this was never made clear to the team, although the Central Bank feels this is part of a strategy to encourage investment in the Amman Financial Market. The mechanism by which this linkage is supposed to work was never made explicit. Another hypothesis is that Koranic prohibitions on usuary are having an influence on Bank policy. The ceiling currently imposed an is 8.5 percent.

The practical effect of the loan rate ceiling is to reduce the amount of credit which would otherwise be available to the small business sector. Bankers and all other businessmen balance the risk/reward ratio in loan transactions. If, in the opinion of the banker, the probability of default outweighs the potential gain in income from interest, the loan is not extended. This means, in practice, that loans are extended only to well established firms with collateral to cover the loan. Small businesses which are not as well established, are usually undercapitalized and may not be known to the banker are viewed as being more risky to the banker. Thus, small businesses are systematically not given access in the formal banking system.

Price Controls

Price controls generally work to the disadvantage of small businesses. This is because small businesses do not have the same opportunities to sell large volumes of price controlled items. Overhead and other fixed costs must be amortized over a fewer number of units, and because of the fixed selling price, profit margins are lower.

The team found several examples of negative impacts of price controls. Bread is subject to official pricing structures based on factors in which cost of production is not the dominant determinate of price. Bakers claim that the price of bread does not allow them to fully cover all required costs of production. Bakers report not complying fully with all of the labor laws and to selling short weights in order to cut costs and stem losses. Bank credit is reported to be unavailable since bankers are aware of the precarious position of the industry and are unwilling to risk extending credit. Likewise suppliers are unwilling to extend credit on flour, yeast, fuel, and other inputs supplied to bakers. This particular price regulation hits the small business sector because only three of the estimated 600 bakery establishments in the country are large enough to be excluded from the SSE catagory.

Another trade group which is affected by regulated pricing is the automotive spare parts business. The price of spare parts is mandated not to exceed the f.o.b. price at port of shipping multiplied by 2.7. Since this formula was set the price of freight and customs duties have both increased resulting in erosion of profit margins.

However, it should be noted that the pricing regulation has an inherent bias which results in higher cost spare parts being used and it is possible that a higher overall price level may have resulted from the price formula. When a parts importer has a choice between importing a low cost part or an equivalent high cost part, he will likely chose the higher cost part. The cost of shipping, warehousing, and handling each part will be the same. Since the margin allowed on the high cost part is higher, his profit margin is increased by handling higher cost parts. Thus, the regulatory system discourages importers from seeking better prices.

A second feature resulting from the regulated pricing structure is that it discourages parts suppliers from stocking a complete line of parts. More money can be made by stocking only the parts which are high demand items which will move off the shelf quickly. The mark-up is the same for all parts whether they sit on the shelf one week or 18 months. Thus when a vehicle requires a slow moving part, the probability is high that the part will have to be ordered for overseas and the vehicle will be out of use for up to 45 days while the part is en route. A clause of the price structure regulations require parts importers to supply any out-of-stock part within 45 days to encourage them to stock a complete line. However, the opportunity cost of a vehicle waiting 45 days for a spare part is very high when compared to the possible marginal savings on the price of the part because of pricing regulations.

Import Tariffs

The Government has adopted a two tier strategy of tariffs on producer and consumer products. With many

exceptions, producer goods are taxed at approximately the 50 percent level. Consumer goods are taxed at approximately the 80 percent level.

Some attempt has been made to encourage exports by exempting specified groups from payment of import duties on producer goods destined to be used in export trade. Furniture manufacturers, an industry which is dominated by small businesses, are eligible to directly import duty-free wood to be used in export products. While the intention of the regulation is laudatory, implementation of this policy has been less than satisfactory. Furniture manufacturers are not equipped to import wood on their own account as is required by the regulations. They do not have ready access to the normal business channels, nor do they have the facilities to the handle the wood. Most importantly, they do not have the capital required to be tied up in inventory during the importing of wood manufacturing into furniture, selling in export markets and receiving payment. Wood importers are in a position to handle the transactions on behalf of the furniture manufacturers, but are not permitted to under the regulations. This is a prime example of a government policy which is designed to assist the small business sector, but which is ineffectual because it ignores standard business practices and linkages.

An example of a simple regulatory change which has the potential to create a new export market for small businesses is in the area of servicing and repairs of long haul trucks. A number of trucks traverse Jordan en route to the Gulf area. Jordan has a number of highly skilled mechanics who are capable of servicing this fleet. The wages for mechanics in Jordan are less than in the Gulf countries, however,

the price of spare parts is considerably higher because of import duties. A thriving truck repair and servicing center is located in Aqaba and in this area a high proportion of the spare parts are smuggled in from Saudi Arabia where they are imported duty-free.

By eliminating the duty on spare parts for trucks or implementing a duty roll-back for parts on trucks plying international routes, the competitive position of Jordan in truck servicing could be enhanced. Jordan could become a regional service center for long haul trucks. This strategy has the potential to encourage the export of services in an occupational category which is dominated by small businesses. Equally minor regulation changes directed to farming equipment spare parts could have a similarly favorable impact on farm equipment repair shops.

Exchange Rates

It appears from study of the balance of trade statistics and the balance of payment statistics that the Jordanian Dinar is overvalued with respect to trade flows and development of domestic industry. Capital inflows into the country are dominated by workers remittances. This is essentially exporting the services of the work force. This inflow is instrumental in maintaining the exchange rate at the prevailing rate. The prevailing exchange rate makes it cheaper to import a large number of items instead of producing them locally.

Thus, removing import substitution opportunities for SSE. The exchange rate places export industries at a disadvantage. In effect the major export of the country is

workers and a large proportion of everything else is imported. The development impacts of such an exchange rate are negative and work to the disadvantage of small businesses in Jordan which could otherwise be competitive in export markets.

Licensing

The purpose of the licensing system is to help insure that any new industrial establishment will be consistent with the country's economic policy. Limiting entry is viewed as one method of assuring that businesses will be profitable. Prerequisites to obtaining a license include formally satisfying municipal zoning requirements or approval from the Ministry of Municipal Affairs and Environment, registration must be completed with the Companies Controller in the Ministry of Trade and Industry, registration must be complete with the Trade Registrar, and the Jordan Electricity Authority must approve of electrical wiring.

There are two categories of businesses with regard to licensing. Any business with a capital investment of less than JD10,000 or any handicraft project with an investment of less than JD5,000 is defined as a small enterprise and has a less complex procedure to obtain the license. According to Ministry officials no small enterprise is denied a license as a matter of policy. The small enterprise application is an abbreviated form which can be completed in less than an hour and is supposed to be approved on the spot. Most of these types of licenses can be approved either in Amman or in one of the two field offices. Howev-

er, applications from businesses dealing in food or chemicals must be sent to Amman for approval by the Ministries of Health or Supply.

A large business must complete a 20 to 30 page application which includes a feasibility study. The completed application is submitted to a planning committee for approval. Investments which are export oriented and which employ new technology are given priority. In 1986 120 applications were accepted and 80 were rejected.

The entire licensing and registration process is cumbersome with a number of overlapping jurisdictions and unclear procedures. Small businesses are less likely to have access to information sources which will help guide them through the process and automatic licensing approval available to the smallest of small businesses. There is no central place where the requisite permissions, certifications, and registrations can be obtained, nor is there a center where information on the various requirements can be obtained.

The practice of waiting until the licensing process to give any approval to an investment often proves wasteful. Investors sometimes procure land, buildings, or equipment in anticipation of starting a business and fail to obtain the necessary approvals.

Tax Policies

Taxes for the small-scale sector are based on estimations of income since many small businesses do not keep formal records. For example, in the baking industry tax

authorities estimate profits on the basis of the number of tons of flour processed. Bakers hotly contest the figure used and point to a Ministry of Supply study which calculates a much lower profit per ton. Because of the use of flour consumption to calculate taxes bakers attempt to diversify their sources and procure from vendors such as the Ministry of Agriculture which apparently does not report to the tax authorities concerning wheat or flour sold.

Small businessmen reported passing up the chance to bid on lucrative Government contracts because of the contract being reported to the taxing authorities. Small businessmen want to avoid the attention of the tax authorities at almost any cost because of the arbitrary and erratic manner in which taxes were imposed. They dreaded getting an unrealistically high assessment because taxes for following years are influenced by the level of tax in prior years. For comparable businesses the tax level imposed can vary substantially, giving one business a substantial advantage when compared to others.

Tax exemptions can be granted for businesses which meet specified criteria such as being energy saving, locating in rural areas, producing exports, employing women, introducing new technology or fulfilling a number of other objectives. However, small businesses are not eligible for these same tax advantages. The rationale for this is not clear, but it was stated that there are simply too many of the small businesses to grant tax incentives. This is obviously discriminatory against small businesses.

Labor Policies

Small businesses enjoy some advantages in the costs of labor because of exemption from certain of the labor laws. If a business employs more than five workers it must register with the Ministry of Labor and is subject to labor laws governing such areas as accumulation of annual leave, work hours per week and other areas. At present Social Security legislation covers those employers with 10 or more employees. There is an incentive to not exceed the nine employee threshold because Social Security coverage costs are 10 percent of the wage bill.

A number of labor laws specifically deal with women in the labor force. Women are not allowed to work nights except in specified occupations such as nursing, hotels, and airlines. However, the list detailing the exempted occupations has not yet been published so the list of exempted occupations is now based on conventional wisdom. Any business which has 20 women with children is required to have child care facilities. Women are also entitled to maternity leave. The combination of the above regulations place women at a disadvantage in the labor market and the team hear numerous accounts of women being released from employment when they marry.

Jordan does not have a minimum wage law. In countries where a minimum wage law exists, it is usually administered only in the larger businesses and is unenforced in the informal sector. This has the practical effect of making labor force more expensive in larger businesses. The absence of a minimum wage law means that the cost of labor in small and large businesses is more nearly equal.

III. CONCLUSIONS AND RECOMMENDATIONS

The previous chapter reviewed the operating environment of SSEs and idnetified specific gaps in finance, training and technical assistance, market links and policy advocacy. In this chapter, a numbr of strategic imperatives are identified. These are considerations that must guide the process of designing a responsive SSE program.

Credit and Finance

This section explores in greater detail the loan guarantee fund, the supplier credit program, and the innovative financing mechanisms mentioned earlier in the report. Issues in program design are raised to guide work under Phase II of the project.

Loan Guaranty Fund

SSEs frequently have difficulty obtaining credit, both from commercial banks and from suppliers. Banks withold credit because of rigid requirements for either collateral or personal guarantees. Some SSEs obtain supplier credit on the basis of post-dated checks, which in effect collateralizes the credit. If the banks were able to obtain satisfactory guarantees, they would be willing to substantially liberalize credit to SSEs.

Objective

Investigate and design a partial credit guarantee scheme which would increase the attractiveness of SSEs to banks and bring SSEs into the formal credit circuit as current account bank customers.

Beneficiaries

In addition to the benefits derived directly by SSEs, there would be a positive impact through backward and forward linkages tying SSEs to the rest of the economy. To the extent that SSEs obtain greater credit and expand their businesses, the business of suppliers would be stimulated. Similarly, to the extent that SSEs can modify their business practices or can grow, the customers of SSEs would benefit, in terms of more competitive prices and better deliveries.

Design Parameters

Recent experience with guarantee funds to stimulate the flow of credit to SSEs in developing countries indicates that good design elements are a prerequisite to program success. Some of the design parameters to be investigated include:

- Guaranty Proportion. How large should the guaranty fund's losses be in proportion to the lender--if the lender bears too small a proportion, he grants credit without analysis or concern; too large a proportion and the lender won't be stimulated to make loans to the SSEs. Should the proportion vary according to the type of SSEs?

- Fees. Who is going to bear the costs of the fund in terms of administration and losses? Should there be an element of subsidy?

- Claims. Should both principal and interest be recoverable? How should collection costs be handled? Are they reasonable? How can one be assured that claims will be handled promptly--if they are not, the scheme will likely founder. How should recoveries be shared out? Should audit procedures require rigorous examinations of all guarantees? Or, should audits be limited largely to loans which have given rise to claims?

  A number of detailed policies and procedures will have to be drawn up, agreed upon, and stated for the benefit of all parties. These procedures will have to reflect conditions unique to various categories of SSEs.

- Funding. What losses should be assumed? The answer largely determines the size of the fund in comparison with the volume of loans to be guaranteed.

- Fund Administrator. A key element that will determine success or failure of the guaranty scheme will be the performance of the administrator, and whether he commands the confidence of lenders. The Phase II work will include drawing up a short list of qualified candidates with an evaluation of their strengths and weaknesses.

The preceding list of design parameters is not intended to be exhaustive or definitive. The Phase II consultants should add criteria as appropriate. The work in this area will have to be integrated closely with the supplier credit program, which is covered in the following paragraphs.

Supplier Credit Program

The fact gathering with respect to credit availability for SSEs originally concentrated on the commercial banks.

But as the project developed, the importance of supplier credit emerged more and more clearly. Commercial bankers have little contact with SSEs since SSEs are infrequent bank customers. Suppliers of raw materials and equipment, on the other hand, know their customers, including those customers who are buying on a cash basis. Ways need to be sought, therefore, to develop this potential conduit and make supplier credit increasingly available to SSEs.

Objective

Investigate and design a supplier credit scheme that would place credit with with suppliers to be passed on entirely to SSEs, on an open account basis.

Beneficiaries

Principal beneficiaries will be SSEs. Suppliers and customers of SSEs will be secondary beneficiaries.

SSEs will benefit in two ways. The additional credit will permit SSEs to expand their business. Mandatory bank accounts will introduce them to a new range of financial services and up-to-date business practices.

Design Parameters

To be effective this program will have to be carefully designed. If the controls are too tight with burdensome record keeping and reporting requirements, suppliers will not be attracted to the program. If the controls are loose, suppliers might well use the program to finance SSE customers with repayment problems.

This program has two tiers of financing--bank lending to suppliers or distributor organizations, and supplier lending to SSEs. Whether the guarantee would be for the benefit of the supplier, the bank, or perhaps both on some kind of formula basis, should be decided upon. Without prejudging this and other issues, the inclination is toward putting the guarantee at the level of the supplier. Suppliers know more about the conditions facing SSEs in the various sectors than any other entity. Definitions of normal credit terms and repayment periods varies from one trade to another. Policies and procedures to make the supplier credit program a success would have to be drawn up with inputs from the suppliers to reflect adequately the conditions in the various branches of business.

