

Loewe, Markus et al.

**Research Report**

## The impact of favouritism on the business climate: a study on wasta in Jordan

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## The impact of favouritism on the business climate

## German Development Institute (DIE)

The German Development Institute is a multidisciplinary research, consultancy, and training institute for Germany's bilateral development cooperation as well as for multilateral development cooperation. On the basis of independent research, it acts as consultant to public institutions in Germany and abroad on current issues of cooperation between developed and developing countries. In a 9-month training course, the German Development Institute prepares German and European university graduates for careers in the field of development policy.

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The impact of favouritism on the business climate  
A study on *wasta* in Jordan

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## Foreword

This study presents the findings of a research project carried out by the *German Development Institute / Deutsches Institut für Entwicklungspolitik*, (DIE) from November 2005 to May 2006. The research team consisted of Dr. Markus Loewe, senior economist at the DIE, and five young professionals: Jonas Blume, Verena Schönleber, Stella Seibert, Johanna Speer and Christian Voss.

The DIE research project had two major objectives: (i) to find out how favouritism affects business in Jordan, and (ii) to find out what can be done to combat it.

The study's recommendations are addressed first of all to the Jordanian government and to businesspeople and others in Jordan who have the power to contribute to the fight against favouritism in their country. In addition, the findings of this project may be of interest for foreign donors who are willing to support Jordanian initiatives against the use of favouritism as well as, of course, for academics.

The study is intended as a contribution to two important strands of literature, which are particularly important for the countries of the Middle East and North Africa (MENA). The first concerns the question of how to strengthen the business climate of developing countries and thereby their economic development. The second reflects the international debate on the promotion of good governance and democracy.

These two strands of literature are not independent of each other. Accountability, transparency and the control of corruption – of which favouritism is one form – are core dimensions of good governance, which are very relevant for a good business climate as well.

The Arab world is a particularly instructive example of the consequences of a lack of transparency. Rulers there enjoy immense discretionary powers. They favour clients and cronies in many ways by their political, bureaucratic and judicial decisions. As a consequence, the fulfilment of formal rights depends to a large extent on the ability to curry favour with decision-makers.

In Jordan, favouritism is referred to as '*wasta*', which means 'connection'. Many businesspeople in Jordan rely on *wasta* rather than on their legal

rights or their ability to compete. For them, having and using *wasta* is vital for attaining their individual ends; it is a social norm with positive rather than negative connotations in large areas of Arab societies. Resorting to it is individually rational, but collectively harmful.

Jordan was chosen for this report not because the use of *wasta* is particularly widespread there or because its business climate is extraordinarily bad. On the contrary: Jordan performs better than most other Arab countries. Rather, three other factors were taken into consideration:

*First*, Jordan's political leaders have themselves put the fight against the use of *wasta* on their agenda. In the spring of 2005, King Abdullah II started an initiative to curb corruption in which he mentioned *wasta* as a form of corruption. As a consequence, the government drafted an anti-corruption law (adopted by the Jordanian Parliament only after the conclusion of the present study). In addition, a second initiative has been undertaken in the form of a recently issued 'National Agenda', which emphasises the need for public sector reforms as a tool for business promotion. The research conducted by the DIE team and presented in this study was meant to provide further input for both of the above-mentioned initiatives.

*Second*, Jordan is to some degree ahead of other Arab countries with respect to reforms in its public sector and the improvement of business conditions within the country. As a consequence, it represents an especially interesting case: During its research mission to Jordan, the DIE research team was able to study not only the negative consequences of widespread favouritism but also the initial effects of the country's recent reforms.

*Third*, empirical research on such a sensitive issue as the role of *wasta* in the public sector is much easier in Jordan than in the rest of the Arab world. Although Jordan, like all Arab countries, has an authoritarian regime, its legislation is more liberal and its government is more supportive of foreign researchers.

The DIE research team started its work in November 2005 by reviewing the relevant literature on *wasta*, governance, and doing business in Jordan and by planning its research mission to Jordan, which took place from February to April 2006. In Jordan, the team co-operated with the Ministry of Planning and International Co-operation and the Ministry of Public Sector Development as its two official partner institutions.



A preliminary version of this study was presented and discussed in Amman on 26 April 2006 during a workshop at the Center for Strategic Studies (CSS) of the University of Jordan. The Jordanian media reported extensively on this presentation and on the results of the study. The two leading newspapers, 'Al-Ray' and 'Al-Dustour' published lengthy articles, one of them with the title "*Scientific Study Confirms: Wasta is a Handicap for Investment*" (Al-Ray, 27 April 2006).

As a consequence, the study has led to an intense debate in Jordan among politicians, parliamentarians, businesspeople and journalists about favouritism in Jordan. Some members of parliament released statements in this regard to the press. One of them said: "*It is true that some investors have excellent relations with the government and can exert influence on political decisions. It is even true that a law was changed for the benefit of a single investor.*" Another said: "*Investors have no access to functionalities except with the assistance of their money*" (Al-Hayat, 5 May 2006).

In September 2006, the Jordanian parliament adopted a law explicitly banning the use of *wasta* in state-business relations. The present study had already concluded its research early in 2006 and was unfortunately unable to take this law into consideration.

For political reasons, most of our interlocutors are not quoted by name. The DIE project team assured each of them beforehand that all information received from them would be treated confidentially. It became apparent during the interviews that this promise was a prerequisite for the interviewees – especially some businesspeople and functionaries – to articulate their opinion frankly.

Bonn, October 2006

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Jonas Blume  
Verena Schönleber  
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The DIE research team



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## Abbreviations

ACC	Amman Chamber of Commerce
ACI	Amman Chamber of Industry
AFESD	Arab Fund for Economic and Social Development (Cairo)
AGFUND	Arab Gulf Programme for United Nations Development Organization (Dubai)
AHDR	Arab Human Development Report
AMIR	The AMIR Programme / Achievement of Market-Friendly Initiatives and Results Program (Amman)
ASEZ	Aqaba Special Economic Zone
ASEZA	Aqaba Special Economic Zone Authority
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung / German Federal Ministry for Economic Co-operation and Development (Bonn)
CCD	Companies Control Department (Amman)
CSS	Center for Strategic Studies, University of Jordan (Amman)
DIE	Deutsches Institut für Entwicklungspolitik / German Development Institute (Bonn)
EIU	The Economic Intelligence Unit (London)
EJADA	European-Jordanian Action for the Development of Enterprise (Amman)
EU	European Union
FDI	Foreign direct investments
Fride	Fundación par las Relaciones Internacionales y el Diálogo Exterior (Madrid)
G8	Group of Eight (informal group of Canada, France, Germany, Italy, Japan, the United Kingdom of Great Britain and Northern Ireland, the United States of America und Russia)
GCI	Global Competitiveness Index
GDP	gross domestic product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (Eschborn)
ICT	Information and Communication Technologies
IMF	International Monetary Fund (Washington, DC)
JAED	Jordan Agency for Enterprise Development (Amman)

JD	Jordanian Dinar
JIB	Jordan Investment Board (Amman)
JIEC	Jordan Industrial Estates Corporation (Sahaab, Karak, Irbid)
KfW	KfW Development Bank (Frankfurt am Main)
MENA	Middle East and North Africa
MGA	Municipality of Greater Amman
MoIT	Ministry of Industry and Trade (Amman)
MoPIC	Ministry of Planning and International Co-operation (Amman)
MoPSD	Ministry of Public Sector Development (Amman)
MP(s)	member(s) of parliament
NAF	National Aid Fund (Amman)
NGO(s)	non-governmental organisation(s)
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OSS	one-stop-shop
QIZ(s)	Qualifying Industrial Zone(s)
SME(s)	small and medium enterprise(s)
TI	Transparency International (Berlin)
TICPI	Transparency International Corruption Perceptions Index
UN	United Nations
UNDP	United Nations Development Programme (New York)
UNOCD	United Nations Office on Drugs and Crime (Vienna)
USAID	United States Agency for International Development
US \$	United States Dollar
WDR	World Development Report
WEF	World Economic Forum (Davos)
YEA	Young Entrepreneurs Association (Amman)

## Currency conversion rates

1 JD (Jordanian Dinar) = 1.421 US \$ (US-Dollar)

= 1.113 €(Euro)

1 US \$ = 0.704 JD

1 € = 0.899 JD

*(inter-bank exchange rates from 23 May 2006)*



## Executive summary

### *Introduction*

Wide-ranging agreement exists today that a good business climate is central to economic growth and poverty alleviation. However, many questions remain open with respect to the role of the state in creating a good business climate. The intention of this report is to contribute answers to at least some of these questions.

The *World Development Report 2005* argues that governments should aim at improvements in areas such as stability and security, regulation and taxation, finance and infrastructure. In many countries, however, it is even more vital to address the quality of governance by enhancing the credibility of the government, fostering public trust and legitimacy, reforming the regulation of markets, strengthening the rule of law, promoting accountability and transparency in public administration and the judiciary, and, last but not least, controlling corruption (World Bank 2004; 2005f).

Enhancing the quality of governance is particularly important for the countries in the Middle East and North Africa (MENA), which reveal the most severe governance deficits of all countries worldwide. The Arab Human Development Report 2004 argued that without improved governance the MENA countries could neither attract investors nor achieve sustainable economic growth (UNDP / AFESD / AGFUND 2004).

Widespread favouritism is one of the main obstacles to good governance and economic development in the MENA countries. It can be defined as the tendency to provide preferential treatment to friends and relatives. In the MENA countries, favouritism is often referred to by the Arabic word '*wasta*', which means 'relation' or 'connection'. However, while favouritism in Asia has found growing attention in recent years, very little research has been done so far on the use of *wasta* and its effects on the MENA countries (Hutchings / Weir 2006).

With Jordan as an example, the present study therefore undertook (i) to investigate how the widespread use of *wasta* affects the business climate and investment activities and (ii) to identify measures for curtailing the use of *wasta* and thereby promoting economic development.

The study shows that the widespread use of *wasta* adversely affects the business climate in Jordan by making state-business relations inefficient and unfair. In addition, the study argues that the use of *wasta* persists (i) because many people are not aware of the fact that they can reach many of their goals without *wasta*, (ii) because there is little incentive to refrain from using it, (iii) because of socio-cultural norms which keep it in existence, and (iv) because of Jordan's political system, which benefits the political elite.

*Business climate, state-business relations, and the impact of favouritism*

*Business climate* can be defined as the set of factors that shape the decision of both local and foreign firms to do business in a given country. This includes *inter alia* that country's endowment of natural resources, its geopolitical situation, the level of education in its labour force, its quality of regulation, its degree of taxation, its infrastructure, the access to finance which it provides to entrepreneurs, its quality and rule of law, and aspects of its governance such as the control of corruption (World Bank 2004). A good business climate is characterised by reasonable costs and low risks of doing business as well as by low barriers to competition.

Many of the factors just mentioned involve *state-business relations*, that is, interactions between private firms and the public sector on the administrative level (registration, licensing, taxation, public tendering, etc.) as well as on the political level (where private companies lobby for their interests). Viewed in this light, state-business relations are very important for the business climate. This means that the costs and uncertainties incurred by private firms when interacting with the state should be minimised, and that all private firms should have equal access to government services and political decision-making. In other words: state-business relations should be efficient and fair.



*Favouritism*, on the other hand, is preferential treatment of relatives, friends, and neighbours or other acquaintances. It is a widespread pattern of social interaction in many parts of the world – known as *blat* in Russia, *guanxi* in China and *wasta* in the Arab world. Favouritism does not constitute a major problem when the person who favours someone else acts on his own behalf. But it is a form of corruption when a public or private office is abused, i.e. when preferential treatment is provided at the expense of a third party such as the employer, the state or the general public (Kaufmann 2004).

### *Research methodology*

For the purpose of this study, we conducted an eleven-week field research project in Jordan in early 2006. Preparations started in November 2005.

In Jordan, we followed an iterative research approach in accordance with the principles of grounded theory: re-analysing interviews and reformulating premises allowed us to align theoretical considerations with empirical findings.

Our research in Jordan comprised four elements: (i) interviews with 99 resource persons from the government of Jordan, non-governmental organisations, academia, the media and foreign donors, (ii) interviews with 58 businesspeople from different economic sectors, (iii) interviews with 18 managers in the Jordanian public administration, and (iv) an anonymous, standardised survey among 180 low- to medium-ranking civil servants.

### *The business climate in Jordan*

Although the quality of Jordan's business climate is slightly above regional and international average, some significant deficiencies remain – especially with respect to state-business relations.

The country's macro-economic parameters have improved in recent years. However, this has been due to windfall profits rather than to a rise in productivity and competitiveness. The country has benefited from a rise in budget transfers from the Gulf countries and from the

West as well as from an increase in private transfers from Jordanian migrant workers in the Gulf and from wealthy Iraqis who have invested in Jordanian real estate. These external effects will, of course, not last forever. In addition, current growth rates are still too low to reduce Jordan's high unemployment and poverty rates.

Jordan must therefore encourage and promote development in its private sector in order to become independent of windfall profits. A better business climate is crucial to this goal, since it will not only facilitate the activities of domestic entrepreneurs but also help to attract foreign investors.

Jordan's business climate leaves much room for improvement. Although progress has been made in some areas during the last ten years, Jordan's business climate is only mediocre in international and regional comparison. According to the Growth Competitiveness Index of the World Economic Forum (WEF), for example, Jordan ranked only fifth among 12 Arab countries in 2005 and was No. 45 among 117 countries worldwide (Blanke / Lopez-Claros 2005; WEF 2006a). Jordan was 6th among 17 MENA countries and 78th among 175 countries worldwide in the World Bank's *Doing Business in 2007* ranking (World Bank 2006).

To overcome such mediocrity, Jordan must look beyond its natural resources, which are severely limited, and its domestic market, which is quite small. In addition, its geopolitical location is precarious. The country must therefore offer extra-ordinary conditions for investors in other areas to compensate for these drawbacks.

Entrepreneurs in Jordan complain particularly about state-business relations as a major weakness of Jordan's business climate. In our interviews with businesspeople, 33 % of the respondents stated that they had faced difficulties in registering and licensing their companies, and a total of 80 % mentioned problems in at least one kind of interaction with public administrators. These results are in line with the World Bank's report on *Doing Business in 2007*, which ranks Jordan 110th worldwide regarding the registration of property, 118th regarding protection of investors, and 133rd regarding starting a business.

Our ongoing inquiries about problems faced by businesspeople when interacting with the state found that state-business relationships in Jordan are characterised by a lack of efficiency and fairness: More than two thirds of the interviewees stated that administrative procedures took too much time, that they were too complicated, and that they were too costly. At the same time, 33 % complained of unequal treatment by public administrators, and 26 % declared that decisions of the bureaucracy are unpredictable.

Four reasons were identified by the businesspeople for these deficiencies: (i) Nearly two-thirds of the respondents said that there was too much regulation in Jordan, that existing regulations are inappropriate, or that they are changed too often. (ii) 50 % attributed their problems to low qualification and lack of motivation on the part of public sector employees. (iii) 10 % complained about deficits in the organisation of the public sector. (iv) 39 % stated, finally, that decisions made by civil servants depend very much on how well the applicants are connected with influential people in public administration.

### *Wasta in Jordan*

Most Jordanians use *wasta* wherever they can, although a majority would prefer to see it curtailed in their country. Exploitation of personal relations is common among all groups in Jordanian society. 86 % of the businesspeople interviewed by us stated that *wasta* can be helpful in all kinds of interactions with the bureaucracy, and 56 % admitted to using it regularly. 77 % of the 180 civil servants covered by our standardised survey indicated that *wasta* plays an important role in the recruitment and promotion of public sector employees. In addition, *wasta* can help in gaining admission to a university, earning good marks at school, obtaining a job, a scholarship or a bank loan, being granted a tax deduction, getting high-quality hospital care, and avoiding fines or penalties.

In general, the public perception of *wasta* is ambiguous. Many Jordanians disapprove of it on the grounds that *wasta* is unfair to those who do not have good connections. Others, however, endorse it because it can help people to enforce their rights. While some Jordanians con-

sider it a form of corruption, others believe that “*wasta is not corruption because it is not linked to money*”. A third group claims that *wasta* is a form of corruption when it serves to circumvent the law but not if it is used merely to speed up procedures. For this reason, although almost all Jordanians condemn bribery, many legitimise the use of *wasta* in at least some situations. Furthermore, many of those interviewed stated that the use of *wasta* was closely linked to traditional values and social norms and is therefore “*an integral part of Jordanian culture*”.

### *The impact of wasta on the business climate in Jordan*

Our research showed that the widespread use of *wasta* harms Jordan’s economic development in three different ways:

*First, it makes state-business relations unfair:* The widespread use of *wasta* affects the fairness and predictability of state-business relations on both the administrative and political levels:

- It enables well-connected people to speed up administrative procedures and to get access to public sector services, information on business opportunities, government tenders, tax exemptions, jurisdiction and credit. 64 % of the civil servants interviewed admitted that people with *wasta* complete procedures in their government department much faster, easier and cheaper than others. In addition, they sometimes get confidential information, which allows them to exploit monopoly rents. For example, some investors in Amman were told by friends working in the public administration where new streets were planned in the next couple of years. As a consequence, they were able to purchase land in these areas before anybody else did. Likewise, as the head of a research institute explained, “*When there is a new business, for example when free media are allowed, those with the most wasta get the first licenses. People who are close to the government and the security forces always have the first draw*”. But *wasta* also affects public procurement. An expert on foreign investment stated that “*tenders are often ‘window dressing’. Decisions are made before [publication of the tender] following informal criteria.*”

- In addition, *wasta* is also used by businesspeople to influence legislation and policy-making in their own favour. Many have friends in parliament or relatives in the government. A journalist explained, “*In many families there is often one branch that goes into big business and another branch that goes into politics*”. As a result, many entrepreneurs can manipulate laws in such a way that these laws set up effective barriers to competitors. A member of parliament said, “*It is true that some investors have excellent relations with the government and thus exert influence on political decisions. It is even true that a law was changed for the benefit of a single investor.*” (Abdel Rahim Malhas in Al-Hayat, 11 May 2006). A journalist reported about “*One case where the prime minister owned an insurance company and the government changed a law so that premiums were doubled.*”

*Second, the use of wasta makes state-business relations inefficient:* The prevalence of *wasta* in Jordan also affects the duration and complexity of procedures in the public administration and thereby causes inefficiency in state-business relations:

- On the one hand, *wasta* affects the recruitment and promotion of civil servants, which is a major reason for overstaffing and the employment of unqualified staff in the public sector. Many civil servants in Jordan have been employed mainly because of their *wasta*. 77 % of our interviewees in public administration admitted that *wasta* was ‘important’ for getting a job in the public sector. The director of a human resource department explained, “*If a minister or engineer tells you to employ someone, you cannot say no.*” Likewise, *wasta* is more important for the promotion of civil servants than their personal qualifications.

As a consequence, many people hold positions for which they are not qualified, and it is almost impossible to dismiss them. Many entrepreneurs complain about this problem: “*People in public administration are not very helpful. They are lazy and lack the necessary commitment and interest for their job.*”

In addition, because of *wasta*, far too many people are recruited every year for the public sector. All managers strive to employ as many people from their family, village and tribe as possible. To keep superfluous civil servants busy, additional steps are added to administrative procedures like registration or licensing; which

in turn increases the duration and costs of these procedures and makes them more complicated.

- On the other hand, weaknesses in the legal framework for doing business in Jordan can also be attributed to some degree to the influence of *wasta*. Most members of parliament (MPs) are not elected because of their qualification with respect to legislation and policy-formulation but because they are seen as a good *wasta* for their constituencies. As a consequence, they have little incentive to make good laws. A parliamentarian admitted: “*Most MPs came into parliament without any program. Their only aim is to promote personal interests.*” Likewise, many ministers are appointed by the King because of their *wasta* and not because of their competence. As a consequence, they often perform poorly, and many of their decrees are of poor quality.

*Third, the wide-spread use of wasta also affects private investment in an even more direct way:* In the course of our research, it became obvious that the use of *wasta* affects not only Jordan’s business climate, but also have a direct impact on the investment decisions of entrepreneurs. Many businesspeople devote very much time and money for networking, i.e. they invest in social connections rather than in machines, business ideas or innovative products. This behaviour is rational in a context where the success of entrepreneurs depends on their *wasta* rather than on their competitiveness. From a national perspective, however, it is rent-seeking, which entails a misallocation of resources and constrains Jordan’s development.

#### *Measures against the use of wasta in Jordan*

Initiatives against the use of *wasta* should naturally address the factors that contribute to its persistence. Some measures have already been implemented but much remains to be done by all relevant parties: the government, businesspeople, the society at large and foreign donors.

*Reasons for the persistence of wasta:* During our research, we also found evidence for the second hypothesis mentioned above: The four factors mentioned above can in fact explain why the use of *wasta* is so common in Jordan despite its negative effects:

- *Lack of awareness*: Most Jordanians know about these effects, but are unaware of the fact that changes have taken place in some areas, i.e. that they no longer need *wasta* in many interactions with the state bureaucracy.
- *Perverse incentives*: Many Jordanians try to make use of their *wasta* simply because all others do the same. They have no incentive to change this practice because they would be worse off if they did.
- *Socio-cultural values and norms*: Jordanians themselves explain the widespread use of *wasta* in cultural terms. They associate it with cherished values such as solidarity and loyalty and refer to Jordan's tradition of tribalism. Even though this link is much less obvious than it might appear at first glance, the argument is very relevant, because it helps many people to justify behaviour, which they themselves know to be in fact objectionable.
- *Opposition to change within the authoritarian regime*: A fourth factor is the neo-patrimonial character of Jordan's authoritarian political regime, which contributes to the persistence of *wasta* in two ways: *On the one hand*, the regime relies on informal personal networks with influential social groups. The ruler acts as a patron who provides privileges to his clientele in exchange for loyalty and support. For example, the clients receive influential posts, which they can exploit for their own benefit or for the benefit of their respective clients. Many parliamentarians, ministers and tribal leaders therefore have no interest in measures which might curtail the use of *wasta* or undermine their influence and power and thereby destabilise the political regime. *On the other hand*, the authoritarian regime makes it very difficult for the media, NGOs or political parties to organise and push for the eradication of the use of *wasta* in political procedures.

*Past measures taken to curtail the use of wasta*: Only a couple of days after his accession to the throne, King Abdullah put the fight against the use of *wasta* on the political agenda. As a consequence, the government has worked out several programmes to reform the public sector and to curtail the use of *wasta* in state-business interactions. It has streamlined and standardised some administrative procedures and reformed human resource policies in some segments of the public sector. The improvements achieved in these fields (e.g. taxation of cars,

issuance of passports) are tangible. In others, however, no progress has been made at all.

The government has also drafted new laws and regulations penalising bribery and favouritism, and plans exist to establish new government entities to fight corruption more effectively. However, most of these plans have not yet been implemented. The Ministry for Public Sector Development, for example, has designed a code of conduct for civil servants, which includes a clear ban on any kind of preferential treatment, but the cabinet has not even discussed the draft code so far.

Some NGOs have organised – with some support from the government – public awareness campaigns on the negative effects of the use of *wasta*. Others have conducted research and disseminated studies on the topic.

At the same time, however, very little has been done to address the political and socio-cultural factors of favouritism in Jordan.

*Recommendations:* The parliament and government of Jordan should make the fight against favouritism a top priority on their agenda:

- They should make people aware of the negative consequences of the use of *wasta* and show them alternative ways of getting their business done. In addition, they should strengthen people's identification with the public interest. 43 % of the businesspeople interviewed stated that a mentality change was crucial for curtailing the use of *wasta*.
- The government should change the incentives of businesspeople and government employees. It should punish people more severely than in the past for providing or asking for preferential treatment in state-business interactions. It should take steps for better monitoring of administrative procedures and decisions made by civil servants. The civil servants interviewed during our research pointed out themselves that their respective administrative units were not well supervised. To this end the judiciary must be strengthened and an independent anti-corruption unit should be built up, since the existing unit at the General Intelligence Department lacks transparency and effectiveness. Parallel to this, positive incentives should be implemented for rewarding Jordanians who refrain from the use of *wasta*. Prizes might be



awarded, for example, to the fairest and most service-oriented government departments or employees.

