

Legal Framework for HBBs in Jordan



About Blumont

- Blumont, formerly known as International Relief & Development (IRD), has worked jointly with UNHCR since 2008 to serve vulnerable refugees as well as the host communities in which they reside.
- In 2011, Blumont expanded its programs to serve Syrian refugees – both in camp and non-camp settings – in communities across Jordan.
- Since 2015, Blumont has implemented five consecutive one-year Community-Based Support to Refugees (CBSR) programs at Za’atari camp.
- JLP worked with Syrian refugees and vulnerable Jordanians in five host communities (Ma’an, Tafleh, Karak, Irbid, and Mafraq) through a network of five local community-based organizations (CBOs) as well as UNHCR Community Support Committees (CSCs).



Type of HBBs

The Government of Jordan classifies HBBs into four categories:

- Intellectual (such as consulting, architecture, interior design, software development, etc.),
- Food Processing (cooking, baking, pickling),
- Handicrafts (tailoring, embroidery, candle-making, soap-making, etc.), and
- Domestic Services (such as maintenance, nursing, cleaning, and plumbing).

Achievements

- Within 4 months in 2019, Blumont was able to register and license 108 HBBs across Jordan including **the first and only 22 Syrian-owned HBBs in Jordan.**
- Blumont supported 27 HBBs to sell their products on digital online platform.
- In cooperation with MoITS and endorsed by the government, Blumont host the first formal HBB bazaar that included HBBs from all sectors.

Governorate	# HBBs Identified	# HBBs Registered	# HBBs Licensed	# HBBs Awareness	#HBB in Local Bazaar	# of Bazaar Attendees
Karak	32	21	21	200	19	200
Maan	39	26	24	121	25	200
Mafraq	35	20	20	59	21	100
Tafilah	34	19	19	104	19	300
Irbid	45	25	24	150	15	300
Total:	185	111	108	634	99	1,100

Formalization Process

Registration at MoITS or CCD

- The HBB can be registered as a company at the CCD or as an individual establishment at MoITS central registry.
- Required documents
 - Valid ID (valid passport for Syrian)*
 - MOI approval (only for non-Jordanians)*
- Fees
 - Around 80 JD*



Formalization Process

Licensing at GAM or MOLA

- The process includes getting certain approvals depending on the type of business (such as JFDA for the food sector).
- Licensing regulations at GAM and MoLA don't have any owner nationality restrictions as it is concerned with the formal entity and not with the individuals.



Formalization Process

Licensing at GAM or MOLA

- Required documents
 - Licensing application
 - Company registration
 - Proof of membership in the Chamber of Commerce or Industry
 - Landlord approval
 - Valid ID
 - Signed commitment to allow inspection on the home
- Fees

Differs depending on the type of the profession and municipality type (In June, 2020 MOLA announced that Fees will be zero in the first 3 years)



Advocacy and Awareness Efforts

- With the participation of other implementers and stakeholders, Blumont hosted a workshop for municipalities' representatives in all five governorates to discuss the HBB formalization process.
- Blumont met with MOLA Minister and shared the challenges and based on it, a circular was issued to the different municipalities.
- Through close collaboration with MoPIC, Blumont has conducted several meetings with the different departments at MoITS to discuss the challenge of registering and licensing Syrians. Based on these meetings, a circular was sent to MoITS directorate highlighting the Prime Ministry's exemption for the Syrians issued in November 2018.



Advocacy and Awareness Efforts

- Blumont has led many discussions with different governmental entities including JFDA, MoLA, and the Intelligence Department to address different challenges.
- Blumont created and disseminated awareness videos through social media channels to promote awareness of HBB formalization process and benefits.
- During *Shoughly Men Beity Bazaar*, Blumont organized interactive sessions to engage HBB owners throughout the day, including sessions on
 - the registration and licensing process by the MoMA and the CoC,
 - product packaging by JoPack,
 - and food processing by JFDA.



Challenges with registration - MoITS or CCD

- Some MoITS directorates in the governorates were unaware about the Cabinet decision issued in November 2018 that allows Syrian refugees to register and license HBBs in one of the 3 previously closed sectors to non-Jordanians (food processing, handicrafts and tailoring). Accordingly, different MoITS were rejecting any HBB formalization requests coming from Syrians except for those registering a business with an investment of minimum 50,000 JoD of capital.
- MoITS required a valid passport from Syrians as a required ID document.
- The MoI security clearance process for Syrian HBBs took longer than expected.
- Syrians are only allowed to operate HBBs without the need for a Jordanian partner in the food processing, handicraft, and tailoring sectors.

