

# **Achievement of Market-Friendly Initiatives and Results Program (AMIR 2.0 Program)**

**Funded by  
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**Microinvestor Roadmap Phase I  
Outline of Microenterprise Registration and Licensing Process**

*Final Report*

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## I. Executive Summary

**Purpose of the Consultancy:** To identify those elements necessary to develop a microentrepreneur roadmap for Jordanian micro and small enterprises.

**Approach:** The Chemonics consultant reviewed reports, met with the Chemonics home office management team, and then met with AMIR staff in country to understand the issues surrounding microenterprise registration and licensing and any prior involvement in the sector. He met with the AMIR micro and small enterprise development specialist with whom he conducted the remainder of the consultancy. Together they met with those responsible for conducting and overseeing the business registration and licensing process in Amman and Jerash. In addition several microentrepreneurs were interviewed in order to identify the main constraints or advantages they felt by entering the formal sector.

### **The registration and licensing process:**

1. Business registration process
  - a. The AMIR e-government pilot initiatives have resulted in an effective streamlining of the company registration process. It will be further simplified when it is accessible online. Registration routinely takes less than 30 minutes.
  - b. Registration for sole proprietorship enterprises continues to be less organized and presents an obstacle for micro and small enterprises.
2. Chamber of Commerce and Chamber of Industry
  - a. Membership application process is quick and efficient, but the fees and yearly dues may be a burden, particularly to smaller enterprises.
  - b. Most services are aimed at exporters and importers, who represent less than 15% of total members.
3. Licensing
  - a. Despite efforts to simplify the process, it remains confusing, complicated and filled with exceptions.
  - b. There are still far too many steps in the process, with as many as eleven individual Ministry or Municipality representatives involved in a single application.
  - c. Municipalities adhere relatively closely to the laws that govern the process. Greater deviation from the laws may be observed further from Amman.

### **Key Constraints and Issues:**

1. The formalization process as a whole presents a significant investment of time, effort and resources, particularly for the smaller end of the microenterprise scale.

2. The licensing procedures pose the largest obstacle to microenterprises as they maneuver through the formalization process. While some administrative reform and streamlining may ease this burden, most of the fault can be placed on the laws governing the process.
3. Annual renewals must be completed for each of the above processes with the exception of Trade Name registration. The renewal process while more rapid than the original registration, requires visits to at least three different offices, and requires fees from 73 to 273.
4. Tight restrictions on home-based enterprises restrict the number of entrepreneurs, particularly women, entering both the formal and informal sector.
5. The requirement placed on microenterprises to join a Chamber or Professional Union bears close examination. Both the municipality and the Chambers agree that without this as a requirement for licensing, membership would drop by at least 80 percent.

**Next steps:**

- Test findings and assumptions through interviews and focus groups;
- Complete microentrepreneur roadmap; and
- Assess the ability of service providers to assist micro and small entrepreneurs to create enterprises in the formal sector.

**II. Purpose of the Consultancy**

The Jordan AMIR Program has committed one of its four components to the development of microentrepreneurs in Jordan with specific focus on commercially viable financing and non-financial service opportunities available for microentrepreneurs. As an initial step in examining the policy and enabling environment in which microenterprises in the formal sector must operate, a microentrepreneur investor roadmap was proposed. This roadmap, when complete, will identify all aspects of registering and operating a formal enterprise in Jordan with details on specific constraints and barriers that micro, small and women-owned enterprises confront in the process of creating and expanding their businesses. The first step in this process was to conduct an initial assessment of what is required for to register and license a micro and small enterprise. Specifically, the Scope of Work required the consultant to:

- Prepare a detailed outline of the essential components to be included in the comprehensive domestic investor roadmap, with a focus on micro and small enterprises, and a timeframe to accomplish such.

- Identify the individual requirements for registering and operating a micro or small business, as well as administrative and bureaucratic obstacles, constraints, or hurdles.
- Detail the step by step process for establishing a micro or small enterprise in Jordan as it exists today. Include all types of business opportunities (across sectors, business types, and in different geographic regions).
- Assess the usefulness and probable scope of a microentrepreneur survey to assist in developing the domestic investor roadmap and establishing a baseline.
- Present methodology for assessing the extent of the informal market in Jordan and strategies to determine why entrepreneurs choose to remain as such.

### III. Microentrepreneur Roadmap Outline

#### A. Registration

Business registration for Jordanian owned companies, including limited liability, partnerships, and sole proprietorships falls under the authority of the Ministry of Industry and Trade. The registration process is governed by Company Law No. 22 of 1997 and Craftsman Law No. 28 of 1999. There is a separate process for company and sole proprietor registration.