New Financial Institutions

In many countries, there exist financing approaches tailored specifically for borrowers without sufficient collateral in the conventional sense, i.e., fixed assets. These approaches involve using negotiable instruments and title documents as collateral. Assuming no conflict with the Jordanian commercial code, these approaches present viable methods for channeling credit to SSEs.

Objective

Investigate and design, where required, new financial institutions and mechanisms to facilitate financing based on warehouse receipts, leasing assets or factoring accounts receivable.

Beneficiaries

In addition to the beneficiaries identified under the two previous recommendations, larger companies with difficulties finding suitable collateral, should be favorably affected.

Design Parameters

The financing of inventories by means of warehouse receipts provides an example of an innovative approach. Financial institutions do not accept warehouse receipts as collateral unless they are confident about the operation of the warehouse where the titled goods are stored. A bonded warehouse would respond to the concerns of the financial institutions. Such a warehouse could be owned by one or perhaps by a consortium of financial institutions. Its operations, however, should respond to the needs of not only the banks (the lenders) but also the businesses (the borrowers) whose supplies are stored in the warehouse. A balance must be struck between the often conflicting operating requirements of the borrowers and the collateral and security requirements of the lenders.

In addition to investigating ways of setting up the bonded warehouse and identifing owners, studies must be undertaken to assess how operations may be structured in a cost competitive manner. A further point of investigation concerns the possibility of using the bonded warehouse in connection with a duty-draw back scheme. This would be beneficial to a number of SSEs, including those that repair international trucks. Such SSEs would like to offer their services at competitive prices but are handicapped by the duty levied on the spare parts needed for repairs.

It may be necessary or desirable to have similar institutions handle equipment leasing and the factoring of accounts receivable. Once again, it will be necessary to establish institutions that respond to the requirements of both the lender and the borrower.

Business Services

Jordan, like many other countries, lacks a consolidated infrastructure and related institutions to deal systematically and effectively with SSEs. This is in contrast with the fully commercialized sector, where formal services and service institutions are available: commercial credit, appropriate technology, formalized training, and intermediary institutions. Institutions appropriate for the SSE sector must first be found, and then analyzed to assess the appropriateness for the project.

By definition, the majority of SSEs are not fully integrated into commercial and labor markets, but rely heavily on such non-capitalized inputs as family labor, apprentices, personal loans, and subsidized inputs. SSEs may be mainstreamed by linking them more directly with necessary services and inputs. This will generally be achieved through the personal ties that characterize their basic style of management and operation, e.g., SSEs access to credit being facilitated through supplier or other personalized loans.

It has been argued that this method of mainstreaming SSEs -- by strengthening preexisting informal ties -- is in many cases the most effective. Indeed, the success and viability of the SSE sector is its ability to sustain high

levels of price elasticity, by drawing more heavily on informal, subsistence-based resources in times of economic recession, and conversely, by moving into more capital-intensive forms of business activity in periods of economic expansion. This subsistence-based flexibility is not available to larger, commercialized firms whose operation is based primarily upon fully capitalized labor and raw materials markets. As a consequence, these commercialized firms are more vulnerable to economic downturns.

In short, the strength of SSE -- its ability to absorb price flunctuations through informal arrangements -- should be a focus of project support. The critical factor here is building in appropriate constraints whereby smaller firms are not dependent solely on suppliers for project access. The issue will have to be addressed carefully in Phase Two.

SSE Background in Jordan

To focus donor services on the private sector is a new approach in Jordan. Moreover, the targeting of private sector SSEs for project activity is an equally new procedure. No studies of the SSE sector in Jordan have been conducted, nor has it been an area of systematic donor assistance prior to this project. Indeed, where assistance has been forthcoming, it has focused almost exclusively upon heavily subsidized income-generating activities. As a consequence, there are no institutions -- public or private -- now operating in Jordan that are at present suitable for working with the unique, capital and labor-intensive needs of SSEs.

SSE Business Center

In the absence of appropriate formal institutions to respond to the unique needs of SSEs, the creation of an autonomous business center will be considered. One possibility, based on successful SSE centers operating in other countries, would be a center that would act both as a facilitator and a catalyst of project activities. It would interface preexisting intermediaries -- both public and private -- with major project inputs of credit, training, and applied research. Additionally, it would serve important liaison functions both with government offices and with other possible sources of donor assistance.

The center would be autonomously run by project staff. The Advisory Council -- consisting of relevant government and private business representatives -- would both provide counsel, and strengthen the center's activities. Intermediary members would also be represented on this council. Autonomy of the center will be a key operating feature. Evaluations of similar SSE centers in other countries have shown that successful centers are most frequently autonomously operated and have a correspondingly high level of solidarity. These characteristics are important also for the intermediaries who would join the center. One goal would be to assist in the institution-strengthening of intermediaries, so that these groups would be better able to address the SSE needs of their members.

The weakest link of intermediary organization is characterized by elite domination of the process. Hence, specific checks and balances will need to be designed in Phase II. These checks and balances need to be constructed

so as to provide certain benefits to elites, while also strengthening access of project inputs to its primary beneficiaries: SSEs that are generally below the level of primary supplier. Building in training for supplier clients, as a required adjunct for supplier credit, is one example of serving the different interests of supplier and client. Another method is to place low limits on certain forms of credit intended for specific beneficiaries -- i.e., levels sufficiently low that those primarily interested in obtaining it will be members of the intended target groups. Given the depressed economic climate of Jordan at this time, maintaining a degree of equity in the face of such economic constraints may require careful rethinking of the equity-development equation.

Initial start-up of the center's activities can be organized as a small pilot project in which several intermediaries would participate. Interest in this project has been so overwhelmingly expressed in the course of Phase I interviews and discussions, that it may be possible to set up a competition among potential intermediaries, with selection of the two or more to be part of the more intensive pilot project based on criteria to be worked up in Phase Two (this suggestion actually came from a member of one of the nagaba). The success of the pilot component will be associated with the degree to which participants actively engage in feedback activities. Since these activities will be carefully watched by potential members, the pilot participators will have an added incentive to succeed.

In addition to liaison activities, other activities of the center can include:

- Encouraging the down-loading of both small revolving credit funds and training programs to intermediaries.
- Developing publicity on the programs being offered, both for participants and potential participants as well as for informing the public and government offices of the role of SSEs in the Jordanian economy (a suggestion given by two different persons -- one in the government and the other a SSE business owner).
- Seek to develop or strengthen linkages with larger firms, e.g., through promoting subcontracting or other arrangements between larger firms and SSEs.
- Consolidate and coordinate training, research and policy issues among the member groups.

Applied Research Center

The needs of SSEs are both unique as a group, as well as diverse by industry and socioeconomic placement. Because the owners of SSEs rely largely upon informal arrangements for their needed inputs, and because they tend to focus on short-term and often ad-hoc strategies, small firms are by themselves unable to construct appropriate strategies of operation. The role of applied research, directed to specific groups sharing similar operating constraints, is therefore a critical component of SSE projects.

Specific implementation and organization of the research component will be determined in Phase II. During Phase I, a number of different research components were identified which are briefly discussed in Chapter Two, under Business Services.

Provisional Phase I recommendations relating to this research component include:

1. Coordination of different research facilities around the country by designing a "buy-in system," similar to that employed with data base centers in Europe and the States. Participating members would have discounted or free access to materials on line for their own needs, and in turn would provide input to the data center from their own studies.

2. Data base linkages with several of the major sources of abstracts relevant to SSEs would be established: FAO, ILO, several of the commercial D-base systems.

3. Studies would be solicited by intermediaries only, not by individuals. Fees for studies would be on a sliding scale.

4. To the extent possible, therefore, the research center would be self-sustaining, with primary linkages to the SSE business center and secondary linkages to other, local research centers and international D-bases.

5. Several public and private research facilities to which specific studies could be sub-contracted exist.

Training Facilities

The primary organization with which training in both vocational and business skills should be coordinated is the Amman Vocational Training Corporation. Interest has been expressed in both the Amman offices and one of the regional offices. Precise mechanisms of coordination need to be worked out in Phase II.

Training components should also be offered for intermediaries. Interest has been expressed by the barbershop

and beauty saloon naqabas, among others, as well as by both indigenous and foreign voluntary associations to obtain assistance in developing specific training programs which they could run for their members.

Finally, in line with the project focus of building on preexisting resources, ways in which apprenticeship systems of informal training can be upgraded should be explored in Phase II. The Vocational Training Corporation now has a combined training-apprentice system and this model can perhaps be expanded. For many future SSE owners, the apprentice system will be the only systematic training received and therefore stands to be an important point of project intervention.

Intermediaries: Overview

Table 5 and 6 provide a working list of the major intermediaries identified during Phase One. These intermediaries either link -- or hold the potential for linking -- dispersed SSEs with macro-level input-output systems. From this overview several generalizations can be suggested.

Table 5.

Project		Intermediaries		SSE's
Inputs		Chamber of Commerce		
		Chamber of Industry		
		Voluntary Societies (Jordanian)		Firms
Credit		Voluntary Societies (Foreign)		
		Nagaba - for Owners		
		Nagaba - for Workers		Firms
		Regional Development Fund		
		Regional Development Council		
		Subregional Development Council		
Applied Research		Village/Village Cluster Council		Firms
	↔	City Municipal Council	↔	
		Jordan Coop Corporation		
		Agricultural Credit Corporation		Firms
		Jordan Valley Farmers Union		
		Agricultural Marketing Organization		
Training		Jordanian Center Marketing/ Processing Agricultural Products		Firms
		Jordan Valley Authority		
		Import/Exports (Individual)*		
		Import Suppliers (Individual)*		Firms
		Family - Friends		

*Individual supplies will be encouraged to access the supplier credit program through an intermediary or in conjunction with their clients -- in order that project facilities are available at the client level.

Table 6. Characteristics of Intermediary Institutions

Intermediary Institutions (Formal and informal)	Public sector	Private sector	Formal institution	Informal institution	Urban-based	Agri-based	Services directed to firm owners	Services directed to firm workers	Training - informal on their job	Training - formal	Social services
Chamber of Commerce		X	X		X		X			X	
Chamber of Industry		X	X		X		X			X	
(Jordanian) Voluntary Societies		X	X		X	X	X	X		X	
(Foreign) Voluntary Societies		X	X		X		X	X		X	X
Naqaba - for Owners		X	X		X		X		X		X
Naqaba - for Workers		X	X		X			X			X
Regional Development Fund	X		X		X		X				
Regional Development Councils	X		X		X		X				
Subregional Development Councils	X		X		X		X				
Village/Village Cluster Councils	X		X		X		X				

Table 6. (Continued)

	Feasibility studies	TA for production	TA for marketing	Conducts marketing	Institution now in concept stage	Credit - formal	Credit - informal	Activities are largely self-sustaining	Activities are heavily subsidized	Personal loans or grants
Chamber of Commerce	X	X	X					X		X
Chamber of Industry	X	X	X					X		X
(Jordanian) Voluntary Societies	?				X	X	X	X	X	X
(Foreign) Voluntary Societies	?								X	X
Naqaba - for Owners	X							X	X	X
Naqaba - for Workers	X							X		X
Regional Development Fund					X	X				
Regional Development Councils					X					
Subregional Development Councils					X					
Village/Village Cluster Councils					X					

Table 6. (Continued)

Intermediary Institutions (Formal and informal)	Public sector	Private sector	Formal institution	Informal institution	Urban-based	Agri-based	Services directed to firm owners	Services directed to firm workers	Training - informal on their job	Training - formal	Social services
City Municipal Councils		X	X		X		?				
Jordan Coop Corporation	X		X			X	X				
Agricultural Credit Corporation	X		X			X	X				
Jordan Valley Farmer's Union	X		X			X	X				
Agricultural Marketing Program	X					X	X				
Jordanians Company for Marketing/Procession Agricultural Products	X		X			X	X				
Jordan Valley Authority	X		X			X	X				
(Individual) Imports/Exporters		X		X	X	X	X				
(Individual) Input Suppliers		X		X	X	X	X				
Family; Friends		X		X	X	X	X	X			X

Table 6. (Continued)

	Feasibility studies	TA for production	TA for marketing	Conducts marketing	Institution now in concept stage	Credit - formal	Credit - informal	Activities are largely self-sustaining	Activities are heavily subsidized	Personal loans or grants
City Municipal Councils	X									
Jordan Coop Corporation	?		X						X	X
Agricultural Credit Corporation	?	X				X			X	
Jordan Valley Farmer's Union	?					X			X	
Agricultural Marketing Program	?	?				X			X	
Jordanians Company for Marketing/Procession Agricultural Products	?	?							X	
Jordan Valley Authority	?	?	X	X					X	
(Individual) Imports/Exporters	?	?							X	
(Individual) Input Suppliers		X		X		X		X		
Family; Friends		X							X	X

1. The intermediaries having the strongest linkages with SSEs include:

   - Voluntary societies (indigenous and foreign)

   - Naqabas (for both owners and for workers)

   - Informal, intermediary relations, including: Individual import-exporters with their clients; Individual input suppliers with their clients; Family and friends. The last category appears by far to be the most utilized by SSEs in their business practices.

2. The least linkages with SSEs are found to exist with formal intermediaries whose services are directed to commercial firms, such as, the Chamber of Commerce, the Chamber of Industry and commercial banks.

3. It is not clear the extent of agri-based SSE linkages associated with public sector agricultural sector intermediaries.

4. While both foreign and private voluntary societies provide various services for SSE owners and workers, their activities tend to be heavily subsidized.

5. Informal intermediaries, represented primarily by suppliers and family or friends, have a substantial influence on all aspects of SSE operations.

6. Public sector intermediaries directed to agri-based SSEs have heavy subsidies -- both direct and indirect. This allows government import-export, distribution, processing, and marketing activities to compete with private sector firms on advantaged terms. This example highlights a central role which those inter- mediaries having the greatest linkages to both SSEs and outside resources can play -- namely, assisting SSEs to retool in the face of rapidly changing economic conditions.

Policies and Regulations

The policy and regulatory environment has shown a significant bias against SSE in Jordan in spite of official pronouncements of support for SSE. The overall recommendation that comes out of this initial identification mission is that a research program be funded to document the effects of the regulatory environment and suggest alternative courses of action. Following is a brief discussion of some of the specific recommendations which need to be explored.

Interest Rates

An interest rate ceiling has the effect of hindering SSE from getting credit in the mainstream financial institutions. Several alternatives can be suggested for consideration in a research program.

- Deregulation of interest rate ceilings on all business loans.
- Deregulation of interest rate ceilings on loans below a certain size.
- Deregulation of interest rate ceilings on unsecured loans.
- Raising interest rate ceilings on any of the above categories.