Challenges with licensing - GAM or MOLA

- Different opinions on the licensing procedures among the different municipalities employees.
- The need for property owner approval prior to licensing the HBB, which is not always guaranteed. In addition to unpaid property taxes by landlords.
- The high cost of licensing in comparison to HBB income level, especially in the first 2 years.



General Challenges

- A main barrier against HBB registration is a lack of understanding of regulations. HBB owners lack clear directions on the steps for registration and licensure.
- HBB owners are also reluctant to formalize due to the fear of other financial consequences such as Taxes and paying the social security.
- Fear of loss of aid. Syrians may fear losing assistance from UNHCR. Similarly, poor Jordanians fear losing payments from the National Aid Fund, which are based on number of household members, income and other factors.



Assessment Focus

Blumont conducted market analysis and capacity assessment aims to build off the success of JLP and inform the future project design by deepening understanding of the market for HBBs in Jordan:

- What are the current market opportunities and constraints for HBBs in Jordan? How does this differ by sector and location?
- What capacity needs exist among HBBs? What capacity needs exist among the intermediary organizations and CBOs that support HBBs?
- What are the key constraints and opportunities for female HBB owners in Jordan?
- What lessons can be learned from the research to inform future programming?



Main Findings

- Home-based businesses are primarily run by women - some 90% of these businesses are managed by women with a high school diploma or less who sell primarily to family, friends and neighbors.
- The largest number of HBBs fall into the food processing category. Many operate seasonally and highly informally – often using no packaging for their products and managing their finances using paper and pen.
- Income generation was the primary motivator for most HBB owners, 75% of whom depended on the income from their business as their sole source of income.
- Only half claimed they were profitable.
- 17% tapped their savings, and 18% took out loans.

Main Findings

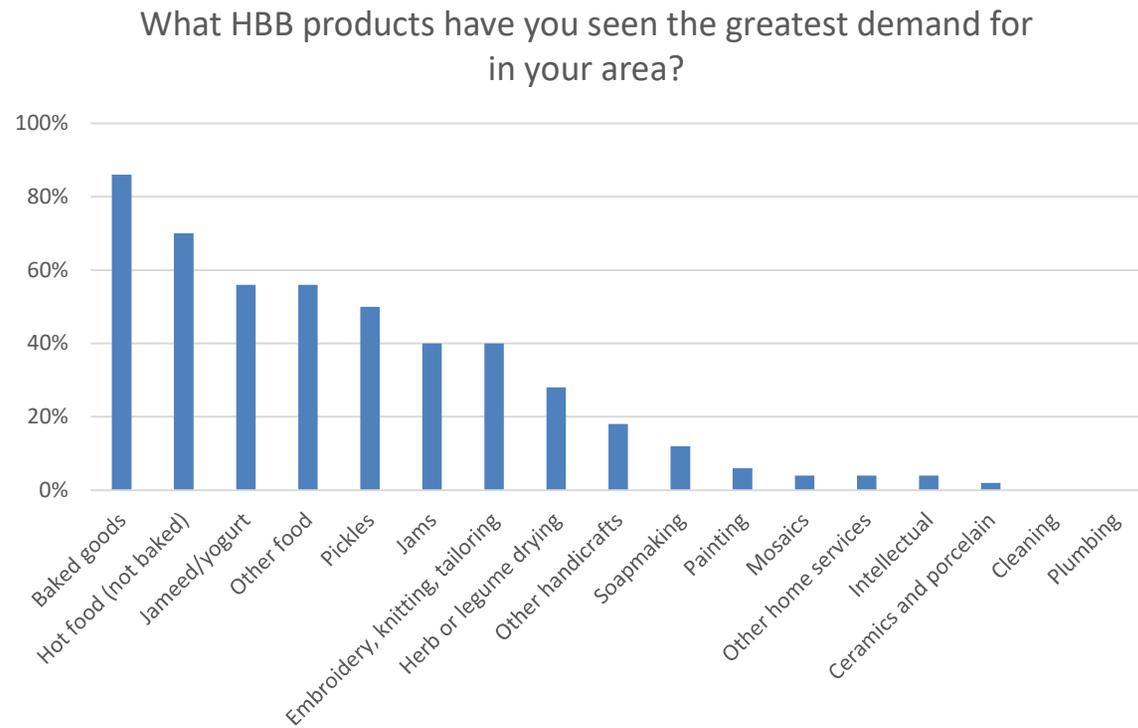
- The vast majority of these registered HBBs – 81% – are located in Amman, Irbid and Mafrq, and nearly half are registered in the intellectual category.
- Most registered HBBs are likely individual consultants working from a major city.
- CBOs and donor programs Blumont spoke with that are working with HBBs indicated that less than 5% of the HBBs they serve in the governorates are in the intellectual category.
- Registration opens up new sales opportunities. One third (32%) of HBB registrants under JLP said their sales had gone up after registration; of these, over half (56%) had an increase of more than 100 jd per month.

