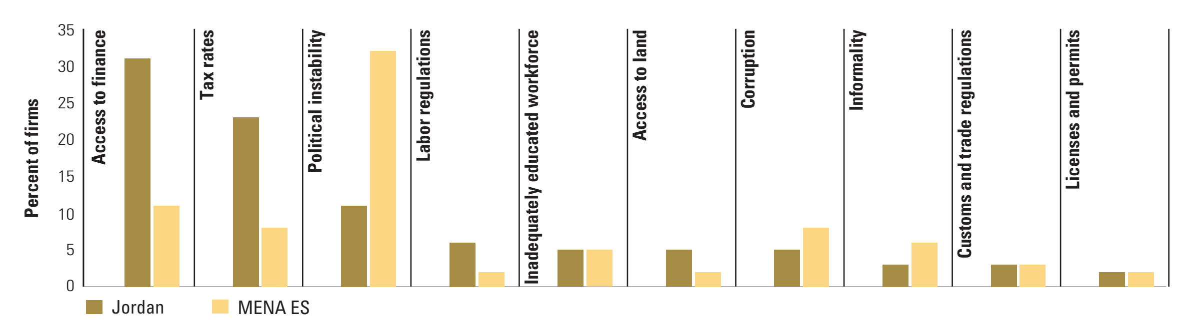
JORDAN

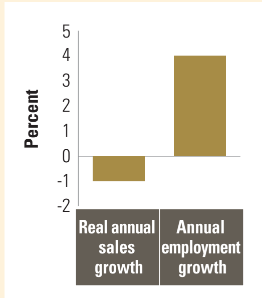
FIGURE 1: Ranking of the top business environment obstacles for firms in Jordan



Access to finance is the top obstacle reported by Jordanian firms

Almost a third of all Jordanian firms report access to finance as the top obstacle to their operations (figure 1), the highest proportion among the MENA ES economies. Cyclical factors might partly explain this result. In 2012, the reference period of the survey, Jordan experienced several adverse shocks. Reductions in gas supply from Egypt forced Jordan to resort to more expensive fuel imports, putting pressure on the current account and reserves as well as the budget. Public debt increased from 71 percent of GDP in 2011 to 82 percent in 2012, potentially crowding out the private sector. These adverse shocks also decreased firms' propensity to invest and hence reduced their demand for credit. Tax rates are the top obstacle for nearly a quarter of all firms, possibly linked to an increase in the time it takes to prepare, file, and pay taxes. Political instability is in third place. Jordan faces security challenges mostly as a result of spillovers of regional turmoil. These problems notwithstanding, firms in Jordan experienced a relatively small drop in sales and robust growth in employment between 2009 and 2012 (figure 2).

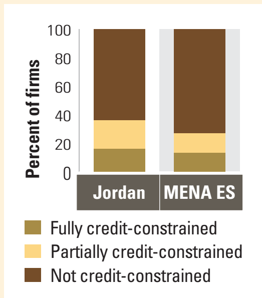
FIGURE 2: Sales and employment growth



Jordanian firms are among the most credit-constrained in the MENA ES region

MENA ES data indicate that problems of access to finance seem to go beyond cyclical considerations and their potential impact on demand for and the supply of credit. While Jordan has comparatively deep financial and banking sectors, with private sector credit to GDP accounting for about 70 percent of GDP from a peak of around 90 percent of GDP in 2007, bank finance accounts for only 10 percent of SME financing in Jordan. The banking sector's exposure to the government and public sector entities increased since 2010. Data indicate that loans to SMEs account for about 10 percent of total loans, which could explain the divergence between measures of financial depth and financial access. Only 64 percent of firms—second lowest after the Republic of Yemen—are not credit-constrained, compared with 73 percent in the MENA ES region (figure 3). Moreover, more than a third of Jordanian firms report being discouraged from applying for a loan due to terms and conditions. Jordan also ranks last in terms of the *Doing Business* measure for ease of getting credit (185 out of 185, tying with the Republic of Yemen).

FIGURE 3: Degree of credit constraint



Women's employment in Jordan is below the MENA ES average

The proportion of women among the full-time permanent employees in the MENA ES region is very low by international standards, and Jordan compares relatively poorly with other economies in the region. Only 8 percent of the workforce in a typical Jordanian firm is composed of women, compared with an average of 17 percent for MENA ES economies (figure 4). Jordan also stands out among the MENA ES economies as having the lowest percentage of firms that provide training to their employees—only 3 percent of Jordanian firms do so, compared with the MENA ES average of 17 percent (figure 5).

