



النهضة العربية للديمقراطية والتنمية  
Arab Renaissance for Democracy & Development



Jonaf جونا ف



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## The Reality and Challenges of Licensing Community and Small Enterprises in Jordan

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## Introduction

Small, medium, and micro enterprises constitute a fundamental pillar of both national and global economies due to their role in promoting growth, sustainable development, and addressing poverty and unemployment. They also provide broad employment opportunities, especially for women, youth, and low-income groups. In Jordan, these enterprises represent about 99.5% of private-sector institutions, reflecting their significance in the national economic structure. Despite this vital role, community and small enterprises face complex challenges that hinder their launch and sustainability, including procedural and bureaucratic complexities, multiple legal authorities, weak financial incentives, and fear of losing social benefits—all of which limit the transition of grassroots initiatives into productive, formalized projects.

This paper, issued by the Jordan National NGO Forum (JONAF) as part of the project *Future Forward: Unlocking Sustainable Local Opportunities*, aims to highlight these challenges, analyze their legal, procedural, and economic dimensions, and present practical recommendations to strengthen the supportive legislative and administrative environment. This would help empower women, youth, and refugees to participate effectively in local development and achieve economic sustainability.

## Key Steps for Licensing Businesses in Jordan and the Challenges Involved

To establish and register the legal form of an economic enterprise, a commercial registration certificate must be issued. Registration costs vary depending on the type of business and its capital size. Fees for a sole proprietorship range between 10 and 80 Jordanian dinars, excluding potential legal fees. Fees for general partnerships and limited liability companies start at 350 dinars and may increase depending on capital. This stage also includes selecting a trade or company name in accordance with specific conditions.

In addition to defining the sector and objectives of the project, small and medium enterprises often face difficulties classifying their activities under the categories adopted by the Ministry of Industry and Trade and the Companies Control Department. These classifications may differ from those used by funding institutions and support entities. Within Jordan, all government departments primarily rely on the classifications issued by the Ministry of Industry and Trade and the Companies Control Department, making them the official reference for all formal procedures.

Despite efforts to stimulate national investment and improve the economic environment in alignment with the Economic Modernization Vision, community and small enterprises still face a set of challenges that hinder their launch and sustainability due to the overlap of legal, administrative, and economic factors. These include complexities in registration and licensing procedures, multiple government authorities, weak access to finance, and the absence of flexible legislation tailored to these types of projects. Continuing these challenges threatens the loss of valuable economic opportunities and undermines the capacity of these enterprises to contribute effectively to local development. Urgent policy actions are needed to support this vital sector and enable it to fulfill its developmental role efficiently and sustainably.

## Local Economic Empowerment Perspectives

In harmony with the Economic Modernization Vision 2033, which represents the national framework for stimulating inclusive growth and empowering individuals and communities, these recommendations are central to the vision's pillars—particularly the Entrepreneurship and Innovation Driver, which includes micro, small, and medium enterprises (MSMEs), entrepreneurship, and startups. This pillar contains eight initiatives, including developing a micro-enterprise incubator, supporting entrepreneurs across the Kingdom, developing initiatives that facilitate access to the labor market, and creating financing funds.

The vision emphasizes updating the legislation and procedures related to small, medium, and community enterprises to ensure easier establishment, licensing, and operation and to reduce the complexities that hinder their growth, as stated in the 2023–2025 Executive Program.

In line with its developmental role, JONAF held national-level dialogue workshops aimed at promoting the localization of humanitarian and development work related to livelihoods. These workshops—held in the north, center, and south of Jordan and attended by government entities, private-sector representatives, civil society organizations, and experts—discussed the challenges facing the livelihoods sector and small and medium enterprises. They served as both an outcome of previous advocacy training and an opportunity to translate acquired knowledge into practical steps to strengthen the localization and sustainability of humanitarian and development work.

Based on the results of these dialogues, the paper recommends adopting a set of legislative and procedural reforms that ease the operational environment for these enterprises. Recommendations include developing a national unified licensing model, amending the Vocational Licensing Law to accommodate community-based enterprises, and unifying electronic procedures among relevant entities. The paper also calls for financial and tax incentives, expanded funding and training programs for women and youth, and reinforcing the localization and sustainability of economic development.

Regarding future recommendations for licensing community and small enterprises, the paper highlights the need to develop flexible licensing models that reflect the nature of these projects and to reconsider licensing requirements for enterprises affiliated with associations. It also recommends unifying vocational-license procedures and linking them electronically across relevant institutions to simplify processes and reduce bureaucracy. Tax exemptions should be provided for enterprises with community and developmental impact to ensure sustainability and scalability. Additionally, procedures for obtaining an occupancy permit (Idhn al-Ashghal) should be simplified across municipalities to ensure fairness, and specialized funding and support programs should be expanded for women and youth.

JONAF's proposal, to unify licensing models electronically and amend the Vocational Licensing Law, aligns directly with the Economic Modernization Vision's pillar on the legislative and regulatory environment, which calls for a comprehensive review of the systems and laws governing economic and social sectors, including business licensing. The recommendation to develop flexible licensing models for community enterprises aligns with the vision's emphasis on establishing an integrated national entrepreneurship system that facilitates entry into self-employment, especially for women and youth, and provides a more just and sustainable environment.