Price Controls

Food, spare parts and some consumer goods are products subject to price controls in Jordan. Since these items are largely handled by the SSE sector, controlled prices have a differential negative impact on SSE. Specific studies need

to be done to determine the impact of price controls in specific sectors and the impact on the overall economy. The research program needs to explore these issues in some depth and make recommendations on the options identified.

Import Tariffs

Specific import tariffs must be examined with regard to impact on the SSE sector. The GOJ taxes intermediate products and producer goods at approximately the 50 percent level. Conusmer goods are taxed at approximately the 80 percent level. Many of the items which are used as producer goods by small businesses may be categorized as consumer goods by the GOJ and hence have a higher tariff duty. Sewing machines, hand tools and similar items are used by SSE as producer goods, but may be classified as consumer goods by the GOJ. Part of the research program should be to examine the tariff structure for such anomalies which discriminate against small business.

A specific situation which was previously alluded to is the spare parts for long haul truckers. A study needs to be done to determine the feasibility of Jordan becoming a regional service center for long haul traffic to the Gulf area and whether relaxing some of the import tariffs on spares can contribute to this development.

Exchange Rates

Human services are the major export from Jordan with worker remittances providing the major source of foreign exchange. The exchange rate which has resulted makes it much cheaper to import a large variety of items rather than

producing them locally. Partially in response to this situation, import tariffs and import prohibitions have developed as a means of encouraging the growth of domestic production. The net effect of this combination of import restrictions and exchange rates is uncertain. The impact on the SSE sector in particular is unknown. Since Jordan is a small market, SSE has a potentially significant role to play in import substitution. Part of the research effort should be devoted to determining the impact of what appears to be an over-valued exchange rate on SSE.

Licensing and Registration

The procedures for licensing and registering a business are very complex and small businesses are least equipped to deal with these complexities. Specific, small applied studies are needed to determine the impacts of this regulatory environment on SSE and recommend options for different approaches.

Tax Policies

The method of using formulas to calculate and levy taxes against small businesses needs to be evaluated and compared to other alternatives. Under the administration of the tax code this method can produce either minimal or ruinous levels of tax burden for a particular small business. Because of the possible ruinous consequences small business proprietors go to unusual lengths to maintain a low profile for the taxing authorities and this kind of behavior is usually not economically productive.

Labor Policies

The impact of labor regulations on SSE and women needs to be explored. With the plan to extend social security coverage to the entire work force, incentives will increase for unregistered SSE to remain in the informal sector so as not to be liable for additional payroll taxes. The implications for the economy need to be determined and options available for SSE detailed.

Loan Collateralization

As was outlined in other sections, the collateral requirements of loans work to the disadvantage of SSE. Training for bank officers to administer non-collateral loans plus a credit guarantee program will help alleviate this problem.

Project Outline

The Project will consist of three main components which are inter-linked and mutually reinforcing. These are credit, training and technical assistance, and applied research. Coordination and administration will be done by a mall Business Foundation. The Foundation will be managed by a Project Director who will coordinate the research and technical assistance component. The Foundation will have in-house capability in training coordination and administration and monitoring of credit programs.

Credit Program

The major emphasis of the credit component will be a credit guarantee fund for eligible SSEs administered within

one of the major financial institutions. USAID will place on deposit a special fund in the institution to guarantee part of the principal and possibly part of the interest of credit extended to SSE. Other banks will participate in the guarantee by applying to join the program and agreeing to meeting specified criteria and rules of operation. The rules of operation will be designed to encourage banks to extend additional credit to SSEs instead of steering their worst loan risks in the existing portfolio into the guarantee program.

The most important feature in making the credit guarantee program a success is carefully crafting the operating rules to strike a balance between building in enough checks and balances so the system is not subject to abuse and maintaining ease of operation.

The second portion of the credit fund will be the supplier credit program. This will be linked to the credit guarantee program.

The single largest source of unsecured credit to the SSE sector is supplier credit. Importers provide terms to wholesalers who in turn provide terms to users and retailers in the SSE. The team investigated approximately 15 different kinds of business and found significant lines of unsecured supplier credit in all except one business area. There are apparently similar business practices in many other lines. Thus, for reaching small and micro businesses, suppliers become a potential intermediary.

An example of the supplier credit system will clarify the proposed program. A wood importer brings wood into the

country and sells it to SSE clients whom he considers to be good credit risks on credit terms. He charges the SSE client an insurance fee of 1 percent of the insured amount. He pays an additional 1 percent to the bank which is administering the insurance fund. He files a simple form notifying the bank of the terms and conditions of the credit extended. His records and the records of the bank are subject to periodic inspection to verify that standard business procedures are being observed. The SSE client is a furniture maker who takes the wood received and uses it for furniture parts. The SSE client would be subject to spot checks to verify that he has in fact received the credit terms for the sale, as documented to the bank. As soon as he has sold the furniture, he is able to pay the outstanding credit, and the insurance account is retired.

In the case of default on the furniture maker's credit, the bank would immediately reimburse the supplier the amount determined by formula. The account of the supplier and the SSE defaulter would be subject to audit at the discretion of the fund administrator.

Training and Technical Assistance

A training program to upgrade the skills of SSEs will be implemented through the Vocational Training Corporation and its network of three branches. VTC's present course offering permits students to obtain sound knowledge of what is required to enter a small technical business. Classes will be given in the evenings, or on an intermittent basis over a longer period of time, to accommodate SSE owners who cannot afford to be away from their business for extended periods of time.

Courses on developing management skills and non-technical skills such as bookkeeping, personnel management and other general courses are within the scope of VTC. The Project will work with VTC to supplement course offerings to cater to particular SSE needs. Examples include pricing for metal workshops, cost control for retail shops, merchandizing for retail shops, inventory management for spare parts dealers, purchasing and cash management for grocery stores and other similar topics. These special courses will be coordinated with the UNDP/ILO Project which is expected to offer similar courses.

An experimental course will be offered on entrepreneurship development for women. The labor force participation rate for women is very low and their representation among business owners and managers is even lower. In cooperation with the UNDP/ILO Project, the course will be offered to women who are considering entering business, to give them not only the necessary practical skills but also some motivational training and counseling to become entrepreneurs. Similar courses will be considered for returnees from the Gulf and recently retired civil servants who are considering a business career.

The staff of NGOs will be given management training to prepare them for working with SSEs. The staff will be able to act as extension agents for business development with their existing client base. Training will be an important tool for strengthening intermediaries, such as naqabas, voluntary organizations and others, and enabling them to work more effectively with SSE.

Training courses will be open to a number of public and private organizations including the Regional Development Fund.

Technical Assistance will be integrated into the training and research program. Feasibility studies will be directed at possibly setting up a bonded warehouse so that bonded warehouse receipts can be used by small businesses as loan collateral. Also a study will be done on the feasibility of a credit reference bureau. If either of these topics proves feasible T.A. can be provided in implementing the concepts.

Applied Research

An independent, private sector Small Business Foundation will provide the overall coordination of the project activities. The Foundation will also administer the research program into constraints on the SSE sector. Topic areas include identification of industries and technologies with growth potential, market development studies, monitoring of the credit guarantee concept and regulatory constraints being faced by specific industry groupings.

The Small Business Foundation will have a board of directors which will include representatives of the Regional Development Fund, the Ministry of Planning, USAID and private businesses. The controlling interests of the foundation will be in the private sector. Bankers, suppliers, SSE and female entrepreneurs will be represented on the board. This will help to insure coordination between GOJ and the private sector and the Regional Development Fund.

Proposed Implementing Agency

The Ministry of Planning will participate in the design of the project at the Project Paper stage. The implementing agency will be a Small Business Foundation which will run and/or coordinate the various parts of the project. The Foundation will be an independent, private sector foundation. It will administer the research program, coordinate the training program, and coordinate and monitor the credit program. During the Project Paper phase the organizational structure, mandate and other needs of the Foundation need to be more clearly defined.

The credit guarantee program will be administered by a financial institution which has the confidence of the financial community. The specific requirements of the administering financial institution will be drawn up in the Project Paper phase and a short list of candidates drawn up with appraisals of strengths and weaknesses of each. Proposals will be invited from Jordanian financial institutions to administer the credit guarantee program and final selection will be made at that time. At least three financial institutions have expressed an active interest in administering the program.

The training program will be coordinated and housed by the Vocational Training Corporation in possible collaboration with the Jordan Institute of Management. During the Project Paper phase a needs assessment will be done to determine the strengthening requirements of the Vocational Training Corporation.

Estimated Costs and Finance Methods

The planned project is for a five-year period which will allow adequate time for the institutions participating in the credit guarantee program to fully utilize the new program and develop their SSE portfolio. The training, technical assistance, and research aspects of the project will be front loaded during the first three years of the project to enable support organizations and institutions to develop the capacity to provide business services and utilize the new credit facilities.

Following is an estimated costing over the five-year period of the project.

	Year					
	1	2	3	4	5	Total
	Dollars x 1,000					
Project director	150	150	150	150	150	750
Training specialist	125	125	125	--	--	375
Research specialist	125	125	--	--	--	250
Research fund	100	50	50	--	--	200
Training fund	125	200	175	50	--	550
Direct loan funds	120	120	120	--	--	360
Loan appraisal fund	20	20	20	20	20	100
Loan guarantee fund	750	750	1,000	4,000	8,000	14,500
T.A.	75	75	75	--	--	225
Credit monitor and evaluation	150	150	150	75	75	600
Total	1,740	1,765	1,865	4,295	8,245	17,910

Relationship to the ILO Project

The United Nations Development Program in cooperation with the International Labor Organization has been designing a modest small enterprise development project. The Team Leader for this Project Identification Mission visited the ILO Small Enterprise Development Center in Geneva both before and after the field work on the mission. Although the ILO Project is still in the design stage, it will be focussed on training and advisory services for small entrepreneurs in rural areas. There will most likely be one advisor in the country over an 18 month period.

The strategy which is recommended is to collaborate with the ILO Project in areas where it is in mutual best interest. Training is an area where the ILO has some subject area expertise and this should be taken advantage of by the USAID sponsored project. ILO has a long established course in "How to Run Your Business" which has been translated into 20 different languages, including Arabic. The current plans are to modify this Arabic training course to fit Jordanian institutions. A second training course offered by the ILO is in entrepreneurship development. Prospective entrepreneurs are given motivational training plus training in specific business skills and counselling prior to going into their own business. A third training course which is available is designed to teach bankers to appraise non-collateral loans.

In the case of the "How to Run Your Business" courses, USAID might consider sending a number of qualified participants to take the course offered by ILO. The USAID Project might jointly sponsor and entrepreneurship

development course for female entrepreneurs with ILO. In the area of training for bank officers, both organizations might sponsor similar courses while sharing staff.

In the Project Paper Phase attention should be paid to how the USAID and ILO Projects will interface. The ILO has agreed to hire the Economic Anthropologist from the USAID PID team to assist ILO to develop their project in harmony with the USAID Project.

APPENDIX A

APPENDIX A. SCOPE OF WORK

The Scope of work for the development of the Small Entrepreneur Project will be divided into two phases - Phase I will involve the team's coming to Jordan for approximately twelve person weeks to perform the specific tasks addressed below. The report provided by the team at the end of the visit should be sufficient to enable the mission to write the project identification document and should provide a great deal of the information needed for a project paper.

Phase II will consist of technical services to assist the mission and GOJ in designing the project in detail. The information required in the report will include detailed analyses to enable the mission to complete the project paper. Specific activities and analyses to be performed under Phase II will be provided upon completion of Phase I.

Specific Activities Under Phase I

Familiarization of Information

Before departure from the U.S. all contract team members should thoroughly familiarize themselves with the following documents which were sent via OHL on (3/5/87) to RHA Associates.

- Jordan Banking System
- Petra Project Paper
- A preliminary assessment of the financial system of Jordan
- Country development strategy statement
- The British Bank of the Middle East Business Profile Series - Jordan
- Dr. Abu Sheikhan Survey (Sarsa Survey)
- Industrial survey 1984
- ARAB Consulting Center - Brochure

Constraints for Micro Enterprises

Survey the need for credit and increased technical knowledge and training for micro enterprises.

Identify existing sources of credit, technical assistance. Technology and training an identify constraints facing micro enterprises in accessing these sources.

Analyze the aforementioned regional development fund being developed through the ministry of planning to determine if the small entrepreneur project could coordinate with the fund in order to have the maximum impact on micro enterprises.

Make specific recommendations for improving access to credit, technical, assistance, technology and training for microenterprises.

Constraints For Small Enterprises

Identify existing sources of credit, and collateral requirements for small enterprises.

Identify existing sources of assistance available to small enterprises in terms of technology access and marketing and improving management skills.

Analyze the potential of a credit guarantee scheme as a form of supervised credit to benefit small sized enterprises. A guarantee scheme which guarantees 100 percent of loan up to 25 percent of the loan portfolio might be one solution with the objective of leveraging the guarantee fund to access a three/fold increase in credit. Existing financial institutions will also need to be examined to determine the feasibility of establishing such a center under their auspices or whether it would be preferable to create a new institution. another important aspect to be examined is a mechanism for providing the technical assistance in terms of basis management skills through supervised credit from a lending institution.

Small Scale Business Development

The team should analyze the possibility of establishing a business development center for the purpose of increasing investment in new enterprises. Over the past few years many Jordanians have worked at relatively high paying jobs in the Gulf and have returned with a substantial amount in savings. A major portion of those collective savings have gone into such non productive investment as expensive housing, which is also over supplied. On the other hand, there are individuals with sound business plans who are unable to obtain equity financing to start a business. There is therefore a great need for some type of business development center to bring these two types of individuals together so that more capital would be put to productive use.

Examine existing institutions to determine the feasibility of establishing such a center under their auspices or whether it would be preferable to create a new institution.

Make recommendations to identify the structure of such an organization and the types of business which would likely benefit

Economic Policy

Determine economic policy areas which may adversely impact potential for small enterprise growth, e.g. differential tax and tariff treatment of large vs. small enterprises, proportionally weightier regulatory procedures for small enterprises, etc.

Presentation of Findings

Summarize the findings from activities 2, 3, 4 and 5 in a written report which should be provided in draft before the team's departure from Amman.

Discuss findings with USAID and representatives from the public and private sectors to determine the best approach or solutions to activities 2 through 5 above.

After provision for comments from GOJ and USAID, provide a final report within 15 days.