- An even more effective approach, however, would be to make the use of *wasta* completely useless. When citizens realise that administrative procedures have become so easy, cheap and quick that using *wasta* is superfluous, they will change their behaviour.
- Likewise, measures are required for fostering transparency and accountability in the public administration. The division of responsibilities should be made more clear-cut and transparent for citizens. Public sector employees should be made accountable for the consequences of their decisions. Modern information and communication technologies should be employed. For example, e-procurement and e-tendering have helped in many countries to bring down government spending while accelerating administrative procedures and making them more transparent and predictable.

However, all these reforms will probably have only limited effects as long as Jordan's political system remains unchanged. Lasting successes in the fight against favouritism require transparency and accountability not only in Jordan's public administration but also in the political system itself:

- The government should start by implementing its own National Agenda. Particularly, the party law should be liberalised, and the election law should be reformed to allow for a more representative parliament and stronger parliamentary control of the government.
- In addition, the parliament should be empowered to hold the government accountable for its decisions.
- A freedom of information law should be enacted.
- The government should realise its plan to establish an independent ombudsman for citizens' complaints.
- All government budget plans and monitoring reports should be published in the Internet.

The private sector is the second stakeholder in state-business relations and therefore also has a key responsibility to fight the use of *wasta* in

this particular field. Business people, as well as business associations and professional unions, should contribute to a heightened awareness while lobbying for institutional change and refraining from the use of *wasta*.

Although NGOs and the media are not direct stakeholders in state-business relations, they can support the efforts of the state and of the private sector. They should act in the public interest by: (i) increasing public awareness of the topic and lobbying for reform, (ii) mediating conflicts between different stakeholders, and (iii) speaking out for those who find it difficult to voice their concerns themselves.

The possible scope of action of foreign donors in fighting *wasta* in Jordan is limited. Jordan is able to finance and organise most action against the use of *wasta* itself. What donors can do, however, is first of all to set a good example and to abstain from providing or benefiting from preferential treatment themselves. Second, they should encourage the government of Jordan to intensify its efforts in the fight against the use of *wasta* and to undertake more fundamental political reforms. Third, they can consider to provide technical assistance where needed. For example, they could support NGOs and the media in their efforts to fight the use of *wasta*.

## 1 Introduction

### *Purpose and main message of the study*

Wide-ranging agreement exists today that a good business climate is central to economic growth and poverty alleviation. But questions remain open about the role of the state in creating a good business climate. This study is intended to answer some of these questions.

The *World Development Report 2005* argues that governments should provide above all for stability and security, more efficient taxation, finance for entrepreneurs, infrastructure, and the necessary education and training of workers. At the same time, however, good governance is at least equally important. Governments should therefore foster public trust and legitimacy, bolster the accountability of public institutions, and control corruption (World Bank 2004).

Enhancing the quality of governance is particularly important for the countries in the Middle East and North Africa (MENA), which is why this study focuses on one of these countries. All indicators put the MENA ranks at the bottom of all world regions in terms of governance, and this has not changed over the past decades. In contrast, all other world regions – with the possible exception of Central Asia – have seen considerable improvement. The *Arab Human Development Report 2004* stresses that sustainable economic growth cannot be achieved in the MENA countries without improved governance (UNDP / AFESD / AGFUND 2004).

One of the core dimensions of good governance<sup>1</sup> is transparency and the control of corruption. The latter in particular is important for a good business climate (World Bank 2005f). Corruption can take different forms, one of them being favouritism which is very widespread in the MENA region. It is usually referred to there as ‘*wasta*’, which is Arabic for ‘relation’ or ‘connection’, and describes the use of personal relations for preferential treatment. Cunningham and Sarayrah, who studied the phenomenon in detail, state the following:

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1 Other dimensions of good governance are: voice and accountability, political stability, absence of violence, government effectiveness, regulatory quality, and the rule of law (World Bank 2005 f).

*“The inability of some Third World nations to demonstrate long-term economic growth is often associated with government corruption. Wasta figures prominently in those charges and may be interpreted as a causal antecedent to poor economic performance.”* (Cunningham / Sarayrah 1993, 159)

However, while Cunningham and Sarayrah recognise that *wasta* is detrimental to economic development, they do not show *how* this occurs. In fact, only a few studies to date have been published on the impact of *wasta*, and all of them focus on its role in the social and political sphere of MENA countries (Aysan / Nabli / Varoudakis 2006).

The present study therefore focuses on the economic effects of *wasta*. It has a twofold aim: *first* to find out *how* the use of *wasta* in state-business relations affects the business climate and investment and, thereby, economic development at large, and, *second*, to identify starting points for curtailing the use of *wasta*. All reference is hereby to Jordan, which has been selected for this case study for pragmatic reasons.

The study does not attempt to measure the effects of *wasta*. The reader should not expect to find quantitative data on the extent to which private sector development suffers from the widespread use of *wasta* in Jordan. An assessment of this kind cannot be achieved with the methods used in this study.

The main message of the study is that the use of *wasta* adversely affects the business climate in Jordan in many different ways. It leads to inefficiency and unfairness in state-business relations on both the administrative and the political level, thereby increasing the costs and risks of doing business in Jordan and setting up additional market-entry barriers for investors.

In addition, the study shows that the fight against the use of *wasta* must address several factors, which are responsible for its prevalence and persistence: Individual incentives for using *wasta* must be changed by legal and administrative reforms. Public awareness campaigns must be carried out. And, of course, the political system must be altered.

### *Methodology of the study*

This report is based on two sources of information: literature on the subject and primary research.

The literature covers the business climate, state-business relations and *wasta* in Jordan. The business climate in Jordan has been amply described in country profiles and comparative studies, for example by the Economist Intelligence Unit (EIU 2000; 2005a) and the World Bank (2005b). State-business relations in Jordan have been less well researched, but some studies on the political economy exist, for instance those of Wils (2003) and Knowles (2005).

Unfortunately, only a very few studies focus on the economic effects of *wasta*. Of these, the work by Cunningham and Sarayrah (1993) already mentioned is the most comprehensive. Some international cross-country analyses have provided evidence on the economic effects of corruption in general. Kaufmann and Kraay (2002) and Mauro (1996), for example, demonstrate that there is a significant negative correlation between the level of corruption in a country and its economic growth rate. They also show that corruption limits growth – not vice-versa. But they failed to analyse why and how this is so. Kilani and Sakijha (2002) surveyed Jordanians' perception of *wasta* and their reasons for using it. Even though this data is not representative, it at least provides some interesting insights into the ambiguity of the phenomenon and the complexity of its causes and effects.

The empirical findings of this study come from a three-month research mission to Jordan between February and April 2006. During that time, the authors' conducted

- 99 interviews with representatives of the government of Jordan, non-governmental organisations, academia, the media and foreign donors;
- 63 interviews with businesspeople<sup>2</sup>;
- 18 interviews with managers in the public administration and
- a standardised survey among 180 low- to medium-ranking public sector employees.

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2 Only 58 of these interviews were used, since five were devoid of substantial information.

### *Structure of the study*

Chapter 2 presents the conceptual framework of the study: It defines first the key terms and concepts of the study: business climate, state-business relations, favouritism, and *wasta*. After that, it discusses in general terms why and how favouritism may affect the business climate. Finally, the chapter draws upon theoretical literature to give possible explanations for the prevalence of favouritism in a given country.

Chapter 3 is based on the results of Chapter 2 and delineates the hypotheses tested by our empirical research in Jordan. In addition, it gives a detailed account of our research methodology.

Chapter 4 outlines the main features of the business climate in Jordan: It identifies the main problems perceived by businesspeople and discusses possible reasons for these weaknesses. The chapter concludes that state-business relations are a major area of concern for investors in Jordan.

Chapter 5 turns to the role of *wasta* in Jordan. It shows how *the use of wasta* permeates all areas of economic and social life and gives an insight into the ambiguous attitudes of Jordanians toward *wasta*.

Chapter 6 is devoted to the effects of *wasta* on the business climate and on investment. It shows that the prevalence of *wasta* in Jordan makes state-business relations unfair and inefficient. In addition, *wasta* establishes incentives for investment in social relations rather than in productive capital, thus lowering the rate of capital formation in Jordan.

Chapter 7 concludes with policy recommendations. It first discusses why *wasta* persists in Jordan despite its negative effects and explains this phenomenon by (i) perverse incentives for all those involved, (ii) a lack of awareness of alternatives to the use of *wasta*, (iii) the impact of socio-cultural norms, and (iv) a deep-seated opposition to change. After that, the chapter investigates what has been done up to now to limit the use of *wasta* and its impact on the business climate in Jordan. The chapter ends with a list of things that the government of Jordan, the private sector, NGOs, the media, and foreign donors can do to limit the future use of *wasta* in Jordan.

## 2 Business climate, state-business relations, and the impact of favouritism

Widespread favouritism has significant, adverse effects on the business climate. It leads to inefficiency and unfairness in state-business relations and thereby increases the costs, risks and impediments for investors. Eliminating it is often difficult, however, because of a lack of awareness, perverse incentives, political interests and the influence of social norms.

In this chapter, we will approach the subject from a theoretical perspective. We identify the criteria of a good business climate (2.1), define the term ‘state-business relations’ (2.2) and portray the phenomenon of favouritism (2.3). We then formulate assumptions about the effects of favouritism (2.4). Finally, we discuss possible explanations for the prevalence of favouritism in many countries worldwide (2.5) and how the phenomenon must be addressed in order to reduce it (2.6).

### 2.1 The business climate

In recent years, the debate on how pro-poor growth can be achieved has increasingly focused on the role of the business climate, which is the main determinant of the level of private investment in a country (World Bank 2004). In turn, the rate of investment has been found to be the single most important factor for economic growth (Levine / Renelt 1992).

The term ‘business climate’ includes all factors that shape the decision of both local and foreign entrepreneurs whether or not to do business in a country.<sup>3</sup> Some of these factors are related to the geographic location of the country and therefore cannot be altered. This includes, *inter alia*, the country’s size, morphology, climate, and natural resources. Other factors change over time and are likewise beyond governmental control. A good example of this is the political stability and economic development of neighbouring countries. A third set of factors, however, is directly affected by political decisions: the quality of the infrastructure, the availability of credit, the quality of the work force, the extent and efficiency of taxation,

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3 This definition follows the World Bank’s explanation for ‘investment climate’, which is defined as “the set of location-specific factors shaping the opportunities and incentives for firms to invest productively, create jobs and expand” (World Bank 2004, 20).

the regulation of markets, the enforcement of property rights and contracts, the accountability of public institutions, and the level of corruption (World Bank 2004).

The *World Development Report 2005* stresses that the quality of a business climate depends on three aspects: (i) the costs of doing business, (ii) the risks of doing business, and (iii) barriers to competition.

- *High costs* limit the revenue of businesspeople and therefore discourage them from investing. These costs may arise, for example, from a lack of infrastructure, difficulties in gaining access to finance, high taxes, and burdensome administrative procedures.
- *High risks* are also a problem because most businesspeople are risk-averse, i.e. they tend to avoid high-risk investments even when the expected rate of return of such a high-risk investment exceeds the rate of return of a low-risk investment. The risks of an investment may vary, for example, with the capacity of the state to enforce property rights and contracts, to provide for a stable macro-economic environment and to guarantee the transparency of administrative decisions.
- *High barriers to competition* hinder new firms from entering a market and thus benefit powerful incumbent companies. They are usually the result of overregulated markets (World Bank 2004).

## 2.2 State-business relations

Many of the factors, which are relevant for a business climate, are linked to state-business relations. From an investor's perspective, these should be efficient and fair.

In the past, many initiatives for improving the business climate have focused on market liberalisation, infrastructure development, and the provision of finance and consultancy to small and medium-sized enterprises. Institutional deficits have long been neglected.

During recent years, however, more and more emphasis has been put on the importance of good governance for investors (Aysan / Nabli / Varou-dakis 2006; World Bank 1998, 2005b). Governance can be defined as "*the traditions and institutions by which authority in a country is exercised for the common good.*" (Kaufmann 2005a, 41). Good governance therefore



commits itself to principles such as accountability, legitimacy, efficiency, transparency, and the rule of law.

The quality of governance affects not only the relationship between citizens and the government but also all kinds of interactions between private firms and the state. This includes not only administrative procedures such as the registration of new companies, licensing, taxation, contract enforcement, and the submission of tenders, but also contacts on the political level: businesspeople long for political representation and participation in legislation and policy-formulation, while governments sometimes try to use big companies for their own goals.

We argue here that efficiency and fairness are the main criteria for the quality of state-business relations. Efficiency reduces the costs of investors, while fairness ensures fair competition and thereby also limits the risks of doing business.

- *Efficiency* minimises the input required for a given output. The main input of businesspeople in state-business interactions consists of time and money. Efficiency is thus proportionate to the speed, ease, and cheapness of administrative procedures.
- *Fairness*<sup>4</sup> implies that all individuals have equal opportunities to achieve specific goals (World Bank 2005g, 2). State-business relations are thus fair when public authorities treat all businesspeople the same way, i.e. when no one is favoured and when everyone has the same chance to enter a market. One result of fairness is effective competition; another is that the risks of investments are limited: Equal treatment requires standardised procedures, which make the decisions of the authorities predictable.

## 2.3 Favouritism

The word ‘favouritism’ has two somewhat different meanings: (i) the general inclination to favour one person or group over others, and (ii) concrete

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4 The term “fairness” refers here to the principle of equal opportunity: “*The outcome of a person’s life should reflect mostly his or her efforts and talents, not his or her background. Predetermined circumstances [...] and the social groups a person is born into should not help determine whether people succeed economically, socially, and politically.*” (World Bank 2005g, 19).

preferential treatment of those to whom one has personal connections, such as relatives, friends, neighbours or other acquaintances.

Favouritism can arise in different situations: in interactions between public sector officials and businesspeople (e.g. when the latter request a permission at a state office), but also in interactions between different private sector agents (e.g. when a job-seeker applies for a post in a private sector company).

Favouritism does not constitute a problem when only two people are involved. Relatives and friends may, of course, favour each other when they assume all responsibility for the consequences themselves. An entrepreneur, for example, is free to employ only members of his family. His decision possibly creates disadvantages for other people, but the entrepreneur himself bears most of the risk, when his employees are selected on the basis of a personal relationship with him rather than on the basis of their qualifications.

Favouritism is more harmful, however, when a third person is concerned: for example, when a public or private officer uses her/his position to distribute the resources of someone else to a friend or to a relative. This constellation is well represented by a principal-agent model, where the officer is the agent and his employer (a private entrepreneur or – in the case of civil servants – the state) is the principal (Andvig / Fjeldstad 2001). In granting preferential treatment to a friend or family member, the agent misuses the position and power that he owes to the principal, who is unable to control the agent because of asymmetric information. As a consequence, favouritism is very widespread where interactions are not transparent and officials are not held accountable for their actions.

The primary victim of such misuse of public or private office in the form of favouritism is always the principal. The principal loses, because the agent awards, for example, an order to a relative or friend rather than to the best tenderer. In addition, however, there is a secondary victim when the principal is the state and a civil servant the agent. This secondary victim is the general public, on whose behalf the state and its employees are expected to treat all citizens equally. When a public sector employee favours his acquaintances, he impinges upon the rights of all other applicants who may have submitted a better offer or are better qualified for a job to be filled.

In the latter case, favouritism is a form of corruption (Utstein Anti-Corruption Resource Center 2005). Corruption is usually defined as the abuse of public or private office for personal gain or as a unilateral privatisation of public goods (Kaufmann 2005c). The relationships upon which favouritism is based may be established by birth (e.g. between relatives), by shared experiences (e.g. between people who have gone to school together or live in the same area), or by active social network building. Giving small gifts and favours to influential people, for example, can help to establish relationships that may be helpful in future (Olivier de Sardan 1999; Khatri / Tsang / Begley 2006).

Depending on the relationship between the agent and the person who benefits from preferential treatment, favouritism may take different forms: nepotism is the abuse of public power for the gain of family members. Cronyism is preferential treatment of friends or colleagues on the part of public officials. Tribalism is the inclination to favour people from the same tribe (Utstein Anti-Corruption Resource Center 2005; Pope 2000, 197 f.).

Favouritism is a widely accepted pattern of social interaction in many parts of the world: Preferential treatment of family members and friends is associated with social norms such as solidarity and loyalty and therefore seen as an acceptable form of behaviour, while other forms of corruption, such as bribery, are associated with illegality and illegitimacy. In some countries, favouritism has even become an informal institution<sup>5</sup> that describes ‘acceptable’ and even ‘normal’ behaviour (Andvig / Fjeldstad 2001; Olivier de Sardan 1999; Tanzi 1995).

Favouritism is called *blat* in Russia, *guanxi* in China and *wasta* in the Middle East. *Wasta* is the Arabic word for ‘relationship’ and refers to the use of personal connections to obtain preferential treatment.<sup>6</sup> Often, three parties are involved in this process apart from the principal: (i) the client who desires a certain service, (ii) the agent who is supposed to grant pref-

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5 Institutions are “*the rules of the game in a society, enforced either through law or through other mechanisms of social control that shape human interaction*” (Mantzavinos 2001, 83). Favouritism is called an informal institution because its use is enforced by society rather than the state.

6 Unlike favouritism, however, the word describes this preferential treatment from the point of view of the person who is granted a favour rather than the person who is doing the favour.

erential treatment to the client, and (iii) a mediator, who helps the client to get in touch with the agent and perhaps puts in a good word for him.

The mediator is himself often called '*wasta*'. But he/she is not always needed (even when the agent does not know the client personally). If the client comes from a well-known family, he can get many things done merely by mentioning his family name. This kind of *wasta* is acquired by birth, while other kinds are built up through investment in social relations (Cunningham / Sarayrah 1993; Guthrie 1999; Hutchings / Weir 2006; Lovett / Simmons / Kali 1999; Olivier de Sardan 1999).

Favouritism can be distinguished from other forms of corruption such as bribery in that it is based on long-term social relations and mutual trust rather than on an immediate exchange of material favours, as in the case of bribery, where a certain amount of money or a gift is given for a specific favour. In contrast, favouritism creates a more implicit, indirect and unspecified obligation. Although reciprocity is also very important for favouritism, the person doing a favour to another person does not know when and how the latter will reciprocate. In many circumstances, the recipient of a favour must not even reciprocate to the donor himself. Rather, especially in the context of family networks, he is expected to reciprocate by showing solidarity to any other relative in need. This is a form of 'generalised reciprocity' (Khatri / Tsang / Begley 2006; Tanzi 1995; UNODC 2004).

## 2.4 The impact of favouritism

Widespread favouritism affects the economic, social and political system of a country. While there has always been general agreement on its overall negative consequences for social and political development, many researchers have long believed that favouritism can be positive for economic development as well. However, recent research has provided broad evidence that widespread favouritism is harmful for the business climate of a country as well as for private sector development and economic growth. This is presumably due to the fact that favouritism makes state-business relations inefficient and unfair.

### *The social impact*

Although favouritism also has some positive effects, its overall impact on social development is negative.

Favouritism can strengthen social ties and networks and thereby deepen social cohesion. It is based on solidarity, loyalty and mutual trust among tribesmen, friends and neighbours. Asking for a favour and granting a favour are ways to profess these values and reinforce one's social relations. Favouritism can thus strengthen the ties within kinship groups, thereby creating social capital (Hasan 2005; Lin 1999).

However, favouritism is not always integrative. It can also cause cleavages between kinship groups. In a tribal society, favouritism may even be an obstacle to nation-building. In addition, it intensifies socio-economic disparities. Those who are less well-integrated into society or who come from lower social strata are not acquainted with persons who might be able to do them useful favours, nor do they usually have the necessary means to reciprocate favours. As a result, they have fewer opportunities for gaining access to good jobs and services and thus improving their living conditions. In particular, minorities, the poor, and women are often penalised in this way (UNDP Jordan 2004).

Favouritism can also create or perpetuate dependencies. Where formal rules are persistently undermined by preferential treatment for well-connected persons, people conclude that each and every service provided by a government employee is a favour, even though each has a right to these government services (Cunningham / Sarayrah 1994, 39).

Finally, favouritism reduces the incentive for individuals to develop their talents and ideas. Its prevalence makes the reputation, recognition, and success of people dependent on their connections rather than their efforts, skills or manners (UNDP / AFESD / AGFUND 2004, 136).

### *The political impact*

The effects of favouritism on political development are thoroughly negative. For example, favouritism can help to strengthen authoritarian regimes which are based on patron-client relations. Where a small number of key supporters suffices to secure power, the reciprocity mechanism of favourit-

ism can help to stabilise this political rule: the rulers grant favours to their clientele and receive loyalty in return (World Bank 2005g, 108).

### *The economic impact*

For the purposes of this study, we were most interested in the effects of favouritism on economic development.

During the 1960s and 1970s, a number of researchers believed that the economic effects of favouritism are positive (Krastev 2006, 19). Their argument was that favouritism reduces transaction costs and facilitates the flow of information. It thereby smoothes the path for all kinds of interactions between businesspeople and the state (Haggard / Maxfield / Schneider 1997, 56).

There is some truth to this. Favouritism can have positive effects, for example, when the person favouring someone else acts on his own behalf. Thus both sides benefit when someone is hired by a private company because he was recommended to the company owner by a common friend: the job-seeker obtains preferential treatment and the employer important information which helps him to reduce his risks: he has been told that the candidate is qualified and assumes this is true because he can make the common friend accountable.

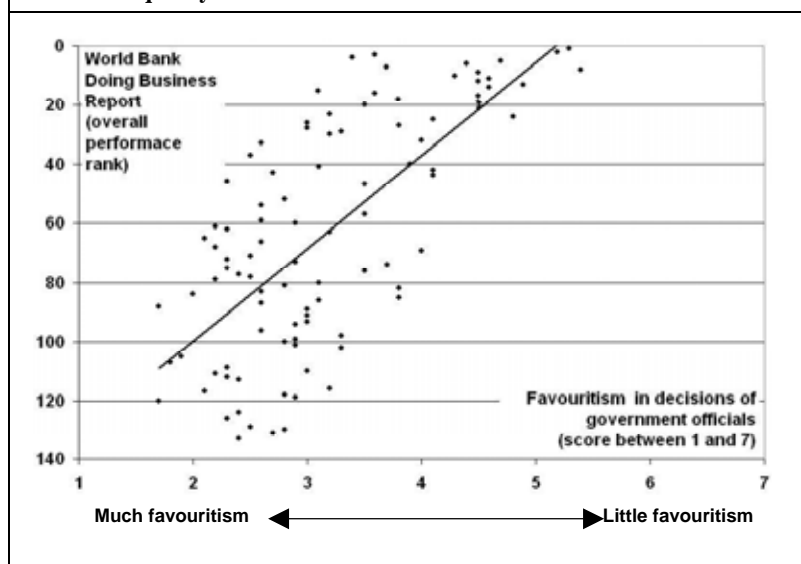
The situation is different, however, when the person who does the favour does not feel the consequences. A public administrator, for example, may employ a relative or friend even though he knows that this person is not qualified. He does not suffer personally from this decision, but the public does: the employee receives a salary from the state even though he is unable to do his work. In addition, favouritism benefits only those who are well-connected and discriminates against all others.

It can thus be assumed that favouritism leads to unfairness in state-business relations. People with good personal connections are likely to receive business licences much faster than others – if the others get such licenses at all. Some may even benefit from tax or duty exemptions and thereby gain an advantage over their competitors. They may also receive exclusive information that allows them to identify future markets ahead of others. Likewise, people with good connections are likely to win government contracts even when they do not submit the best offer.