Main Findings

- For HBBs seeking financing, linkages to upstream business partners or access to online marketing platforms, registration is a necessity.
- 82% of registered HBBs surveyed by Blumont say there is sufficient demand for their products, but 40% say there is a lot of competition.
- The primary challenges to growth of HBBs, for both handicrafts and food processing businesses, are product differentiation, maintaining quality and supply, improving marketing and outreach, and access to finance.
- HBBs in Jordan tend to copy one another (in trades, products, presentation, etc.) which has caused some market saturation with similar products and also suppressed prices.

Main Findings

- The registered HBB owners surveyed for this study expressed high demand particularly for a number of food products, as shown in the chart below.



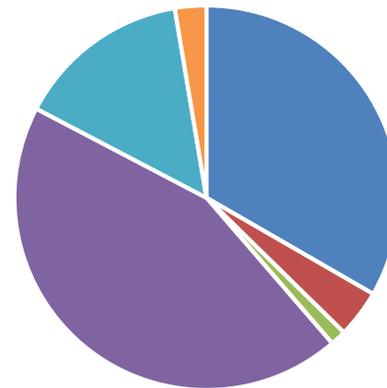
Main Findings

- Food processing HBBs represent the largest category of HBBs in Jordan. Food processing HBBs registered with MoITS offered the following products: baked goods such as cakes, sweets and pastries (46%), jameed/yogurt (18%), pickles (17%), jams (9%), herb drying (5%), legumes drying (2%), and vegetable processing (2%).
- Variable levels of interest in HBB food products from businesses. The strongest interest came from Duty Free Shops, Hypermarkets and Tourist Rest Houses. Shopping malls and Bazaars showed interest in renting booths to HBBs, while upscale restaurants, tourist shops, and hotels demonstrated more skepticism.
- A major constraint to using online platforms for sales is that many HBB owners are not banked and do not have a banking mentality. Less than 5% of HBBs have a bank account. HBB owners are used to cash-in-hand transactions – through direct sales.

Main Findings

- 80% of registered home-based business owners surveyed by Blumont say they need more skills or knowledge to grow their business, and the vast majority of these (88%) said that their primary skills gap is in marketing.
- All HBBs surveyed rely on social media, word-of-mouth, or a combination of these as their primary marketing effort. Social media marketing often consists of using a Facebook page.

What is the primary way you advertise?