APPENDIX B

APPENDIX B. FEMALE ENTREPRENEURSHIP

I. INTRODUCTION AND BACKGROUND

The government of Jordan, with assistance from USAID, has launched a program to restructure the economy. This restructuring is in response to declining growth rates brought on by the drop in oil prices in the region and the resultant decline in remittances from Jordanians working in the Gulf area. This decline in remittances as well as the return of workers to Jordan in search of employment has brought to the forefront the necessity of identifying new growth areas in the economy. Against this backdrop, efforts are now underway to develop the private sector, which is viewed as having potential not only to generate income but also to absorb the large numbers of returning workers. Within the overall private sector development effort, the small-scale enterprise sector will be targeted as a means of increasing economic productivity and growth, as small-scale enterprises play an important role in the private sector in Jordan. In order to achieve this goal, an assistance package is envisioned, one that comprises credit, technical assistance, and training components.

As part of this effort to develop the small-scale enterprise sector in Jordan, particular attention was focused on ways in which the project could be designed to ensure that female entrepreneurs have access to project resources. This report presents the findings of the study as well as several recommendations for future research and design work.

This report is divided into three sections. A brief overview is presented in this first section. The second section addresses the principal constraints faced by female entrepreneurs. The final section presents several recommendations for future project design.

Women represent a significant proportion of the population of Jordan, yet their potential to make a significant contribution to overall economic development remains largely untapped. One effective strategy for drawing on the untapped economic potential of women is to encourage their active participation in the micro and

small-scale enterprise sector. This is a viable strategy because the small-scale enterprise sector is not as rigidly structured as other sectors, and this flexibility allows women to divide their time between economically productive activities and domestic responsibilities. Limited access to education and training, as well as low literacy levels, often prevent women from participating in the labor force; however, micro and small-scale enterprises do not demand high levels of education and expertise. Women can use the skills they already possess to expand household activities such as food processing into profit-generating business activities.

One effective way to reach female entrepreneurs is to focus on the micro-enterprise sector, as women-run businesses tend to be among the smallest businesses. In fact, many women's operations are viewed as subsistence production instead of being regarded as one-person businesses in which the women are self-employed.

The objective of this strategy is not the creation of a separate "women-specific project," but the identification of appropriate methods of reaching female entrepreneurs, thereby integrating them into the sector-oriented program. This approach represents a departure from the tradition of establishing women's income-generating projects. The focus here is to mainstream women into the larger development process by encouraging and assisting them to participate in economically productive activities that will be self-sustaining and not perpetually reliant on outside grants.

In many respects, the problems and constraints women face in the micro and small-scale enterprise sector are not gender specific and therefore do not require establishing separate projects. However, among these sector-wide constraints, there are problem areas in which women are disproportionately affected: access to credit and training, the reality of having to balance domestic duties with wage-earning responsibilities, and the limited visibility of women within the public and private sectors of Jordan as a whole, to name a few of the specific constraints faced by female entrepreneurs.

Women represent 49 percent of the population of Jordan but are under-represented in the labor force. This of course varies by region; the status of women in Amman differs radically from that of women in rural areas. In Amman, there seems to be growing and greater acceptance by men of women in the work force, albeit within job areas typically thought of as women's work such as secretarial, clerical, and teaching jobs.

Official employment figures for women in the labor force (women currently represent 12.5 percent of the labor force) in Jordan are misleading because they do not reflect the number of self-employed women working in their homes, or those involved in unpaid agricultural labor. The formal statistics do reflect a high concentration of female employment in the public sector, particularly in teaching, administrative, and clerical fields. According to the Department of Statistics Labor Force Survey of 1975, 71.2 percent of female workers were employed in public administration and services. The largest concentration within this sector is in teaching; 54.3 percent of female workers are teachers.

The second largest area of concentration of female workers is in the industrial sector, with 20.5 percent of female workers involved primarily in textiles, food processing, ready-made clothing, and chemical industries. Women represent 6.6 percent of the total workers in industry, and approximately 30.5 percent of these female workers hold administrative positions. According to the Labor Force Survey, over half of the total female workers in the industrial sector are self-employed, working as seamstresses and weavers. Other areas of concentration for female workers include hotel and restaurants (5.3 percent), commerce (7 percent), banking (30.5 percent), and tourism (23.2 percent).

The general tendency is for women to work in the home and produce goods for domestic consumption, not for the market. In more conservative areas, it is seen as shameful for the man if his wife is working to earn added income, although as one woman observed: "Need comes before tradition." Women become involved in production for profit in order to supplement meager family incomes, especially given the current regional economic decline brought on by reduced oil earnings, wars, and civil disturbances.

Females perform a large amount of the agricultural labor in Jordan; the agricultural sector represents the major employment sector for 90 percent of all women working in rural areas. According to the agricultural survey conducted in 1975, 32.8 percent of agricultural workers are women. This percentage increases in irrigated areas where there is a greater need for manual labor. In fact, half of these women participate in manual labor and reaping, approximately 10 percent in preparing lands, and 25 percent raise goats, chickens, sheep, and to a lesser extent, cows. The survey also showed that approximately 80 percent of women in the agricultural sector are unpaid workers, and paid workers are primarily seasonal workers.

The National Village Survey conducted in 1984 showed a preponderance of women involved in the production of traditional handicrafts such as embroidered dresses and pillow cases. Women prefer these activities because they can work out of their homes and use skills they already possess.

In terms of female entrepreneurship, women entrepreneurs in Amman tend to be concentrated among the boutique, pharmacy, and beauty salon owners. Among the many active trade guilds, or naqaba in Amman, the hairdressers' naqaba exhibited the highest level of female ownership. Out of a total of 650 member establishments, 450 were owned by women, and 350 of the women opened up the shops with their own money. Other trade guilds with female membership included the bakers, who stated that in approximately 10 percent of the bakeries, women participated as family workers. In the transport sector, 5 percent of all taxis are owned by women; the women hire men to drive the taxis and pay them either on an hourly wage basis or as part of a profit-sharing arrangement. However, there are many cases where the man is the actual owner of the taxi; the registration is in the woman's name for tax purposes only.

These employment figures point to two important considerations. First, the distribution of females in the labor force is a reflection of the transition that has occurred in the Jordanian labor force in general. The period from 1961 to 1979 witnessed a four-fold increase in employment in the services sector, while employment in the agricultural sector declined two-fold. Hence, given the overwhelming service sector orientation of the Jordanian economy, it is not surprising that the majority of females working are employed by this sector. In addition, teaching is seen as a very respectable profession for a woman and a large proportion of female college students choose education as their major area of study.

Second, there is a direct relationship between female employment and male emigration. During the economic boom of the mid-seventies, as the number of males emigrating to the Gulf States in search of employment increased, the number of females in the labor force increased. The current downturn in the economy, however, has led to the return of men in increasing numbers from the Gulf area. It is now particularly difficult for women to find employment as they compete directly with men for scarce jobs. The increase in the number of women in the labor force brought on by the strong economic conditions of the 1970s stands in sharp contrast to the current policy of the government, which consists of openly encouraging women to stay at home.

The pattern of female employment which emerges is one of a large number of female workers concentrated in a very limited number of areas. The sectors that absorb the largest numbers of female workers include public administration and services. This is a double-edged sword, because while it is encouraging to have more women entering the labor force, the current economic conditions do not bode well for women. First, men will be preferred for service jobs as the numbers of workers returning from the Gulf increases. Secondly, the public administration sector is not a growth area and cannot absorb unlimited numbers of workers. It is precisely this economic reality that underscores the importance of encouraging women to move from public sector employment to entrepreneurial positions within the private sector. Within the private sector, the small and micro-enterprise sector is capable of sustained growth, in terms not only of employment creation but of income generation as well.

II. CONSTRAINTS ON FEMALE SMALL-SCALE ENTREPRENEURS

This section highlights two of the principal constraints affecting female participation in the SSE sector: limited access to credit and business services. This section concludes with a brief description of the prevailing policy and regulatory environment vis-a-vis the small-scale enterprise sector.

Credit

Small and micro-entrepreneurs in general, and women entrepreneurs in particular, face great difficulties trying to fulfill the requirements governing access to credit. Although there is surplus liquidity in the banking system in Jordan, banks are not making loans to the small enterprises. This bias against small-scale entrepreneurs rests on the conviction that making loans to small-scale entrepreneurs is not profitable. Smaller entrepreneurs tend to borrow smaller amounts on a frequent basis; the administrative cost associated with processing these loans is relatively high, and therefore discourages bankers from making such loans.

Moreover, loans are fully collateralized, which limits access for a large number of entrepreneurs, particularly women. Due to low rates of capitalization and low incomes, most micro-entrepreneurs cannot provide the bank with sufficient collateral. Women are particularly disadvantaged in this regard. Although there are no legal restrictions on female ownership of property, the reality is that even joint property is registered in the husband's name. In the event that the husband dies, the property will generally go to the husband's male children, or to his brother. In the case of a divorce, unless it is stipulated in the marriage contract that the woman be given ownership of the property, she will be left with nothing.

The procedures governing property rights must be viewed within the larger societal context. Marriages are, in most cases, arrangements between the families of the individuals involved and are designed to serve the economic and political interests of those families; the individual is secondary. It is the development of a fully capitalized economy that brings out the conflict between the rights of the individuals (women, in the case of property rights) and those laws designed to support family ties.

In addition, one has to take into consideration the level of sophistication necessary to undergo the loan application process. Women who are not experienced in dealing with formal institutions such as banks will be hesitant to approach them. This hesitation also translates into a lack of trust on the part of women in dealing with male bank officers (in terms of confidentiality). For example, one woman who was trying to start her own business approached a bank with a proposal to open a hardware store. She was refused the loan, but several months thereafter, the banker's son opened up a hardware store. A similar situation occurred when the woman requested a loan to open up a fast-food, carry-out type restaurant; she was refused the loan but her idea was again copied by a man.

Because large numbers of small entrepreneurs are denied access to bank credit, informal credit structures take the place of the formal ones. In Jordan, suppliers of materials and equipment extend credit to small-scale enterprises. The suppliers have access to the credit denied to small-scale entrepreneurs and act as conduits through which credit is provided to this group. The suppliers are more aware of the credit standing of their customers and are familiar with the particular business in which they are involved, and therefore do not appraise credit repayment capabilities solely on business size.

In the hairdressers' naqaba for example, it was found that 350 of the total 750 shop owners have outstanding loans of between 300 JD and 3,000 JD. This naqaba is very interested in gaining access to project resources so that they can provide the owners with loans to purchase new equipment and chemical products.

Business Services

Access to credit alone does not guarantee an increase in productivity of small-scale enterprises. Access to business services, including training and technical assistance in specific areas of business development, is equally essential. The institutions that provide these services will play a pivotal role in the development of the small and micro-enterprise sector in Jordan.

Experience has shown that it is more cost-effective to work with already existing institutions, to strengthen them so that they may serve as viable intermediaries for project assistance. Brief descriptions of institutions and organizations that provide assistance to women are presented below.

Federation of Jordanian Women

The Federation of Jordanian Women (FJW), a non-governmental organization, was founded in 1981, although many of its member groups had been in existence for 20 or 30 years prior to the creation of the federation. FJW is made up of clubs, associations, and individuals and has a membership of approximately 10,000 women. The current director is Mrs. Hiafa Al-Beesheer. There is one main branch of the Federation in each of the eight governorates, with approximately 25 smaller branches throughout the country. These smaller branches are called "multi-purpose centers" and provide a variety of services including libraries, nursery schools, literacy programs, and sewing, weaving, and typing classes.

At the headquarters of the FJW in Amman, there is a library and documentation center which serves as a repository for papers, books, and articles by and about women, as well as a general library. The FJW is starting to develop a directory of working women in Jordan that will give detailed information on educational background and areas of expertise, and general background information on the various types of work in which women are involved.

The FJW receives funding through the Ministry of Social Development in the amount of 25,000 JD (approximately $83,000) per year. This annual budget is to cover operating costs and expenses of programs in all eight governorates. In addition, the Federation receives funding through the Queen Noor Foundation. The FJW is currently receiving funding through the Project for the Integration of Women in Social Development (IWSD), funded by the U.N. Fund for Population Activities. The project is designed to strengthen the institutional capacity and project management skills of the FJW.

The FJW has recently submitted a proposal to the Municipality of Greater Amman to secure funding for the creation of a commercial center for goods produced by women: handicrafts, artificial flowers, clothing, etc. The FJW is interested in becoming actively involved in the marketing, on a centralized basis, of goods produced by women.

The Business and Professional Women's Club

The Business and Professional Women's Club (BPWC) was founded in Amman in 1976, and is part of the International Federation of Business and Professional Women, which includes more than 25,000 women in 65 countries. Mrs. Hind-Abu Jaber is the president, and Queen Noor is the honorary president.

There are BPWC chapters in Madaba and Karak. The BPWC established a specialized bureau in its Amman office, the Consultative Services Office for Working Women, in 1984. This office provides assistance to women by informing them of their legal rights and responsibilities, providing legal advice on divorce and inheritance problems, as well as social and psychological guidance. The Director of the Consultative Office, Mrs. Buthaina Adel Jardaneh, is a former Dean of the Alia Community College in Amman, and a former researcher in the Ministry of Education.

The Consultative Office has 43 lawyers on its staff on a part-time, voluntary basis. They have handled 700 cases over the past two years, 84 of which involved court settlements. The Consultative Office is interested in starting a legal aid fund for women.

The BPWC uses promotional programs to advertise their services. They have a legal advice column in the newspaper, and they host television programs on legal and family problems, and a radio talk show on various subjects. In addition, the BPWC gives seminars and workshops on subjects ranging from health and education to legal problems.

The BPWC has a library and would like to create an archive of literature on women, which would serve as a research and documentary center.

Queen Noor Al-Hussein Foundation

The Queen Noor Foundation was established in 1985 and is headed by Mrs. In'am Mufti, the former Minister of Social Development. The Foundation is involved in four main areas: education, culture, child welfare, and family and community development. The Foundation is involved in project design and fund-raising efforts, but does not implement projects directly. The Foundation identifies and designates voluntary groups which take responsibility for the implementation of the project, and supervises project implementation.

Within the category of family and community development, the Foundation is supervising three programs. The first is the Project for the Integration of Women in Social Development (IWSD) funded by the UNFPA, as mentioned above. Through the provision of training to "women leaders," in income-generating activities and management, the project aims to transfer these skills to women at the rural level. The foundation has recently hired a Project Director, Mrs. Masri and a Project Coordinator, Dr. Aida Mutapha Mutlaq.