It may also be assumed that favouritism causes inefficiency in state-business relations. When licences are granted on the basis of personal preference, for example, the costs and risks of applying for it may be too high for those who have no personal connections in the public sector. Entrepreneurs with good connections will benefit from such barriers to competition. They will have little difficulty in obtaining licenses and permits and can exploit rents. Favouritism thus distorts competition (Fan 2002).

Likewise, favouritism may affect legislation and policy-making. Entrepreneurs may cultivate contacts not only with civil servants but also with ministers and parliamentarians. As a result, they may be able to exert influence on laws and government decrees, thus lobbying for regulations beneficial to themselves but not to their competitors. In this way, favouritism once again distorts competition and ultimately harms consumers (World Bank 2004).

**Figure 1: Correlation between the level of favouritism and the quality of the business climate in different countries**

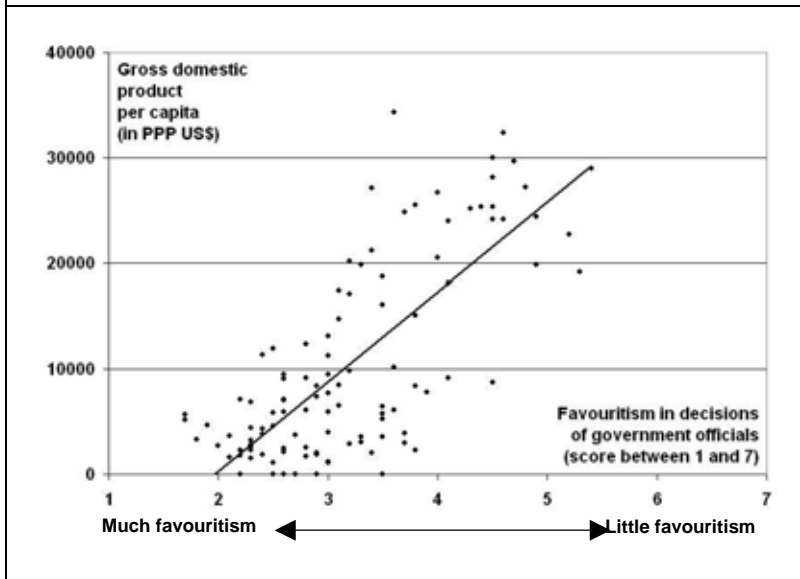


Source: Data from: Lopez-Claros / Schwab / Porter (2005); World Bank (2005d)

Such effects may significantly affect the business climate by increasing the costs and risks and raising barriers to competition for the large majority of investors who lack the necessary personal connections with decision-makers. If favouritism really has these effects, the level of investment can be expected to be lower in countries where favouritism is widespread.

Numerous econometric inquiries have confirmed that the level of corruption in a country is negatively correlated with the quality of its business climate, its level of investment, and its economic growth. Some of these studies have also shown that the direction of causality is from corruption to economic development but not vice versa: the level of income has no significant effect on the amount of corruption (Alcala and Ciccone 2004; Kaufmann 2005c, 84; Kaufmann and Kraay 2002, 26; Krastev 2006, 20; Mauro 1996; Rodrik and Rigobon 2005; Rodrik, Subramanian and Trebbi 2004; Wei 2000).

**Figure 2: Correlation between the level of favouritism and per capita income in different countries**



Source: Data from: Lopez-Claros / Schwab / Porter (2005); UNDP (2005)



However, none of these studies has focused explicitly on favouritism. Rather, all have been based on how experts or ordinary citizens perceive the significance of corruption in a country as a proxy for its effective level. Their objectivity thus depends on a well-selected sample of those interviewed. In addition, these studies do not say much about the level of favouritism because many people have only bribery in mind (rather than other forms of corruption such as favouritism) when they speak about corruption.

Figures 1 and 2 above provide additional evidence for the correlation between favouritism and economic development. Favouritism is represented by a component of the Global Competitiveness Index for 'favouritism in decisions of government officials'. The figures do not indicate, however, the mechanisms by which favouritism influences economic development.

## 2.5 Reasons for the persistence of favouritism

Favouritism persists in many countries despite its detrimental effects on economic, social and political development. Theoretically, four different factors may explain this phenomenon: (i) disincentives for individuals to change their behaviour, (ii) a lack of awareness, (ii) the jamming force of socio-cultural values and norms, and (iv) the opposition to change of an influential elite. All of these factors must be addressed when fighting favouritism and its negative impacts.

Favouritism may constitute an informal institution when it is very common and accepted in a society. New institutional economics define institutions as "*the rules of the game in a society, enforced either through law or through other mechanisms of social control that shape human interaction*" (Mantzavinos 2001, 83). According to Mantzavinos, individuals are permanently engaged in solving problems in order to maximise their utility. Due to limited cognitive capacity however, they cannot decide anew each time how to solve their problems. Therefore they tend to use a solution repeatedly once it has proven to be useful for a specific class of problems. Within this framework, institutions are solutions for recurring problems. They are used whenever a problem appears to resemble previous ones. Institutions – like favouritism – are called 'informal' if they are enforced by society rather than the state.

Unfortunately, such institutions are not automatically replaced or changed when they are no longer the best or even good solutions at all. New institutional economics argues that such institutions are maintained until a critical mass of individuals within a society experiences that they are no longer satisfactory solutions for their problems. Only in this case will people try new solutions and adopt the most successful one as a new institution (Mantzavinos 2001, 7).

Substitution of a new, more beneficial solution for an old one can thus fail to take place for different reasons. Four of the most important are:

- People are not aware of the disadvantages of the old institution.
- Although the new institution would be more beneficial than the old one for society as a whole, it is not for the members of society from their individual perspective (perverse incentives).
- The old institution is connected with or derived from other institutions on a meta-level (social norms and values).
- The advocates of change are unable to overcome their opponents.

#### *Lack of awareness*

A first reason for the persistence of favouritism is a lack of awareness. On the one hand, people may not think about its effects. They may disregard the fact that favouritism in state-business relations leads to unfairness and may fail to consider its cost to the state and, thereby, to taxpayers. In addition, even if they are aware of these direct consequences of favouritism, people may not think about its far less obvious long-term impact on the social, political and economic development of their country.

On the other hand, people may still adhere to favouritism even when they know about its negative effects on the micro- and macro-level. This may be due to a lack of awareness of alternatives, i.e. people may not be able to imagine other patterns of interaction that are based on formal rules rather than personal relations. If they have tried during their whole lives to solve their problems by favouritism, they may not realise that it has become possible to solve these problems in a legal way (Newell / Simon 1972, 72).

### *Perverse incentives*

Favouritism may also persist due to tension between collective and individual benefits and costs. In this case, the incentive structure may resemble the model of ‘collective prisoners’ dilemma’ already mentioned (Eigen 2001): Every member of society would be better off if all adhered to formal rules rather than favouritism. However, as long as all others continue to provide and seek preferential treatment, the individual only worsens his own situation by abstaining from favouritism. And even if all others were to comply with formal rules, every individual could still improve her/his own possibilities by reverting to favouritism, unless this behaviour is penalised. As a result, individuals are better off if they use favouritism – regardless of what the others do – until collective action is co-ordinated, e.g., by punishing favouritism and rewarding the adherence to formal rules.

### *Social values and norms*

A third reason why favouritism persists is that it may be considered as a social norm and is associated with values such as solidarity, fidelity and the reciprocity of giving and taking. Many people believe, for example, that loyalty to friends and tribesmen manifests itself in the provision of preferential treatment. To refuse a favour is perceived in such circumstances as a violation of the rules of society (Andvig / Fjeldstad 2001; Tanzi 1995, Shunnaq 1997).

This does not mean, however, that culture is at the root of favouritism. Cunningham / Sarayrah (1994, 182) write that solidarity and loyalty to relatives have “*top priority in the Arab value system*” and that *wasta* is seen by many Arabs as an expression of these values. In addition, they state that *wasta* within the family and clan, but also among friends, is a matter of course in Middle Eastern societies. This does not mean, however, that favouritism is a specific feature or outcome of Arab or Middle Eastern culture. A link between social norms and favouritism can be found in every country and every culture, which emphasises values such as solidarity and loyalty. In addition, the link must not necessarily exist in reality: favouritism is difficult to overcome even when people only *believe* that it is tied to their norms (Kaufmann 2005c, 89; Krastev 2006, 20).

### *Opposition to change*

A fourth factor for explaining the persistence of favouritism is opposition to change. Even a large majority of the population can fail to eradicate favouritism if an influential minority resists. Two arguments explain why small groups can be so powerful.

The first is public choice theory. As Olson (1965) explains, small groups are better able to team up and achieve their aims than large groups. They incur lower transaction costs in organising themselves and defining common goals. They can more easily implement positive and negative incentives for their members to act collectively. They face less information asymmetry as to the effective behaviour of their members, and are therefore better able to punish deviations from the rules of the group. Last but not least, the members of small groups accrue comparatively large gains from collective action, while the members of large groups acquire only small shares of collective gains.

The second argument can be derived from political economies. Minorities sometimes consist of the most affluent and dominant members of a society and can thus influence policy-making more easily than the majority. The elite group often benefits disproportionately from widespread favouritism and therefore has no interest in measures against it. In many countries, a small number of key supporters are sufficient to stabilise a political regime, which is based on clientelist structures and informal, personal decision-making. The political leaders use the reciprocal mechanisms of favouritism to strengthen their position. They grant benefits to their supporters and obtain loyalty in return. The elite is thus composed of people with privileged relations to the regime and substantial influence on political decisions. Since any action against favouritism would weaken their position, they resist reforms (World Bank 2005g, 108).

## 2.6 Possible starting points for the fight against favouritism in state-business relations

In many cases, the struggle against favouritism must start from different points. As already pointed out, it may be necessary to eliminate incentives for resorting to favouritism while also increasing public awareness about its negative impact, disentangling it in people's minds from prevailing so-

cial norms, and defeating opposition to change. The approaches of choice for reaching these four goals are as follows:

*Public awareness:* Information and awareness campaigns can be initiated and run not only by the state but also by non-governmental organisations (NGOs), the media, academia and business associations. Their first aim should be to make the negative effects of favouritism better known. Second, they should try to help disentangle favouritism in people's minds from cherished social norms and values. The message could be, for example, that everyone owes solidarity and loyalty not only to relatives and tribesmen but also to every compatriot and to the nation as a whole. Third, public awareness campaigns should strengthen the identification of citizens with their state and the responsibility of civil servants with the general welfare of their country (World Bank 2005a).

*Transparency in politics and in the public administration:* Transparency is prerequisite for changing the incentives of individuals to adhere to favouritism. The collective prisoners' dilemma of widespread favouritism is a result of reciprocal information asymmetry. As a consequence, the general public must be informed about the actions and reactions of all parties involved. In addition, the rules of the game must be publicised. For example, everyone should know the conditions for submitting government tenders in advance and thus be able to judge, after a decision has been made by public administrators, whether it is in line with the initial conditions. Likewise, citizens should be able to monitor legislative and regulatory processes so as to control the decisions of policy-makers. A free press is another key to reaching this goal (Martini 2004, 14).

*Accountability:* At the same time, accountability must be required from decision-makers. If an agent is regularly monitored by the principal, he has less discretion to favour one person over another and is more likely to act on the principal's behalf instead of his own or on behalf of any of his acquaintances. Accountability is crucial to enable citizens monitor the decisions of public administrators and politicians and to punish misconduct (e.g. in democratic elections) (World Bank 2005a).

*Changed incentives:* The pay-off structure of the current situation (collective prisoner's dilemma) must be transformed into an incentive structure that renders adherence to favouritism unattractive. This requires both positive and negative incentives. Simple and cheap administrative procedures

are a good example of positive incentives because they make it unnecessary for people to ask for favours when their requests are handled very quickly anyway. In addition, examples of integrity in state-business relations or in the fight against favouritism might be rewarded in public to serve as an incentive for other citizens to do likewise. Negative incentives may include, among others, rigorous penalties for offences against formal rules. On the political level, competition in electoral processes is the best mechanism for punishing misconduct (Pope 2000; UNOCD 2004).

Alternatively, the pay-off structure can also be changed by decentralised action, i.e. by persons from the private sector themselves. They can build groups in which they agree to comply with formal rules. Transparency International (TI) has proposed, for example, that entrepreneurs who tender bids to the government create ‘islands of integrity’, where everyone can monitor the actions of all other parties. Successful cases of such ‘islands of integrity’ in Latin America and Africa have shown that recourse to favouritism vanishes in them because everyone can ensure that competitors do not use personal connections. The advantage of such decentralised action is that entrepreneurs must not wait for the state to take legal action (Eigen 2001, 7; Martini 2004, 10; TI 2003).

*Adherence to the principles of democracy:* Democratic decision-making is crucial for limiting the influence of well-organised groups, i.e. for preventing a minority of people from benefiting from widespread favouritism and obstructing political and administrative reforms (Martini 2004, 7). Democratic decision-making includes the participation of citizens, freedom of expression and association, free information, equal and effective voting rights, the right of every person to be elected, and free and fair competition in all kinds of elections.<sup>7</sup>

*A coalition for change:* Those who suffer from widespread favouritism are usually a more heterogeneous group than the beneficiaries of it and therefore far less well organised. As a result, they should try to form a coalition of pressure groups lobbying for the fight against favouritism (Eigen 2001).

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7 Criteria of democracy, formulated according to Dahl (1971, 2 f.).

### 3 Research methodology

The aim of our research in Jordan was to find empirical evidence for the assumptions exclaimed in the preceding chapter: That is, we wanted to learn (i) how favouritism affects the business climate in Jordan and (ii) what can be done about it. For this purpose, we formulated four working hypotheses to be tested during our three-month stay in Jordan.

In this chapter, we will first describe these hypotheses (3.1) and then outline our methods of data collection (3.2).

#### 3.1 Research hypotheses

We derived our research hypotheses from the theoretical considerations presented in Chapter 2. The first two hypotheses are formalistic in character and were intended to guide our research on the role of favouritism in the concrete context of Jordan:

*Hypothesis 1: The business climate in Jordan suffers from significant deficits in state-business relations.*

*Hypothesis 2: Favouritism is prevalent and persistent in Jordan.*

The other two hypotheses are more exciting and were directly related to the double purpose of our study (see above).

*Hypothesis 3: Widespread favouritism has a negative impact on the business climate and on economic development at large because it leads to inefficiency and unfairness in state-business relations.*

*Hypothesis 4: The struggle against favouritism in Jordan must address the main causes of its persistence by: (i) changing the incentives for individuals to resort to favouritism, (ii) heightening public awareness, (iii) disentangling favouritism from social norms in the public mind, and (iv) defeating opposition to change.*

### 3.2 Methods of data collection

Our research in Jordan aimed at finding empirical evidence for or against the four hypotheses mentioned above. We prepared our mission between November 2005 and early February 2006 and conducted the empirical research in Jordan from February to April 2006.

The research was done in four phases: (i) interviews with ‘experts (resource persons from the government of Jordan, from non-governmental organisations, from academia, from the media, and from foreign donors; (ii) interviews with businesspeople; (iii) interviews with managers in the public sector, and (iv) a standardised survey among low-ranking to medium-ranking civil servants (see Table 1).

<b>Num-ber</b>	<b>Group</b>	<b>Selection technique</b>	<b>Research technique</b>	<b>Analysis</b>
99	Experts	Snowball with individuals	Semi-structured interviews	Qualitative
58	Businesspeople	Business associations, business development service providers, industrial directories, chambers of commerce	Semi-structured interviews	Qualitative & quantitative
18	Medium- to high-ranking civil servants	Relevance for businesspeople	Semi-structured interviews	Qualitative
180	Low- to medium-ranking civil servants	Relevance for businesspeople	Standardised survey	Quantitative



In accordance with the principles of ‘grounded theory’, we followed an iterative approach: continuous analysis of our interviews helped us to adapt our hypotheses when necessary in order to ensure relevant and accurate research results. Also, each research phase was designed according to the information obtained in the earlier phases. For example, after learning during the second phase that licensing and registration is a major concern for many of the businesspeople interviewed, we decided to talk mainly with employees of the main public institutions involved in licensing and registering private firms: the Ministry of Industry and Trade, the Jordan Investment Board, the Municipality of Amman and the Aqaba Special Economic Zone Authority during the third and fourth phases of our research.

### *Interviews with experts*

The first phase of our research, which took about three weeks, was intended to collect general information on the business climate, state-business relations and the role of favouritism in Jordan.

To reach this goal, we met with ‘experts’, i.e. with people whom we believed to have interesting and useful answers to our questions. All in all, we conducted 99 interviews with 55 representatives of the government of Jordan and other public authorities, 23 delegates of NGOs, 32 academics, journalists and consultants, 29 spokespersons of business associations and business promotion agencies and 33 members of the donor community.<sup>8</sup> At first we selected only three to five well-known persons from each of these groups. By asking each of them for further interesting interviewees, we received the names of additional people to interview.<sup>9</sup>

All expert interviews were semi-structured, i.e. based on a guideline that left the possibility open for asking additional questions. The results of the interviews were analysed qualitatively with the assistance of the computer programme ATLAS.ti.<sup>10</sup> In order to validate the data, we triangulated them

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8 The number of interviewees exceeds by far the number of interviews because we conducted several interviews with more than just one person.

9 We also interviewed some ‘experts’ in later stages of our research in order to validate previous findings or to obtain specific information which we found still missing. See Page 179 for a list of all interviewed experts.

10 ATLAS.ti was developed by Scientific Software GmbH, Berlin.

with the existing literature and with the results of the interviews with businesspeople and public sector employees.

### *Interviews with businesspeople*

The other three phases of our research aimed at recording the perceptions and opinions of direct stakeholders in state-business relations: businesspeople and public sector employees.

During the second phase, we conducted 63 interviews with representatives of local and foreign companies in Jordan. Of these, five interviews failed to provide any substantial information and were excluded from the study. All interviewees were asked how they view the conditions of doing business in Jordan in general and the quality of state-business relations in particular, what specific problems they have themselves, and what they think the reasons for these problems might be.

To get a broad picture of the Jordanian private sector, we talked with businesspeople from very different economic branches: manufacturing, information technologies, retail, consultancy, marketing and tourism. Likewise, we paid attention to all ranges of company size: Most businesspeople represented small and medium-sized companies, but we also conducted interviews with micro-entrepreneurs and speakers from large enterprises.<sup>11</sup>

Most of the companies are based in Amman and Zarqa, i.e. in the economic centre of the country around the capital. Only nine interviews were conducted in the Aqaba Special Economic Zone (ASEZ) in the very south of Jordan, which was recommended to us because of the allegedly exceptional quality of the business environment in that free trade zone (see Table A1 in Annex A for a detailed list of the sample).

We selected some of the enterprises randomly from the Industrial Directory of the Amman Chamber of Industry (ACI 2006). The rest were identified with the assistance of different business associations and business development agencies.<sup>12</sup> Therefore, the sample is not representative and the results can only give indications concerning the significance of different problems for companies in Jordan.

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11 See Page 190 for a list of all interviewed businesspeople.

12 Random sampling proved to be difficult: most of the businesspeople who were chosen through the Jordan Business Directory did not want to cooperate.

Nevertheless, it gives a comparatively good idea of the chances and risks of investments in Jordan. It is only a little smaller than the sample on which the assessment of Jordan's business climate by the Global Competitiveness Report is based. In that study, 88 entrepreneurs were interviewed in order to compute Jordan's ranking with regard to the Global Competitiveness Index. However, 55 % of them represented companies with more than 100 employees, while in reality only 2 % of all Jordanian enterprises employ more than 100 people.

In our sample, 6 interviewees (11 %) came from firms with more than 100 employees. On the other hand, 90 % of all companies in Jordan (but only 50 % of the companies in our sample and none in the sample of the World Economic Forum's Global Competitiveness Report) have only 20 employees or less (Lopez-Claros / Schwab / Porter 2005, Table 1; MoIT 2006; see also Table A2 in Annex A for a comparison).

Our interviews with businesspeople were semi-structured. However, some of the questions were asked in the same way in each interview; this allowed us to analyse some of the results not only by qualitative but also by quantitative techniques.

To validate our data, we cross-checked them with the results of our interviews with experts and with public sector employees. In addition, we guaranteed anonymity to our interviewees in order to gain their confidence and to increase the probability of getting honest answers.

### *Interviews with medium- to high-ranking civil servants*

In the third phase of our field research, we conducted 18 extensive interviews with medium-ranking to high-ranking civil servants in different state authorities. The goal was to explore how Jordanian public sector employees see and evaluate their interactions with businesspeople, what the incentive structure in the public sector looks like, and what role favouritism plays in the recruitment and promotion of public sector employees (see Annex C for more details).

To be able to select interesting interviewees, we asked businesspeople during the second phase of our research to name for us the state authorities which are most relevant for businesspeople in Jordan and which kinds of interactions with the state are most troublesome for them. The answers indicated that registering a company and licensing a business cause excep-

tionally serious problems for investors. Consequently, we spoke with managers in the registration and licensing departments of the Ministry of Industry and Trade (MoIT), the Jordan Investment Board (JIB), and the Municipality of Greater Amman (MGA). We also interviewed representatives of the respective departments of the Aqaba Special Economic Zone Authority (ASEZA) in order to find out whether state-business relations are more effective and fairer in the ASEZ than in the rest of the country.<sup>13</sup> Again, all interviews were semi-structured and analysed qualitatively.

We validated the answers of the medium- and high-ranking public sector employees mainly by cross-checking them with the results of an additional standardised survey among low-ranking to medium ranking civil servants at the same institutions.

#### *Standardised survey among low-ranking to medium-ranking civil servants*

In the fourth phase of our research, we conducted a standardised survey among 180 low- to medium-ranking civil servants at the MoIT, the JIB, the MGA and the ASEZA. The participants were asked to fill out a form with 14 questions concerning incentive structures for public sector employees in their interactions with businesspeople, including subjects such as bribery and favouritism.

The main aim of the survey was to validate the answers of the medium- to high-ranking civil servants interviewed during the third phase of our research and to identify the specific perspective of low-ranking to medium-ranking public sector employees on state-business relations.

We analysed the results of the survey quantitatively (see Annex B).

To make sure that the questionnaires reached the desired employees, we distributed and collected them personally. In addition, we told the respondents to fill in the questionnaires anonymously in order to encourage them to answer truthfully.

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13 See Page 194 for a list of all public sector employees who were interviewed.

## 4 The business climate in Jordan

The quality of Jordan's business climate is mediocre at best in international and intraregional comparison – which is certainly not enough in light of the country's small domestic market and other competitive disadvantages. The results of our research in fact substantiate the first of our hypotheses: although major improvements have occurred in recent years, considerable deficiencies remain – especially with regard to the efficiency and fairness of state-business relations.

In this chapter we show that even though the country's economic performance has improved during the last five years, Jordan must intensify its efforts to improve the business climate (Section 4.1). In Section 4.2, we assess the quality of Jordan's business climate in international comparison. In Section 4.3 we identify the main problem areas for businesspeople in Jordan. Finally, in Section 4.4, we discuss the problems faced by Jordanian businesspeople in their interactions with the state and their opinions as to why these problems exist.

### 4.1 The need for a better business climate in Jordan

Reforms are due in Jordan to improve business conditions. Currently, the country benefits from comparatively high economic growth rates, which are due, however, to temporary effects (Iraqi investments, increased exports to Iraq, high foreign development assistance, remittances from Jordanian migrant workers) rather than to a rise in productivity. Jordan needs to attract more investment and to develop a stronger and more competitive private sector in order to become independent from windfall profits. A better investment climate is of key importance for reaching this goal.

Jordan's economic performance has improved in recent years. After an economic slowdown in the late 1990s, the Jordanian economy picked up speed and grew by 4.5 % on the average between 2000 and 2003 and even by 7.1 % between 2004 and 2006 (EIU 2005a, 32; Oxford Business Group 14 November 2006). Likewise, Jordan has reduced inflation, its external public debt, its unemployment rate and its rate of population growth (see Table 2).

