

Investing in Jordan Through Support for Social Enterprises

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Brief Analysis

By committing to long-term investments in Jordan's communities through support for social enterprises, the United States can contribute to the country's stability and economic growth.

In Jordan, one of the United States' most reliable allies in the Middle East, economic volatility is a major threat to stability and has led to recurrent protests since 2011. High youth unemployment rates and a large refugee population contribute to its economic woes and political tensions, all of which are now exacerbated in the Covid-19 pandemic.

The United States can support Jordan's recovery from the pandemic through long-term investment in social entrepreneurship. The country's entrepreneurship ecosystem is in a developing stage, with most resources focused on short-term funding and training, so a shift in U.S. aid to longer-term support can make a significant difference. Increasing funds and providing multi-year mentorship and operational support to select social enterprises (SEs) will allow them to become powerful forces for positive change and civic engagement in their communities.

Jordan's Social Enterprises

SEs, which are innovative community-centered organizations that use business strategies to address social issues, are particularly well positioned to help alleviate some of the challenges Jordan faces. They distinguish themselves from NGOs and other small enterprises by being profit-driven and reinvesting those profits into their missions. SEs are in a unique position to address diverse issues such as women's empowerment, youth radicalization, and civil society support. In addition, their creativity and flexibility allow them to efficiently leverage their resources and networks to provide solutions in acute and prolonged crisis situations. As they grow, SEs can scale up operations to cover a wider range of issues, provide additional services, or expand to more communities. Since SEs value the extent of their mission-related impact over financial gains for shareholders, investment in these organizations

constitutes a direct investment in Jordan's communities.

There are several SEs that have enjoyed particular success in Jordan. For example, **Naua (<https://www.naua.org/>)** is a social impact platform that aims to promote civic engagement, individual and corporate giving, and volunteering by building trust between civil society organizations and donors. Naua also measures and publishes social impact data on its website so that users can ensure that their donations and volunteerism go towards trustworthy, carefully vetted organizations. During Jordan's months-long pandemic lockdown, Naua pivoted its efforts to **provide (<https://newsroom.mastercard.com/mea/press-releases/naua-org-and-mastercard-empower-over-600000-charitable-beneficiaries/>)** 85,000 food packages and 3,500 tablets for online learning to families and children in need. To do so, it leveraged its existing partnership with the government and other civil society organizations, exemplifying the power of SEs to adapt to changing conditions and respond swiftly to community needs.

Another Jordanian SE, **FORSA (<https://www.for9a.com/en>)**, uses its online platform to match youth with educational and fresh-graduate job opportunities. It is the largest platform in the Middle East that provides reliable, streamlined information and opportunities at no cost, including a database of scholarships, workshops, training programs, and job opportunities. FORSA publishes informational articles, a comprehensive guide of university majors, and a career guide and directory. FORSA also runs an AI-based aptitude and career test and develops free online courses for users. In the last few years, FORSA has grown significantly: in early 2018, the organization had fewer than ten employees and 10,000 daily visitors to the platform. Now, FORSA employs 30 people, operates expanded its services, receives 90,000 daily visitors to the platform, and boasts over 2 million registered users. The organization is a prime example of an SE that has scaled up its size and impact.

In addition, **YARA (<https://www.facebook.com/YARAorg/>)**, the Youth Association for Reality and Awareness, prides itself on creating community-centered solutions for a variety of challenges facing youth, not only in Jordan but also regionally and globally. One of its main current initiatives aims to establish a database of children who are out of school and develop community solutions for providing them with an education. YARA supports its initiatives with sales of products, which it achieves by employing community members at every step of the process, including the collection and cleaning of materials, the transportation goods, the assembly of the final products, and sales and distribution. YARA's reach therefore exceeds the bounds of its youth education objectives by additionally acting as a community employer.

As such, Jordan's SEs focus on the specific needs of their communities while deliberately creating solutions that relate directly to the United Nations' global Sustainable Development Goals (SDGs). Among the SDGs that SEs address are "No Poverty," "Quality Education," "Gender Equality," "Clean Water and Sanitation," "Decent Work and Economic Growth," "Reduced Inequality," "Sustainable Cities and Communities," and "Responsible Consumption and Production" (SDGs 1, 4, 5, 6, 8, 10, 11, and 12, respectively).