Second, the Al Noor Project for the Development of Rural Areas will provide instruction in family planning, basic health issues, and income-generating activities. The third project, the Traditional Handicrafts Project to be administered by Save The Children, will work to preserve and revive Jordan's traditional crafts.

Vocational Training Corporation

The Vocational Training Corporation (VTC), headed by Dr. Munther Masri, is a public organization within the Ministry of Labor that implements vocational training programs throughout the country. The VTC runs three-year apprenticeship programs in 38 areas of specialization. Training is done in direct collaboration with industries and businesses. A nominal registration fee for apprentices is charged which represents approximately one month's wages: the fee for year one is 20 JD, for year two, 25 JD, and for year three, 30 JD.

The three-year program is organized in the following manner. In year one, trainees spend three days in the training center (the larger businesses have their own training centers) and three days on the job, training in a business or industry. The second year program is composed of four days of practical training, one day of technical training and one day of general education per week. By the third year of the apprenticeship program, trainees spend all their time on the job, but are still supervised by VTC staff members. There is no minimum wage in Jordan, but the VTC requires that employers pay the trainers 15 JD per month the first year, which increases to 20-25 JD the second year. By the third year, employers have to pay full wages for the trainees. Upon completion of the three-year program, trainees are awarded certificates as evidence of their having reached the level of skilled worker.

A wide range of businesses and industries (approximately 2,000 in total) are working with VTC trainees; these range from large industries such as phosphate and cement, to smaller businesses employing less than 10 people. The majority of VTC trainees work in smaller businesses, which represent 85 percent of the total establishments.

The VTC will be graduating the first group of female apprentices this year in the areas of office machine, television, and radio repair. Employers have apparently expressed their satisfaction with the girls' work, stating they are better at precision work and more disciplined than

the male trainees. The total amount of female enrollment in vocational training programs remains very small: there are currently only 200 girls enrolled in training programs out of a total of 8,000 apprentices. This female enrollment is concentrated almost exclusively in Amman.

In addition to creating a new labor force, the VTC offers a program of short courses for adults who are already in the work force. This program of skills-upgrading is offered after working hours. Some employers pay for the cost of these training programs for their employees; other employers take the courses themselves. The VTC will also be starting a program in industrial extension training to improve the productivity of industrial workers.

The General Union of Voluntary Societies

The General Union of Voluntary Societies (GUVS) is the umbrella organization for voluntary organizations in Jordan. The GUVS comprises approximately 600 organizations with approximately 60,000 volunteers throughout the country. The main source of income for the GUVS is the National Lottery; under the leadership of Dr. Abdallah Khatib, annual revenue generation through the lottery has increased from 10,000 JD in 1979 to its current level of 1.3 million JD.

One of the main areas of assistance provided by the GUVS is vocational training. There are approximately 259 centers that provide skills training. For the male trainees this includes blacksmithing, carpentry, plumbing, and electrical skills. Training for females entails primarily knitting, sewing, and weaving courses, although the centers are also encouraging women to plant village gardens. Finally, GUVS is currently implementing eight training programs throughout the country for women.

The GUVS is currently providing skills upgrading programs to its member staff. This includes training in program management, cost-benefit analysis, and proposal evaluation.

Save the Children

Save the Children opened its field office in Jordan in 1985. STC's largest effort is a rug-weaving project working with 200 Bedouin women of Bani Hamida. To date, over 300 rugs have been sold.

Catholic Relief Services

Catholic Relief Services (CRS) has been implementing an income-generating project for women in Mafraq for the past two and a half years. Twenty-five women are employed in the Mafraq uniform factory, which is the largest source of employment in the town. Funding from USAID ran out at the end of March, but CRS will continue funding the project until December of this year. The current challenge is to devise a strategy that will be successful in turning the factory into a viable, self-sustaining business.

Soldiers Family Welfare Society

This organization was established in 1977 to encourage the wives of military men to become actively involved in productive activities. The society received a grant from Pathfinder Fund in 1982 and is currently operating a uniform factory in Zarka and a food processing operation.

Jordan Cooperative Organization

There are currently only three or four women's cooperatives in Jordan, and the women are involved in sewing and weaving. The Director General of the Jordan Cooperative Organization (JCO), Dr. Morawid Tell, is interested in looking at ways in which assistance can be provided to these women's cooperatives, and in the creation of other women's coops, especially in the agricultural sector. It should be noted that the JCO has only two female professional staff members.

Womens Department in the Ministry of Social Development

The Women's Department was established within the Ministry of Social Development in 1977, and serves as the coordinating body for organizations involved with women. Mrs. Rabiha Nasser, the current Director, is very interested in implementing training programs designed to upgrade the skills of women in the rural areas. The Women's Department is currently running eight training programs throughout the country (funded by GUVS), drawing on the resources of the Ministry of Social Development staff at the district levels.

Institutional Overview

The preceding institutional profiles demonstrate that no organization in Jordan currently provides women with business development assistance. In general, the

women-specific organizations are operating from a social welfare perspective, focusing on income-generating activities that are dependent on donor funding for their sustainability.

The women's organizations such as the Queen Noor Foundation and the Federation of Jordanian Women are new organizations. The Federation seems to suffer from a lack of direction due to an unclear mandate. The progress of the UNFPA-funded project currently being supervised through the Queen Noor Foundation and implemented through the Federation will be useful in determining the institutional potential of the two organizations, and whether they would be able to serve as conduits of assistance to female entrepreneurs.

There is a definite need for better coordination among the women's groups. For example, the Foundation, the Federation, and the Women's Department all have plans to establish centers in Amman to market traditional handicrafts and other goods produced by women. These and other areas where overlapping efforts are occurring highlight the necessity of strengthening the capacity of the Women's Department to coordinate the work of the organizations working with women. Given the lack of institutions providing assistance to women entrepreneurs, the Women's Department could potentially play a key role in coordinating and re-orienting the institutions working with women to focus on business development.

Because of the relative lack of entrepreneurial development capacity within the institutions charged with providing assistance to women in Jordan, the recommended initial focus of project assistance will be on strengthening those institutions deemed capable of providing assistance to female entrepreneurs. The process will essentially be a "top-down" process, starting with the provision of specific training in business development skills to the management and staff of the organizations, who will subsequently train field staff to train extension workers in business development. These extension workers can then provide assistance to female entrepreneurs. The last section of this report addresses this issue in greater detail.

Policy and Regulatory Constraints

There are a series of policies and regulatory practices that work to the disadvantage of small-scale entrepreneurs, and have a particularly negative impact on women. Of course, many women in the informal sector avoid the regula-

tions, but there are compensatory costs to this avoidance. These policies and regulatory practices are described briefly below.

Monetary Policy

Women entrepreneurs tend to run the smallest of small-scale enterprises, and as such, they are disproportionately affected by:

- Price controls: Women are actively involved in the production of food and household goods that are subject to price controls. Women run the smallest production units and are therefore not capable of producing the volume that would allow them to compensate for these fixed prices.

- Interest rates: Bankers do not grant loans to the smallest entrepreneurs because they are not viewed as good credit risks, and banks are not permitted to raise interest rates to compensate for the supposed higher risk. In addition, because of the interest rate ceilings, banks generally refuse to make long-term loans. Women as a marginal group are affected by these policies.

Fiscal Policy

Tax Exemptions

Women, as owners of the smallest businesses, are not able to benefit from tax exemptions, which are reserved for the larger businesses. This provides incentives for female entrepreneurs to remain unlicensed and unregistered and therefore invisible to taxation regulations.

In households in which both the husband and wife work, both male and female incomes are taxed; female employment leads to an increase in the tax level of the household and loss of the tax exemption for the wife. In the case of government employees they must surrender the "wife allowance" given them by income tax regulations. This policy decreases the contribution of women's work and acts as an incentive to keep women out of the labor force.

Labor Policies

Minimum Wage

There are currently no minimum wage laws in Jordan. Employers tend to pay women less than men for equal work. Although this can serve to discourage women from seeking employment, the lack of minimum wage can work to the women's advantage since employers may be more apt to hire women because they can pay them lower salaries.

Other Constraints

Working Conditions

The current labor law states that women cannot work beyond 7 o'clock in the evening, except for those working in social, health, and tourist services, and "women in leadership positions." The Ministry of Labor has not yet published a finalized list of professions exempt from this regulation, and this causes further confusion.

The draft labor law also stipulates that establishments employing 20 or more women should provide child care facilities for all children under the age of six. However, very few firms comply with the regulation, and this law actually discourages employers from hiring married women or women with children.

The lack of adequate child care facilities has important implications for female employment, since it acts as a deterrent to women wanting to enter the labor force. If the woman cannot rely on family members to care for the children while she is at work, the only alternative is to hire a maid, sometimes a girl from Sri Lanka or the Philippines. This is very costly because the work permit costs 150 JD, the residency permit another 30 JD and in addition to these costs, she must pay the maid's monthly salary and/or room and board.

The labor law also stipulates that employers should provide paid maternity leave (half wages) for a period of three weeks prior to birth and three weeks after, provided the woman has been employed by the same firm for a period of at least six months.

Social Security

Social security benefits are mandatory only in those businesses employing ten or more people. As women tend to work in the smaller businesses, they are not eligible to receive social security benefits.

Regulatory Controls

The system of registration and licensing in Jordan is extremely decentralized and marked by the involvement of numerous ministries and conflicting and overlapping regulations. Time-consuming arrangements and lack of clear requirements for registration act as an incentive to keep women from registering their small businesses.

Business Environment

There are certain practices that affect women in business in Jordan. For example, there is still a tendency to hire a man over a woman even if she is more qualified. In addition, women's occupational choices are limited by certain social restrictions on men and women working in close proximity to one another. The employers do not want problems, and husbands and fathers often do not want their wives and daughters working with men.

Educational Policy

The level of education for women is lower than for men. The illiteracy level for females stands at 49.6 percent, compared with 19.9 percent for males. The level in the rural areas soars to 67.6 percent for females compared with 29.9 percent for males. Female enrollment in vocational training programs remains extremely limited.

There is clearly a need for more widespread and improved family planning education (Jordan has the second highest birth rate in the world after Kenya, and the average number of children is seven). Child care consumes most of the women's time and often prevents them from engaging in other economically productive activities.

III. RECOMMENDATIONS FOR PROJECT ASSISTANCE

General Overview

There is presently a dearth of institutions and organizations in Jordan that have the financial business and management skills required to develop and implement ent rprise development programs for women. It is recommended therefore that project assistance focus on efforts to develop and entrepreneurial capacity within the institutions that are already working with women. These efforts are consistent with the overall project strategy of working to strengthen existing institutions so that they will eventually serve as conduits of project assistance to female entrepreneurs.

Within this approach there are two sub-strategies. First, work to strengthen those institutions and organizations that are already providing assistance to women, to enable them to play a pivotal role in the provision of specific business development assistance. Second, work with those institutions that are not currently providing assistance and support services to women entrepreneurs, such as formal lending and training institutions.

PVOs that are already involved in income-generating activities for women should be the targets of project assistance. However, because this project will be providing assistance to micro and small-scale enterprises, the emphasis must be on orienting these organizations away from the social welfare perspective and towards the provision of business development services.

In order for this strategy to succeed, it is essential that a clear distinction be made between the social welfare assistance and a development strategy that focuses on tapping the economic potential of women producers. On the operational level, this distinction translates into those projects designed to foster income generation and employment creation and those designed to focus on small business development.

The difference between these two activities has important implications in terms of target audience and in terms of overall project design. As depicted in Figure 1, income-generating activities are generally targeted at a group of beneficiaries that has had no prior involvement in the cash economy; income-generating activities offer women the

Figure 1. Income-Generating vs. Small-Scale Enterprise Activities

Type of assistance	Type of project activity	Project beneficiaries	Project intervention	Expected outcome
Social welfare	Income-generating activity	.Unskilled workers .Women who have only worked at home	.Skills training .Experience in the job force	Employment creation and income generation
Business development	Micro- and small-scale enterprise promotion	.Skilled workers .Existing entrepreneurs	.Entrepreneurship development training .Specific skills upgrading and training in business development .Access to credit and technical assistance	Self-sustaining business

opportunity to join the work force and to learn skills necessary for involvement in economic activities. These activities, however, are designed with a reliance on outside grants built into the project. They are not designed to be self-sustaining business operations. Business development, on the other hand, pertains to the establishment of a full-time business operation with a certain level of profitability to ensure self-sustainability. Those involved in small business development generally have knowledge of, and familiarity with, the prevailing economic environment and business conditions.

For women who have never worked outside of the home, income-generating activities can be seen as the initiation phase in the progression to small business development. It is generally not possible to make the transition from being unemployed and lacking in skills to being self-employed and capable of managing a business operation. Income-generating activities introduce women to the work force and provide them with specific skills. Once women have this experience, and possess technical skills, the next step is to upgrade those skills and introduce women to basic business concepts and operating procedures.

The transition from a social welfare, income-generating project approach to that of small business development will require that institutions such as Catholic Relief Services and Save the Children and the General Union of Voluntary Societies change their program designs to reflect a market-driven approach, as opposed to the product- or skill-driven approach currently guiding the development of traditional handicrafts or uniform factory projects. It is not being argued here that these organizations withdraw entirely from social welfare activities, but simply that a clear distinction be made between social welfare activities and business development and promotion. There is not necessarily a natural progression from income generation to business development, but without this clarity in project goals, the project will be unnecessarily hampered from the outset from achieving specific objectives.

Income-generating activities are appropriate for the large segment of the female population in Jordan which is at the stage of having just recently acquired skills and joined the workforce. For these women, income-generating activities are the most realistic economic activity, in terms of personal interest and individual capability.

Moreover, not all women will have the ability nor the potential to become entrepreneurs, nor should they be forced to do so. However, those women who do exhibit the interest, drive, and determination to make the move towards self-employment should have access to training programs that will provide upgrading from technical skills to business skills.

In the latter case, the progression would follow this course:

Income Generating Activities			Enterprise Development Activities
unskilled worker ----	skilled worker ----	experienced worker ----	entrepreneur

The second sub-strategy entails providing assistance to institutions that are currently working with small entrepreneurs but do not, for various policy, procedural or regulatory reasons, endeavor to provide their services to women entrepreneurs. The formal bank sector is not currently reaching women entrepreneurs, and the credit programs within the banks should be designed so that women entrepreneurs have access to project resources.

In addition to access to credit, women's access to training programs represents another constraint on their ability to participate in the small-scale enterprise sector. Vocational training programs, for example, have the potential to be beneficial to women trying to enter the labor force and ultimately the business world.