However, these achievements are not due to a competitive, productive private sector. Rather, they result from substantial international rents.<sup>14</sup>

- The conflict in Iraq has led to increased foreign development assistance to Jordan. The United States in particular has raised its transfers in order to safeguard the political and economic stability of its most loyal ally in the Middle East (EIU 2005a, 48).
- Jordan serves as a transport hub for international trade with Iraq. As long as the ports of Iraq are not yet fully operational, huge amounts of goods are shipped every day to Jordan's seaport Aqaba and transported from there through the desert to Iraq by Jordanian carriers, who charge high prices have tripled their sales since 2001 (EIU 2005a, 31).
- Many companies and international organisations operating in Iraq have relocated to Amman out of security considerations. Their staffs thus spend most of their money in Jordan (EIU 2005b, 25).
- Likewise, hundreds of thousands of Iraqis have moved at least temporarily to Jordan to escape from the civil war in their country. Many of them have invested their fortunes in real estate, thus stimulating a gigantic construction boom in Amman and a steep rise in real estate prices<sup>15</sup>. This hits the less affluent inhabitants of the Jordanian capital hard but also pumps money into the Jordanian economy (Devi 2006; Rößler 2007).
- The construction boom is further spurred by property investments of Jordanian migrant workers returning to their home country as well as by investors from the Gulf looking for rewarding opportunities to invest excess liquidity generated by the recent oil boom (EIU 2005a, 41; EIU 2005b, 30; Oxford Business Group 14 November 2006).

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14 Rents are defined by economists as “*the difference between the market price of a good or factor of production and its opportunity cost (the price needed to produce the good or keep the factor of production in its current use)*” (Richards / Waterbury 1996, 16). Rents are thus a “*financial income which is not matched by corresponding labour or investment*” (Renger / Wolff 2000). Typical examples of rents are oil and mining revenues, customs duties, but also development aid. Remittances from migrant workers also contain a substantial portion of rent because the workers' income would be much lower if they did not have the opportunity to work abroad (Beck / Schlumberger 1998, 128; Moore 2004).

15 The average rise in property prices is estimated to have been more than 15 % annually in recent years (Oxford Business Group 14 November 2006), while the index of average consumer prices has risen only by about 2.3 % per annum (see Table 2).

<b>Table 2: The Jordanian economy: facts and figures</b>				
<b>Year</b>	<b>1990</b>	<b>1996</b>	<b>2000</b>	<b>2004</b>
Total population (millions)	3.2	4.3	4.9	5.6
Population growth rate (% per annum)	3.7	3.1	3.1	2.7
Total GDP (billion US \$)	4.0	6.9	8.5	10.7
GDP per capita (US \$)	1623.9	1712.3	1732.4	1902.7
Real annual GDP growth per capita (%)	-2.7	-1.0	1.1	5.5
External public debt (% of GDP)	188.8	110.3	79.2	72.5
Workers' remittances (% of GDP)	10.8	22.0	21.7	19.9
Net foreign direct investment (FDI) inflows (% of GDP)	0.9	0.3	9.4	5.4
Gross capital formation (% of GDP)	26.0	30.6	21.1	23.9
Unemployment (%)	16.8	14.0	13.7	12.5
Poverty headcount ratio by national criteria (%)	21.0	17.1	14.2	...
Human development index (score)	0.66	0.70	0.74	0.76
Annual change in consumer prices (%)	16.2	6.5	0.7	2.3
Source: EC (2004, 15); Hashemite Kingdom of Jordan (2006b); IMF (2006); Loewe et al. (2001), Annex B; Lopez-Claros / Schwab (2005, 192), MoPIC (2004); MoPIC (2006b); World Bank (2005c)				

Jordan's dependence on rent inflows is underscored by their impact on the national budget and current accounts. Excluding foreign aid, Jordan's budget was expected to show a deficit of almost 7 % of its GDP in 2005. Foreign aid has reduced this deficit to around 2.5 % (EIU 2005b, 9). A similar case can be made for Jordan's current account, which has shown surpluses in recent years only because of the substantial inflows of foreign aid and remittances of Jordanians working in the Gulf states (EIU 2005b, 36; Moore 2004, 15).

Jordan's dependence on rents is dangerous, because it makes the country vulnerable to changes occurring in neighbouring countries and on the world markets. Jordan's economy will cease growing quickly, for exam-

ple, once the situation in Iraq stabilises: Iraqi refugees will return home and sell their property in Jordan. Foreign companies will relocate to Baghdad. Trade with Iraq will be redirected to Iraq's own seaports. And development assistance for Jordan will probably be cut because of the country's diminishing importance for Western countries.

Moreover, Jordan's current economic growth cannot reduce the country's very high rates of unemployment and underemployment. In early 2006, the official unemployment rate was 13.3 % (MoPIC 2006b), while the actual rate is estimated to be at least double that (Loewe et al. 2001, 159). To reduce widespread unemployment and poverty, Jordan's current growth must either rise to more than 9 % annually or become much more labour-intensive, i.e. must be based on industrial investments and an increase in productivity and competitiveness rather than on rent inflows (Abu Libdeh 2005). Jordan should thus aim at improving its business climate, which determines incentives both for locals to engage in entrepreneurial activity and for foreigners to invest in productive assets in Jordan. Any major deficiencies in the business climate may further deter international investors and pose additional obstacles to growth for domestic businesses (Petri 1997; YEA 2006, 48).

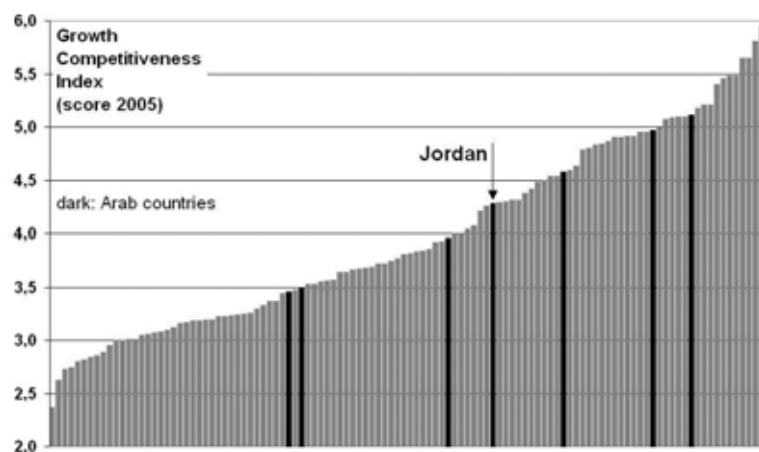
## 4.2 Jordan's business climate in regional and international comparison

The quality of Jordan's business climate is mediocre from both a regional and a global perspective. This finding is confirmed by all generally accepted rankings:

- According to the World Economic Forum's (WEF) Growth Competitiveness Index 2005, Jordan is No. 5 out of 12 Arab countries and No. 45 out of 117 countries worldwide (Blanke / Lopez-Claros 2005; WEF 2006a).
- The WEF's Business Environment Ranking 2005 ranks Jordan 3rd in the Arab world, behind the United Arab Emirates and Tunisia, and 43rd among 116 countries worldwide (WEF 2006b; see Figure 3).
- In the World Bank's report on *Doing Business in 2007*, Jordan ranks 6th among 17 MENA countries and 78th among 175 nations worldwide (World Bank 2006).



**Figure 3: Jordan's international position with regard to the Growth Competitiveness Index**



Source: Data from WEF (2006b)

Such a mediocre business climate cannot lure businesses to a country like Jordan, which suffers from a small domestic market, a lack of natural resources and a precarious geopolitical location. To compensate for these drawbacks, Jordan must offer extraordinary investment conditions to investors, i.e. it must provide much better regulation, taxation, infrastructures etc. than its competitors (Fanek 2006). The Young Entrepreneurs Association (YEA) maintains:

*“Productive investment is essential to increase output and employment. Every element of the investment climate must promote efficient and fair treatment of all investors. Jordanians should not be discouraged from investing in Jordan... Moreover, since domestic savings are insufficient to meet growth targets, further foreign direct investment (FDI) is indispensable.” (YEA 2006, 38).*

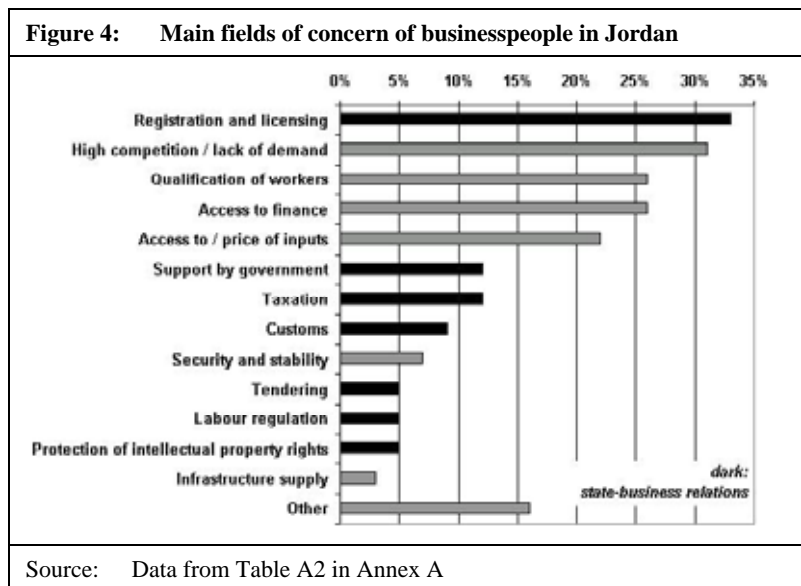
In addition, the competitiveness of Jordan's economy is probably even worse than the above indices indicate, since they are based on the subjective impressions of entrepreneurs in their respective countries. These entrepreneurs tend to compare their country with 'comparable' countries, i.e.

with countries in the same region which have the same per capita income or the same size. Jordanian entrepreneurs, for example, compare their country with Egypt, Syria or Iraq, and perhaps with Indonesia, China and Vietnam, but not with Portugal, Ireland or Costa Rica, which apparently play in another league. Likewise, Italians compare themselves with French, British and Swedish, but not with Egyptians, Brazilians or Jordanians. Only this consideration can explain, for example, why Italy ranks at approximately the same level as Jordan or why Croatia ranks even below even though nobody would contest the assertion that the business conditions are probably much better in Italy or Croatia than in Jordan.

### 4.3 Main deficiencies of the business climate in Jordan

Business people in Jordan perceive deficits in state-business relations as a main weakness of the business climate. In addition, they have difficulties in areas such as access to finance, the training of workers, access to affordable input products, and the saturation of the domestic market (see Figure 4). This result of the DIE's research in Jordan is backed by several other studies (Boye et al. 2006, 6–8; Goussouss / Dababneh 2004, ii–iv; Keller / Nabli 2002, 17–19, Lopez-Claros, Schwab / Porter 2005, 342–343; World Bank 2006; YEA 2000, 10–11; YEA 2006, 38–43).

*State-business relations:* In our interviews with Jordanian and foreign businesspeople, state-business relations were mentioned most frequently as an area of frequent concern. Alone 33 % of the respondents stated that they had faced difficulties in registering and licensing their companies (see Figure 4 and Box 1). 12 % mentioned taxation, and another 12 % said that the government did not provide adequate support for them. 9 % criticised customs procedures and 3 % respectively mentioned the tendering of bids, labour regulations, and the protection of intellectual property rights. All in all, 50 % of the businesspeople interviewed voiced complaints about at least one of these fields. In addition, when the other 50 % were directly asked whether difficulties exist in state-business relations, 30 % affirmed this, meaning that a total of 80 % of the interviewees found problems in either interaction with the public administration (see Table A3 in Annex A). Some admitted that improvements have taken place in several areas. Although many believed that administrative procedures are easier and faster



in the Aqaba Special Economic Zone (ASEZ; see Box 2), our findings shows that state-business relations in Aqaba are not much better.

This assessment is supported by the World Bank’s *Doing Business 2007* report. It compares the business climate of 175 countries and finds Jordan’s business climate to be mediocre with regard to most of the criteria used in this report. Jordan ranks even far below average regarding three areas which are most critical for the quality of state-business relations: The country is only 110th worldwide in the registration of property, 118th in the protection of investors, and 133rd in the process of starting a business (see Figure 5 and Table 3; similarly: Boye et al. 2006, 6–8).

Many experts from NGOs, academia and the media confirmed the need for improvements in state-business relations.

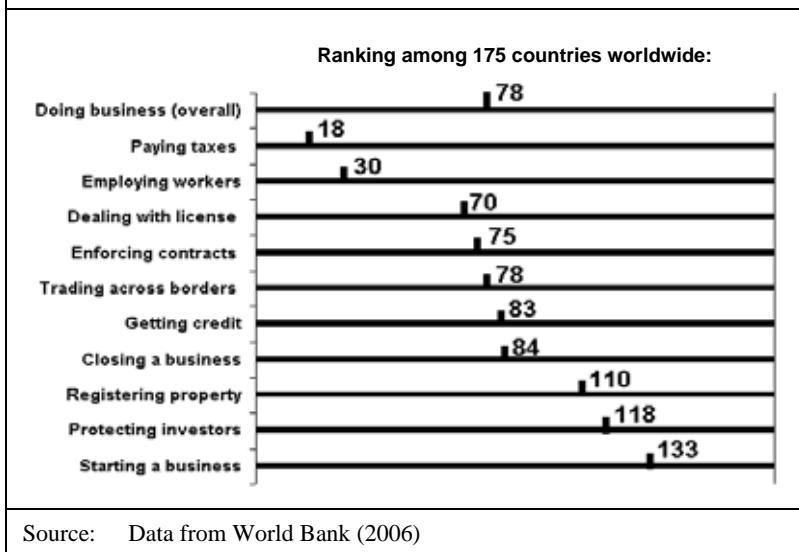
*“Investment promotion was based too much on tax exemptions. But this has not addressed the main problem for investors, which is high transaction costs. These go back to a cumbersome bureaucracy. Investors face too many problems when they must deal with the government.”*  
(Kanaan, 16 February 2006)

*Competition / lack of demand:* Many of the businesspeople interviewed complained about the intensity of competition in their respective markets. This problem is in part due to the limited size of the Jordanian economy, which cannot generate sufficient demand for certain products. In many sectors, four producers may already be too many when the proportion of fixed costs to total costs is very high.

*Qualification of employees:* Finding well-trained employees is another major problem for investors in Jordan (Boye et al. 2006, 6–8; Gousous / Dababneh 2004, iii). Some interviewees attributed this to deficiencies in Jordan’s vocational training system. Others referred to a lack of willingness among some people to do physical work. The general manager of a business consultancy in Amman declared:

*“The problem is, we have no good workers. All people send their children to universities, most don’t accept to work in factories. They all want to work in the management or in the public sector. If I’d send my kids to be mechanics, people would not understand, even if the country needs mechanics.”*

**Figure 5: Jordan’s ranking according to different criteria of the *Doing Business 2007* report**



<b>Table 3: Selected indicators from the <i>Doing Business 2007</i> report</b>				
	Jordan	Mean for Arab countries	Mean for OECD countries	Mean for all countries
<b>Starting a business</b>				
Procedures (number)	11	11	7	9
Cost (% of income per capita)	73.0	75.8	7.5	68.3
Minimum capital (% of average per capita income)	864	795	41	151
<b>Registering property</b>				
Procedures (number)	8	6	5	6
Time (days)	22	42	45	86
Cost (% of property value)	10.0	5.9	4.5	6.7
<b>Dealing with licences</b>				
Procedures (number)	16	20	16	17
Time (days)	122	172	169	205
Cost (% of income per capita)	503	493	78	506
<b>Trading across borders</b>				
Documents for export (number)	7	7	5	7
Time for export (days)	24	30	12	28
Documents for import (number)	12	10	7	10
Time for import (days)	22	40	14	34
<b>Enforcing contracts</b>				
Procedures (number)	43	44	24	35
Time (days)	342	571	398	541
Cost (% of debt)	16.2	17.4	11.8	28.7
<b>Closing a Business</b>				
Time (years)	4.3	3.8	2.0	3.2
Cost (% of estate)	9.0	12.9	8.7	16.3
Recovery rate (%)	28.2	22.9	66.5	30.6
<b>Paying Taxes</b>				
Payments (number)	26	33	18	36
Time (hours)	101	267	246	332
Total taxes (% of gross profit)	31.9	44.2	48.3	53.8
Source: Data from World Bank (2006)				

**Box 1: Starting a business in Jordan**

The process of starting a business in Jordan differs from one economic sector to the other. Some sectors are heavily regulated, while the start-up is much easier and faster in others (e.g. the IT-sector).

Normally, businesspeople must (i) register at the Companies Control Department of the Ministry of Industry and Trade (MoIT), (ii) apply for permits from the municipality and other institutions and (iii) become members of the Chamber of Commerce or Chamber of Industry. On the average, they must go to 11 different institutions, and the process takes 36 days (see Table 2).

The registration procedure at the Companies Control Department of the MoIT has recently been reformed and no longer poses an obstacle. If all necessary documents are provided, the procedure can be completed in one hour. Many entrepreneurs, however, must present pre-approvals and licenses that have been issued, for example, by the Ministry of Health, the Ministry of Environment or the Ministry of Tourism. Obtaining these documents can be very troublesome and consume a great deal of time and money.

In addition, those who wish to start a business must request a license from their municipality; this can also require much effort and patience.

To facilitate the whole process, several One-Stop Shops (OSS) have been established since 2004. In some economic sectors, businesspeople can register at the OSS of the Jordan Investment Board (JIB). Another OSS exists in the Aqaba Special Economic Zone (ASEZ). These offices bring together representatives from all government agencies, which have a say in the registration and licensing of a new company. According to the JIB, the establishment of these OSS has significantly reduced the time needed to start a business in Jordan.

Nevertheless, criticism remains: Businesspeople complain that employees at the OSSs are not entitled to make decisions themselves but must rather consult the directors of their respective ministries, thus prolonging the process and making it less transparent. In addition, businesspeople from Aqaba say that an OSS does not really exist in the ASEZ, since it is nothing more than a building with the representatives of all relevant ministries. Applicants still must go to each of these representatives.

Source: CCD (2006), JIB (2006), results from interviews with representatives of the JIB, the Greater Amman Municipality and with businesspeople (see Annex A and Annex C)

**Box 2: Doing business in the Aqaba Special Economic Zone (ASEZ)**

The Aqaba Special Economic Zone (ASEZ) came into operation on 1 January 2001 and was designed to become one of the most attractive investment environments in the region. Covering the Kingdom's sole seaport of Aqaba and its environs, the zone currently occupies 375 km<sup>2</sup> of territory in the south of Jordan.

Investors in the ASEZ enjoy duty-free privileges, low taxes, 100 % ownership, ease of land purchase or leasing, and streamlined procedures. For example, all imports into the ASEZ are duty-free and a 5 % flat tax is applied on all net business income (except for income from banking, insurance and land transport).

All of Aqaba's administration has been brought under a unified body, the Aqaba Special Economic Zone Authority (ASEZA), which is vested with zoning, licensing, and other regulatory powers.

Due to its unique design, the ASEZ is often presented as an area where doing business is much easier than in the rest of Jordan. However, the complaints of businesspeople from Aqaba did not differ substantially in our interviews from those of investors in other parts of the country.

Nevertheless, the overall impression is that improvements have taken place in Aqaba in comparison with the rest of the country. Customer service in the ASEZA, for example, is considerably better than that provided in Amman, where it was named in several interviews as a deficiency of the banking sector.

On the other hand, many improvements in the ASEZA seem to benefit large investors only. Managers of small and medium-sized enterprises reported numerous problems regarding their dealings with the ASEZA and other public institutions in Aqaba. One entrepreneur stated that *"after they launched ASEZA, things became very bad for small businesses in Aqaba. The ASEZA only thinks of large projects."*

Another major problem mentioned by several company representatives is the duplication of procedures in Aqaba. For example, companies must go through two different customs clearance procedures, one with the central government's customs authority and the other with ASEZA's own customs department.

Source: Devi (2006); EIU (2005a), 35; Kardoosh (2005), 3; results of our own research, see Annex A

*Access to finance:* Large firms appear to have no major problems in gaining access to credit in Jordan. Also, the situation of micro-enterprises has considerably improved over the last six years due to the emergence of several very professional micro-finance institutions. Medium-size enterprises (SMEs) and start-ups, however, reported to us very serious difficulties in gaining access to credit or venture capital. This finding is confirmed by the YEA (Goussouss / Dababneh 2004, 10).

*Security and stability:* Only four interviewees had concerns regarding the stability of economic and political development in Jordan. Two were active in the tourism sector and pointed to the vulnerability of their business to regional turbulences. The other two complained about the steep rise in the price of oil in recent years and about the lack of predictability in the political course of the Jordanian government.

*Infrastructure:* Most infrastructure is much better in Jordan than in other Arab and non-Arab developing countries. Nevertheless, some deficits exist (YEA 2006, 40). Jordanian businesspeople criticise especially the limited capacities of the port in Aqaba and of land transportation between Amman and Aqaba (especially the lack of railways), along with the inefficiency of border controls.

#### 4.4 Types and causes of problems in state-business relations

Business people who complained during our interviews of problems in state-business relations were asked to give examples and to state what they believed were the causes of these problems. Their answers show that investors in Jordan suffer not only from lengthy, complicated and expensive procedures but also from a lack of fairness and predictability in administrative and political decisions (see Figure 6). Reasons given for these shortcomings were the bad quality of regulation, deficits in public administration, and the role of favouritism (see Figure 7).

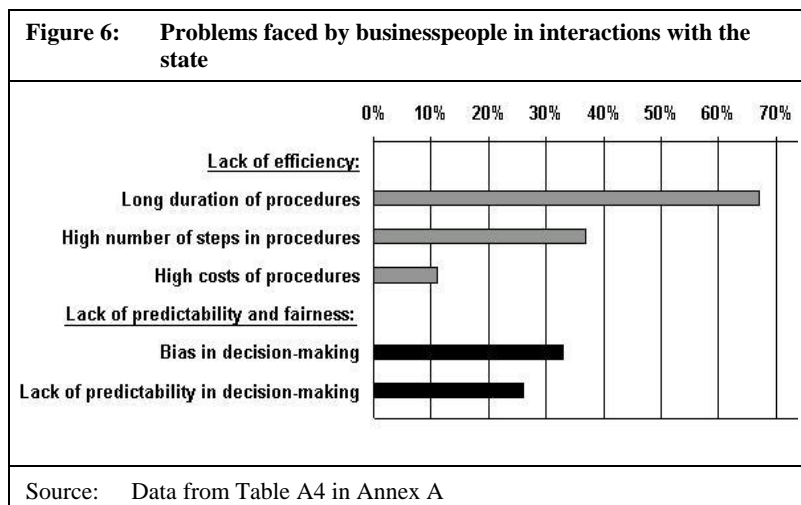


### *Types of problems*

Apparently state-business relations in Jordan suffer from a lack of efficiency. 67 % of our interviewees were dissatisfied with the time required to complete certain administrative procedures. 37 % said that the number of steps within each procedure was unreasonably high, and 11 % said that very high costs were associated with the procedures.

However, state-business relations also suffer from a lack of fairness and predictability in decisions taken by the authorities. 33 % of the business-people interviewed mentioned cases of biased decisions favouring some companies and hampering others. Likewise, 26 % criticised that it was almost impossible to anticipate the decisions of the administration.