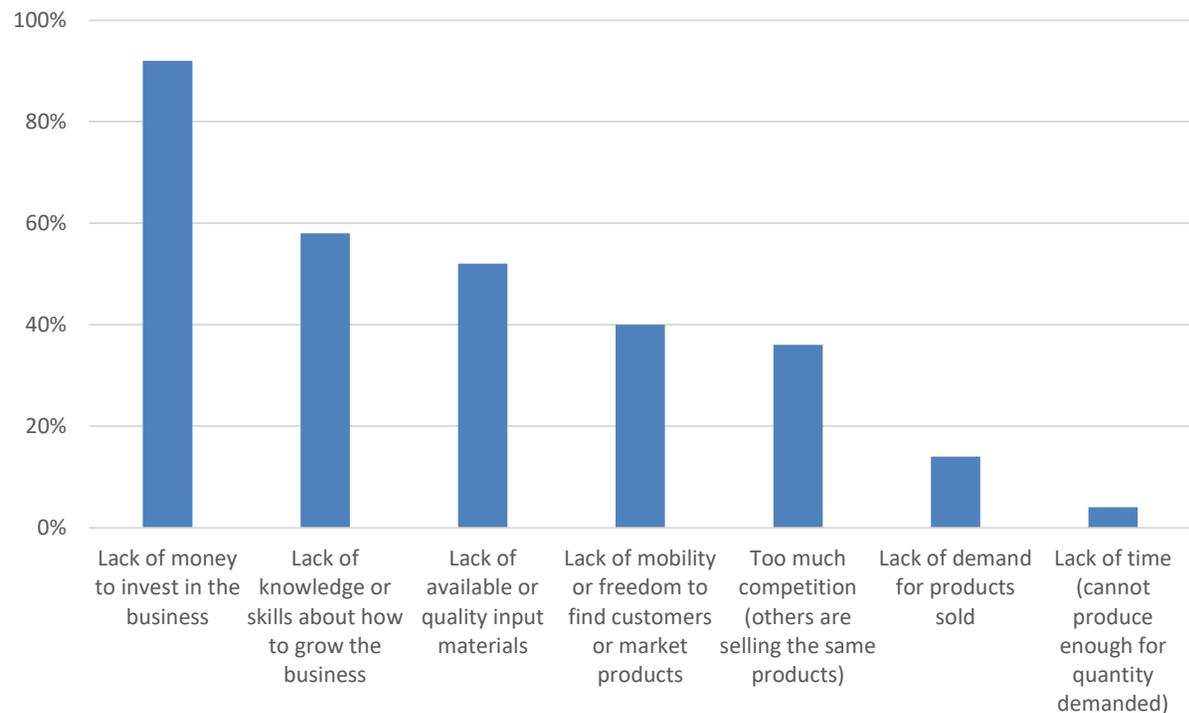


■ Word of mouth ■ Print Materials such as brochurs ■ Bazaars ■ Social Media ■ Combination ■ Other

Main Findings

- Registered HBB (92%) reported that their biggest challenge to growth is a lack of funds to invest in their business. As shown in the graph below, other reported challenges to growth include: lack of skills and knowledge (58%), lack of quality input materials (52%), lack of mobility or freedom to find customers or market products (40%) and too much competition (36%).

What are the biggest challenges to growth you face?



Main Findings

- Experts interviewed for this study painted a slightly different picture of the constraints facing HBB owners:
 - 1) differentiate products
 - 2) guarantee and maintain quality and sustain supply
 - 3) improve marketing and outreach
 - 4) gain access to finance.

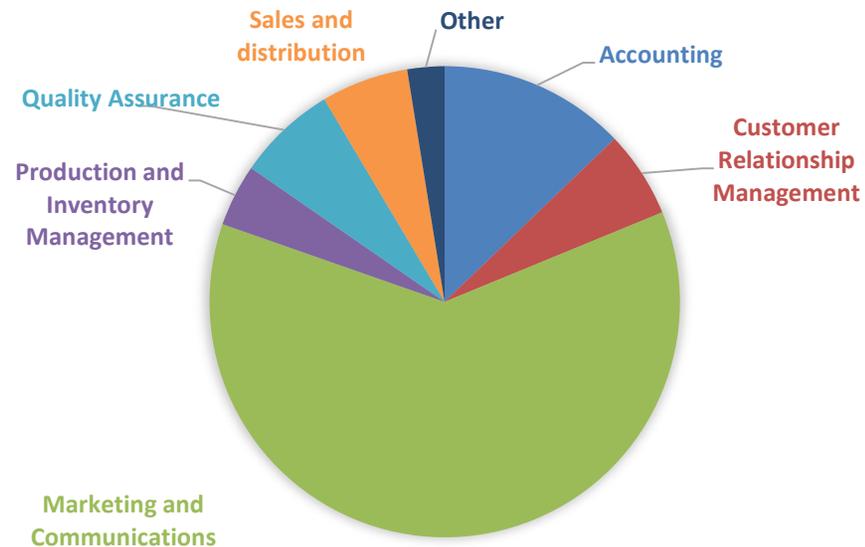
Main Findings

- 88% of registered HBB owners say they need greater access to finance. Lending institutions consider HBBs risky lending prospects – they usually lack traditional forms of collateral and may not keep good business records on cash flows and profits.
- Of the small number that have bank accounts, usage rates are often low. As a result, HBB owners are more likely to seek loans from local cooperatives or other people, such as friends, family or neighbors.
- While all male-owned and registered HBBs in the survey said they make the primary financial decisions for their HBBs and no one else makes financial decisions for their business, one in five (21%) women-headed HBBs say they do not make the primary financial decisions for their business, and an additional 8% have someone else who also makes financial decisions for their business.

Main Findings

- Amongst HBB owners, 71% said their top need for skills development and training is marketing and communications. Specifically, the biggest skill/capacity gaps were viewed as:

WHAT SKILL OR TRAINING WOULD MOST HELP YOU IN MANAGING YOUR HBB?



Impact of Registration



How has HBB registration impacted your business?