Challenges Facing Social Enterprises

Small and medium enterprises employ around 70 percent of Jordan's private sector workforce, which in turn makes up approximately 60 percent of the total workforce, so there is some potential for SEs to contribute to a decrease in the public sector payroll, which currently stands at about 40 percent. At present, however, SEs face a multitude of challenges, including registration, financial sustainability, and increases in size and operations.

Jordan currently does not have a dedicated social entrepreneurship pathway for organizations to legally register. Because of this, SEs must decide between registering as an NGO with the Ministry of Social Development or as a company with the Ministry of Industry and Trade. Both options have their own challenges, and social entrepreneurs report difficulty in registering due to overly complex registration procedures. In addition, SEs registered as

companies with the Ministry of Industry and Trade are subject to unfavorable tax laws.

Financial sustainability is one of the most important goals for SEs, but many SEs struggle with it. Support programs currently offered by the United States and European Union focus on short-term funding periods with smaller amounts given to a multitude of SEs. These programs emphasize the creation of a large number of enterprises, but many of these enterprises fail after a year or two because small, short-term investments make SEs dependent on the changing needs of a variety of donors while requiring them to frequently reapply for funding and denying them the ability to implement long-term projects as they struggle to cover basic operating expenses.

Once an SE has achieved financial sustainability, its next goal is to scale up in size and operations. This step allows it to employ more people and increase its impact by expanding the reach of its programs geographically and/or by implementing additional projects. At this stage, most SEs struggle to find support because donors usually place emphasis on creating new enterprises and providing them with resources and training rather than supporting existing enterprises. Existing enterprises wishing to scale up therefore have little access to mentors or training at this crucial stage.

Realizing the Potential of Social Enterprises

SEs have the potential to provide much-needed services to many communities across the Middle East once they have the resources to expand and grow. As a major donor committed to many of the SEs' same goals, the United States is in a unique position to support SEs and maximize the impact they can have. Creating an SE support program out of extant funding that emphasizes sustainability of enterprises rather than the creation of new enterprises is crucial at this point. Specific policy recommendations are:

- Establishing a dedicated registration pathway: U.S. policymakers should encourage the Jordanian government to establish an official route for SE registration to ease bureaucratic difficulties and grant SEs a well-defined legal status. This should include favorable tax laws with reduced tax rates for small and medium enterprises. Jordan should also publish the guidelines and requirements for registering in a straightforward, easily accessible online format, and state and adhere to expected turnaround times for decisions. An additional improvement would be to enable applicants to complete the registration process online.
- Re-thinking financial aid: Currently, U.S. aid for SEs focuses on short-term support for new SEs. There has been some disappointment because many new SEs are unable to meet the goal of become enduring, impactful organizations. This failure occurs because most SEs do not have access to the long-term funding and mentorship they require. At this stage, therefore, the United States can distinguish itself by scaling up existing SEs through long-term financial and human capital investments. USAID Jordan should shift its approach to longer-term financial grants for select existing SEs. U.S. officials could draw on funding from the Jordan Economic Reform Activity. Long-term funding will allow SEs to be proactive in their communities and to scale up in both size and operations while also contributing to USAID's goals in the Country Development Cooperation Strategy for Jordan.
- Investing in sustainability: USAID Jordan's shift from short-term small-amount investments to long-term significant investments should be accompanied by dedicated mentorship and capacity building for existing SEs. USAID officials should meet with fund recipients at regular intervals to set and review key strategic goals. Continued funding could be conditional on the achievement of set goals at reasonable deadlines, thereby reducing the risk to USAID and ensuring that all investments in SEs have a greater chance of sustained success. Training programs should be led in conjunction with Jordanian colleagues, such as TTI and Jordan University's Innovation and Entrepreneurship Center who can advise social entrepreneurs on the current political and legal climate. This will help determine the individual needs of each enterprise and the best course of action for supporting them. The overall purpose of these investments should

be to scale up the SEs and to ensure that they are financially independent at the conclusion of the USAID program.



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