*Company registration* – Pilot e-government initiatives under the AMIR project have resulted in significant streamlining of the company registration process. Claims made by Mr. Salim Ghazaleh, the Director of Company Controller Directorate that company registration should take no more than 30 minutes were born out by the observations of the roadmap team. Registration takes place in one large room, with various stations along a service counter performing different tasks in the process. Following the progress of one registration application from the initial submission of the application form, through the issuance of the completed registration form, did in fact take precisely 30 minutes.<sup>1</sup>

Best practices for company registration that were recommended by the pilot e-government initiative were clearly being utilized. For example, one single form was required to apply, soliciting the minimum information necessary to complete the registration process. The information is immediately input into a central database and a draft registration form printed and reviewed by the applicant. No independent verification of the information is sought, again following best practices. Fees are then paid to the cashier who issues a receipt to the applicant. The applicant returns to the service counter where a registration certificate is printed, signed and stamped before being issued. The process is completely computerized.

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<sup>1</sup> The data processor responsible for inputting the applicant's information was accurately pointed out that the process would have been significantly quicker had the she not been interrupted by questions for the roadmap team.

Pre-approvals may be required for certain companies prior to registering. These include: Hotels, kindergartens, private hospitals, printing stores, video sales and rentals, internet cafés, etc. (For the complete list, please refer to the Company Law).

Fees:

Application fee	2 JD
Registration fee	10 JD
Company Registration Certificate	2 JD
Gazette publication fee	10 JD
Registered capital	3 JD per 1000 JD

Minimum capital requirement: Determined in accordance to type, purpose, & nationality of owners. (For more details refer to the Companies Registration Guidelines, Company Controller Directorate Quality Procedure Manual).

Observations:

- Employees in the registration office were clearly service oriented and conducted their tasks in a professional manner.
- Those seeking company registration and other services appeared to be satisfied with the process and little to no frustration was reflected. Men, women, young and old all seemed capable of navigating the process with little difficulty.
- Company registration is soon to be available as an online service and will further streamline the process, particularly in the areas outside of Greater Amman. Several issues such as payment and signature of the certificate need yet to be resolved.

***Sole Proprietorship registration*** – Streamlining of the sole proprietorship registration process has not been undertaken, nor does it appear that there are plans to do so in the near future. In contrast to the office where company registration takes place, these offices appear disorganized, crowded and somewhat difficult to navigate. Rather than one office with a service counter, the process is spread between two offices with clients jockeying for position before tables with stacks of paper. While the requirements to establish a sole proprietorship are much the same as that for a company registration, there appears to be little similarity in the operation of the offices.

Despite the lack of organization, the process takes about 30 - 60 minutes to complete, assuming that all required documents are present. Certain trades and professions require pre-approvals as defined by the Craftsman Law of 1999. Only one form is needed to apply. Registration must be renewed annually. It is worth noting that the Directorate is currently in the process of drafting new registration procedures to be compliant with ISO 9000:2000. When this process is complete it should significantly improve and streamline the sole proprietorship registration process.

Fees:

Range from 1 to 10 JD depending upon the registered capital. The fees are relatively low as they were established by the Trade Registry Regulation of 1966, which is issued in accordance with Trade Law no. 12 of 1966.

Minimum capital requirement: Typically this is 1,000 JD; however this figure is not mandated by law and may be set at the discretion of the office head.

### **Observations**

1. Approximately 80 to 85 percent of micro and small enterprises operating in the formal sector are registered as sole proprietorships. Therefore, the sole proprietorship registration process is of greater concern for the purposes of this study.
2. As new laws that will govern this registration process are currently being drafted and reviewed, a window of opportunity may now exist to assist in streamlining the process and accounting for the special needs of micro and women owned enterprises.

### **B. Trade Name Registration**

Trade name registration is a separate process from the business registration process, yet it is also conducted in the Ministry of Industry and Trade, in the same office that conducts sole proprietorship registration. Typically these two steps will be performed consecutively in one day. Companies must register first, and then apply for trade name registration. Sole proprietorships must first register their trade name, and then apply for the registration certificate. No explanation has been provided to account for this difference.

Trade name registration is a straight forward process, and can be done in approximately 30 minutes depending upon the volume of applications. A database that contains all registered names is consulted (this information is available on the Ministry of Industry and Trade website), and if no other identical or extremely similar name exists, a certificate is printed, signed, stamped and issued.

Fees:

Trade name registration fee: 2.35 JD

### **Observations**

1. The purpose of trade name registration is to provide a record of all owners of a business. This information is provided to the public if requested.
2. Registering your trade name does not protect the name from use by others. The right to use a trade name belongs to the one who first uses it in connection with their business.
3. A legal suit cannot be initiated without a registered trade name.

### C. Chamber of Commerce, Chamber of Trade and Industry Membership

Jordan's laws governing Chambers, does not require businesses to become members. However, in order to obtain an operating license from the municipality, business must be members of a Chamber or professional trade union. The effect is the same and all businesses belong to a trade union or Chamber.