Thus, this paper reinforces the vision's pathway toward local economic empowerment by integrating developmental and social considerations into economic policies, expanding participation in economic activity, and strengthening decentralization. It also stresses that reviewing the legislative frameworks should be accompanied by practical implementation and monitoring mechanisms to ensure the application of reforms and regularly update them to align with the next phase of national economic transformation.

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### Challenges of Licensing and Financing Local Enterprises on the Ground

Results of the national dialogue show that small and community enterprises face similar challenges across various regions, where legal, procedural, economic, and social dimensions intersect. This indicates the need for a comprehensive national framework connecting public policies with local-level practices.

#### Key challenges include:

- 1. Legal and legislative challenges**

Many laws still require continuous updates, such as those related to vocational licensing and related regulations, to better suit the nature of small enterprises, digital services, and social initiatives. Their current form restricts flexibility and limits growth potential.

- 2. Complex procedures**

Licensing processes require multiple approvals and documents from various agencies and often take long periods. This prompts many entrepreneurs to operate in the informal sector to avoid administrative burdens and associated costs.

- 3. Inconsistent regulations among government institutions**

Participants pointed to inconsistencies between municipalities and the Greater Amman Municipality, particularly relating to occupancy permits and clearance certificates, creating confusion and delaying the registration or renewal of business licenses.

- 4. Economic and social challenges**

Many entrepreneurs fear losing financial or social benefits, such as support from the National Aid Fund, health insurance services, or educational grants, which constitute a significant barrier to formal registration, especially among low-income families.

- 5. Restrictions on refugees**

These restrictions continue to limit refugees' active participation in the local economy, whether in terms of work permits or access to finance, hindering their ability to achieve self-reliance and contribute to economic activity.

- 6. Institutional coordination gaps**

The lack of coordination among government initiatives, civil society programs, and the private sector leads to duplication of efforts and fragmented resources, ultimately preventing enterprises from benefiting from available technical or financial support.



## Recommendations

Representatives of civil society emphasized that these challenges reflect a gap in economic and development policies and require political will to reform the business environment. Government entities expressed readiness to review relevant laws and simplify procedures in cooperation with civil society and the private sector. Despite difficulties, discussions agreed that small and community enterprises can contribute significantly to development if supported by an enabling legislative and administrative environment and appropriate economic incentives. Key recommendations are as follows:

### **1. Establish a unified national registry and issue comprehensive legislation**

- Adopt a unified definition for small, medium, and micro enterprises.
- Provide an officially recognized classification for these enterprises to ensure transparency.
- Bring all relevant government bodies under one national umbrella with a unified institutional reference for entrepreneurship and MSMEs.
- Develop legislative frameworks that support startups, encourage entrepreneurship, and ensure an enabling investment environment.
- Review the mandates of ministries and government institutions and eliminate overlap among them.

### **2. Amend wage and tax legislation**

- Revise tax and fee-exemption laws to offer full or partial exemptions for five years from the establishment date.

### **3. Update legislation and laws**

- Hold consultations with relevant entities, such as the Ministry of Industry and Trade, municipalities, Income Tax Department, Ministry of Social Development, and Ministry of Digital Economy, to develop updated legislation aligned with current needs.
- Amend the Vocational Licensing Law to reflect modern economic developments and include community enterprises.

### **4. Licensing procedures**

- Standardize requirements for occupancy permits and clearance certificates across municipalities, eliminating differences between GAM and other municipalities.
- Simplify procedures through digital platforms by creating a unified e-portal for all relevant authorities.

### **5. Support financing and training**

- Develop specialized financing programs for community and small enterprises, accompanied by training in project management.
- Provide financial incentives or tax exemptions for enterprises with community impact and activate soft-loan programs for startups.

### **6. Facilitate access to legal information**

- Create a unified electronic platform containing all legislation, regulations, and licensing requirements for MSMEs.
- Provide a practical guide explaining the rights and obligations of enterprises with real examples to help them avoid violations.

### **Future Forward: Unlocking Sustainable Local Opportunities Project**

This project was launched by Arab Renaissance for Democracy and Development (ARDD) with support from the EU Regional Development and Protection Programme for Jordan and Lebanon, to develop an advocacy strategy for JONAF focused on enhancing livelihoods. Through applied research and strategic alliances, the project aims to influence policies and legislation that enhance the localization of the livelihoods sector, particularly addressing the needs of vulnerable groups, especially Syrian refugees and host communities in Jordan.

### **Jordan National NGO Forum (JONAF)**

Established in 2016 by ARDD in collaboration with a coalition of civil-society organizations, community-based organizations, experts, and media activists, JONAF now includes 50 full members across the Kingdom and covers all humanitarian and development sectors in its work.

This paper is an outcome of the advocacy activities conducted under JONAF's advocacy strategy and highlights the importance of local solutions in enhancing livelihoods.

### **References and Annexes**

- Department of Statistics. *Establishments Survey*. Amman, 2018.
- Economic Modernization Vision: *Unleashing Potential to Build the Future*. Official website of the Economic Modernization Vision, June 5, 2022.