FIGURE 4: Permanent full-time employees that are women

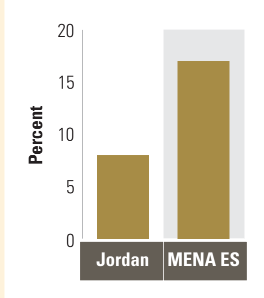
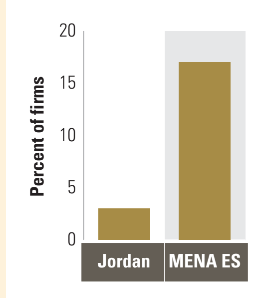


FIGURE 5: Firms offering formal training



Jordanian manufacturing firms are competitive by regional standards

At 68th place, Jordan was the highest ranked MENA ES economy in the World Economic Forum *Global Competitiveness Report 2013–2014*. Jordan's manufacturing firms are relatively well integrated into international trade, with 26 percent of them both importing and exporting, compared with the averages of 20 percent in the region (figure 6) and 13 percent in upper-middle-income economies. The firms benefit from relatively low manufacturing tariff rates on both intermediates and raw materials. In addition, the reported number of days to clear imports through customs is also among the lowest in the MENA ES region (figure 7).

FIGURE 6: Firms by trading status

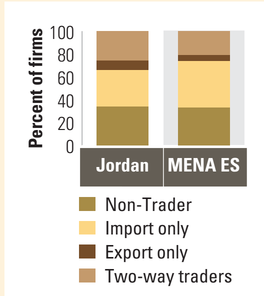
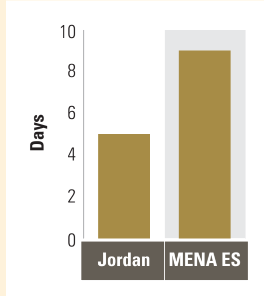


FIGURE 7: Days to clear imports through customs



Among the MENA ES economies, the proportion of firms engaged in at least one type of innovation is the lowest in Jordan

About a fifth of Jordanian firms are engaged in at least one type of innovation (the lowest proportion in the MENA ES region) and less than 5 percent of them acquire knowledge by engaging in R&D and purchasing or licensing patented technologies, non-patented inventions, and know-how. There are, however, large differences across sectors. In higher-tech industries, almost a quarter of firms acquire knowledge (figure 8) and more than half introduce new products, processes, and organizational or marketing methods (figure 9), on par with the MENA ES average. In other sectors, less than 5 percent of firms acquire knowledge, and the proportion of firms engaged in at least one type of innovation also lags behind the MENA ES average. These discrepancies could be driven by differences in trade integration: among firms in high- and medium-high-tech industries, more than 60 percent are exporters and more than 90 percent import their inputs. In the medium-low and low-tech industries, roughly 40 percent of the firms are exporters and about half import their inputs.

FIGURE 8: Firms engaged in knowledge acquisition

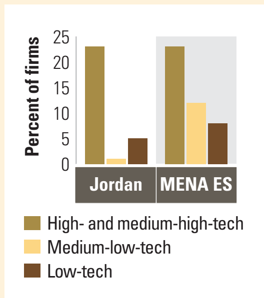
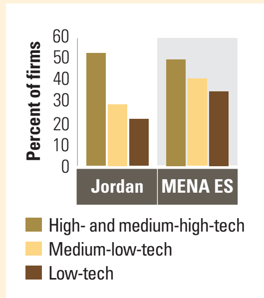


FIGURE 9: Firms engaged in at least one type of innovation



The Economy Fiches summarize the economy-specific findings of the report "What's Holding Back the Private Sector in MENA?" Note that annualized sales and employment growth statistics are calculated using the reference years 2009 and 2012; these reference years are used due to when the Enterprise Survey was administered. The findings, interpretations, and conclusions expressed in this fiche are entirely those of the authors. They do not necessarily represent the views of the European Bank for Reconstruction and Development/European Investment Bank/World Bank and its affiliated organizations, or those of their Executive Directors or the governments they represent.