The process by which to join a Chamber is relatively simple, and can be completed in 10 to 20 minutes. One form is required along with the businesses' registration form. Information provided on the business registration is used to determine both the application and annual renewal fees, and are based on the amount of registered capital.

#### Fees:

Category	Registered Capital (JD)	Application Fee	Annual Renewal Fees
Fifth	< 500	10	7
Fourth	500 – 4999	27	18
Third	5000 – 14999	49	34
Second	15,000 – 24,999	94	64
First	25,000 – 49,000	164	104
Distinguished	> 50,000	326	206

#### Observations

1. Most of the services that are provided by the Chambers are aimed at those involved in exporting or importing. i.e., certificates of origin, or reference letters to Embassies for visas.
2. Fees to join the Chambers are relatively high, particularly for micro and small enterprises. (More than two-thirds of the membership is capitalized at less than 5,000 JD.
3. When asked, officials at both Chambers acknowledged that most companies would not join were it not required in order to become licensed by the municipalities. Both estimated that approximately 80 percent of current membership would not renew, most of these being micro and small businesses.
4. The following tables illustrate the composition of the Chamber membership. The Amman Chamber of Commerce information is based on the amount of registered capital for each business and the Amman Chamber of Industry table is based on the number of employees:

**Amman Chamber of Commerce**  
**List of Members and New Applicants in Accordance with their Class**  
**through 31/12/2001**

Companies' Class	Number of applicants during 2001	% of each class from the total number of members	New members during 2001	% of each class from the total number of applicants	Total no. of members and new applicants	% of each class of total No. of members and participants
Distinguished	1338	5.07%	200	2.92%	1538	4.62%
First	957	3.62%	226	3.3%	1183	3.56%
Second	442	1.67%	57	.83%	499	1.50%
Third	7208	27.29%	1698	24.78%	8906	26.78%
Fourth	15834	59.96%	4670	68.16%	20504	61.64%
Fifth	630	2.39%	1	0.01%	631	1.90%
Total	26409	100%	6852	100%	33261	100%

**Amman Chamber of Industry**

**Number of Industrial Companies Registered at the**  
**Chamber of Industry**  
**(Listed according to the number of employees)**

1. Number of due paying registered companies through May 2000:

Number of Companies	Number of Employees
5350	4 or less
2053	5 to 9
1279	10 to 19
735	20 to 49
321	50 to 99
159	100 to 499
16	500 or more

Both tables clearly illustrate the high percentage of membership that fall into the small and microenterprise classifications.

#### **D. Licensing**

By far the most difficult and burdensome step in the process of establishing a business in the formal sector rests in the licensing procedures. Depending upon the business sector it can be costly and time consuming. Responsibility for issuing licenses falls to individual municipalities, and is guided by a number of separate and in some cases, conflicting laws. At best, the process is confusing and cumbersome. Often times its

complexity serves as an obstacle to entering the formal sector for the smallest and less well connected entrepreneurs, and particularly for women.

As municipalities have the ability to determine licensing procedures within certain guidelines, the process may vary from one location to another. What follows is a description of the requirements as they are currently found in the Greater Amman Municipality and its District Offices.

In order to begin the licensing process, one must possess the following:

- a business registration certificate;
- a lease or proof of ownership of the premises where the business will be located;
- a copy of the building permit; and
- membership in a Chamber or professional union.

The application, a two page double-sided form, contains a checklist for signatures from various local authorities who must grant approvals in the process. Depending upon the business sector and the size of the business, as many as twelve signatures must be sought by the applicant. At a minimum, seven signatures will be required. It is the applicant's responsibility to seek each of the approvals in the process. The following steps typify the licensing process.

1. At the time the application is submitted, a site visit is scheduled in coordination with the engineering department. The purpose of this visit is to assess the suitability of the site for the type of business to be conducted. If the location is deemed suitable, the engineer signs the form. Site visits are generally conducted within three to five business days.
2. The head of the *District Planning (Organization) Unit* checks the location of the proposed business against the city master plan. If there are no zoning restriction the application form is signed.<sup>2</sup>
3. The *District Health Section* must review the application and sign. If the proposed business falls into the food production, packaging, transformation or service sectors, or other professions where public health may be at risk, a site visit may necessary. The scheduling of this site visit may take from one week to one month.
4. *Civil Defense* approval may be required if by professional classification or by the size of the physical location. Anything over 100 sq. meters (1076 sq. ft.) must gain approval. This usually takes from one week to 10 days.
5. *Engineering Department* - reviews the application and all submitted documents and forwards to the District Manager for final approval.
6. *District Licensing Unit* calculates fees.
7. Fees are paid to the *District Accountant* and a receipt is issued.
8. *District Licensing Unit* prints license.
9. *District Manager* signs the license
10. *District Licensing Unit* stamps and issues the license.

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<sup>2</sup> To avoid investments in properties that may be deemed unsuitable for the proposed business, the first two steps may be requested by a prospective licensee prior to submitting an application and purchasing or signing a lease for a property.