These institution-strengthening efforts must be accompanied by in-depth research to identify sectors of the economy in which women predominate. In the agricultural sector, for example, women are heavily engaged in many forms of labor, from seeding to fruit and vegetable processing and preservation. Most if not all of this work, however, is done for household consumption and not for the market, at least not on a large scale.

Women are also heavily concentrated in the garment industry in Jordan. This has not been a growth area, however, because emphasis to date has been placed on production and not marketing. Marketing surveys need to be conducted to determine the demand for particular products that can be produced by women, and diversification away from low cost items with minimal mark-up such as uniforms should be encouraged. Production of these goods will allow women to earn a profit and work towards ensuring the self-sustainability of their operations.

The identification of specific economic sectors should be followed by the determination of specific targets by industry and sub-industry, as well as the identification of industries with linkages to activities that involve women. In order to do this and subsequently to properly design elements of project assistance that will benefit women entrepreneurs in Jordan, more information is needed. Accurate data on specific activities in which women are involved, as well as how they perform these activities, must be collected in order to obtain a clear picture of where women stand in relation to men within the micro- and small-scale enterprise sector. The particular problems women face such as difficulties getting organized, lack of training, locating market niches, obtaining credit, whether or not they are producing goods for which there is an adequate demand, and whether these goods are of an appropriate quality, are specific areas which require further research before project assistance can be finalized.

Specific Recommendations

The preceding overview forms the basis for the recommendation that the small entrepreneur project have three main components:

- Credit
- Training
- Research

In terms of the project's ability to assist female entrepreneurs it is further recommended that each component have built-in gender-specific objectives, as discussed below.

Credit

We have seen that women's access to credit is extremely limited. The problem in Jordan is not lack of liquidity in the banking system, but an unwillingness on the part of bankers to loan to what they view as a high risk group. There are certain project interventions through which this problem can be addressed.

- Loan Guarantee. The establishment of a credit guarantee fund is a viable strategy, because it will establish a mechanism by which the risk of loaning to micro- and small-scale enterprises is shared by the bank and the guarantee fund. This loan guarantee program will have gender targets built in, such as: of the total number of loans extended to micro- and small-scale entrepreneurs (4,500), 250 must go to female entrepreneurs. In addition, the guarantee proportion for female entrepreneurs should be at a higher level; for example, if it is established at a level of 50 percent, this should be increased to 80 percent for women entrepreneurs.

- Supplier Credit Guarantee. In addition to the loan guarantee program, a supplier credit guarantee will be established to strengthen the already existing linkages between suppliers and micro and small enterprises, and to encourage suppliers to loan to entrepreneurs who do not have access to bank loans. Female entrepreneurs will be targeted as a special group of loan recipients under this program and will receive 8,000 loans (average JD 500 $1,500), with a total coverage of more than $12,000,000 (8,000 x JD 500 = JD 4,000,000).

- Commercial Bank Program. The majority of the commercial banks will participate in a cost-sharing program to appraise small business loans. In addition, there will be a formal review of over 1,000 loan applications, at least 100 of which will be from women entrepreneurs.

- Islamic Bank Fund. The project could take advantage of the existing special loan program offered by the Islamic Bank. Direct USAID co-financed loans will be extended through the Islamic Bank to 80 micro-entrepreneurs with matching funds from the Islamic Bank. At least half of these loans will be to women.

Finally, an ancillary objective would be to institutionalize the banks' capacity to reach female entrepreneurs. This can be done through training programs which sensitize loan officers to the particular needs of female entrepreneurs, as well as through increasing the number of female loan officers.

Technical Assistance and Training

Training

The second component of the assistance package will be a training program with two separate tracks.

First, as mentioned above, the low level of entrepreneurial development skills within the institutions and organizations working with women requires that institution-strengthening efforts form the backbone of project assistance. The first step in operationalizing this strategy would be to design training programs for the management and staff of some of the institutions and organizations working with women, to provide them with technical and commercial skills required for business development. A potential avenue of assistance would be to draw on the expertise of the International Executive Service Corps, or bring in consultants with expertise in small business development through the centrally funded USAID ARIES Project. Jordan University could also represent a potential reservoir of small business development expertise.

The content of these training programs should focus on specific areas such as:

- Management
- Organization
- Product development
- Pricing
- Accounting
- Marketing
- Distribution
- Inventory control
- Procurement practices
- Quality control
- Booking
- Financial planning
- Cost-benefit analysis
- Production techniques

This "top-down" approach, depicted in Figure 2, will be beneficial in that skills training for the management and staff of the institutions and organizations will be followed by imparting these skills to field workers, who will in turn be able to train extension agents to assist women on a local level in expanding their economic activities.

A number of organizations should be involved in training programs of this nature. The PVOs such as Save the Children, Catholic Relief Services, and the General Union of Voluntary Societies would be good starting points. Other organizations to be considered include the Soldier's Family Welfare Society and the YWCA. Finally, The Women's Directorate of the Ministry of Social Development should also participate in these programs.

The institutions involved should be both public and private, and both male and female staff members should be trained. All of the organizations mentioned above are in need of assistance to strengthen their institutional capacity to design, implement, monitor, and evaluate business promotion efforts; their relief/charity focus has not prepared them to support new business programs. The social welfare focus of many organizations tends to lead them to create women-specific income-generating projects with no consideration given to either the prevailing economic conditions or the business environment. Training should also be administered to the staff of the Vocational Training Corporation so that they will be able to design training that reflects the entrepreneurial focus.

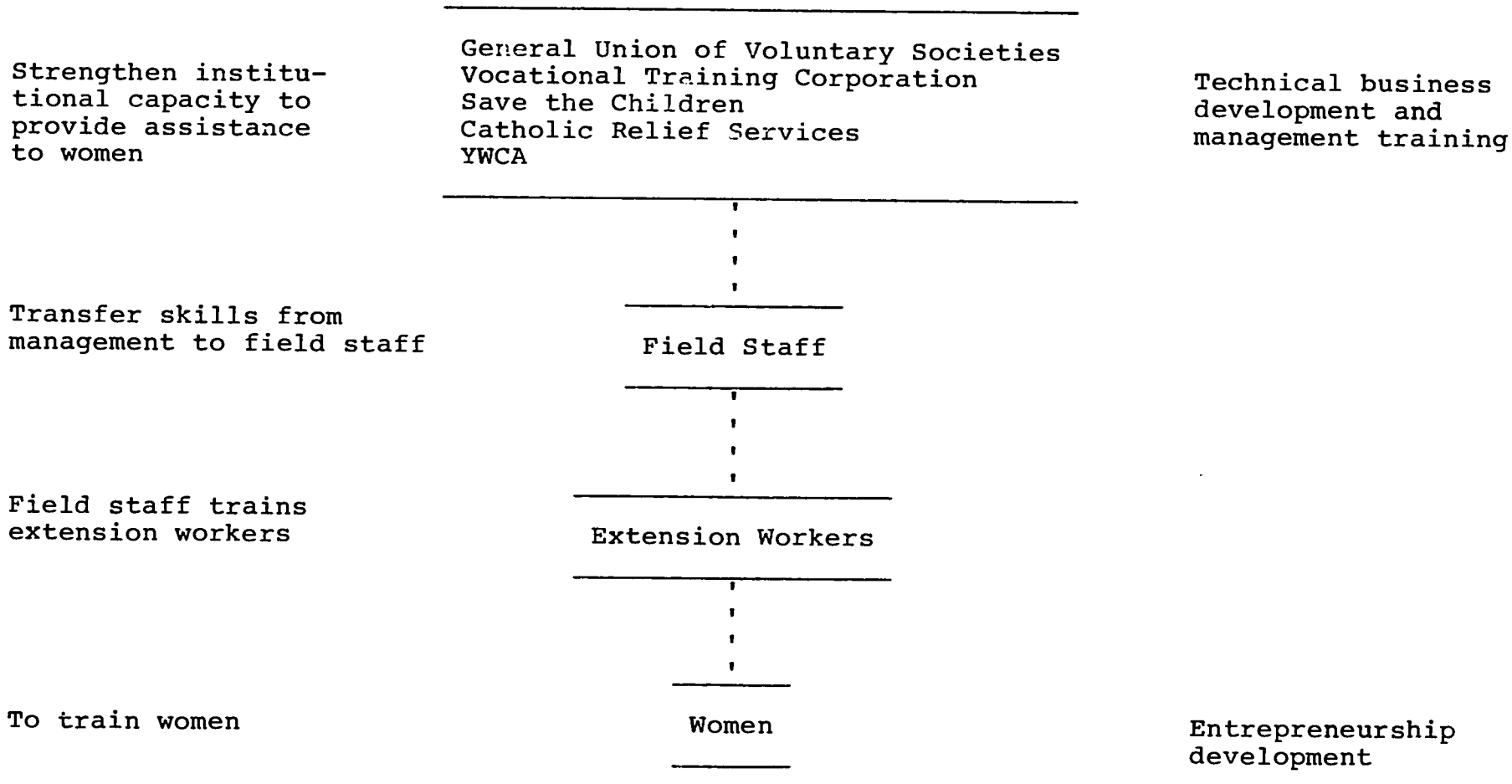
The second phase of training will begin once the management and staff of these organizations have acquired business development skills. Programs to transfer this knowledge base to female entrepreneurs can then be designed. Workshops for women that combine entrepreneurship development with vocational training might be a way to combine technical instruction in food processing methods, for example, with training organization, quality control, and marketing.

Moreover, incentives must be provided to attract girls into the vocational training programs, and into non-traditional areas of training. An experimental entrepreneurial development course for women could be one such incentive. This program will be developed in coordination with the UNDP/ILO Small Enterprise Project and will focus on women interested in entering business. The program will provide skills training in practical business areas as well as motivational training and entrepreneurship counseling. Finally, training courses will be offered to members of the nagaba; 10 percent of the total trainees will be women.

Entrepreneurship development training will not be appropriate for all women. As mentioned earlier, one cannot expect someone who has never worked to run a business. The entrepreneurship development program is designed to focus on those women who show entrepreneurial interest and drive, to tap that drive and combine entrepreneurial development with skills upgrading and training.

There are a large number of educated women in Jordan; Jordan boasts the highest female literacy rate in the Arab East. These women represent a valuable source of knowledge and experience, and strategies should be designed to draw on their skills.

Figure 2. Training Approach



117

Research

In order to develop training programs, it is necessary to know which skills are in demand. There is very little known about women entrepreneurs and further research is the necessary prerequisite to project design, particularly in the areas of sectoral identification (sectors in which women entrepreneurs predominate), linkages to other areas and the economy as a whole, and areas of potential expansion, e.g., given the large number of female hairdressers, what assistance would some of them need to become suppliers and distributors of beauty products and equipment? Within the research facility envisioned by the project, female representation on the board is necessary to ensure that studies are directed to areas in which women predominate.

A recommended research agenda would include the preliminary identification of areas of potential productive capacity for women, for example:

- Dairy production -- milk, cheese, yogurt products
- Food processing -- drying and canning fruits and vegetables, pickling cucumbers, and canning olives
- Production of a line of sports clothes and fancy clothes
- Toy production
- Table lamp production
- Television and radio repair
- Telephone assembly
- Transport -- women taxi owners
- Bakeries
- Food preparation -- fast food restaurants, catering businesses, health food products
- Mattress production and repair
- Pottery production

- Animal production
- Typing services for companies
- Data entry in the home

Another area that warrants further exploration is the possibility of women establishing private day care centers. It is stated in the draft labor law that any establishment employing 20 or more women must provide child care facilities. A woman could establish a center and either handle cases on an individual basis, or have businesses set up contractual arrangements for the child care services for their female employees. There are many women who are trained to be teachers, nurses, and social workers, and this would be an ideal activity for them. An expansion of this type of service would include transportation businesses for those women who have access to a vehicle; they could be in charge of transporting the children between their homes and the center.

Suggestions for Future Design Work

Phase II efforts should include the following:

- Distill from the National Village Survey of 1984 a profile of the types of activities in which women are involved.
- Use all appropriate data generated by the GRAND modeling project.
- Draw on the research of Dr. Haifa Fakhouri, the consultant working with the Women's Department of the Ministry of Social Development.
- Use data generated from two surveys conducted by Save the Children in low-income areas of Amman regarding small-scale enterprise issues.
- Given the Queen's interest in women's issues, it would be very beneficial to enlist her support in promoting the campaign to draw women into private sector enterprises.
- Use of the media would also help to bring high visibility to this effort.

Finally, meetings should be held with representatives of the General Union of Voluntary Societies, the Vocational Training Corporation, the Women's Department of the Ministry of Social Development, Catholic Relief Services, and Save the Children, to conduct an initial needs assessment so that appropriate business development training programs can be developed.

The development of women's productivity within the micro and small-scale enterprise sector represents a viable economic alternative for many women. It would be premature and unwise to predict results at this early stage but it appears that the provision of assistance to micro and small entrepreneurs will serve to increase the levels of productivity and income of a great number of Jordanian women.

APPENDIX C

APPENDIX C. NAQABA PROFILES

1. Name of naqaba: _____

2. Year established: _____

3. Registered with: _____

4. Membership: a. Executive Board: _____
   b. Active Members: _____
   c. Total Members: _____

5. Firm types: a. Importers: _____ e. Female: _____
   b. Wholesalers: _____ f. Micro: _____
   c. Retailers: _____ g. Small: _____
   d. Total: _____ h. non-Amman: _____

6. Labor profile:

   a. % using family labor: _____
   b. % using apprentices: _____
   c. % using hired labor (local: foreign?) _____

7. Number of meetings in 1986:

   a. For Executive Board: _____
   b. For General Membership: _____

8. Dues: _____

9. Other financial sources: _____

10. Activities: (a) in 1986: (b) which the naqaba would like to increase, have access to, or think their clients need, and why:

    a. Legal: representational: (a) _____ (b) _____

    b. Social (khadamat: diniva: etc): (a) _____ (b) _____

    c. Dispute settlement (among members: outsiders): (a) _____ (b) _____

    d. Training (for selves: clients: (a) _____ (c) _____

e. Licensing assistance: (a) _____
_____ (b) _____
_____
_____

f. Other: (a) _____ _____
_____ (b) _____
_____
_____

11. Naqaba-institutions (garage: taxi meter services: etc.): _____
_____
_____

12. Studies conducted, or would like to conduct: _____
_____
_____

13. Organization of industry: linkages (Ex: Car parts naqaba:
(1) Importers _____ (2) Wholesalers _____ (3) mechanics
Are there separate naqaba (at) for any of these linkages,
or ittihad: informal iagammu; or etc?