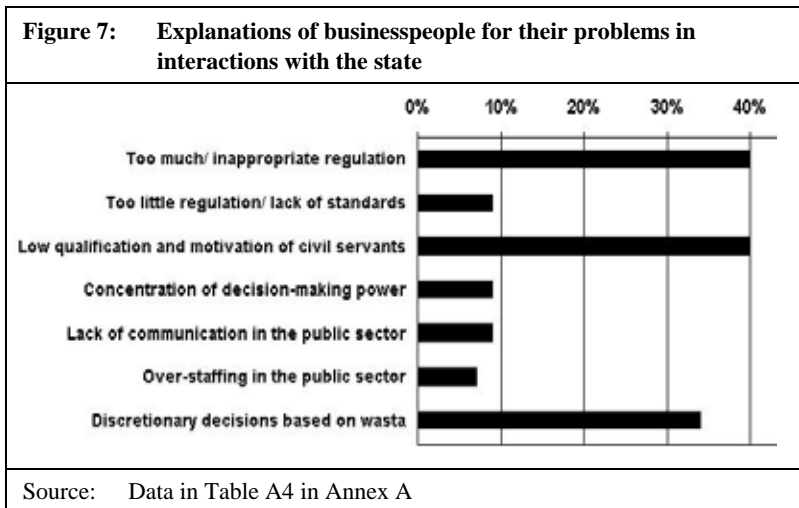
These results are supported by other reports (e.g. Boye et al. 2006, 9–10) as well as by the statements of the experts and civil servants who were interviewed. Civil servants, for example admitted that the official rules for their tasks were very unclear, that procedures in their department took too much time and were too complicated for investors, and that many officials made decisions on the basis of personal preference (see Annexes B and C).

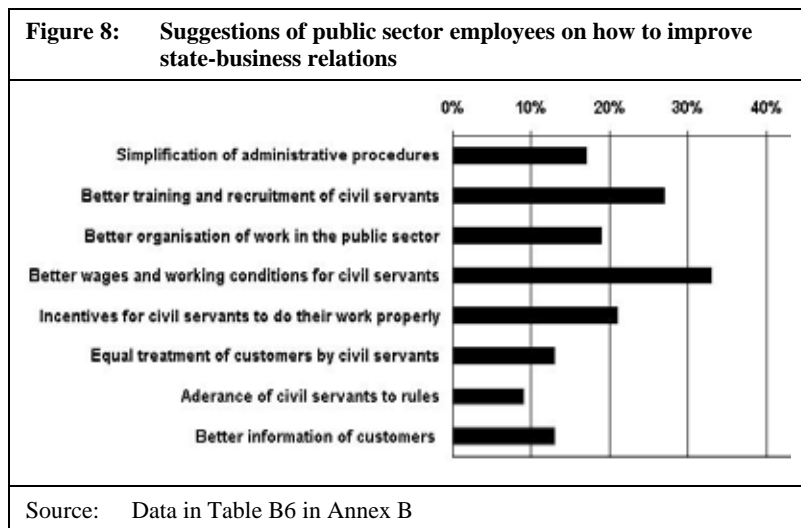


### *Causes of problems*

For the most part, the businesspeople interviewed explained their difficulties in interactions with the state by naming four factors: (i) regulatory deficiencies, (ii) insufficient training of civil servants, (iii) deficits in the organisation of work in the public sector, and (iv) discretionary decisions on the basis of *wasta* (see Figure 7). These factors were confirmed in general by Boye et al. (2006, 6–10) as well as by the results of our standardised survey among 180 civil servants. The latter added however a further explanation: According to them, businesspeople are not well informed about the procedures and rules of the public administration (see Figure 8).

*Regulatory deficiencies:* 17 % of the civil servants said that the procedures in the public administration required simplification. Likewise, 40 % of the businesspeople complained of overregulation or inadequate regulation as major reasons for the problems prevailing in Jordan in state business relations. Many said, for example, that investors must go through too many procedures in different public institutions before they can start a new business. A report by the Anti-corruption Directorate in the General Intelligence Department found that bureaucratic regulations drive businesses away because of the “*obscurity in some regulations which handicap transparency*“ (Kassay 1998, 57).





9 % of the businesspeople, however, said that there was too little regulation in Jordan. Some wanted more rigorous rules in licensing to limit the degree of competition in their respective markets, while others believed that better standards were needed to protect consumers, the environment, and high-quality producers (see also Table B2 in Annex B).

*Training of public sector employees:* The low level of qualification and motivation among public sector employees was mentioned by 40 % of the businesspeople as a main reason for their problems in interactions with the state. At the same time, 27 % of the civil servants admitted themselves that they were in need of better training and that the recruitment procedures of the public administration had to be improved.

*Organisation of work within the public administration:* 19 % of the civil servants had additional proposals regarding more efficient public administration in Jordan: They complained of the concentration of decision-making power at higher levels of the hierarchy (9 %), insufficient computerisation (5 %), duplication of responsibilities among different public institutions (2 %) and over-staffing in the public sector (3 %). Likewise, 8 % of the businesspeople interviewed explained their problems with the bureaucracy at least partly by over-staffing in the public sector, and 9 % respec-

tively by the concentration of decision-making power in the hands of a few and the lack of communication within the public administration.

*Discretionary decisions on the basis of personnel preferences:* A fourth group of explanations referred to favouritism in state-business relations. 39 % of the interviewed businesspeople complained about decisions taken by public sector employees on the basis of personal preferences rather than rules (see Figure 7). This view is supported by four studies conducted by the Centre for Strategic Studies (CSS 2002a; CSS 2002b; CSS 2002c; CSS 2002d) among clients of selected public sector institutions. For instance, more than 30% of the persons interviewed in one study said that nepotism is very widespread within the customs administration (CSS 2002d, 24).

Our standardised survey of civil servants provided additional evidence for these complaints. 13 % of the respondents admitted that something had to be done to make sure that customers of their department are treated more equally. 17 % claimed that public sector employees in Jordan should follow the rules better, and 21 % believed that more and better incentives are needed for civil servants to do their work properly (see Figure 8)

The problem is that many of the rules governing state-business relations in Jordan lack clarity and full implementation. In the customs area, for example, *“tariff assessment practices are frequently arbitrary and may even differ from written regulation”* (Kanaan and Kardoosh 2005, 8). As a consequence, the rule of law is undermined: Civil servants have discretionary power to provide preferential treatment to friends and tribesmen.

*Customer information:* In addition to explanations given by businesspeople, the civil servants surveyed mentioned a lack of information among their customers as another reason for problems in state-business relations in Jordan. 13 % said that the rules in effect for procedures in the public sector should be explained to businesspeople better.

## 5 *Wasta* in Jordan

Favouritism is very widespread in Jordan, where it is usually referred to by the Arabic word '*wasta*' for 'connection' or 'relation': In everyday language, 'doing things by *wasta*' means asking for and/or benefiting from preferential treatment instead of going through official channels. The person who helps a relative or a friend to get preferential treatment is also called 'a *wasta*'.

The use of *wasta* may or may not involve corruption. It does not constitute a problem, for example, when only two parties are involved: the person who provides preferential treatment and the person who benefits from it. However, as soon as such treatment is granted at the expense of a third party (the employer, the state, the public, the nation, or a competitor), *wasta* becomes corruption.

This ambiguity is illustrated by the way in which many Jordanians perceive the phenomenon. They distinguish between good and bad *wasta*, although the majority of the population wants its use to be curtailed.

In the following we analyse the role of *wasta* in Jordan (Section 5.1) and how Jordanians themselves perceive it (Section 5.2).

### 5.1 The role of *wasta*

According to international rankings, the level of corruption in Jordan is not very high. Our research, however, provides substantial evidence that the use of *wasta* is a very common way of interaction in large parts of Jordanian society. Even though it is said to have somewhat diminished in recent years, it still plays an important role.

#### *Level of corruption in international comparison*

Jordan is certainly not among the most corrupt countries in the world. Even with respect to favouritism it is only average on an international scale. Nevertheless, the role of *wasta* in Jordan is not to be ignored.

It is difficult to quantify corruption. Until two decades ago, almost no unit of measurement existed neither for corruption nor for any other aspect of governance. Today, more than 40 indicators exist scoring and ranking dif-

ferent countries by the quality of their governance. Some of these, such as the World Bank's governance indicator for the control of corruption, the Global Opacity Index of Price Waterhouse Coopers, the Corruption Perception Index of Transparency International (TI) and the Corporate Governance Index of the Institutional Shareholder Services Inc., focus mainly on corruption (Kaufmann 2005c; Kaufmann / Kraay / Mastruzzi 2006). However, there is no generally agreed gauge for the quantity or quality of corruption in a country. As a consequence, all of the indicators mentioned above are based on the level of corruption as perceived by selected people in their respective countries. They can thus approximate objectivity only by comparing the views of as many people in as many different countries as possible. In addition, the indicators do not quantify the intensity of corruption but can only compare; they do not identify corruption in absolute terms, but merely denote whether corruption is more or less widespread than in other countries.

All existing indicators of corruption rank Jordan in the middle in comparison to other Arab and non-Arab countries (see Figure 9):

- The TI Corruption Perceptions Index gave Jordan a score of 5.7 on a 10-point-scale and ranked it 37th among 158 countries worldwide. This was an increase from 4.5 in 2002 and 5.3 in 2004. The world mean is 4.3, and the mean for all Arab countries is 3.7. Oman, Bahrain, Qatar and the United Arab Emirates score better. Other Arab countries, among them Egypt, Lebanon, Algeria, Sudan and Libya, rank below Jordan (TI 2006).
- The World Bank's indicator for the control of corruption ranks Jordan 70th of 201 countries worldwide. Jordan's score of 0.33 is slightly above the world average (0.00) and above the average of all Arab countries (-0.14) (World Bank 2005f).
- Jordan's score according to the Corporate Governance Index (38.1) is below both the world average (48.5) and the average of the Arab countries (44.6) (Institutional Shareholder Services Inc. 2005).
- According to the WEF's Growth Competitiveness Index, the business costs of corruption in Jordan are only slightly below average. Jordan's score is 5, while the global mean is 4.4 and the mean of the Arab countries is 4.5 (Lopez-Claros / Schwab / Porter 2005).

**Figure 9: The level of corruption in Jordan in international comparison according to different indicators**

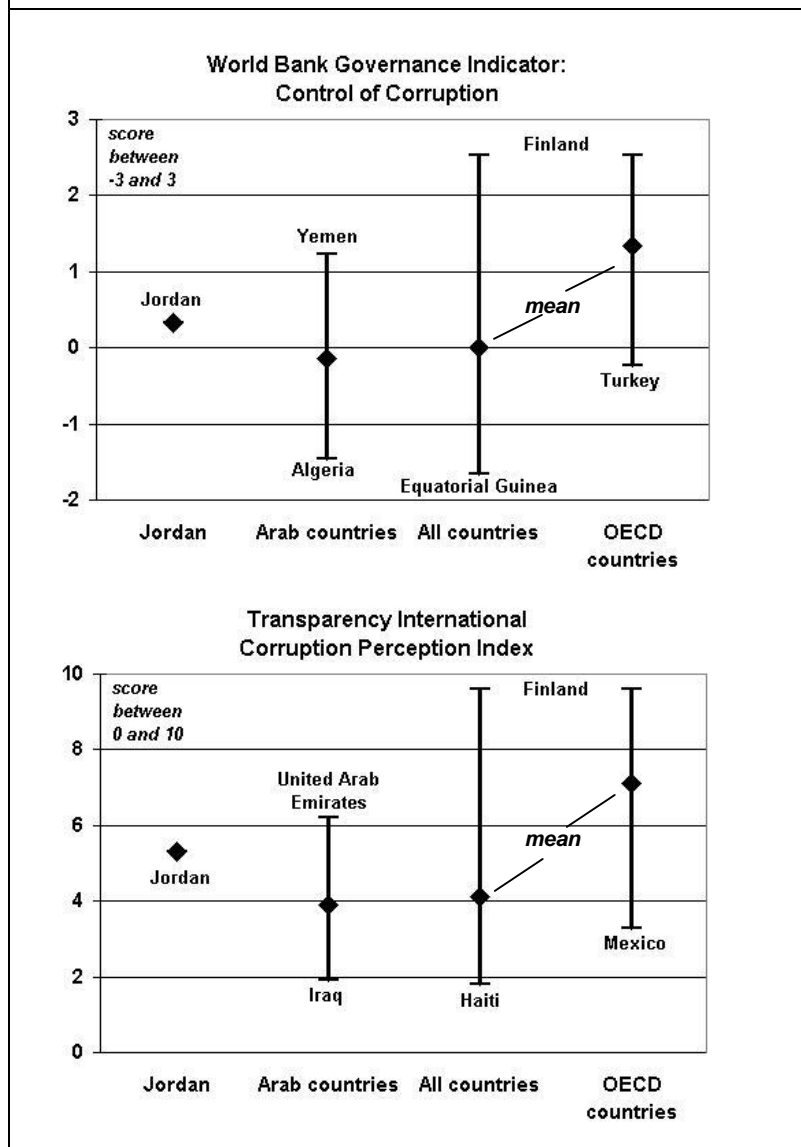
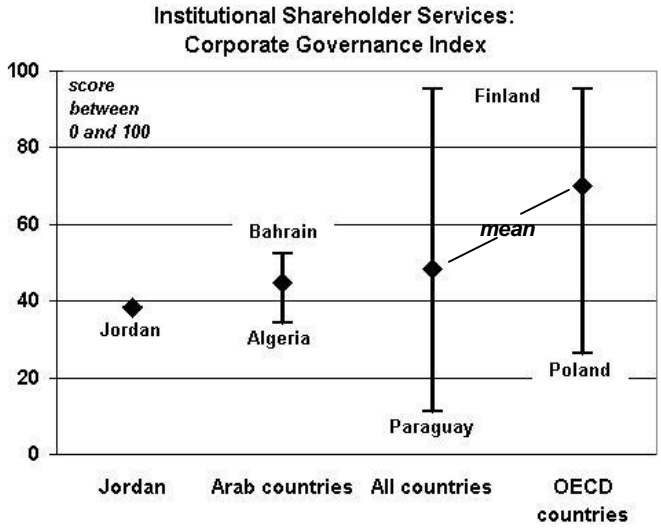
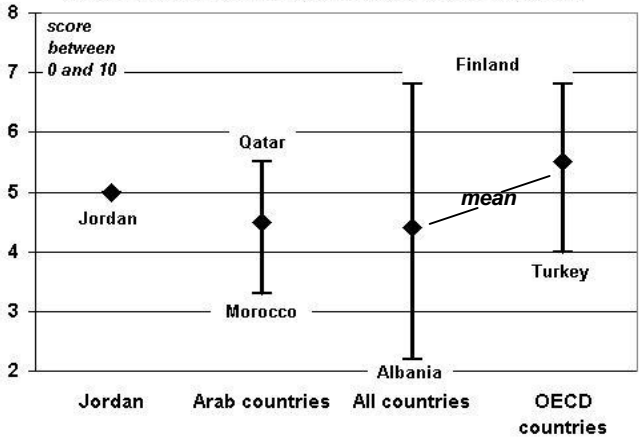


Figure 9 (continued)



### World Economic Forum: Growth Competitiveness Index (sub-indicator for the business costs of corruption)



Source: Institutional Shareholder Services Inc. (2005); Lopez-Claros / Schwab / Porter (2005, 574); TI (2006); World Bank (2005f)

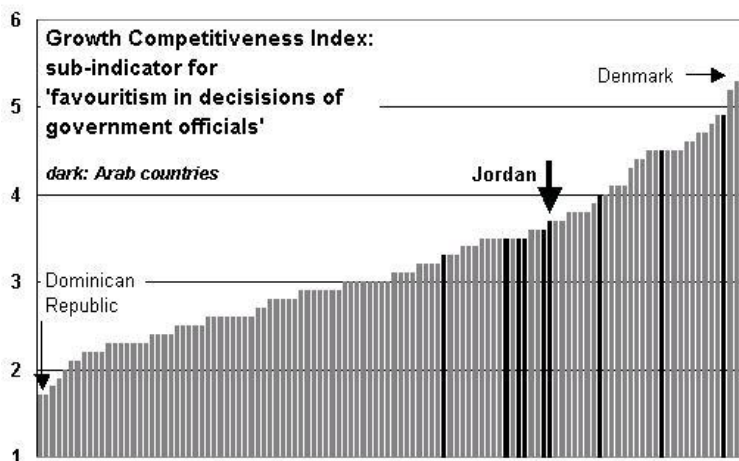


These indices, however, say little about the intensity of favouritism in a country, because they do not distinguish between different forms of corruption. Usually, their main focus is on bribery, because most people have only bribery in mind when hearing or reading the word ‘corruption’.

The Global Opacity Index of Price Waterhouse Coopers (2001) and the Global Corruption Barometer of TI (2005) are composite indicators with at least one component concentrating on favouritism, but their values for Jordan have not yet been calculated. The only index with a focus on favouritism that lists Jordan is the WEF’s Growth Competitiveness Indicator. One of its component indicators measures the level of ‘*favouritism in decisions of government officials*’ (see Figure 10).

According to this indicator, favouritism is much less widespread in Jordan than in many other countries in the world. With a score of 3.7, Jordan ranks significantly above the world mean (3.2) on position No. 31 among 117 countries worldwide.

**Figure 10: Jordan’s ranking for ‘favouritism in decisions of government officials’**



Source: Lopez-Claros / Schwab / Porter (2005, 557)

This finding should be treated with caution, however, because of the methodology used by the WEF:

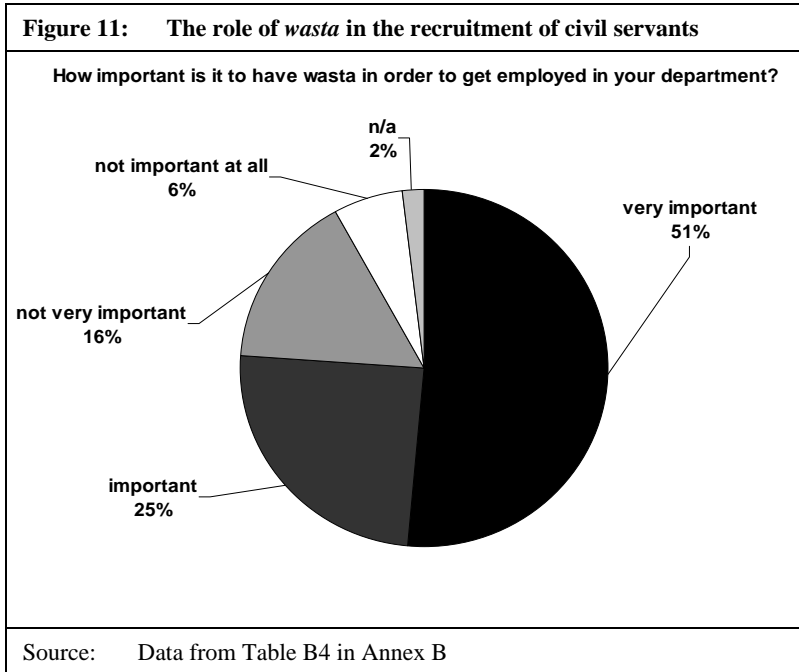
- The sample of resource persons interviewed in each country for the purpose of the Index is very small. In Jordan, it comprised only 88 entrepreneurs (Lopez-Claros / Schwab / Porter 2005, 218).
- The samples are not representative. *First*, they are limited to businesspeople and exclude consumers, government officials, journalists, academics and NGO activists. *Second*, only persons from medium to large-size companies are taken into consideration. In Jordan, 57 % of the interviewed businesspeople had more than 100 employees and the rest had between 21 and 100 employees. None came from an enterprise with less than 21 employees, even though these make up more than 90 % of all Jordanian firms and provide jobs for more than 50 % of workers in the private sector (MoIT 2006). Moreover, even though Jordan has only a few companies with more than 500 employees, a quarter of the persons interviewed represented this category. *Third*, entrepreneurs with more than 500 employees are major players in a small country like Jordan and therefore not neutral. All of them are likely to have very good *wasta* to the government or even the Royal Family. Without *wasta*, they would not be as successful as they are. As a consequence, they are unlikely to complain about business conditions in their country or to perceive any unfairness in state-business relations.
- The Growth Competitiveness Index is biased with respect to Jordan. It was conducted by the Ministry of Planning and International Cooperation, whose main task is to co-ordinate foreign aid for Jordan and which thus has an interest in sanitising Jordan's international image.
- Finally, the ranking should not be used for international comparison. According to WEF's indicator for favouritism, Belgium and Estonia rank on approximately the same level as Jordan, although intuition says that these two countries should fare much better. The United States and Canada even score somewhat worse than Jordan, and Italy ranks far below, at position No. 72. These results can only be explained by the fact that businesspeople tend to compare their situation with the business-climate in countries that are similar in one or another way to their own country, i.e. countries in the same world region or in the same per-capita income group. People in Jordan, for example, tend to compare themselves with Egyptians or Syrians rather than Estonians, while Belgians and Italians compare their country with Denmark, Spain and Austria rather than Jordan or Algeria. A global ranking therefore tends to overestimate the significance of favouritism in countries like Italy

that perform badly in comparison to their neighbours but not necessarily in international comparison. At the same time, it underestimates favouritism in countries like Jordan, which is a good performer in regional comparison but a bad performer in international comparison.

*Prevalence of the use of wasta*

Our research provides evidence for the fact that favouritism is still very widespread in Jordan: *Wasta* is used frequently in many different kinds of social interactions.

<b>Table 4: The role of <i>wasta</i> in Jordan according to an opinion poll conducted by the Arab Archives Institute in 2000</b>		
If you need to get a job done at a government office, company or organisation, you...	(a) ... deal with it directly	35 %
	(b) ... look for <i>wasta</i> before beginning	46 %
	(c) ... look for <i>wasta</i> after beginning	19 %
If you answered (b) or (c) to the previous question, what is the reason for this?	(a) Procedures are complicated	50 %
	(b) Deficiencies with your case	4 %
	(c) Impossible to complete the task without <i>wasta</i>	41 %
	(d) Social standing	5 %
With reference to your present situation, do you think that your need for <i>wasta</i> ...	(a) ... will increase	42 %
	(b) ... will decrease	13 %
	(c) ... will remain as it is	45 %
Are you subjected to social pressure to use <i>wasta</i> ?	Yes	57 %
	No	43 %
Whom do you use <i>wasta</i> for?	Relatives	27 %
	Friends	17 %
	Anyone who asks	56 %
Do you think <i>wasta</i> should be eliminated?	Yes	87 %
	No	13 %
Note:	The poll was conducted among 360 journalists, artists, physicians and lawyers and is thus not representative.	
Source:	Kilani / Sakijha (2002, 126 f.)	



*Wasta* is very helpful in interactions with the state. 86 % of the business-people interviewed confirmed this, and 56 % admitted using *wasta*. Similarly, 64 % of the public sector employees confessed that their clients can speed up procedures in their department if they know one of the employees. Further evidence is provided by an opinion poll conducted by the Arab Archives Institute in 2000: 60 % of the respondents admitted using *wasta* occasionally when dealing with government offices (see Table 4).

*Wasta* also plays a very important role in the recruitment of civil servants. 77 % of the respondents to our standardised public sector survey stated that it is important or even very important to have *wasta* to get a job in the public administration (see Figure 11).

Finally, *wasta* is said to be similarly valuable for gaining admission to a university, for getting good marks on university examinations, for gaining access to financial support from the government, and for avoiding penalties or fines. Some interview partners even went so far as to say that “*eve-*

*rything in Jordan requires wasta*" (Khalaf, 8 March 2006) and that "*wasta is all over and everybody uses it*" (Sakijha, 28 February 2006).

### *The use of wasta by different social groups*

No social group in Jordan is exempt from using *wasta*. Women use it just like men, poor people as well as rich people, and even many foreigners do so.