According to a licensing official at one of Amman's District offices, the typical applicant must make at least three trips to the office to complete the application process. Total or average time to complete the process is somewhat difficult to estimate as it will vary widely depending upon the professional sector, the number of pre-approvals required and the availability of officials at each District office. As with the other steps, renewal for licenses must be sought annually.

**Fees:**

License	Depends upon professional classification
University	50% of license fee
Waste Disposal	20% of license fee or 14 JD, whichever is the greater.
Extra Fee	10% of license fee
Late Fee (renewal)	25% after March 31 <sup>st</sup> , 50% after June 30 <sup>th</sup> .
Tax on Late Fee	

A sign tax of 6 JD for the first square meter and 4 JD for each additional square meter of each store front sign is assessed when the enterprise begins operation. The sign tax is assessed annually by the municipality.

### **Observations**

1. The Greater Amman Municipality has taken some preliminary steps to make the licensing process more accessible. A guide has been published which briefly explains the process, fees and requirements for pre-approvals etc. A preliminary review of the document however, left a number of commonly asked questions unanswered. More work will need to be done in order to make this a useful tool for those trying to navigate themselves through the licensing process.
2. A network links the 20 district offices to a central database which can quickly generate real-time reports on numbers of applications, licenses granted, license renewals, and the revenue generated. When the network is down however, as was the case when we visited one of the district offices, licenses cannot be granted. This can cause delays of several hours or more.
3. There is recognition by those involved in the licensing process that it is an inefficient process and a desire to streamline clearly exists. Existing laws that govern the procedures and regulations were cited as the largest obstacle.
4. Licensing outside of Greater Amman varies slightly and may include fewer steps, or combine several of them into one. (See Annex C for a more detailed description of the licensing procedure in a Municipality outside of Amman.) The fees are the same however as they are determined by the same law.

## **IV. Key Issues and Constraints**

1. The process by which one enters into the Jordanian formal sector (registration through licensing) demands a significant investment of time, effort and resources. This is

particularly true for those operating at the small and micro level as the combined cost of fees and lost income due to completing the registration process could take months to recuperate. Per capita annual income currently stands at approximately \$1677 /JD 1189. According to information gathered through AMIR partner MFI, a typical monthly income for microenterprises falls in the range of JD 200, however, for women it is far less and averages between 70 to 100 JD.

2. Women in particular are faced with a challenge to complete this process. Some women may be intimidated by the complicated process or simply their lack of knowledge of the process. Others may try to avoid having to deal with men at government offices, often the case in areas outside Amman. Most women and some men, have the perception that it is difficult to deal with government officials, income tax issues, and the requirements to keep accurate accounts, etc. that accompanies entrance into the formal sector. In many cases husbands and cultural pressure may also discourage married women in the rural areas, and in some cases Amman, from doing business outside their homes.
3. Licensing procedures pose the largest obstacle to microentrepreneurs as they maneuver through the formalization process. Municipalities appear to have some latitude in defining the licensing process, however they are largely constrained by laws that govern the process. These arcane laws create a number of unnecessary steps in the process and expose the applicant to a number of opportunities for delays and other transaction costs. For the most part, these laws are followed fairly rigidly. However political considerations seem to play a larger role in the decision of whether to apply certain regulations as one moves into the more rural areas and municipalities. To paraphrase one municipal official, “elected officials must try to keep their constituents happy.”
4. Tight restrictions on operating home-based enterprises discourage many from entering both the formal and the informal sector. This is particularly true for women who face cultural restrictions to operating a business outside of the home, or who serve as caregivers for children. For those who do operate in the informal sector from their homes, there is pressure to “fly under the authorities’ radar” and not draw too much attention to the fact that they are engaged in economic activities. This hampers the ability to conduct effective marketing, advertising and hinders growth. Fear of sanctions was often cited as a reason for not operating in the informal sector. The degree to which this is truly a deterrent to operating a business must be explored further.
5. There is a lack of understanding of the registration and licensing process and few business service providers prepared to assist this micro and small segment of the market. As this consultancy continues, this will be an avenue of investigation that will warrant further exploration and may result in an opportunity to have a positive impact on the market for business development services.
6. A generally negative perception exists among micro and small entrepreneurs of public sector institutions and officials. This was most often expressed when referring to tax

collectors and inspectors who were characterized as levying random tax assessments, or not considering the current economic climate when determining a businesses income. The deterrent role that this plays on developing the micro and small businesses sectors bears further examination.

7. Few of those interviewed could site concrete examples of the advantages to entering the formal sector. Motivation to do so clearly came from the negative consequences that might occur as a result of staying in the informal sector. These consequences may include being shut down or fined, and may be brought about by investigating authorities or being reported by neighbors or formal sector competition. It is assumed that most enterprises in the informal sector practice a number of techniques to avoid visibility which will has a negative impact on their ability to grow and enter new markets.