14. Business climate of senior/subsector: _____
_____
_____
_____
_____

15. Finance sources of members:

a. % Private loans: _____
b. % Supplier loans: _____
c. % Bank loans: (1) Private: _____ (2) Public: _____

16. Reaction to guaranteed loan scheme (AID-backed): _____
_____
_____

17. Brochures of other documents by naqaba? (obtain cc.) _____

18. Check list of common difficulties: needs:

1. Liquidity: _____
2. Credit (for selves: for clients): _____
3. Marketing (import; export; local): _____
4. Training (of members: of clients): _____
5. Government policies: restrictions: _____
6. Licensing: _____
7. Merchandising, inventory, accounting, display (for selves; for clients): _____
8. Other: _____

LIST OF OWNERS' NAQABAS

1. Bakeries
2. Publishers
3. Butazaz distributors and gas stations
4. Jewelers: goldsmiths
5. Agricultural products wholesalers
6. Tile and marble factories
7. Food stuffs wholesalers
8. Restaurants
9. Hair dressers and beauty shops
10. Auto mechanics workshops
11. Freight and movers (overland long trucks)
12. Dentists equipment
14. Car spare parts importers
15. Private schools
16. Contractors and construction (public works
18. Botiques
    and clothing stores
19. Barber shops
20. Banana-ripening establishments
21. Shipping (sea)
22. Photographers and photographic equipment
23. Taxi offices: internal transport (bus: taxi): driving schools
24. Quarries
25. Goods clearing services
26. Banking
27. Property offices
28. Cutlery retailers
29. Tobacco farms
30. Commerce stores
31. Textile factories
23. Engine oil importers

APPENDIX D

APPENDIX D. LABOR POLICIES

The Labor Law

The current Jordanian labor law was promulgated in 1960. Since then, it has been subject to revisions and amendments to make it suitable to prevailing market conditions. The law covers employment, work conditions, trade unionism, industrial relations, labor inspection, labor education, occupational health and safety.

The labor law extends its coverage to include all the work-force with the exception of government and municipal employees; persons employed in rainfed agriculture; domestic servants, gardners, cooks and persons engaged in similar occupations; and family workers.

Working Conditions

Hours of Work

The labor law indicated that weekly working hours, should not exceed 48 except for those employed in hotels, bars, restaurants or cinemas, where 54 hours per week is allowed.

On the empirical side, a survey conducted in 1983/1984 showed that standard working hours are 48 hours per week in manufacturing, electricity and mining, construction and contracting, and in the trade and storage sector. Thirty-eight hours per week prevailed in the banking and insurance sector, in universities, research institutes, and private educational institutions. The survey also showed that 39 working hours a week prevailed in non-Jordanian establishments. Forty or 36 working hours a week were standard in the independent government bodies and in the ministries and other governmental departments covered by the civil service system.

The survey indicated that weekly working hours are 54 in hotels, 61 in the agricultural sector, and 50 hours a week in small establishments operating in the Jordanian economy.

Annual Leaves

According to the labor law, each employee working in an organized establishment (i.e., an establishment that employs five workers or more, or that employees on average five

employees during the year) is entitled to have at least two weeks paid annual leave. In addition, an employee working in an organized establishment is also entitled to two weeks sick leave per year. These regulations do not apply to employees working in unorganized establishments (i.e., that employ less than five employees).

Recruitment Period

The period of recruitment varies from one economic sector to another, and from one establishment to another within the same sector. The recruitment period depends largely upon the size of the establishment and the nature of its operations.

However, empirical evidence shows that the recruitment period is almost for an indefinite period. This, however, does not imply that employment of Jordanian manpower for a limited time period does not exist. There are sectors and establishments, such as in construction, trade, transport, etc. where Jordanians are employed for a limited time period.

An indefinite recruitment period does not seem possible in particular economic sectors and activities such as in agriculture, where seasonal employment prevails, and in the informal sector and in small establishments where recruitment on a daily basis is a common practice. Recruitment of non-Jordanian manpower is for a limited time period. This is due to the fact that foreign laborers have to have annual work permits and residential permits which are not automatically granted to them, but are considered in view of the labor market needs and employment status. Also, the use of non-Jordanian workers for casual workers is a common practice in the labor market.

Hiring Procedures

Advertising job vacancies through social contact and newspapers are the most familiar methods in the Jordan. Written forms and interviews are key to the selection criteria.

Wage Systems

In view of the structural set-up of the Jordanian economy, two sets of wage systems should be considered: the civil service system and the independent governmental bodies.

Public Sector Wage System

The civil service system is the largest single employer in the Jordanian economy. The wage rates in this system are determined by grades, each grade having its own scale of payments, fixed according to the employee's educa- tional attainment, with consideration given to specializa- tion. This plays a prominent role in determining the employee's grade and his position on the civil service ladder.

Independent Governmental Bodies

These governmental institutions have independent scales of remuneration which allow them to have their wage levels diverge -- almost higher -- from that of the civil service pay scale. The independent scale of remuneration is considered by the government as a competitive advantage that would help them to recruit and to retain the type of manpower needed to perform their duties.

Private Sector Wage System

Wage rates in the private sector are based on general government guidelines, supply and demand, and the cost of living. The government does not actively intervene in the setting of wages (the Voluntary System Doctrine), and no statutory minimum wage levels are enforced.

Fringe Benefits

Annual Bonuses

This became a familiar phenomenon in Jordan, particularly in the private sector, with the widespread shortages of manpower of 1975-1982. Thus, "13th monthly" wage payments and the "14th monthly" wage payments became quite common in the manufacturing sector, electricity and mining, banking and insurance, and trade and transport sectors, and in many of the large establishments, as well as in some small establishments operating in the urban sector. In addition, many of the independent governmental bodies offer annual bonuses to their employees.

Loans

Loans also became common in the private sector. Different types of loans available to workers include, housing loans, emergency loans, children's education loans, etc.

Insurance

Health insurance schemes are provided for all government employees and their families. Health insurance is also common in the majority of establishments operating in the private sector of employment. Coverage in large establishments is much larger and better than that in small business establishments, where insurance is partial, i.e., for the worker alone, and is the lowest cost possible, i.e., medical check-up cost is born by the employer but the prescription cost is paid by the employee.

Food is provided either freely or with very low prices for workers in remote areas. Soft drinks are freely available in many of the private sector establishments.

Free clothes are provided in cases where the type of work requires it, or when a special uniform is needed.

Retirement and Social Security

The retirement fund is associated with the classified staff and the civil service.

The social security scheme, started in 1980, increased its coverage by gradually including various establishments according to size. By the end of 1986, nearly 400,000 employees working in approximately 3,000 establishments were covered by social security. Social security currently cover all establishments employing ten employees or more. It is expected that all establishments employing five employees or more will be covered in the very near future.

The social security law covers the following:

- Insurance against work injuries and occupational diseases.
- Insurance against disability, old age and death.
- Insurance against temporary disability due to sickness or motherhood.
- Health insurance for the laborer and his beneficiaries.
- Family allowances.
- Insurance against unemployment.

Only the first two are now in operation. The cost of a Social Security subscription is 15 percent of the employee's total monthly wage. Ten percent is paid by the employer and five percent is deducted from the employee's salary by the end of each month.

APPENDIX E

APPENDIX E. THE RURAL EXTENSION TO SSEs: A PRELIMINARY OVERVIEW

Data in Tables E-1, E-2, and E-3 show the kind and quantity of SSEs in relation to village size. Numbers of villages in the provinces are organized according to population intervals of 100 inhabitants. (This excercise was conducted for two of Jordan's eight provinces: MOP will be completing the analysis for the remaining six provinces in the interim between Phase One and Phase Two.) The data suggest several interesting findings:

1. Village sizes cluster between 100 and 400, with 83 villages falling into this category. Villages having populations between 100 and 200 are the most numerous (24 villages). All remaining intervals (300 through 3,400) contain 45 villages --excluding the town of Mafraq, with a population of 25,707.

2. The difficulties of developing an infrastructure and related marketing networks necessary to support SSE among such a thinly spread population are reflected in the fact that very few SSEs are to be found in villages below 1,100-1,200--the very range in which the majority of villages are located.

3. In all three SSE sectors (industrial, merchant, and service), food and construction-related firms show the heaviest concentration both spatially and numerically.

4. The concentration in construction reflects high levels of consumer expenditures on home-building and furniture items associated in large part with migrant labor remittances. This corresponds to statements by staff of a regional vocational training center, who commented that both brick and tile classes, as well as furniture and cabinetry, were popular courses. They also suggested furniture repair as one of the possible courses which might be an outgrowth of coordinating with this project.

Table E-1. Mafraq Governorate: Village Size - Number of Firms

Industry

Village population	Number of villages	1985 Pop. est.	Agr., forestry, fishing	Chemical fertilizer other mining	Grain milling	Bakery	Sweet shop	Other food processing (inc. olive presses)	Prepared animal food	Beverages mfg.	Tobacco products	Textile mfg.
0-100	21		-	-	-	-	-	-	-	-	-	-
100-200	24		-	-	-	-	-	-	-	-	-	-
200-300	19		2	-	-	-	-	-	-	-	-	-
300-400	19		-	-	-	-	-	-	-	-	-	1
400-500	6		-	-	-	-	-	-	-	-	-	-
500-600	7		-	-	-	-	-	-	-	-	-	-
600-700	4		-	-	1	-	-	-	-	-	-	-
700-800	4		-	-	-	-	-	-	-	-	-	-
800-900	1	802	-	-	-	-	-	-	-	-	-	-
900-1,000	3		-	-	-	-	-	-	-	-	-	-
1,000-1,100	2		-	-	-	-	-	-	-	-	-	-
1,100-1,200	1	1,181	-	-	-	-	-	-	-	-	-	-
1,200-1,300	4		-	-	-	4	-	-	-	-	-	-
1,300-1,400	1	1,390	1	-	1	-	-	-	-	-	-	-
1,400-1,500	1	1,463	-	-	-	-	-	-	-	-	-	-
1,500-1,600	2		-	-	3	2	-	-	-	-	-	-
1,600-1,700	1	1,690	-	-	-	-	-	-	-	-	-	-
1,700-1,800	1	1,719	-	-	2	-	-	-	-	-	-	-
1,800-1,900	2		-	-	1	-	-	-	-	-	-	-
2,600-2,700	1	2,676	-	-	-	2	-	-	-	-	-	-
2,700-2,800	1	2,718	-	-	-	1	-	-	-	-	-	-
3,100-3,200	1	3,193	-	-	2	3	-	-	-	-	-	-
3,300-3,400	1	3,369	-	-	-	-	-	-	-	-	-	-
Mafraq City		25,707	-	-	4	17	-	-	-	-	-	-
			3	-	14	29	-	-	-	-	-	1

Table E-1. (Continued)

Village population	Number of villages	1985 pop. est.	Food stores	Newspapers, etc.	Pharma-ceutical	Clothing	Shoes/ leather	Household textiles	Household goods	Motor vehicle parts	Gas	Books, paper	"Other goods"	"Mixed goods"
0-100	21		9	-	-	-	-	-	-	-	-	-	-	-
100-200	24		8	-	-	-	-	-	-	-	1	-	-	-
200-300	19		24	-	-	-	-	-	-	-	-	-	-	-
300-400	19		64	-	-	-	-	-	-	-	1	-	-	-
400-500	6		12	-	-	-	-	-	-	-	-	-	-	-
500-600	7		17	-	-	-	-	-	-	-	-	-	-	-
600-700	4		19	-	-	-	-	-	-	-	-	-	-	-
700-800	4		13	-	-	-	-	-	-	-	-	-	-	-
800-900	1	802	3	-	-	-	-	-	-	-	-	-	-	-
900-1,000	3		12	-	-	-	-	-	-	-	1	-	-	-
1,000-1,100	2		9	-	-	-	-	-	-	-	-	-	-	-
1,100-1,200	1	1,181	4	-	-	-	-	-	-	-	-	-	-	-
1,200-1,300	4		61	-	-	2	-	-	2	4	3	-	-	-
1,300-1,400	1	1,390	7	-	-	-	-	-	-	-	-	-	-	-
1,400-1,500	1	1,463	4	-	-	-	-	-	-	-	-	-	-	-
1,500-1,600	2		31	1	-	1	-	-	7	-	-	1	-	-
1,600-1,700	1	1,690	7	-	-	-	-	-	-	-	-	-	-	-
1,700-1,800	1	1,719	15	-	-	-	-	-	1	-	-	-	-	-
1,800-1,900	2		31	-	-	2	-	-	2	-	2	-	-	-
2,600-2,700	1	2,676	12	-	-	1	-	-	-	-	-	-	-	2
2,700-2,800	1	2,178	27	-	-	-	-	-	-	-	-	-	-	-
3,100-3,200	1	3,193	24	-	-	-	-	-	2	-	-	-	-	-
3,300-3,400	1	3,369	31	-	1	1	-	-	4	-	1	1	-	-
Mafraq City		25,707	250	8	6	75	8	-	69	22	7	7	13	-
			694	9	7	81	8	-	85	26	16	9	13	2

Source: MOP/SARSA Study

Table E-2. Mafraq Governorate: Village Size - Number of Firms
Merchants

Village population	Number of villages	1985 pop. est.	Wholesale agr. suppliers	Wholesale building materials suppliers	Wholesale household goods	Wholesale shoes, textiles, clothing	Wholesale food, tobacco, drink	Wholesale medicines	Wholesale "other goods"	Scrapmetal dealers	Commission agents
0-100	21		-	-	-	-	-	-	-	-	-
100-200	24		-	-	-	-	-	-	-	-	-
200-300	19		-	-	-	-	-	-	-	-	-
300-400	19		-	-	-	-	-	-	-	-	-
400-500	6		-	-	-	-	-	-	-	-	-
500-600	7		-	-	-	-	-	-	-	-	-
600-700	4		-	-	-	-	-	-	-	-	-
700-800	4		-	-	-	-	-	-	-	-	-
800-900	1	802	-	-	-	-	-	-	-	-	-
900-1,000	3		-	-	-	-	-	-	-	-	-
1,000-1,100	2		-	-	-	-	-	-	-	-	-
1,100-1,200	1	1,181	-	-	-	-	-	-	-	-	-
1,200-1,300	4		-	-	-	-	-	-	-	-	-
1,300-1,400	1	1,390	-	-	-	-	-	-	-	-	-
1,400-1,500	1	1,463	1	-	-	-	-	-	-	-	-
1,500-1,600	2		-	2	-	-	-	-	-	-	-
1,600-1,700	1	1,690	-	-	-	-	-	-	-	-	-
1,700-1,800	1	1,719	1	-	-	-	-	-	-	-	-
1,800-1,900	2		-	2	-	-	-	-	-	-	-
2,600-2,700	1	2,676	-	1	-	-	-	-	-	-	-
2,700-2,800	1	2,178	-	-	-	-	-	-	-	-	-
3,100-3,200	1	3,193	-	-	-	-	-	-	-	-	-
3,300-3,400	1	3,369	-	3	-	-	-	-	-	-	-
Mafraq City		25,707	4	1	-	-	-	-	23	-	-
			6	9	-	-	-	-	23	-	-

