Employment – Jordan

Promoting young and promising businesses

Despite its internal conflicts, difficult geo-strategic location and economic problems, Jordan is currently the most stable country in the region. However, it does have one major problem: high unemployment – officially at 18% and just below 30% for young people. In order to promote small and medium-sized enterprises, the Nomou Jordan Fund is providing business financing and consulting to be used to set up and expand businesses. KfW is involved with equity capital in Nomou on behalf of the German Federal Government.

Context

Jordan is a desert country without any noteworthy resources; it also has less water than almost any other country in the world and is reliant on expensive energy imports. Bread, electricity and petrol are all subsidised by the state to relieve burdens on the population. The arrival of over one million Syrian refugees, the majority of whom live in host communities, is placing additional stress on the economy. As a result of the crisis in Syria, Jordan’s trade with its neighbours – Saudi Arabia, Syria and the Gulf region – has decreased significantly and tourists, who play an important role in the economy, are now travelling elsewhere. The country is also under pressure from the International Monetary Fund, which is pushing for economic reforms and an austerity policy to reduce the state deficit. Rising taxes and the withdrawal of subsidies have incited strong protests among the population.

At the same time, high unemployment rates are continuing to rise as 60,000 young graduates join the labour market every year. Only a very small number of women take paid employment (13% compared to 68% in Germany). In the Global Gender Gap Index in 2016, Jordan ranked 134 out of 144 countries. Despite having a good standard of education, women have difficulty accessing the labour market due to their traditional role in society and a lack of mobility. Without a thriving private sector, the problem with training and employment will never be resolved, for either men or women.

Small and medium-sized enterprises (MSMEs) make up nearly one hundred per cent of the Jordanian private sector and provide almost two third of jobs in this field. The potential for growth – and, as a result, the potential to create jobs – is obstructed by poor access to financing and a lack of (business) acumen. Too much capital is often tied up due to poor cash flow management, inventory management and production processes, meaning that businesses are unable to make full use of

<table>
<thead>
<tr>
<th>Project name</th>
<th>Start-up promotion – Nomou Jordan Fund.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commissioned by</td>
<td>Federal Ministry for Economic Cooperation and Development (BMZ).</td>
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<td>Country/Region</td>
<td>Jordan.</td>
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<td>Lead executing agency</td>
<td>GroFin Group (fund manager).</td>
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</tbody>
</table>
their potential. In light of this, tailored consulting paired with long-term loans would be able to boost growth, leading to a permanently higher employment rate. This is the approach taken by the Nomou Jordan Fund (NJF), which offers both financing and consulting services to SMEs.

Project approach
The Nomou Jordan Fund for Investments was founded as a private stock corporation in 2013; the GroFin Group’s fund management company is responsible for its administration. The majority of financing packages are medium-term loans of between EUR 125,000 and EUR 1.25 million, which are paid back according to the borrower’s financial power. The fund is aimed at SMEs unable to get a loan from banks due to a lack of collateral or poor credit history.

Investment advisors also work closely with the business and provide impetus for expansion and development (e.g. setting up contacts for acquiring new orders, launching ISO certification processes to qualify products for export, etc.). To reduce dependence on donor financing, the loans are designed to generate income for the fund. There are currently no plans in place to distribute profits to shareholders. Instead, they will remain in the fund in the form of capital reserves, making them available for future promotion measures.

To provide support for this very promising approach, the German Federal Government, via KfW Development Bank, has contributed EUR 8 million for a fiduciary holding in Nomou Jordan Fund and EUR 3 million for complementary advisory services. The contribution agreement was signed in 2017. The German Government’s involvement is also designed to encourage private investors to contribute to the fund and thus mobilise an even greater promotional business volume.

One example of the fund’s work is Arabella for Aluminium Extrusion, a company based in the city of Mafraq in northern Jordan since 2012. It produces and processes a wide range of aluminium products. Its founder, Sobhi Zubi, has over 30 years of experience in the aluminium industry. In 2011, he finally decided to set up his own business for aluminium extrusion. Through the NJF, he received a loan for 500,000 Jordanian dinar (almost EUR 600,000) to expand his business by building an additional production site. With this new plant (extrusion machinery and production lines), he was able to increase his production rate, generating a higher income and creating new jobs in the company.

Impact
Between 2014 and the end of 2016, the Nomou Jordan Fund approved over 320 loans to MSMEs and contributed to the creation or protection of more than 2,400 jobs. Over the next ten years, Nomou is aiming to invest in 600 businesses and start-ups and create over 15,000 jobs – increasing the quality of life for 195,000 people.