However, poor people tend to benefit less from the use of *wasta*, because their *wasta* is less powerful than that of rich people: Poor people cannot pay for the small presents needed to maintain social relations and networks. In addition, they do not know 'the right people', i.e. the key decision-makers who have the power to improve their situation. On the other hand, if the poor knew such people, they would probably not be poor. Many studies, such as the World Bank's *Voices of the Poor* (Narayan et al. 2000), argue that a lack of social connections is both a cause and a consequence of material poverty:

*"You have to cultivate networks and contacts with people with power and influence to secure a livelihood and future." – Pakistan 1993*" (Narayan et al. 1999, 39)

The Jordan Human Development Report 2004 cites townsmen of Madaba who describe *wasta* as a "*magic wand*", which provides job opportunities, loans, cash assistance from the National Aid Fund and access to better and cheaper health services (UNDP Jordan 2004, 63).

Similarly, women in Jordan often have greater difficulty than men in gaining access to persons who can help them.

## 5.2 The popular perception of using *wasta*

The perception of *wasta* by Jordanians is ambiguous. Many interviewees stated that the use of *wasta* creates unfairness and hampers economic development and should therefore be reduced. Still, many people said that the use of *wasta* has positive aspects. Ambiguity prevails as well with respect to whether the use of *wasta* is a form of corruption or not and how it is related to bribery.

The main argument against the use of *wasta* was that it creates unfairness, since people with better *wasta* have fewer problems in gaining access to resources, information and services than people without *wasta*. The owner of a small shop in Zarqa said, “*I think it [wasta] is not good because there is no fairness in it. If I have wasta, it is good, but what can a person without wasta do?*” Other interviewees indicated that “*there are no equal opportunities for all citizens*” (Al Rantawi, 21 February 2006), or that “*the majority of Jordanians has only limited wasta and is thus disadvantaged.*” (Al-Masri, 18 February 2006).

In addition, many believe *wasta* to be detrimental to Jordan’s economic development. One expert claimed: “*You cannot build a sustainable, modern economy on wasta, since it makes interactions unpredictable*” (Al-Husseini, 21 February 2006). Another expert called *wasta* “*the cancer of our society*” (Al-Masri, 18 February 2006).

At the same time, however, many Jordanians also stressed the positive aspects of *wasta*. Several interviewees claimed that poor people in particular would not get their rights in the public sector without using *wasta*. In the same way, the Jordan Human Development Report 2004 cites a poor villager who cried, “*Without wasta, we cannot live!*” (UNDP Jordan 2004, 63). In the absence of appropriate social protection by the state (Loewe et al. 2001), the use of *wasta* is seen as a surrogate which helps to mitigate income shocks and to alleviate unemployment and poverty:

“*Wasta is a support mechanism that has allowed many families to survive [and] has filled a vacuum that the state didn’t fill.*” (Sawalha, 23 February 2006)

Moreover, the use of *wasta* is considered by many as “*a source of social cohesion*” (Al Khouri, 15 February 2006) and is therefore believed to have a stabilising effect on Jordanian society. *Wasta* is also often associated with cherished social norms such as solidarity and loyalty and with social institutions like the family or the tribe.

Dissension was also apparent, however, as to whether or not *wasta* is a form of corruption. Many interviewees claimed that “*wasta is a type of corruption*” (Khader, 7 March 2006) and “*something illegal and unjust*” (public sector employee, 30 March 2006).

Others declared that “*Wasta is tradition, not corruption*” (Kanaan, 16 February 2006), and that it “*is in the culture*” (public sector employee,

26 March 2006), or that “*Wasta is not corruption, because it is not linked to money*” (Al-Husseini, 21 February 2006).

A third group of people took a middle position between these extremes: they stated that the use of *wasta* is sometimes corruption, but not always. In their opinion it has nothing to do with corruption when a person gets something that he or she deserves or when *wasta* is merely used to speed up procedures. However, it constitutes corruption when it is used to circumvent a procedure or to gain a personal advantage. One expert illustrated the difference by the example of a government tender that is handed to a relative of a government official. If the relative submitted an offer that was worse than the offers of others, the act of awarding him the contract is a form of *wasta* that constitutes corruption. If the offers were all the same, however, the selection of a relative due to *wasta* would be unproblematic.

Finally, Jordanians also disagree on the distinction between *wasta* and bribery and on the prevalence of the two phenomena. Some interviewees affirmed that bribery and *wasta* often come together in one and the same interaction, for example, when someone offers money or a little present for a favour even though he already has good *wasta* with the responsible decision-maker. In addition, bribes can help to create and improve *wasta*. Some businesspeople told us that they offer gifts or discounts to key persons in public administration to build up *wasta* for later occasions (see Table A5 in Annex A).

At the same time, the majority of our interviewees stated that Jordanians use *wasta* rather frequently, but bribery only rarely.

This view is obviously in error, as our standardised survey among 180 public sector employees reveals: 64 % of the respondents admitted that bribes were accepted in their department at least from time to time. This was particularly the case in departments that are responsible for company licensing and for public tenders (see Table B5 in Annex B).

This is in line with a survey conducted by the Arab Archives Institute in 2005: 63 % of respondents to this survey considered bribery to be common or even very common in Jordan. 51 % believed that it is on the rise, while only 33 % assumed that bribery is on the decline. 50 % admitted that they themselves had paid a bribe at least once in the past (see Table 5).

<b>Table 5: The role of bribery in Jordan according to an opinion poll conducted by the Arab Archives Institute in 2005</b>	
Have you ever paid a bribe in the past?	Yes: 50,4 %
	No: 46,8 %
How did you know that a bribe had to be paid?	From the bribed person himself 11,0%
	From someone else 41,3%
	I did not know if it was necessary: 8,3%
Are you convinced that you would have succeeded in that matter without the bribe?	Yes 28,4%
	No 23,9%
What do you think how common is bribery in Jordan?	Much: 29,4%
	Medium: 33,9%
	Little: 31,2%
Would you consider bribery as a form of corruption?	Yes: 93,6%
	No: 3,7%
How do you think bribery is developing this year?	It is increasing: 59,6%
	It is diminishing: 33,0%
Do you believe that the fight against bribery is necessary?	Yes: 95,4%
	No: 1,8%
Is the government serious in fighting bribery?	Yes: 33,0%
	No: 62,4%
Who do you think could initiate the fight against bribery?	The government: 16,5%
	Civil society: 11,9%
	Both: 68,8%
Where do you think bribery is most widespread?	Individual matters: 39,4%
	Commercial matters: 50,5%
Note:	The poll is not representative of Jordanian society. It was conducted among 327 persons working in the public or private sector. However, most of the respondents were between 21 and 30 years old, unmarried, living in Amman and having a university degree.
Source:	Kilani (2006, 12–17)



While the use of *wasta* is sometimes legitimised and justified by arguing that it can serve a good purpose or that it is part of Jordanian culture, bribery is more often considered an unacceptable act. 68 % of the employees of public institutions interviewed in our survey argued that even the acceptance of very small tips was not acceptable, although justifications were offered for accepting such gifts, such as low salaries and the fact that customers who offer payments may be very rich (see Table B5 in Annex B).

Nevertheless, the majority of the Jordanians want both bribery and the use of *wasta* to be eliminated. 95 % of those who participated in the survey of the Arab Archives Institute on bribery believe that the fight against bribery is necessary (see Table 5). Likewise, 87 % of the participants in our survey on *wasta* wanted it to be eliminated (see Table 4).

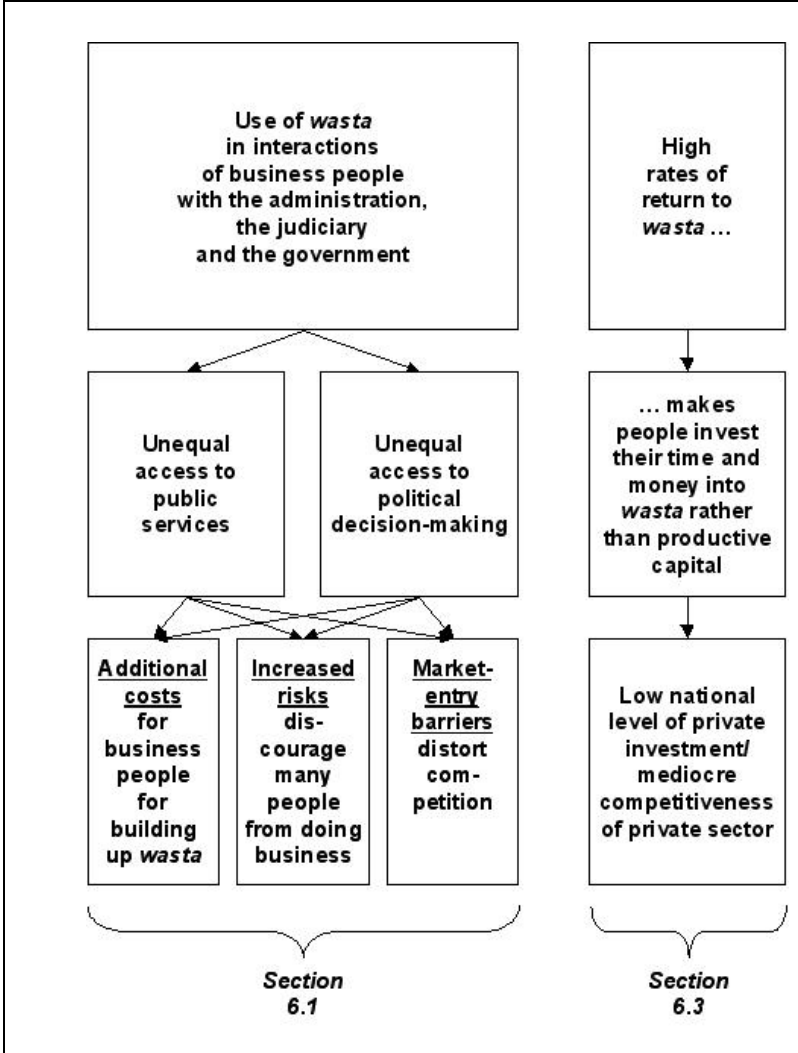
## **6 The impact of *wasta* on the business climate in Jordan**

We now turn to the main question of our study. We will show that favouritism affects the business climate in Jordan and will explain the mechanisms by which this comes about. We provide empirical evidence for the assumptions expressed in Chapter 2: the widespread use of *wasta* makes state-business relations inefficient and unfair, thereby increasing the costs and risks of investments and creating barriers for market entrants. However, it also affects the level of investment in Jordan in a more direct way (see Figure 12).

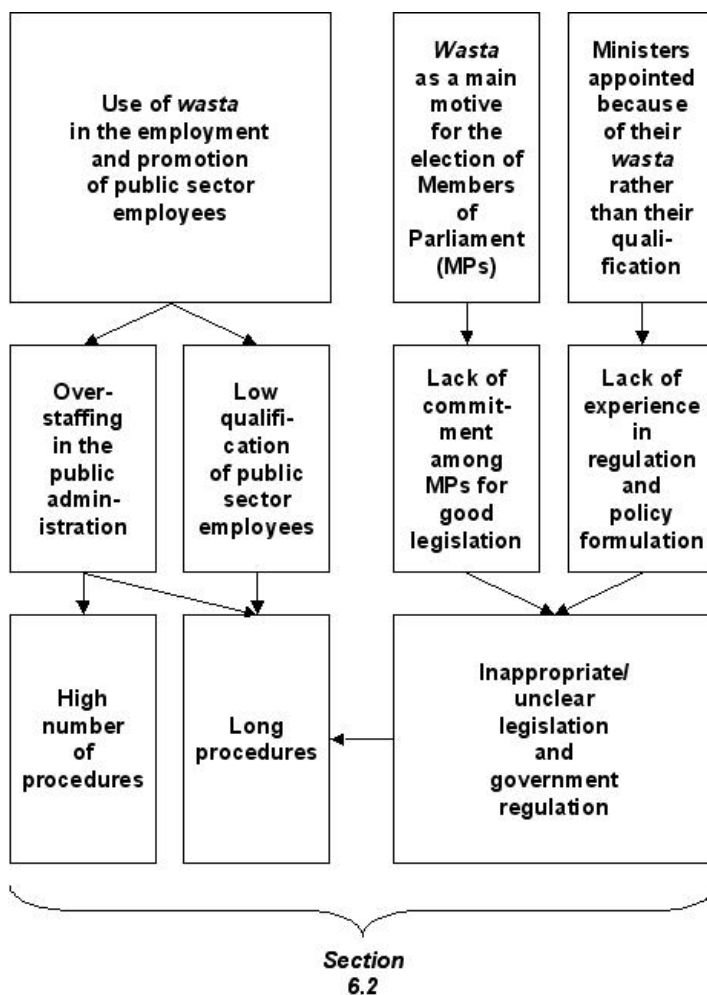
Our data show *first* that frequent use of *wasta* affects the fairness of state-business relations on both the administrative and the political level. Business people who have more *wasta* than others have better access to services provided by the administration, the judiciary and the government and also have privileged access to political decision-making. They can thus set up barriers to competition which new market entrants find it difficult to overcome.

*Second*, we substantiate the assumption that the prevalence of *wasta* makes state-business relations inefficient, thereby increasing the costs and risks of doing business in Jordan. *Wasta* plays an important role in the recruitment and promotion of public sector employees. It thus fosters over-

**Figure 12: Effects of *wasta* on the business climate**



Source: Results of the present survey



staffing and the employment of unqualified staff in the public sector. This is a major reason for the complexity and long duration of administrative procedures. In addition, *wasta* also leads to inappropriate legislation and regulation. Most members of parliament (MPs) are elected because they are a good *wasta* for their constituencies rather than because of their ideas or capabilities. Likewise, ministers are appointed because of *wasta*. Both MPs and ministers lack the motivation and qualification needed to work out effective and clear laws and decrees.

*Third*, our findings suggest that the omnipresence of *wasta* not only affects the efficiency and equality of state-business relations but also has a direct impact on the level of investment and on private sector development in Jordan. The important role of *wasta* in the economic, social and political system of Jordan constitutes a strong incentive for businesspeople to seek rents instead of improving their competitiveness. They tend to invest their time and money in social relations rather than in productive capital or new business ideas, since their success depends much more on the quality of their *wasta* than on the quality of their products or services. Widespread favouritism thus reduces investments in Jordan and confines the competitiveness of the Jordanian economy to levels far below those which would be possible without it (Boye et al. 2006, 8; Dieterich 1999, 124).

Each of these three lines of argumentation is explained in detail in one of the following three sections.

## 6.1 How the use of *wasta* makes state-business relations unfair

*Wasta* enables well-connected people to speed up administrative procedures and to gain exclusive access to public sector services, business opportunities, government contracts, tax exemptions, jurisdiction and credit. However, *wasta* is also used by businesspeople to influence legislation and government regulation to their advantage.

### 6.1.1 The impact of *wasta* on access to government services

We start out by presenting empirical evidence for the possibility of businesspeople with *wasta* to go through administrative procedures in Jordan

faster than others. Then, we show that well-connected businesspeople also benefit from preferential access to business opportunities, favourable regulation and efficient contract enforcement.

### *Preferential treatment by the administration*

Business people can speed up administrative procedures in Jordan with the help of *wasta*, and they make ample use of this possibility. Interviewees told us that the long, complicated and expensive procedures of the public administration were their primary motivation for using *wasta*. Likewise, many public sector employees confirmed that *wasta* is helpful for speeding up procedures in their respective administrative departments or even for getting around rules and regulations.

Often, businesspeople ask for the help of a *wasta* i.e. a go-between, to put them in contact with the relevant decision-makers in public administration. As we were repeatedly told:

*“If you know someone, he will speed things up for you. Every business needs someone to do that for them.”*

64 % of the civil servants covered by our survey stated that procedures can be completed more quickly by people who have *wasta* (see Table B3 in Annex B). An employee of the Ministry of Public Sector Development (MoPSD) stressed:

*“Some people’s documents are handled faster because they have relatives in the ministry.”*

Many higher-ranking civil servants agreed with this statement while denying at the same time that *wasta* plays a role in their own department. Examples of procedures which can be completed more quickly by people with *wasta* include the licensing and registration of companies, the issuing of work permits for foreign workers, and customs clearance.

Many businesspeople argued that they use *wasta* to speed up procedures mainly because it is only rational for an individual to exploit this advantage. As the manager of a manufacturing company stressed:

*“We have a system, but if you are able to step ahead, of course you do it, and there are lots of people who can do it.”*

The high cost of not using *wasta*, i.e. the long duration of procedures and

complicated laws, as well as difficulties in dealing with unmotivated and moody public sector employees, provide an additional incentive for employing *wasta*. One company representative said:

*“Wasta is used to speed up processes, but it should be normal that a process is quick.”*

Another one told us:

*“Sometimes you need people to push your case because even if you are right, public sector employees will find something.”*

In contrast, some public sector employees blamed self-interested and uninformed businesspeople for the common use of *wasta*. Some stated that every customer tries to get his application approved more quickly than the rules allow. The head of a registration department told us *“People always ask us to make it quicker. Everyone wants his papers to be proceeded more quickly.”* One head of a customer relations department said that some customers even try to break the rules by using their *wasta*

Other public sector employees pointed out that businesspeople are often poorly informed about rules and procedures:

*“The reason why clients try to use wasta is that the normal people don’t know the rules. They want somebody to do it quickly, they are afraid [...]. They think we are complicated,[...]. In the past that was true, everything took very long, but people think it is like before.”*

Some public sector managers, finally, suggested that their customers stick to *wasta* for cultural reasons:

*“In an Arabic society you have to find wasta. It is something tribal. Even if a person is okay and his documents are okay, he brings a wasta with him when he comes here.”*

Another question is why civil servants are ready to provide preferential treatment to some of their customers. Several interviewees in public administration confirmed that they had no incentive to avoid granting preferential treatment to their relatives and friends and even to the friends of friends. One manager in public administration said that *“speeding up procedures is not punished, but getting around rules or breaking them will be punished.”* Others, however, stressed that there are no controls and no penalties at all against unequal treatment of applicants.

At the same time, civil servants must fear being victimised by society if they refuse to favour family members and neighbours. Many interviewees stressed that they felt very much under social pressure to use their office for helping their families and fellow tribe members. For instance, a municipality employee said, *“if I have a cousin who asks me to help him, I do. If not, they think I am a bad person.”*

Finally, serving as a *wasta* adds positively to one’s reputation. An interviewee who works at the Municipality of Greater Amman emphasised that *“When I am wasta for someone, many people listen to me because I am respected.”*

The preferential treatment of people who have *wasta* constitutes a problem because it makes administrative procedures unfair. Companies with little *wasta* *“lose a significant comparative and competitive advantage. They suffer from time delays compared to others”*, as the manager of a manufacturing company told us. In addition, the ability of people with *wasta* to speed up administrative procedures makes state-business interactions unpredictable, since the duration and result of the procedures depends on factors other than the official rules.

Of course, personal connections are not the only factor determining how quickly public administrators deal with requests from private companies. Company size matters in particular. Many times we heard that big companies benefit from preferential treatment, even when they do not know anybody in the public administration. One could thus say that company size is a substitute for personal relations. A financial market specialist confirmed:

*“The economic section at the Royal Court interferes a lot. They help big firms to by-pass the laws so that they do not have to go through lengthy procedures.”*

Likewise, foreign investors seem to have *wasta* simply by being foreign. They benefit from preferential treatment in many procedures such as registration and licensing by the Jordan Investment Board (JIB), which has been founded especially for the purpose of attracting direct foreign investment to Jordan. The head of a promotion agency for small and medium enterprises (SME) complained:

*“Foreign investors are given preferential treatment. When an investor from the Gulf comes to Jordan the red carpet is rolled out for him, while Jordanian entrepreneurs suffer from the bureaucracy.”*

*Preferential access to information, licenses and permits, government contracts, tax concessions and jurisdiction*

In many cases, *wasta* is useful not only for getting a permit or being awarded a concession faster and easier than usual, but can even be indispensable for getting such permits or concessions at all. Many Jordanians have exclusive business opportunities because of their *wasta*. They have, for example, preferential access to (i) information, (ii) licenses, (iii) government contracts, (iv) tax exemptions and (v) jurisdiction for getting their rights enforced. The same manager of an SME support programme already cited above complained during our interview with him:

*“Everything in Jordan requires wasta. With wasta you can speed up procedures. This is normal and happens everywhere in the world. Yet, having wasta can also imply that you get something that someone else would not get at all. This is the difference to other countries.”*

*Access to information:* *Wasta* is used by many people to acquire from the government confidential information on business opportunities. A high-ranking representative of a foreign donor agency explained:

*“All ministers in Jordan are also businessmen, even the King. This is because investment is linked with inside information.”*

A business specialist from another donor institution said:

*“The main problem is not the time it takes to get your things done [...]. The main problem is the lack of information about how the procedures really are. There is no transparency in procedures and decisions.”*

*Wasta* can thus be useful in saving businesspeople time and money, because it ensures that they are always up to date regarding changes in administrative rules and procedures. A company representative said:

*“You need personal connections so that someone tells you about the changes. It will slow things down at your company if you don’t know about the changes.”*

Likewise, well-connected investors are often informed about municipal decisions long time before these decisions are published. As a result, they know sooner than others where new roads, schools or malls are to be built, with the result that they can buy the surrounding land before the municipal decisions become known and the price of land jumps.



*Access to licenses:* Operating and manufacturing licenses are often preferably granted to applicants with good *wasta*. The head of a social science research institute explained that

*“when there is a new business [...] the people with the best wasta get the first licence. People who are close to the government and the security forces always have the first draw.”*

Even in a governmental investment promotion agency we were told:

*“In this society, the families are very strong. If you know someone from a family, you call him and ask him for help. This is a problem, sometimes bad projects get an approval and good ones don’t.”*

*Access to government contracts:* *Wasta* also affects the chances of winning a government contract. An expert for foreign direct investment in Jordan maintained that *“tenders are often ‘window dressing’. Decisions are made before [the publication of the tender] following informal criteria.”* Several businesspeople confirmed that *“wasta plays a major role in getting projects”*, and some told us that they were *“not participating any more, because corruption and ‘buying from one’s cousin’ is increasing and there is no security that tenders will be fair.”*

Some people told us that improvements have taken place in recent years and that there was now much more transparency in the process and results of governmental processing of tenders than in the past.

In the commissions awarded by the Royal Court, however, *wasta* still plays a very important role. The manager of a company, which often did work for the Royal Court, said:

*“The Hashemite Court is not obliged to call for tenders. It can directly assign to a company that is recognised as a preferred supplier. To become a preferred supplier, you mainly have to wait. There is no formal rule for this procedure.”*

*Access to tax exemptions:* *Wasta* can even help in receiving tax deductions. An economist at the University of Jordan stated that some companies are exempt from paying taxes because of their *wasta*. Likewise, several entrepreneurs admitted that *wasta* helps in the tax department. One of them said that *“the tax department has become more efficient, and the employees are much more friendly now. But a lot still depends on whether a person is known to them.”*

*Access to jurisdiction:* People with good *wasta* even have a better chance of getting their rights enforced. According to our findings, this affects the decision-making of at least some of the judges in Jordan. A researcher stated that *“the law is not equally applied; for example, [you will get your rights] only if you know someone at the security services.”* A human rights lawyer told us that *“because of the importance of the nets of personal relations in our society, it is sometimes difficult for a judge to remain independent.”* This is supported by the statement of a woman entrepreneur who felt that the courts had treated her unfairly because she did not make use of her *wasta*. Thereupon she turned to *wasta*:

*“Then I called another judge, a friend of mine who went with me to the next appointment. All of a sudden the judge was very polite to me. The courts are full of wasta, everything is twisted.”*

Accordingly, the head of a research institute strongly recommended:

*“The judiciary has to be reformed as to its efficiency and liability, and predictability. This is really a main area of problems arising for investors in Jordan. What the country needs most urgently is a thorough review of how the judiciary works.”*

The preferential treatment of well-connected people makes state-business interactions not only unfair but also unpredictable. A consultant explained:

*“It is not easy for me since I do not have that many contacts. Influential people can get what they want easily. You see, there is no transparency, no fairness, no competition and no rules.”*

Likewise, the representative of a pharmaceutical company complained about the unpredictability of decisions taken by the public administration: *“We don’t know what they want and we cannot plan.”* Since entrepreneurs must hedge their risks in transactions with the state, unpredictable decision-making causes additional costs. One entrepreneur summed up:

*“You can have good quality, good PR [public relations], but if you don’t know a key person you are out of business.”* Sabra (2004) tells about a young engineer who has given up on a career in Jordan and has decided to emigrate because of the omnipresence of *wasta*:

*“According to the constitution, the free market economy reigns here. [...] But in reality, that is not the case. Without connections, you will not be successful.”* (Sabra 2004, 323)

## 6.1.2 The impact of *wasta* on political decision-making

*Wasta* with the right people even allows entrepreneurs to affect politics in Jordan, i.e. decisions taken by the Jordanian parliament and government to their own advantage. Our data suggest that a small number of business-people have such a good *wasta* with ministers, top bureaucrats, and members of parliament that they can manipulate laws and government decrees. This finding is supported by Keller and Nabli (2002, 18), Boye et al. (2006, 9) and the Young Entrepreneurs Association (YEA 2006, 39). We may even assume that the present economic and social status of Jordan's business elite is based on this influence (Wils 2003, 205 and 217).