Table E-2. (Continued)

Village population	Number of villages	1985 Pop. est.	Clothing including dressmakers and tailors	Shoe and leather mfg.	Carpentry/ woodworking including furniture	Paper and paper products	Printing/ publishing	Industrial and other chemical mfg.	Petroleum products and refining	Rubber and plastics mfg.	Pottery and glass mfg.
0-100	21		-	-	-	-	-	-	-	-	-
100-200	24		-	-	-	-	-	-	-	-	-
200-300	19		-	-	-	-	-	-	-	-	-
300-400	19		-	-	-	-	-	-	-	-	-
400-500	6		-	-	-	-	-	-	-	-	-
500-600	7		-	-	-	-	-	-	-	-	-
600-700	4		-	-	-	-	-	-	-	-	-
700-800	4		-	-	-	-	-	-	-	-	-
800-900	1	802	-	-	-	-	-	-	-	-	-
900-1,000	3		-	-	-	-	-	-	-	-	-
1,000-1,100	2		-	-	-	-	-	-	-	-	-
1,100-1,200	1	1,181	-	-	-	-	-	-	-	-	-
1,200-1,300	4		1	-	-	-	-	-	-	-	-
1,300-1,400	1	1,390	-	-	-	-	-	-	-	-	-
1,400-1,500	1	1,463	-	-	-	-	-	-	-	-	-
1,500-1,600	2		-	-	1	-	-	-	-	-	-
1,600-1,700	1	1,690	-	-	-	-	-	-	-	-	-
1,700-1,800	1	1,719	-	-	1	-	-	-	-	-	-
1,800-1,900	2		-	-	-	-	-	-	-	-	-
2,600-2,700	1	2,676	-	-	-	-	-	-	-	-	-
2,700-2,800	1	2,718	-	-	-	-	-	-	-	-	-
3,100-3,200	1	3,193	-	-	-	-	-	-	-	-	-
3,300-3,400	1	3,369	-	-	2	-	-	-	-	-	-
Mafraq City		25,707	2	-	26	-	1	-	-	-	-
			3	-	30	-	1	-	-	-	-

Table E-2. (Continued)

Village population	Number of villages	1985 pop. est.	Cement/ lime/ plaster production	Other non metallic mineral products	Basic metal production	Fabricated metal (except machinery)	Machinery mfg.	Electrical and transportation equipment	Other mfg.	Construction/ contractors/ plumbers/ electricians
0-100	21		-	-	-	-	-	-	-	-
100-200	24		-	-	-	-	-	-	-	-
200-300	19		-	-	-	-	-	-	-	-
300-400	19		-	2	-	-	-	-	-	-
400-500	6		-	-	-	-	-	-	-	-
500-600	7		-	1	-	-	-	-	-	-
600-700	4		-	5	-	-	-	-	-	-
700-800	4		-	-	-	-	-	-	-	-
800-900	1	802	-	-	-	-	-	-	-	-
900-1,000	3		-	-	-	-	-	-	-	-
1,000-1,100	2		-	-	-	-	-	-	-	-
1,100-1,200	1	1,181	-	-	-	-	-	-	-	-
1,200-1,300	4		-	-	-	1	-	-	-	-
1,300-1,400	1	1,390	-	-	-	-	-	-	-	-
1,400-1,500	1	1,463	-	3	-	-	-	-	-	-
1,500-1,600	2		-	9	-	6	-	-	-	-
1,600-1,700	1	1,690	-	-	-	-	-	-	-	-
1,700-1,800	1	1,719	-	2	-	3	-	-	-	-
1,800-1,900	2		-	-	-	-	-	-	-	-
2,600-2,700	1	2,676	-	2	-	1	-	-	-	-
2,700-2,800	1	2,718	-	-	-	-	-	-	-	-
3,100-3,200	1	3,193	-	-	-	-	-	-	-	-
3,300-3,400	1	3,369	-	15	-	3	-	-	1	-
Mafraq City		25,707	-	14	-	27	-	-	2	15
			-	53	-	41	-	-	3	15

Source: MOP/SARSA Study

Table E-3. Mafraq Governorte: Village Size - Number of Firms
Services

Village population	Number of villages	1985 pop. est.	Cafe/ coffeeshop	Hotel/ resthouse	Auto repair	Shoe repair	Other repair	Transportation bus, etc.)	Travel agents	Banks	Insurance Agent	Money exchanger	Real Estate agent	Lawyer
0-100	21		1	-	-	-	-	-	-	-	-	-	-	-
100-200	24		-	-	-	-	-	-	-	-	-	-	-	-
200-300	19		-	-	-	-	-	-	-	-	-	-	-	-
300-400	19		-	-	-	-	-	-	-	-	-	-	-	-
400-500	6		-	-	-	-	-	-	-	-	-	-	-	-
500-600	7		-	-	2	-	-	-	-	-	-	-	-	-
600-700	4		1	-	2	-	-	-	-	-	-	-	-	-
700-800	4		-	-	-	-	-	-	-	-	-	-	-	-
800-900	1	802	-	-	-	-	-	-	-	-	-	-	-	-
900-1,000	3		-	-	-	-	-	-	-	-	-	-	-	-
1,000-1,100	2		-	-	-	-	-	-	-	-	-	-	-	-
1,100-1,200	1	1,181	1	-	-	-	-	-	-	-	-	-	-	-
1,200-1,300	4		21	3	29	-	-	-	3	4	-	-	-	-
1,300-1,400	1	1,390	-	-	-	-	-	-	-	-	-	-	-	-
1,400-1,500	1	1,463	-	-	-	-	-	-	-	-	-	-	-	-
1,500-1,600	2		2	-	1	-	-	-	-	-	-	-	-	-
1,600-1,700	1	1,690	-	-	-	-	-	-	-	-	-	-	-	-
1,700-1,800	1	1,719	-	-	-	-	-	-	-	-	-	-	-	-
1,800-1,900	2		2	-	-	-	-	-	-	-	-	-	-	-
2,600-2,700	1	2,676	4	-	-	-	-	-	-	-	-	-	-	-
2,700-2,800	1	2,178	1	-	-	-	-	-	-	-	-	-	-	-
3,100-3,200	1	3,193	-	-	-	-	-	-	-	-	-	-	-	-
3,300-3,400	1	3,369	3	-	3	-	-	-	-	-	-	-	-	-
Mafraq City		25,707	41	1	43	1	8	2	2	5	-	-	1	9
			107	4	80	1	8	2	5	9	-	-	1	9

Table E-3. (Continued)

Village population	Number of villages	1985 pop. est.	Technical services (engineers, architects)	Advertising	Business services	Dry cleaning laundry	Barber	Other personal service	Cinema Theater	Doctor	Dentist
0-100	21		-	-	-	-	-	-	-	-	-
100-200	24		-	-	-	-	-	-	-	-	-
200-300	19		-	-	-	-	-	-	-	-	-
300-400	19		-	-	-	-	-	-	-	-	-
400-500	6		-	-	-	-	-	-	-	-	-
500-600	7		-	-	-	-	-	-	-	-	-
600-700	4		-	-	-	-	-	-	-	-	-
700-800	4		-	-	-	-	-	-	-	-	-
800-900	1	802	-	-	-	-	-	-	-	-	-
900-1,000	3		-	-	-	-	-	-	-	-	-
1,000-1,100	2		-	-	-	-	-	-	-	-	-
1,100-1,200	1	1,181	-	-	-	-	-	-	-	-	-
1,200-1,300	4		-	-	-	1	1	-	-	-	-
1,300-1,400	1	1,390	-	-	-	-	-	-	-	-	-
1,400-1,500	1	1,463	-	-	-	-	-	-	-	-	-
1,500-1,600	2		-	-	-	-	2	1	-	-	-
1,600-1,700	1	1,690	-	-	-	-	-	-	-	-	-
1,700-1,800	1	1,719	-	-	-	-	-	-	-	-	-
1,800-1,900	2		-	-	-	-	-	-	-	-	-
2,600-2,700	1	2,676	-	-	-	-	-	-	-	-	-
2,700-2,800	1	2,178	-	-	-	-	1	-	-	-	-
3,100-3,200	1	3,193	-	-	-	-	1	-	-	-	-
3,300-3,400	1	3,369	-	-	-	-	1	-	-	-	-
Mafraq City		25,707	3	-	-	2	18	10	-	13	5
			3	-	-	3	24	11	-	13	5

Source: MOP/SARSA Study

5. The extraordinarily high number of food stores at all village-size levels suggests that these stores offer multiple services. In many areas village-level general stores are run by merchants who also purchase crops or other agricultural products (eggs, dairy products) from local inhabitants and then sell on. The economic power of these merchants can be considerable, for they often provide production credit to farmers which is paid back by the farmer in kind at harvest time. Repayment of consumer goods purchased on credit may also be deducted in-kind from the agricultural products sold to the merchant. Alternatively, such small food stores may function for some local inhabitants as a microenterprise, supplementing other domestic income sources.

6. The correspondingly low number of agri-based enterprises suggests that the questionnaire was not designed to capture off-farm, domestically-based activities, many of which are micro and have high levels of women as operators, for example, poultry, eggs, dairy, and bee keeping.

APPENDIX F

APPENDIX F. LIST OF PERSONS CONTACTED

Name of Institution	Person of Contact	Title
USAID	Susan Riley	Project Officer
Ministry of Planning	Faris Nimri Osama Younes Waied	Regional Planning Department
Arab Consult Center	Tayseer A. Jaber Fouad Hassan Hanan Malhas	Chairman Research Assistant Economist
Business and Professional Women's Association	T. Abdul Jaber	
Jordan Investment and Finance Corporation	Basil Jardaneh	General Manager
Citibank	Khalid AL-Dajani	Manager
Arab Finance Corporation	Khalil AL-Salem	
Federation of Jordanian Women	Haifa Al-Basheer Hilwa Malhas	
Chamber of Industry	Mohammed Saleh Saber	Director General
United Automobiles Trading Company (PEUGOT)	Zaki Aubi	President
Industrial Development Bank	Ziad Annab Walid Khateeb	General Manager
Bank of Jordan	Michel Marto	General Manager
Arab Bank	Khalid Shoman	General Director
Ministry of Labour	Mohammed Abdul-Hadi	Research
Chamber of Commerce	Ammar	Department Manager
Jordan Islamic Bank	Faisal Rashied	

Name of Institution	Person of Contact	Title
International Labor Organization	Martin Pinder	Small Enterprise Development
	Stijn C. J. Albregts,	Head, Small Enterprise Development
	Stelios Theocharides	Management Development Branch
	Gretchen Goodale	Director, Women's Training
Training Vocational Corporation	Awad Obali Ahmed Mustafa Yosief Monther AL-Masri	
General Union of Voluntary Societies	Abdullah AL-Khatib	Manager
Queen Noor Foundation	H.E. Inaam Mufti	
Central Bank	Adeeb Haddad	Executive Director
Pharmaceuticals	Subhia AL-Maani	
Royal Scientific Society	R. Jawad AL-Anani	President
	Mohammad A. Smadi	Director, Economics Department
Ayoubi Factory	Bassel Ayoubi	
Petra Bank	Ammar Haddadin	
Ministry of Trade and Industry	Radi S. Ibrahim	Companies Controller
	Akram Karmoul	Industrial Manager
USAID	Richard A. Johnson	Deputy Director
USAID	Lewis Reade	Director
Cities and Villages Bank	M. Saleh Hourani	General Manager
MEATCO	Jack Khayyat	Chairman, Managing Director
Transmed	Abdul Hamid Bibi	Manager

Name of Institution	Person of Contact	Title
Ministry of Planning	Rima Khalaf	
Kamhawi Company	Samir Kamhawi Mohamed Sameh Kamhawi	Manager
Clothing Material	Hisham al-Ashi Salah Homidan Muhamed Ali Mouhtassel Fayez al-Sharef Mohammed Rasheed Saqer Geith Mostafa Abu Shaaqra Mohammed al-Mohtaseb	President
Jordan Institute of Management	Munir Zaghloul	Assistant Director
Car Spare Parts	Mohammend Madani Audeh Aklout George Abu Khadra Salemeh Aljondi Adnan al-Jammal Awni Alian Hassan Orabi Nihan Zakharia Salem Hussein Abu Assaf	President
Kattan Company	Nabil Kattan	Manager
Arab Finance Company	Salfiti	Money Changer
Housing Bank	Attari	Deputy General Manager
Cities and Villages Development Bank	Gith Freeze	
Syndicate of Bakery Owners	Zuhair Fannoun	President
Taxi Union	Saleh Awad Musa Ismail Abdel Karim Mashaieh Mahmood Ahmed Fouad Badri Th 'gy Abdullat Ahmed Dewellah	President

Name of Institution	Person of Contact	Title
Aklouk Cousins Company	Hamed Aklouk	
Jordan Clothing Company	Subhaia Magdah	
Business and Professional Women's Club	Hind Abu-Jaber Buthaina Abel Jardaneh	
Jordan University Faculty of Economics	Oumayma Dahaan	
Arab Supplier and General Trade Company	Subheih Maani	
Queen Noor Al-Hussein Foundation	In'am Mofti Masri Aida Mutlag Leyla Morad	
Catholic Relief Services	Leona Dohonue	Country Rep./Mafraq Project Director and Designer
Jordan Cooperative Organization	Moraiwid Tell Nahedah Sayez	
Save the Children	Rebecca Salti	
Ministry of Planning GRAND Project Counterpart	Rula Salahi	
Ministry of Social Development Women's Department	Rabiha Nasser	Director
Ministry of Social Development Planning Department	Amal Sabbagh	
Ministry of Planning Women's Department	Manwer Kurdi	
Open Universities Program	Dr. Shaykha	

Name of Institution	Person of Contact	Title
MOP, Regional Planning Department	Dr. Abu Ayyash Mohammed al-Hadid	Director
Trade Training Center Ein Abasha	Faruk al-Nimir	
Agricultural Credit Corporation	Anwar Hadadi Burhan Sharabi	Director Deputy Director