

Jordan

In MENA ES 2013-14, the top three business environment obstacles identified by Jordanian firms were access to finance; political instability due to the uncertain regional environment; and access to land (Chart 1). Young firms were most concerned about access to land, access to finance and tax administration.

Access to finance and land are major concerns

Access to finance emerged as the main constraint for Jordanian firms. Only 16.7% of the firms had a loan or a line of credit, well below the SEMED average of 32.1% and the rest of the EBRD region average of 37.4% (Chart 2). Almost 70% of firms that needed a loan were either discouraged from applying for a loan or rejected when they did, which is above the SEMED average of 57.2% and the average for the rest of the EBRD region (51.3%). More than three-quarters of young firms and over 70% of SMEs were credit-constrained, compared with 68.4% of old and 19.7% of large firms. A recent study suggests that the banking sector is reluctant to lend to SMEs because they are unable to pledge enough collateral.

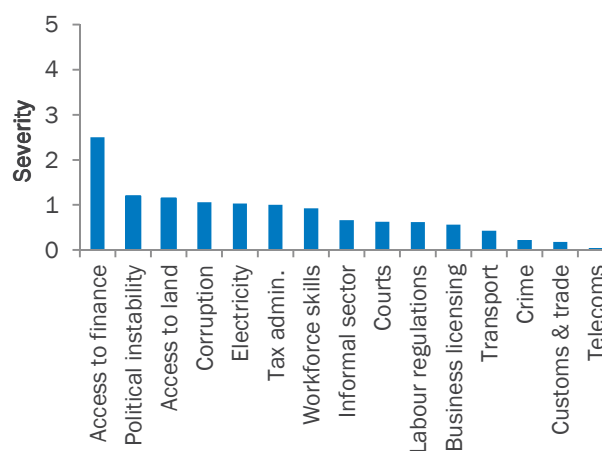
Jordan faces security challenges as a result of spill-overs of regional turmoil and external shocks, so it is not surprising that **political instability** emerged as the second most severe obstacle. In particular, the Syrian conflict that has been unfolding since 2011 and the tense political and security situation in Lebanon have posed a significant challenge for Jordan, which has seen an influx of over 800,000 Syrian refugees, adding to other refugee communities that Jordan has hosted from previous regional conflicts. In addition, the spread of extremism in the region is posing security challenges for the country.

Access to land was the third most severe obstacle. While all private land in Jordan is registered, public land (80% of the country) is not well defined and documented. In addition, partial interest and customary rights are unclear and difficult to enforce, leading to large-scale rural and urban land tenure insecurity. Moreover, ownership of land is limited, particularly for women: a report by the United Nations Development Fund for Women (UNIFEM) states that women own only around 10% of land and property in Jordan. Unequal inheritance laws and social norms, especially in rural areas, hinder women's ability to own economic assets, particularly land.

For young firms, **tax administration** was the third most severe obstacle. Senior management of these firms spent an estimated 11.1% of their time dealing with requirements imposed by government regulations, including taxes, compared with 6.8% for older firms. 62.4% of firms reported being visited or inspected by tax officials, compared with the SEMED average of 45.1% (Chart 3).

Survey fieldwork period: May 2013 – April 2014. SEMED: Egypt, Jordan, Morocco, Tunisia. BEEPS V: Business Environment and Enterprise Performance Survey 2011-14. Small and medium-sized firms (SMEs) have 5-99 employees. Young firms are less than 5 years old. MENA ES was conducted by the World Bank, the EBRD and EIB in SEMED as well as in Djibouti, Israel, Lebanon, West Bank and Gaza and Yemen.

Chart 1. Business environment obstacles



Estimated for a hypothetical "average" firm. Higher values correspond to a weaker business environment.

Chart 2. Firms with a loan or a credit line

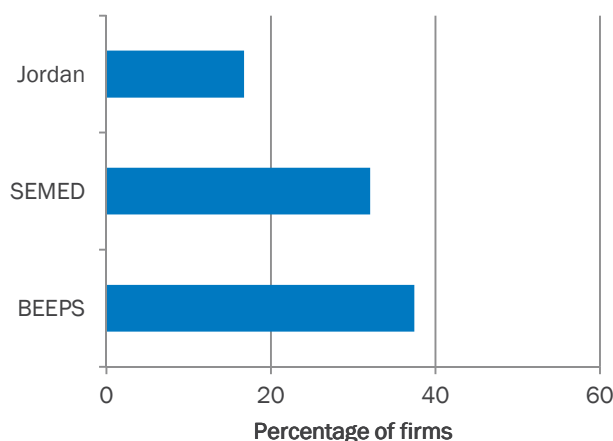
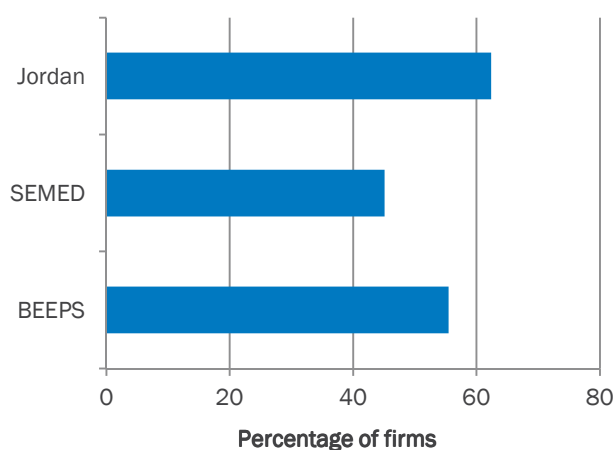


Chart 3. Firms visited or inspected by tax officials



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