Some businesspeople in Jordan have a very strong say in political decisions because they occupy high positions in the government themselves, because they have built family relationships with government members by marriages, or because other members of their families are high-level state officials. The head of a political think tank explained that *"it is normal in Jordan today that high state officials are head of a big company as well,"* and a journalist told us that *"in many families there is one branch that goes into big business and another branch that goes into politics."*

Most enterprises in Jordan do not have much of a voice in politics. They lack the necessary *wasta* and the business associations fail to represent the interests of their members (Boye et al. 2006, 9). Every company in Jordan must be member of a business association, but 68 % of our interview partners from the private sector stressed that these associations were not helpful for them at all (see Table A7 in Annex A). The representative of a pharmaceutical company complained: *"I don't get anything from them, and I am not committed to them, they don't help us."* Big companies, on the other hand, do not miss such assistance, as the manager of a large tourism company explained: *"We go directly to the minister or to the Royal Court to solve our problems. There is no pressure group here."*

The reason for this deficit is that the small, established elite of business-people also controls business associations and chambers of commerce in Jordan with excellent relations with the political elite (Knowles 2005, 129). A Jordanian economist confirmed that the *"business associations are dominated by rich people and therefore not representative."* When a new General Sales Tax Law was under consultation in parliament, the Amman Chamber of Commerce (ACC) was unable to act cohesively for its mem-

bers. Instead, several members of the ACC board lobbied for their personal interests outside associational channels (Moore 2004, 165). An entrepreneur from the telecommunications sector also maintained that “*the associations have no influence. Members just do their own lobbying.*”

As a result, state-business relations on the policy-making level are also very unfair. Many regulations are designed for the benefit of the largest, best-established and most influential businesspeople and thereby severely distort competition. For example, various interviewees told us about a situation in which some businesspeople had persuaded the Minister of Agriculture to allow the import of lambs from Syria. Permission was given at the very moment these entrepreneurs had lorries full of lambs parked next to the border so that they were able to import huge numbers of lambs duty-free within a few days. When other traders also started to buy lambs in Syria and to carry them to the Jordanian border, the Ministry withdrew its previous permission just before these competitors were about to import their lambs to Jordan.

Likewise, a reputable journalist reported about “*one case where the prime minister owned an insurance company and the government changed a law so that premiums were doubled. Obviously the prime minister benefited from it*”<sup>44</sup> Wils states that during the privatisation of state enterprises influential businesspeople managed to gain control over lucrative parts of the market, for instance in the telecommunications sector (Wils 2003, 186). The reformed tax law is another example. It passed parliament only after several tax exemptions for certain goods were granted (ibid, 182).

Jordanian MPs themselves provided additional evidence after a preliminary version of this study was presented in a workshop at the Center for Strategic Studies and distributed to politicians and journalists. One daily asked MPs about their opinions on the topic, and one answered:

*“It is true that some investors maintain excellent relations with the government in order to exert influence on political decisions. It is even true that a law was changed for the benefit of just one investor.”* (Abdel Rahim Malhas in Al-Hayat, 11 May 2006)

And another MP stated:

*“Investors have no access to functionaries except with money.”* (Khaled Al Shawabkeh in Al-Hayat, 11 May 2006)

## 6.2 How the use of *wasta* makes state-business relations inefficient

The prevalence of *wasta*, however, not only results in unfairness and a lack of predictability in state-business interactions, thus increasing risks and barriers for investors, but it also reduces efficiency, thereby increasing the costs of investment.

In this section, we will show that *wasta* is a key factor in the recruitment and promotion of public sector employees in Jordan, thus affecting their quality and number and, concomitantly, the quality of public services. After that, we argue that *wasta* also has a negative influence on the legislative process by playing an important role for both the election of MPs and the appointment of ministers.

### 6.2.1 The impact of *wasta* on the quality of public services

#### *Wasta in the recruitment and career promotion of public sector employees*

Many civil servants in Jordan are employed mainly because of their *wasta*. 77 % of the low- to medium-ranking public sector employees covered in our survey stated that *wasta* was ‘important’ or even ‘very important’ for getting employment in the public sector (see Table B4 in Annex B). Many high-ranking public sector employees confirmed this in our interviews with them. Although efforts have been made to establish new recruitment procedures, *wasta* still plays a major role. The manager of a service department complained:

*“They are now trying to advertise in the newspapers but that is not effective; most people are employed by *wasta*.”*

Jobs in the public sector are widely recognised in Jordan as a reliable and comfortable source of income, although they are not very well paid.

As a result, there is much pressure from influential people to provide employment to their constituencies. We were told, for example, that MPs, ministers and chief directors frequently send lists of job applicants to the human resources departments of the public administration containing the names of supporters and family members for whom they wish employment in one or the other public sector department. A manager at the Municipality of Greater Amman explained us:

*“It is because of the MPs who have to supply their supporters with jobs. This is the main thing with wasta, they ask us to employ their people. The people are poor, and the mayor discusses these issues with the MPs. The mayor is not free; he is under pressure.”*

However, ordinary citizens also exert pressure. One high-ranking official stated:

*“There is also this mentality of the people that because they pay taxes to the Municipality, the Municipality should also employ their sons and daughters.”*

The staffs of human resource departments in the public sector have difficulty in withstanding this double pressure. Many told us that they often feel obliged to employ the proposed candidates. One of them said:

*“If a minister or engineer tells you to employ someone, you cannot say no.”*

Moreover, *wasta* affects not only the recruitment of public sector employees, but also their career advancement. One employee of the Municipality of Greater Amman stressed:

*“There is wasta in promotions. Some people are not qualified at all and they get promoted, while others who are here for 10 years and do a good job are not promoted [...]. This is a big problem. They don't look who is qualified but who has the wasta.”*

### *Employment of unqualified staff and overstaffing*

The importance of *wasta* in recruiting and promoting public sector employees leads to (i) the employment of people who are inadequately qualified and (ii) overstaffing in public sector institutions. In the process it affects the quality of public services and, finally, the efficiency of state-business relations in general.

*Low qualification of employees:* One consequence of the important role that *wasta* plays in the recruitment and promotion of public sector employees is that some people acquire positions for which they are neither qualified nor motivated. The director of a ministerial department described this problem as follows:

*“You don't necessarily find the right people in the right place.”*

The problem is aggravated by the fact that it is almost impossible to dismiss public sector employees even when they lack motivation and are unqualified for their jobs. In addition, decision-makers refrain from dismissing people who have been recruited because of their *wasta*, fearing reprisals from the influential person who initially pushed for the employment of these persons. A manager in the Ministry of Public Sector Development (MoPSD) explained:

*“In the case of normal employees, we talk about regulations and laws that prohibit to dismiss them, even if they just sit around and do nothing. With respect to higher-ranking officials we talk about culture. For example, if you try to merge two authorities you will not be able to lay one of the heads off, because his father is a member of parliament.”*

As a result, many public sector institutions suffer from the low qualification and motivation of at least some of their employees. This in turn creates serious problems for entrepreneurs. As mentioned in Chapter 4, half of the businesspeople that we interviewed mentioned the lack of qualification and motivation among public sector employees in Jordan as one of the main reasons for their problems in interactions with the state bureaucracy (Table A4 in Annex A). One company owner explained this factor in more detail:

*“In 30 % of the cases the problem is that the rules are not up to date. In 70 % of the cases it is that public sector employees are not educated and that they take decisions on their own without really having the necessary know-how [...]. For example, we were inspected seven times before we got an approval for our [...] factory. And we had to train the inspectors because they did not know the latest technology. They compared us to some old factory. And they wrote a report in which they criticised that our products are stored in a tank on the roof of the building. They said it is too dangerous. We had to teach them that this tank is a high-tech tank with a lot of safety features. That is what we have to educate them on, that’s part of the ignorance we face.”*

Another entrepreneur stated that

*“The people in the public administration are not very helpful. They are lazy and lack the necessary commitment and interest for their jobs. Still, there are good and bad people everywhere, and you should not blame the simple employees.”*

Of course, the recruitment of civil servants on the basis of their *wasta* is not the only factor that explains the low qualification of many public sector employees. Several interviewees stressed that adverse selection and a lack of training also play a role. Adverse selection takes place because wages in the public sector are very low compared with salaries in the private sector.<sup>16</sup> Consequently, many well-educated and trained people prefer to work in the private sector rather than in public administration. In addition, although many low- to medium-ranking employees in the bureaucracy believe that they have received adequate training<sup>17</sup>, the majority of the businesspeople, experts and higher-ranking civil servants whom we interviewed stressed that there is a dearth of opportunities for training.

*Overstaffing:* The second effect of *wasta* in the recruitment of civil servants is that many public sector departments are overstaffed. Our research generated ample empirical evidence to show that a misbalance exists between the amount of work to be done in many administrative units and the number of their employees. Most heads of public sector departments confirmed that they had enough employees:

*“We have a lot of employees, more than we need. But sometimes we have to take them.”*

Many pointed to overcrowded offices:

*“We have a lot of crowded offices, some people don’t even have a desk and some don’t even come to work, they are paid just for nothing.”*

Likewise, the Jordan Vision 2020 confirms that the public sector, which employs a third of Jordan’s workforce, suffers from disguised unemployment and underemployment of the individual employees (YEA 2006, 41). Goussous and Dababneh (2004) conclude that the “*enormous growth in government has indirectly suppressed the level of entrepreneurial activity in Jordan*“ (Goussous / Dababneh 2004, iii).

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16 In our survey, 50 % of public sector employees stated that they earn less than 200 JD per month. Another 36.7 % earn between 200 and 400 JD, while only 13.3 % are paid more than 400 JD per month (see Table B1 in Annex B).

17 In our survey, 59 % of all public sector employees believe that they receive adequate training, 37 % stated that this is not the case, and 3 % did not answer this question (see Table B4 in Annex B).



Overstaffing leads to inefficiency in state-business relations because it prolongs procedures and makes them more complicated than necessary. This effect is due to the idea that every head of an administrative department wants to give all of his staff something to do. As a consequence, sometimes additional administrative steps are introduced, and duplication of responsibilities becomes more likely. One public sector manager expressed this clearly by stating:

*“We have about 20–30 too many [employees]. We try not to let this affect the quality of our work. We give them little tasks to keep them busy, but they are not necessary.”*

Unfortunately, such efforts do not seem to offset the negative impact of overstaffing on the quality of public service: 67 % of the businesspeople in our survey still complained about the slowness of procedures, and another 39 % named “*too much regulation and dispersed decision-making*” as a main cause of their problems with the authorities (see Table A4 in Annex A). They thus regarded the high number of administrative procedures and the duplication of responsibilities as major problems.

This overstaffing in the public sector is often justified by advancing the need for security, political stability and social welfare as arguments. For example, one medium-ranking employee in the Municipality of Greater Amman argued as follows:

*“You see, this is a political thing. You have a problem if you do not employ these people. It is a matter of security.”*

In addition, overstaffing in the public sector is viewed as a way of tackling the problems of widespread unemployment and poverty:

*“The municipality also helps people to find work. Many of the employees have work because of ‘social’ reasons, because they are poor. This is related to the mayor. He is approached by people who bring evidence for their situation.”*

## 6.2.2 The impact of *wasta* on the legislative framework

Deficiencies in the legal framework constitute another difficulty for businesspeople in Jordan. Here two of the main factors are directly related to the importance of *wasta* in Jordan: (i) Not only are many civil servants employed on the basis of their *wasta*, but many ministers are also ap-

pointed because of their connections to the Royal Family instead of their competence. (ii) In addition, *wasta* also plays a key role in the election of MPs. Jordanian voters tend to support the candidate who is most likely to be a good *wasta*, i.e. to help them getting preferential treatment once he is in parliament. Again, people are elected because of their connections rather than their ability to design good laws.

#### *Appointment of ministers on the grounds of wasta*

Many ministers belong to big, influential families. They are appointed because the support of their families for the King is important for the stability of the Jordanian political regime. As a result, not all ministers are well prepared to hold public office. Some have little understanding of economic matters and no experience in policy formulation and regulation. Some even lack the commitment to draft decrees for the benefit of the people; rather, their primary aim is to work for their own interests and for the benefit of their families.

In addition, the ministers change frequently because the regime has to balance out the concerns of different influential families. As a result, ministers usually stay in office for only a few months. They do not have much time to change the legal framework, as a representative of the Amman Chamber of Industry (ACI) underlined:

*“A minister that initiates a reform will be out of office half a year later.”*

The regulations are changed frequently, and it is difficult for the government to achieve consistency in economic policies.

#### *Wasta as a dominant motive for the election of Members of Parliament*

Many interviewees confirmed that *wasta* also constitutes a central motive for the election of Jordanian MPs. The primary aim of their voters is to have a good *wasta* in parliament providing jobs, services and other favours once they are elected. In fact, the main concern of many MPS is to satisfy their constituencies materially rather than to design reforms for the benefit of the whole nation.

Most MPs in Jordan apparently represent a tribe or a region rather than a party, an ideology, a political stream or a specific goal.<sup>18</sup> The head of a research team stated:

*“Parliamentarians in Jordan are elected by their clientele not for their political ideas and convictions but because they promise goods, services and an infrastructure to their voters, that is, the members of their family and tribe.”*

Likewise, one MP himself admitted:

*“Most MPs came to Parliament without a programme.”*

Many interviewees also confirmed that the majority of parliamentarians in Jordan pursue narrow personal interests, along with the interests of their families and tribes. They show little interest in the well-being of the population as a whole. The director of a think-tank said:

*“In parliament, the deputies are elected according to the tribe they belong to. They are called ‘service deputies’, because they make promises to their local communities, such as jobs, water supply, new streets, although this is the job of the municipalities. The deputies in the current parliament are not the right people to change the rules.”*

And a government official asserted:

*“The economic laws have to be passed by parliament. That is a real problem as long as we don’t have a good party system. Now, the MPs have no idea what they are talking about and they do not know at all what economic reform is.”*

A weak legislative framework negatively affects state-business interactions. 17 % of the businesspeople we interviewed complained about inappropriate regulation (see Table A4 in Annex A). They stressed in particular that many laws in Jordan are not sufficiently clear and therefore leave too much room for discretion in decisions made by public sector officials (Boye et al. 2006, 10). Discretion always increases inequality in the treatment of persons and the predictability of decisions made by the state.

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18 The only notable exceptions to this are the candidates of the Islamic Action Front, who won 17 seats in the current House of Deputies (Hourani / Abu-Rumman / Kamel 2004).

### 6.3 How the use of *wasta* directly affects investment

In addition to impairing the business climate in Jordan, the prevalence of *wasta* distorts economic incentives and thereby generates undesirable patterns of behaviour. Many Jordanian businesspeople are seeking rents which can be obtained through *wasta* rather than to take the risk of developing a good product, trying to be innovative, or investing in competitiveness. In other words, widespread rent-seeking entails a misallocation of resources and thereby constrains private sector development.

Since *wasta* is the tool that enables entrepreneurs to obtain rents by gaining access to decision-makers, it is only natural for them to invest much of their time and money in building up *wasta* instead of spending the same time and money for more productive purposes. 46 % of the businesspeople we spoke to said that they devoted substantial resources to the improvement of their *wasta*. We identified three main strategies for reaching this goal:

(i) *Employment of ‘wasta-agents’*: Many businesspeople employ people who have *wasta* or are specialised in building up *wasta* to go through administrative procedures easily and without major risks:

*“All of the big enterprises employ people just because of their good wasta, because they need someone to make things happen.”*

(ii) *Establishing relations*: In particular, the owners of medium-sized and small companies which cannot afford to pay for a ‘*wasta-agent*’ try to build up contacts with influential or well-connected figures who can be a good *wasta* for them once they need help. Many entrepreneurs told us that they were intentionally trying to make friends with whomever they meet in order to improve their *wasta*. One entrepreneur said:

*“I spend half of my working day on the phone making contacts.”*

(iii) *Giving gifts and discounts*: Both smaller and larger companies also give little gifts to public sector employees and other influential people in order to improve their *wasta*. The manager of a manufacturing company said:

*“Sometimes [...] I have to use my family name, or I have to smoke a cigarette with the civil servants. Or I give them small gifts like a perfume or a tie. Only on a personal level. I don’t have a problem with giving the employees small gifts [...] Or maybe you send some flowers if they have a festivity to show your appreciation for their service.”*

Likewise, the owner of a small shop mentioned that he tries to build up *wasta* by giving public sector employees a discount on his products.

These examples show that it is not easy to make a clear-cut distinction in Jordan between favouritism and bribery. 64 % of the public sector employees covered by our standardised survey admitted that the employees in their administrative unit accepted bribes at least every now and then. The coordinator of a development project explained:

*“It is your decision if you want to use wasta or pay bribes. You use wasta or pay bribes if the things you need to have done are worth it.”*

To invest in more and better *wasta* is rational in a setting where economic opportunities are limited and *wasta* can help to benefit from one of the few opportunities available (Dieterich 1999, 123 f.).

This very fact, however, is detrimental to economic development. It means that businesspeople with good *wasta* can earn rents even if their companies are not competitive. They have little incentive to take risks or to develop innovative products or services. As a consequence, many Jordanians invest in *wasta* rather than in competitiveness.

Some observers have identified this phenomenon as a lack of entrepreneurial spirit. The Young Entrepreneurs Association (YEA), for example, writes that *“culture and social norms [in Jordan] do not support entrepreneurship, because the notion of starting a business was never really entrenched in the Jordanian culture and way of life”* (Goussouss / Dababneh 2004).

However, it is highly unlikely that the unsatisfactory level of entrepreneurial activities and investment in Jordan is due to culture, spirit or the like. Rather, it is due to a system in which entrepreneurs have no incentive to devote their resources to productive projects and services or to improve their competitiveness because they can get ahead much more easily by building up *wasta*.

## **7 Measures against the use of *wasta* in Jordan**

It now remains to answer the second main question of this study: What can be done to cut down on the use of *wasta* and thereby improve the business climate in Jordan?

We argue that the following steps are essential for reaching this goal:

- Inform people better about alternatives to the use of *wasta*,
- Make administrative procedures more transparent,
- Strengthen the accountability of civil servants and politicians,
- Create incentives for refraining from the use of *wasta*,
- Adhere to the principles of democracy
- Form a coalition for change to combat the use of *wasta* in Jordan.

Section 7.1 below discusses the reasons why *wasta* is so widespread in Jordan despite its detrimental impact on the business climate. Section 7.2 informs about steps, which have already been taken in recent years in Jordan for the purpose of combating *wasta*. Finally, Section 7.3 gives recommendations for the government of Jordan, the private sector, non-governmental organisations, the media, and donors on how to contribute more effectively to the fight to reduce the use of *wasta* in Jordan.

## 7.1 Reasons for the persistence of *wasta*

The use of *wasta* in Jordan prevails despite the aversion of many Jordanians to it. Although many interviewees stressed that the overall importance of *wasta* had decreased somewhat during the last five years, nobody denied that it still plays a very important role. The question therefore remains why its use is so persistent.

Chapter 2 above assumed that favouritism can be seen as an informal institution which persists because of one or more of the following factors: (i) a lack of awareness, (ii) perverse incentives, (iii) the impact of socio-cultural norms, and (iv) an opposition to change.

We found empirical evidence for all four factors with the partial exception of the first one: Our research results confirm that many Jordanians are unaware of the fact that *wasta* is no longer needed in many interactions with the state. However, we could not substantiate our initial hypothesis that widespread use of *wasta* is also due to a lack of awareness of its negative impact. On the contrary, a large majority of Jordanians, as described in Chapter 5, wants the use of *wasta* to be eliminated.

### 7.1.1 Lack of awareness

Most Jordanians are aware of the negative consequences of *wasta*. However, many are clearly unaware that they have alternative options for reaching a goal.

Our research substantiates that this lack of information is another reason for the continued use of *wasta* by many people in Jordan. Many businesspeople admitted that their first thought when going through an administrative procedure is whom to contact in order to receive preferential treatment. They regard *wasta* as a universal solution for all of their problems. Although some administrative procedures in Jordan have been shortened and simplified in a way that there is no longer any objective need to use *wasta*, many applicants still try to do it. Several civil servants complained that their customers do not bother to get information about new regulations or to follow new, streamlined procedures. The owner of a bakery told us:

*“You need *wasta*, because the law is complicated.”*

The manager of a district municipality however disagreed:

*“The reason why clients try to use *wasta* is that the normal people don’t know about the rules. They want somebody to do it quickly, they are afraid, that’s why they need *wasta*. They think we are complicated, that’s why they try to use *wasta*. In the past this was true, everything took very long, but people still think it is like before.”*

Similarly, another high-ranking public official stated:

*“There is no need for *wasta* as long as everything goes by the law and is easy. But older people don’t know that. Sometimes people think they have to go to the Prime Minister for everything. But they could go easier if they just went on their own.”*

As a consequence, the use of *wasta* would probably be less widespread if businesspeople were better informed and knew that some administrative procedures have become easier, quicker, and cheaper and can be mastered even without *wasta*.

### 7.1.2 Perverse incentives

Jordanians apparently continue to use *wasta* even though they are convinced that its use constitutes a major obstacle for the development of their country. One expert called this “*the dilemma between the individual and collective level*” (Al-Husseini, 21 February 2006). Another one stated:

*“All people suffer from wasta, but they still use it. They think about short-term gains: that wasta can help them solve their problems today.”*

Our research confirms that individuals have little incentive to stop using *wasta* but many incentives to continue using it. As one interviewee pointed out, “*no one who is rational would stop using his wasta. If you can get something more quickly you will not queue for it, right?*” (Al-Husseini, 21 February 2006).

Inefficiency in the public sector is a main incentive for the use of *wasta*: “*Wasta is encouraged because there is a lack of efficiency and because bureaucratic procedures are tedious*” (Al-Masri, 18 February 2006). The longer administrative procedures take, and the more expensive and burdensome they are, the more reason applicants have to use their *wasta* in order to get preferential treatment.