8. A window of opportunity to influence changes in laws governing sole proprietorship registration process currently exists. The AMIR project should actively participate in helping to draft this legislation in order to streamline and rationalize this process. Consideration should be given to creating an independent process for registering micro and small enterprises. This could be done at the municipal level with information shared on a periodic basis at the national level for example.

9. Tax assessments were often cited as one of the reasons why micro and small entrepreneurs refrain from registering their businesses. Tax assessment is thought to be arbitrarily assessed or based on registered capital, not on sales or income.

10. The requirement placed on enterprises to join a Chamber or Professional Union bears close examination. Both the municipality and the Chambers agree that without this as a requirement for licensing, membership would drop by at least 80 percent. Chambers would therefore be forced to provide services aimed at micro and small enterprises that make up more then 65 percent of their membership.

## **V. Recommendations for Next Steps (Phases II & III)**

1. Test findings and assumptions through interviews and focus groups with a variety of actors in the private sector including, current and potential microentrepreneurs, microfinance loan officers, business development service providers, relevant government bodies, NGOs, and other donor supported business development projects.
2. Complete microentrepreneur roadmap, incorporating findings from interviews and focus groups. Finalize recommendation for administrative, operational and legal changes.
3. Include representatives (decision-makers) from municipalities in discussions with micro and small business owners about constraints and obstacles to formalization.

4. Assess the ability of service providers to assist micro and small entrepreneurs to create enterprises in the formal sector. Assess market for these services.
5. Develop an interactive on-line version of microentrepreneur road map that can be use by service providers and entrepreneurs to map out their own requirements and costs to enter the formal sector.

## **ANNEX A - Flow of Registration Procedure**



(1)Trade name must be registered prior to applying for sole proprietorship.

Application Forms  
(one form, double sided)

\*Pre-approvals when required  
by Company Law No.22 of  
1997  
(one week to three months)

Verification that application  
forms are accurately completed  
(Best practices have been  
adopted.)

Data entered into database

Draft registration is printed and  
reviewed, then signed by  
applicant

Fees paid:  
Application fee 2 JD  
Registration fee 10 JD  
Company Registration  
Certificate 2 JD  
Gazette publication fee 10 JD  
Registered capital 3 per 1000  
JD

Registration certificate printed

Certificate signed

Certificate stamped

Process should take  
approximately 20 to 30 minutes  
assuming that all required  
documents and pre-approvals  
are present.

AMIR Program

Application Forms  
(one form, single sided)

\*Preapprovals when required by  
Craftsman Law No. 28 of 1999  
(one week to three months)

Verification that application  
forms are accurately completed  
(Best practices have been  
adopted.)

Data entered into database

Draft registration is printed and  
reviewed, then signed by  
applicant

Fees paid:  
Fees range from 1 to 10 JD  
depending upon registered  
capital.

Registration certificate printed

Certificate signed

Certificate stamped

Process should take 30 minutes  
to one hour assuming that all  
required documents and pre-  
approvals are present.

Application Forms  
(one form with fiscal  
stamp)

Application is reviewed  
and signed by applicant.

Verification that no other  
identical or closely  
similar trade name is  
registered.

Verify name of applicant  
(No other identical name  
is registered.)

Trade name is approved  
or disapproved

Fees paid: 2.35 JD

Certificate printed

Certificate signed

Certificate stamped

Process should take 30  
minutes.

## **ANNEX B - Flow of Chamber Membership Requirements**

Chamber of Commerce  
**Chamber of Industry**

*Membership in the Chamber of Commerce or Industry is not mandated by law. It is however, a requirement for certain sectors to obtain a license to operate from the municipality.*

Application Form  
(one page, single sided)

Registration certificate required

Application reviewed and signed by applicant

Fees paid:

<b>Category</b>	<b>Registered Capital (JD)</b>	<b>Application Fee</b>	<b>Annual Renewal Fees</b>
Fifth	< 500	10	7
Fourth	500 – 4999	27	18
Third	5000 – 14999	49	34
Second	15,000 – 24,999	94	64
First	25,000 – 49,000	164	104
Distinguished	> 50,000	326	206

Certificate is printed

Applicant reviews and signs

Certificate is signed and stamped

Process should take approximately 10 – 15 minutes, assuming that all required documents are submitted.

Note: Sole proprietorships are required to have a minimum of 1000 JD registered capital. Therefore most micro enterprises would fall into the fourth and third categories.

## **ANNEX C - Flow of Licensing Procedures (Municipalities)**

## Licensing (Municipalities)

Required: registration, authenticated lease or ownership bond, building permit (operational permit) & license

May be required: pre-approvals depending upon professional classification – See guide

1. Application form – (one page, double-sided)
2. Conduct site visit to profession classified under craftsman law. i.e. carpentry, blacksmith. Written approval is then granted and given to applicant.
3. Approvals and signatures from all or most the following: These are found on back of application form.

**Ministry of Health** – if required. For example, food production, restaurants, etc.

**Office of Ministry of Finance** – verifies that there are no outstanding debts, or unpaid bills to government.

**Chamber of Commerce, Industry or Profession Union** – must join if not already a member. (See preceding section.)

**Municipal Court** – Verifies that there are no outstanding civil suits or debts.

**Office of City Planning or “Organization”** – Verifies that proposed enterprise conforms to municipal master plan.

**Office of Fees Collection for Municipal Services** – Verifies that there are no outstanding debts to Municipality.

Health Section of Municipality

**Civil Defense** – if required by professional classification, or size i.e. over 100 square meters.

4. Signature of mayor

5. Fees:

License – depends upon professional classification

University            50% of license fee

Waste Disposal    20% of license fee or 14 JD, whichever is the greater.

Extra Fee            10% of license fee

Late Fee (renewal) 25% after March 31<sup>st</sup>, 50% after June 30<sup>th</sup>.

Tax on Late Fee

6. Certificate is filled-out or printed.

7. Certificate is signed by accountant verifying that fees have been paid.

A sign tax of 6 JD for the first square meter, and 4 JD for each additional square meter is assessed when the enterprise begins operation.

## **ANNEX D - Flow of Licensing Procedures (Greater Amman District Offices)**

## Licensing

### (Greater Amman District Offices)

Required: registration, proof of lease or ownership of premises, building permit (operational permit) and building license.

May be required: pre-approvals depending upon the professional classification – See guide

1. Application form – (two pages, double-sided)
2. Site visit scheduled by building section clerk in coordination with the engineering department.
3. Conduct site visit to ensure the suitability of the location for that specific profession
4. All notes and approvals are indicated on the application forms, and concerned personnel will sign in the appropriate sections as follows:

**Site engineer:** Approves the site.

**District Head of the Planning (Organization) Unit:** Checks the selected site against the zoning maps and city plan to ensure conformity with regulations.

**District Health Section:** Reviews the application form and may conduct another site visit if necessary (depending upon profession), and sets the associated fees.

**Civil Defense:** Reviews if required by professional classification or size. i.e. over 100 square meters.

**Engineering Department:** Reviews all documents and submits the application to the manager of the district for final approval and signature.

**District Professional Licensing Unit:** Determines associated fees.

**District Accountant:** issues receipt when fees are paid.

**District Professional Licensing Unit:** Prints license upon presentation of signed application and receipt.

**Manager of the District:** Signs the license.

**District Professional Licensing Unit:** Stamps the license.

#### 5. Fees:

License – depends upon professional classification

University            50% of license fee

Waste Disposal    20% of license fee or 14 JD, whichever is the greater.

Extra Fee            10% of license fee

Late Fee (renewal) 25% after March 31<sup>st</sup>, 50% after June 30<sup>th</sup>.

Tax on Late Fee

A sign tax of 6 JD for the first square meter and 4 JD for each additional square meter is assessed when the enterprise begins operation.

## **ANNEX E - Illustrative examples of formalization process**





**Illustrative example no. 3 - Clothing Store**

Ammar and his brother Zuhair is opening a store selling men's casual clothing. They are to be joint owners of the *Today's Jordanian Man* store, and have 5000 JD in capital. To do this, the following steps are needed:

**I. Registration of Sole Proprietorship:**

G. Complete application form

H. Pay fees

- |                             |       |
|-----------------------------|-------|
| 1. Application              | 2 JD  |
| 2. Registration             | 10 JD |
| 3. Registration Certificate | 2 JD  |
| 4. Gazette Publication      | 10 JD |
| 5. Registered capital       | 15 JD |

I. Time 45 minutes

**II. Registration of trade name:**

G. Complete application form

H. Pay fees 2.35 JD

I. Time 30 minutes

**III. Chamber of Commerce Membership:**

G. Complete application form

H. Pay fees 83 JD

I. Time 15 minutes

**IV. Licensing with Greater Amman Municipality District Office:**

M. Complete application form

N. Site inspection to approve location and premises

O. Produce signed lease and copy of building license with relevant zoning map.

P. Seek approvals and signatures from seven Ministry and Municipal representatives.

Q. Pay fees:

- |                   |       |
|-------------------|-------|
| 1. License        | 50 JD |
| 2. University     | 25 JD |
| 3. Waste Disposal | 14 JD |
| 4. Extra Fee      | 5 JD  |
| 5. Health         | 12 JD |

R. Time

Total time: 4 days (1.5 - 4 hours)

Total fees: 230.35 JD

Signatures/approvals: 12

Application forms: 4

## **ANNEX F – Scope of Work**

## Scope of Work

### I. Specific Challenges Addressed by this Consultancy

The government of Jordan has embarked upon a bold economic transformation program aimed at improving the standard of living and quality of life for all Jordanians. There are many facets of the program and a key to its success will be the ability to encourage the establishment and enhancement of micro/small/medium enterprises (MSMEs).

Microbusiness is not a new phenomenon, since its antecedents of loans to small village and cottage industries trace back several millennia. What today is defined as microbusiness most likely was founded in the ancient kingdoms in the region known as “The Golden Crescent”, between the Tigris and Euphrates Rivers.

Within the boundaries of the Kingdom of Jordan, however, the idea of microbusiness and microentrepreneurs may not be as well imbedded into the local culture as it was in the surrounding countries. Until relatively recently, the majority of the Jordanian population were primarily herders and farmers rather than town dwellers and traders, so that the microbusinesses that existed would have been rurally oriented. But, during the last 50 years the demographics of Jordan have changed dramatically, with approximately 78% of the population now living in the four largest governates. Despite this demographic change, the rise of microentrepreneurship in Jordan has been slowed by the creation of a large public sector that has been established during this period, which was used as both a social and public service mechanism. Currently, the combined public sector and the government comprise more than 35% of the employed labor force. Consequently, there is a tendency for school leavers, and the unemployed, to look to the public sector first for employment opportunities, rather than to becoming self-employed entrepreneurs. As a consequence, many microentrepreneurs view self-employment as a stopgap measure, to be abandoned as soon as a public sector job is obtained.

The provision of loan capital to microbusinesses through a formal structure originated in the Public Sector. The Agricultural Credit Corporation (ACC) was founded in 1959 for the express purpose of making loans for the development of the agricultural sector in Jordan, including small loans. The first formal microlending program, however, was established by the Industrial Development Bank (IDB) in 1965. These microbusiness loan providers were soon followed by other public and foundation lenders, such as the General Union of Voluntary Societies (GUVS) in 1986, and the Development and Employment Fund (DEF) in 1992. Since this time several foundations also have involved themselves in microfinance, the names of which are included in Appendix I. Most of these organizations have social goals and roles, and view microfinance as a tool for achieving those goals, rather than focusing on providing microfinance on an operationally sustainable basis.

The concept of sustainable microfinance was introduced into Jordan by Save the Children (SC) in 1994, when they commenced the Group Guaranteed Lending and Savings Program (GGL) in the Mahatta and Natheef refugee camps. Encouraged by this success, they established a separate legal entity (the Jordanian Women’s Development Society) in 1996, which commenced operations in 1997 and became Microfund for Woman in 1999. Subsequently, three other

microfinance institutions (MFIs) were established, Jordan Micro Credit Company (JMCC), Ahli Microfinancing Company (AMC), and Jordan Access to Credit Project (JACP) via Cooperative Housing Foundation (CHF).

The AMIR (Access to Microfinance and Improved Implementation of Policy Reform) Program commenced operations in February, 1998. One of its key goals is the establishment of a sustainable microfinance industry in Jordan by the time the program closes in January 2002. Since inception, the AMIR Program has helped establish and support three MFIs, and together with the U.S. Agency for International Development (USAID), is working with a fourth MFI. There are considerable differences between these four MFIs, and the other microfinance providers, of which the most important are the commitment to attaining operational sustainability, and to operate in accordance with the "best practices" of microfinance.

In 2002, the second phase of the AMIR Program, AMIR(Achievement of Market-Friendly Initiatives and Results) was launched. The goal of AMIR is "To promote economic growth and prosperity for all Jordanians by developing a more market-friendly environment for broad-based economic opportunity and business expansion." This four component initiative has devoted one component to the development of microentrepreneurs in Jordan with specific focus on commercially viable financing and non-financial service opportunities available for microentrepreneurs.

From the outset USAID/AMIR Program understood that a viable microfinance industry for Jordan requires more than MFI's alone, so included in the innovations were the following industry infrastructure components; an MFI funding facility to provide bridge financing between the exhaustion of the MIP grants and ability to fund from the commercial market; a microfinance association to act as an industry forum, as well as be a vehicle for advocacy and training; a national credit bureau, which would serve not only the microfinance industry, but the economy as a whole.

The microfinance institutions have, since their inception, gained considerable market experience, and this experience has been used to reposition them in their markets via revision of their business plans. In addition, the infrastructure components for a viable microcredit industry, referred to above, are well into their formative stages. As a result of operations and experience gained, however, it is becoming clear that focusing on the components of microcredit alone may not be sufficient for the development of a vibrant microfinance industry.

It has been said that in Jordan, there is a lack of entrepreneurial spirit, a limited focus on owning one's own business. Even with the advances in the supply side of microcredit, there is a need to begin to facilitate the growth and stimulation of micro and small entrepreneurs. This includes reviewing the enabling environment, administrative as well as managerial, in which microenterprises operate. As an initial step in this process, a domestic investor roadmap focused specifically on microentrepreneurs is proposed. The roadmap, in its entirety, will identify all aspects of registering and operating a formal enterprise in Jordan with details on the specific constraints, obstacles and barriers that micro and small entrepreneurs confront in the business creation and management process. The roadmap will be offered as web based information. One

part of this entire package will be an initial assessment of what is required of a microentrepreneur when that person seeks to establish a new business.

## II. Objective

The objective of this consultancy is to identify the existing regulations, requirements, steps and processes involved in establishing and registering a new business in Jordan, as well as the specific constraints, obstacles and barriers that microentrepreneurs face.

## III. Specific Tasks of this Consultancy

### A: Background Reading Related to Understanding the Work and Its Context

- Microbusiness Multiplier, November 2001
- Investor Roadmap, Guyana (<http://guyana.chemonic.net>)
- Jordan Investor Roadmap, June 1998

### B: Background Interviews Related to Understanding the Work and Its Context

- Key Personnel at AMIR Program
- Key Personnel at USAID Economic Opportunities Office
- Key Personnel at the Jordan Ministry of Industry and Trade
- Richard Dreiman, Chemonics International Inc
- Bill Kedrock, Chemonics International Inc

### C: Tasks related to Achieving the Consultancy's Objectives

- Prepare a detailed outline of the essential components to be included in the comprehensive domestic investor roadmap, with a focus on micro and small enterprises, and a timeframe to accomplish such.
- Identify the individual requirements for registering and operating a micro or small business, as well as administrative and bureaucratic obstacles, constraints, or hurdles.
- Detail the step by step process for establishing a micro or small enterprise in Jordan as it exists today. Include all types of business opportunities (across sectors, business types, and in different geographic regions).
- Assess the usefulness and probable scope of a microentrepreneur survey to assist in developing the domestic investor roadmap and establishing a baseline.
- Present methodology for assessing the extent of the informal market in Jordan and strategies to determine why entrepreneurs choose to remain as such.

#### IV. Timeframe for the Consultancy

February 9, 2002

#### V. LOE for the consultancy

#### VI. Consultant Qualifications

- 10 years experience in SME development projects
- Extensive development work with the stimulation of entrepreneurs
- Masters with a focus on international development or commensurate work experience

## **ANNEX G – Background Documents and Persons Interviewed**

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Background documents reviewed:

1. Microbusiness Multiplier, November 2001
2. Investor Roadmap, Guyana (<http://guyana.chemonic.net>)
3. Jordan Investor Roadmap, June 1998, AMIR Program
4. Market Specific Survey #1, East Amman December 1999, AMIR Program
5. Namibia: Administrative Barriers to Investment, March 1996, IFC and World Bank

Persons Interviewed:

1. Mr. Amer Hadidi, Director, Industrial Development Directorate, MIT.
2. Mr. Salim Ghazaleh, Director, Controller of Companies Directorate, MIT.
3. Ms. Rula Haddadin, Director, Sole Proprietorship Directorate, MIT.
4. Ms. Samar Hammad, Partner, Seven Dimensions.
5. Ms. Amira Yaqbeh, Owner, Al Majdal.
6. Mr. Khaled Ghzawi, General Manager, Jordan Micro Credit Company.
7. Mr. Hasan Nimri, Loan Officer, Jordan Micro Credit Company.
8. Mr. Mohammad Saeda, Second Assistant General Manager, Amman Chamber of Commerce.
9. Mr. Ahmad Al-Ghorini, Department of Membership Services, Amman Chamber of Commerce.
10. Mr. Ahmad Al Saidi, Head of Research & Studies Department, Amman Chamber of Industry.
11. Mr. Mohammad Al –Nejdawi, Department of Membership Services, Amman Chamber of Industry.
12. Ms. Maysoun Amayierh, Head of Women Enterprise Centre, Business Incubators, Business & Professional Women Club (BPWC).
13. Ms. Aisha Jaber, Owner, Eng. Aisha Jaber Engineering Office, (located at the Business Incubator at the BPWC).
14. Ms. Mervat Majeed, Owner, The New Advertising Agency, (located at the Business Incubator at the BPWC).
15. Ms. Amal Musalem, Owner, Orient for Handicrafts, (located at the Business Incubator at the BPWC).
16. Mr. Akram Bani Mustafa, Head of the Engineering Department, Jerash Municipality.
17. Mr. Adnan Abu Melem, Chief accountant, Jerash Municipality.
18. Mr. Mohammad Shehab, Head of Registration Department, Jerash, MIT.
19. Ms. Subheihia Ogla, System Administrator, Jerash, MIT.
20. Mr. Izzedin Shamout, Director, Professional Licensing Department, Greater Amman Municipality.
21. Mr. Mohammad Abu Ruman, Head of the Licensing Department, Om Sumak District, Greater Amman Municipality.
22. Mr. Rakan Al Assaf, Elected Mayor of Om Sumak District, Greater Amman Municipality, and a member on the Local Municipalities Committee.