People who refrain from using *wasta* must accept disadvantages in comparison with others. In a context of poverty and unemployment, these disadvantages can be devastating for the individual. Widespread poverty and high unemployment must therefore be considered a part of the incentive structure to use *wasta* in Jordan. An entrepreneur from Amman said: “*You have the choice to use wasta or to live on the peanuts that are left over by the others.*”

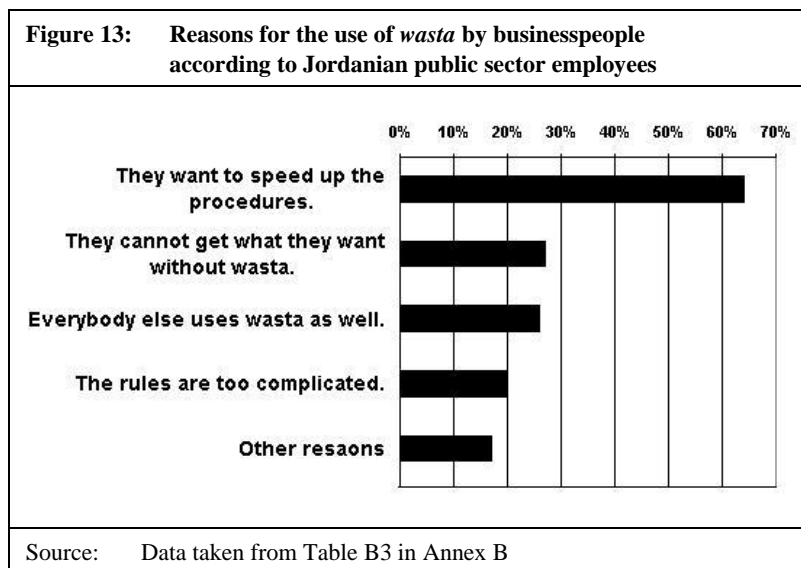
Public sector employees believe that speeding up administrative procedures is the main motive for businesspeople to use *wasta* in their interactions with the state. 64 % of the participants in our standardised survey stated that businesspeople use *wasta* in order to get something which they could also get without *wasta*, but not as quickly (see Figure 13).

At the same time, however, 27 % admitted that businesspeople sometimes have no choice: they would not get what they want without *wasta*. This statement can be interpreted in two ways: either the applicants cannot enforce their rights in certain areas without *wasta*, or *wasta* can enable them to get something to which they are formally not entitled.



26 % of the public sector employees whom we surveyed stated that businesspeople use *wasta* simply because everyone else does so as well.

In addition, we found that people fear penalties if they deny to provide preferential treatment to their relatives and friends. If someone refuses to play the game, he/she can be branded as a person who does not act in accordance with the prevailing socio-cultural values and norms.



### 7.1.3 Socio-cultural values and norms

The use of *wasta* is not a socio-cultural norm as such, but many Jordanians believe that this is so or that it is a consequence of their norms.

Some authors write that the level of favouritism is determined, among other things, by culture (e.g. von Alemann 2006). Likewise, many Jordanians also explain the use of *wasta* in cultural terms. They associate it with cherished values and norms such as solidarity, allegiance and mutual responsibility. Therefore they regard it as a part of their heritage: “*Wasta is in our heads, it is in our culture*” (Dannoun, 30 March 2006). “*Wasta is part of the culture and it is also political*” (Sakijha, 28 February 2006).

If this were true, it would mean, for example, that Jordanians would have to abandon their culture in order to eliminate the use of *wasta* in their country. This is clearly not the case. On the contrary: favouritism has been found under various names at some point in history in every culture.

Nevertheless, the argument is relevant. The simple fact that it has been brought forward over and over again has given it momentum and made everyone believe in it. As a consequence, many Jordanians do not give up using *wasta* because they *deem* it part of their culture. Likewise, they do not blame others for benefiting from *wasta*.

Even worse, many people explicitly use this argument to excuse and justify their own behaviour: If *wasta* is part of the Jordanian culture, using it cannot be wrong. On the contrary, it is neither realistic nor desirable to take steps to fight it.

Finally, the argument is used to exert pressure on relatives and friends. Non-compliance with this norm is branded as socially and culturally inadequate behaviour, which can entail social sanctions and disadvantages. As an entrepreneur from Amman confirmed:

*“It is not a favour, it is a duty to do something for your tribe. If you do not grant wasta, you are considered weird and without honour.”*

Another person explained:

*“People who do not grant wasta will face problems. People will consider you as a bad person.”*

Helping relatives or friends to get a job, a production licence, preferential treatment at hospital, admission to a good university or a foreign exchange scholarship are all examples of the social obligation to prove one's loyalty and social responsibility and to strengthen family ties (Cunningham / Sarayrah 1993, 2).

Moreover, people who do not provide *wasta* cannot expect to get help from others should they themselves ever be in need. This shadow of the future contributes to the pressure that each individual faces and that prompts him to serve as a *wasta*.

Another important aspect is the negative influence of tribalism. An expert for corruption in Jordan told us “*Wasta is more prevalent because of the tribal mentality and inheritance*“ (Sakijha, 28 February 2006). Tribalism is

a pre-Islamic tradition, which is especially strong in societies that have a nomadic background, as in Jordan. In pre-Islamic times, the tribe was the highest unit of social and political organisation, and tribal leaders constituted the most important social, political and judicial authority in many Arab territories (Loewe 2004, 212).

The tribal tradition still exists, although other cultural layers accompany it. Social norms are based on various sources (pre-Islamic, Islamic, modern), but society still values primary allegiances. Genealogical institutions surround the individual like concentric circles, with the inner circle being the family, followed by his kinship, then the clan, and finally the tribe. The individual owes loyalty to these institutions and must accept various social obligations towards them. On the other hand, he can expect support and solidarity from them in times of need (bin Muhammad 1999; Dieterich 1999, 117 f.; Jungen 2002; Loewe 2004, 212).

The problem with tribalism in this sense is that it strengthens solidarity among relatives but not with others. Many interviewees affirmed:

*“Jordanians tend to think that you help your family first, then your clan, then your tribe, and then the region.”* (Mansur, 20 March 2006)

A sociologist explained:

*“Jordan basically is a tribal society. The tribe is the basis of the society. When we talk about the tribe, we mean a group. The group is very important. Loyalty is addressed to the group, not to the state, because the group provides the basic security. Everybody has to give the group priority.”* (Nasir, 28 February 2006)

#### 7.1.4 Opposition to change in an authoritarian context

The fourth and probably most important reason for the widespread use of *wasta* in Jordan is the country’s authoritarian political system. According to our findings, this contributes in two different ways to the problem: First, the regime has no interest in fighting the use of *wasta* because its own power depends on mechanisms such as personalism, informalism and clientelism, which go along with *wasta*. Second, the regime controls the media and all non-governmental organisations (NGOs) and thereby inhibits them from organising and implementing effective strategies against the widespread use of *wasta*.

*Wasta and regime stability:* Jordan has an authoritarian regime with a neo-patrimonial pattern of rule, i.e. it is characterised by personalism, informality, clientelist structures and a strong centralisation of decision-making in the hands of the King (Bill / Springborg 1994, 150 f.; Dieterich 1999, 101–105; Eisenstadt 1973, Pawelka 1985, 24 f.).

In order to stabilise the political system, the Jordanian King uses clientelistic mechanisms, which go along with the use of *wasta*. The King uses the patrimonial nature of Jordanian society by co-opting tribal leaders and the chiefs of clans and interest groups (Dieterich 1999, 117 f. and 121). He guides all major political decisions through a network of personal relations and distributes benefits and privileges to create legitimacy and support for his rule. In doing so, he presents himself as a caring, paternalistic head of state: a patrimony to whom citizens owe loyalty, support and respect in return for material benefits. Thus, as an NGO representative put it;

*“Regime loyalty builds on benefits that can be obtained from the regime.”*

Clientelism can be found on all levels of the state apparatus including higher levels of the administration, the government and the parliament. Many people within the political system are both patrons of those below them and clients of those above. For example, many parliamentarians, while clients of ministers and other important political figures, also use their positions and influence to promote recruitment of members of their own clans to public offices and to secure benefits, such as infrastructure and services, for their kinship or for friends. Thus, in many situations, political figures in Jordan serve as *wasta*. As one journalist put it:

*“The political system itself is based on patronage and accused of using wasta. It is a patriarchal system. So wasta is used by both, the ordinary people and the political system.”*

Given that many political figures both use and provide *wasta*, it is probable that they will oppose the fight against the use of *wasta* since this would cost them a loss of influence and power. For example, many members of parliament (MPs) primarily understand themselves as sources of *wasta* for their relatives and friends. It is therefore unlikely that initiatives to reduce *wasta* will find enthusiastic approval in the parliament. Experts point out that any reduction in the role of *wasta* would weaken the tribes because the tribal leaders themselves often figure as *wasta*-MPs. Weaken-

ing the tribal structure would thus change the political balance and thereby lead to instability:

*“...and behind wasta is the political balance of Jordan with its tribal links. This is why you cannot change wasta. These backward tribal people will reject to do it.”*

In addition, many Jordanians fear that combating the use of *wasta* would also change the balance between Jordanians of Palestinian and Transjordanian origin in the public sector and thereby lead to instability. At the moment, the fact that *wasta* plays a major role in the recruitment of civil servants and politicians guarantees the dominance of Transjordanians in the public sector. If the influence of *wasta* in employment and appointment to strategic positions within the state were to be reduced in favour of merit-based employment and appointment, more Palestinians could enter the public sector. Fear of the possible ensuing political disturbances makes political forces resist the reduction of *wasta*. An expert explained in detail:

*“The problem of wasta comprises a nationality issue: roughly speaking, Jordanians from the East Bank dominate the public sector, while West Bankers dominate the private sector. Recently, more and more East Bankers are also engaging in economic activity. But West Bankers still have few chances getting access to the public sector because most jobs are distributed on the basis of wasta. As a consequence, it is difficult to fight wasta: those that occupy powerful positions in the state have no interest to abolish their own privileges and to work against their own interest. Especially, the East Bankers fear greater influence of the West Bankers in state institutions.”*

In spite of all these difficulties, King Abdullah II has assumed the risk of reforms. According to many experts, he honestly wants to fight the use of *wasta* in his country. A political scientist postulated:

*“The King is really committed to reforms. He is the driving force behind the current reform initiatives. However, he has no solution or formula for where he would like to arrive at the end.”*

Comments on the political will of other actors such as the government and the parliament were more diverse. Many experts believe that politicians in the government and parliament impede reform (Al Rantawi, 21 February 2006; Sakijha, 28 February 2006). Others, however, stressed that all political forces now recognise that the use of *wasta* is detrimental to the development of Jordan (Abu Halaweh, 12 March 2006).

*Wasta and the control of NGOs and the media:* The executive branch of Jordan's political system has extensive powers and ample means to control society. The media, NGOs and the judiciary are not independent and cannot effectively claim more accountability and transparency in the public sphere. This, however, is a prerequisite for any reduction in the use of *wasta*.

Jordan's political decision-makers regularly widen and narrow the boundaries of legal participation and expression in alternating steps of liberalisation and de-liberalisation. Brumberg (2003) argues that such a strategy serves to appease opponents and can be considered as part of the strategy for ensuring the regime's survival in the form of 'liberalised autocracies'. In addition, measures of liberalisation are often counterbalanced by restrictions that render precisely these measures ineffective in practice. A journalist gave the following example:

*“Democratisation appears to go one step forward and then two steps back. Some new laws look good, but other laws make restrictions tighter. For instance, the new party law is liberal, but the law governing public gatherings has become tighter, because permissions have to be sought before organising a gathering of even three people.”*

As a consequence, the monarch retains extensive control over all areas of social life in addition to his power over the public administration, the military, the police and the secret services. The government is hardly held accountable by the parliament or by the public. One expert stressed:

*“The central problem is that there is no accountability in Jordan. Policies can be bad without any consequences for the government.”*

A separation of powers, with concomitant institutional checks and balances, is absent. The executive has the legal means to control the population and to restrict the activities of organised civil society. Parliament plays only a minor political decision-making role. One expert referred to it as a “*rubber stamp parliament*“.

Political parties, trade unions and NGOs exist, but they are weak and lack broad support. They are also closely monitored and therefore cannot effectively demand accountability and transparency in government procedures:

*“Jordan has 34 political parties, but in fact all of them are ineffective. They do not have any influence in the country. The government is the*

*main power and we do not have a real public sphere.”* (Hourani, 20 February 2006)

Most NGOs are closely linked to the political establishment, or are even run by a member of the Royal Family. The establishment of truly independent NGOs is impeded by various legal measures. For example, the Associations Law demands close control of the budget of NGOs (Wiktorowicz 2002, 116 f.), and every single activity needs government approval. An academic from Amman said:

*“Until now, the government is controlling all NGOs. If I had opened my own NGO, I would have to renew my registration every year or so. Also, if I just want to have a table in my NGO, I need a permission from the government. I would have to get a license for every board meeting and I have to invite one government official.”*

The media can operate quite freely in comparison to many other Middle Eastern countries. However, the development of truly independent newspapers which critically monitor government performance is almost impossible. The government controls most of the country’s media. Private companies are sometimes discriminated against and therefore face difficulties in operating. All journalists are obliged to become members of the Jordan Press Association, and the press imposes self-censorship on issues involving the Royal Family and corruption (Devi 2005; Kilani 2002).

## 7.2 Past measures

Several measures have been implemented in recent years to curtail the use of *wasta* in Jordan, which can be assigned to several of the different approaches presented in Chapter 2 for a comprehensive fight against *wasta*:

- Initiatives have been started to heighten public awareness of the negative effects of favouritism, although they have thus far reached only a small part of the population.
- Various steps have been taken to create incentives for businesspeople not to ask for preferential treatment and for public sector employees not to provide preferential treatment to relatives and friends.
- Some very slight progress has been made in organising a ‘coalition for change’ and in reforming the political system.

At the same time, little has been done to detach *wasta* in the minds of Jordanians from their social norms and values and to promote transparency and accountability in the administrative and political system of Jordan.

We will therefore confine ourselves to describing reform measures related to (i) raising public awareness, (ii) changing the incentives, (iii) implementing political reforms, and (iv) organising a coalition for change.

### 7.2.1 Heightening public awareness

The King and some NGOs have taken the initiative in trying to heighten Jordanians' awareness of the negative impacts of *wasta*. The King has put the fight against *wasta* on his political agenda, one NGO has run a media campaign on behalf of the government, and several research institutes are conducting and disseminating research on the role of *wasta* in the social, economic and political system of Jordan.

Unfortunately, the effect of these efforts has remained comparatively small. In addition, since the terrorist attacks in November 2005 on three hotels in Amman, security issues at the top of the agenda, thereby diminishing the public's interest in the issue of corruption.

*"A poll carried out by [...] the Jordan Centre for Social Research (JCSR), underscored the effect that the hotel bombings had had on popular sentiment. Of the 1,000 people polled, almost 30 % said that 'terrorism' was the main problem facing Jordan, and a further 12 % said that 'instability in neighbouring countries' was the primary issue. In a poll carried out by JCSR one year earlier, 'corruption' was identified as the major issue facing the country."* (EIU 2006, 18)

The third deficit of the initiatives is that they have focused on sensitising people to the effects of *wasta*, even though most Jordanians already regards the use of *wasta* as a form of malpractice. Future campaigns should better provide more information on alternatives to the use of *wasta*.

#### *Wasta on the political agenda*

Shortly after his accession to throne in 1999, King Abdullah II made "*the fight against corruption, social injustice, bribery, nepotism and administrative laxity*" a priority issue (Hattar 2000). Since then, he has emphasised several times that he strongly backs the fight against all kinds of corrupt



practice, including *wasta*. In a letter from June 2005 he wrote to the then Prime Minister Adnan Badran:

*“We look upon the phenomenon of ‘wasta’ (patronage) and favouritism, a public complaint, as another form [of corruption]. While we are proud of our values of solidarity, social responsibility and human understanding of others’ problems, which are rooted in our Arab and Islamic heritage, favouritism and patronage infringe on the rights of others, have squandered public funds, and deprived some citizens of their rightful opportunities. Thus, patronage that deprives others of their rights is incongruent with Jordanian values and should be regarded as a gross violation of justice and equality that is punishable by law.”* (King Abdullah II 2005)

On another occasion, the King addressed senators, deputies and government officials with the following words:

*“I really wish that every deputy, member of the Upper House or minister, instead of endeavouring to get jobs for others, would rather – along with the rest of us – try to change our sons’ and daughters’ perceptions of work and jobs. They should understand that ‘wasta’ is not an honest deed.”* (King Abdullah II, cited in Royal Hashemite Court 2005)

As a consequence, many experts perceive the King as the driving force in creating awareness about the negative impacts of *wasta*.

Some critics, however, say that the King’s statements raise expectations among the population which will never be fulfilled. They maintain that such declarations are primarily made to please donors and do not reflect a real political will to take measures against the widespread use of *wasta*.

### *Media campaigns*

So far, at least one media campaign has been launched against the use of *wasta*. It was intended to make the Jordanians aware of the negative consequences of *wasta*. Launched in early 2006, it was initiated and run by an NGO called Al-Mizan (the scales) and supported, among others, by the Ministry of Political Development and Parliamentary Affairs and the European Union (EU). The campaign was aimed at educating people about their rights and about the fact that the use of *wasta* violates to the principle of equal treatment. Under its slogan “[N]o to favouritism, nepotism“, it called for “*the right person for the right position*“ (Al-Mizan 2006). During the four weeks of the campaign, various kinds of promotion material,

such as posters, TV and radio spots were employed. In addition, several newspapers picked up the topic and published articles on the campaign and its content (Abu Halaweh, 12 March 2006).

### *Research on wasta*

So far, two studies dealing explicitly with the role that *wasta* plays in Jordan have been published (Kilani and Sakijha 2000; Kilani and Sakijha 2002). Both have been edited by the Arab Archives Institute, which has also organised conferences on different aspects of corruption in Jordan. The studies provide excellent information on the prevalence and persistence of *wasta* in Jordan, as well as on Jordanians' perception of it. The conclusions were broadly covered in the media and thus helped to increase general awareness about the negative consequences of using *wasta* (Sawalha 2002).

## 7.2.2 Changing the incentives

Several political forces in Jordan have developed ideas on how to increase the cost of using *wasta* or how to reduce its benefits. New sets of rules prohibiting the use of *wasta* have been drafted, and plans exist to form government entities which can effectively fight corruption. Some administrative procedures have, in fact, been streamlined, and human resource policies have been reformed to some degree. However, many of the more comprehensive suggestions have not yet been realised. In addition, they focus on creating new regulations, whereas the main problem is not a lack of regulations but the fact that existing regulations are ignored.

### *Regulations prohibiting the use of wasta*

Several Jordanian laws already set limits to the use of *wasta*. Apart from some very general principles in the constitution, this includes paragraphs in the Civil Service Law, the Anti-Corruption Bill, and the draft Code of Conduct and Ethics in the Civil Service. Critics argue, however, that existing regulations leave loopholes and that they are not emphatic enough about the legal consequences of corruption. One lawyer said, for example, “*What we need is a full-scale description of wasta, along with standards and criteria that are known publicly and channels that are open for complaints.*“ It remains open whether the Anti-Corruption Bill and the drafted Code of Conduct and Ethics can bridge the gap.

*The Constitution:* Several articles of the Jordanian Constitution clearly prohibit corruption and the use of *wasta* in interactions with the state. For instance, Article 6 stipulates that every person is to be treated equally before the law and that the government is to ensure equal opportunities for all citizens. Article 22 says that recruitment in the public sector should be based on merit and qualifications (see Box 3). However, it is very difficult to enforce these rather vague guidelines (Bertelsmann Stiftung 2003).

*The Civil Service Law:* According to the Jordanian Civil Service Law, the abuse of a position in the public sector is to be punished. However, the prerequisite for this is proof of a bad motive for the offence, and this is very difficult to prove in the case of *wasta* (OECD 2006c). A prominent lawyer considered the law to be “*too unclear and elastic*”.

**Box 3: Provisions in the Jordanian Constitution with regard to *wasta***

Article 6 (i) and (ii) declare that “*Jordanians shall be equal before the law. There shall be no discrimination between them as regards their rights and duties on grounds of race, language and religion. The government shall ensure work and education within the limits of its possibilities, and it shall ensure a state of tranquillity and equal opportunities to all Jordanians.*”

Article 22 (ii) says that “*Appointment to any government office or to any establishment attached to the government, or to any municipal office, whether such appointments is permanent or temporary, shall be made on the basis of merit and qualifications.*”

Article 44 stipulates that “*No minister may purchase or lease any government property even if the sale or lease thereof has been offered in public auction. He/she shall not, while holding his/her ministerial office, become a member of the board of directors of any company or take part in any commercial or financial transaction or receive a salary from any company.*”

Article 55 stipulates that “*Ministers shall be tried by a High Tribunal for offences which might be attributed to them in the course of the performance of their duties.*”

Article 75 (i) says that “*No person shall become a Senator or Deputy [...] who is related to the King within degree of consanguinity to be prescribed by special law.*”

Source: Hashemite Kingdom of Jordan (2005a)

*The anti-corruption bill:* An anti-corruption bill was drafted at the directive of King Abdullah II in the summer of 2005 (Barakat 2005). It covers different forms of corruption, including *wasta*, and provides for the establishment of a new anti-corruption commission, which shall be authorised to investigate cases of corruption in the government and in every public and private institution and to refer such cases to trial before a court of law. According to the bill, a group of officials from the executive, the legislative and the judicial branches will nominate the members of the commission, who shall enjoy diplomatic immunity and may not be dismissed for any reason, except if they “betray” their position (Marwan Muasher, cited in Barakat 2005).

<p><b>Box 4: The draft Code of Conduct and Ethics: Provisions regarding <i>wasta</i></b></p>
<p><b>Article 6: Dealing with others</b></p> <p>(a) Civil servants are obligated to:</p> <ol style="list-style-type: none"> <li>1. respect the rights and interests of others with no exception; deal with the public in a respectful, polite, neutral, impartial, and objective way, without any discrimination.</li> </ol> <p>(b) Regarding the interaction with their superiors, civil servants are obligated to:</p> <ol style="list-style-type: none"> <li>2. interact respectfully with their superiors and not try to obtain any preferential treatment by behaving in a flattering or cheating way or by making use of connections or favouritism.</li> </ol> <p>(c) Civil servants are obligated to:</p> <ol style="list-style-type: none"> <li>3. oppose any influences from a third party which would lead to preferential treatment of the subordinate.</li> </ol> <p><b>Article 10: Worthiness, aptitude, competition and fairness</b></p> <p>(c) Civil servants are obligated to:</p> <ol style="list-style-type: none"> <li>1. never take up or enter any form of preferential treatment for anyone through connections or favouritism, be it directly or indirectly.</li> </ol>
<p>Source: MoPSD (2006a), translation by the ministry</p>

Adoption of this bill has been delayed several times, even though it was given urgency status. A group of parliamentarians has argued that the draft is unconstitutional, because it brings together the three branches of government into one commission, and because it “*trespasses on the judicial branch’s authority*” (Falah Qudah, as cited in Al Abed 2005a). However, some experts assert that the main problem is that the bill lacks backing in parliament because many MPs benefit from *wasta* and themselves provide preferential treatment to their constituents on this basis.

The draft bill was still under discussion in August 2006.

*The Code of Conduct and Ethics in the Civil Service:* The Ministry for Public Sector Development has drafted a code of conduct for civil servants that prohibits all kinds of preferential treatment by public sector employees (see Box 4). This draft is still under discussion, but will, if things go as planned, become part of all employment contracts with civil servants.

#### *Government agencies in charge of the fight against corruption*

Jordan lacks an organisation which effectively prosecutes the use of *wasta*. Several entities have been explicitly founded for this purpose or have been given the task of fighting corruption (in addition to other tasks). The two most important ones are the Audit Bureau and the Anti-Corruption Unit at the General Intelligence Department. However, they purportedly lack the political and administrative independence and support needed to carry out their tasks in this regard.

*The Audit Bureau:* The Audit Bureau’s mandate includes fighting all kinds of corruption in the public sector and reinforcing legality, transparency and equality. It was founded in 1952, and its main task is to audit government revenues and expenses. When doing so, however, it often also uncovers irregularities in the decisions of public sector employees, including preferential treatment of customers on the basis of *wasta*. In these instances, the Audit Bureau can either start an investigation itself or refer the case to the Anti-Corruption Unit at the General Intelligence Department, which has more extensive means of investigating.

Unfortunately, the Audit Bureau is hampered by several institutional weaknesses: *First*, it is legally and functionally subordinate to the Prime Minister. As a result, it is subject to pressure from the executive, even though its president enjoys immunity. *Second*, its annual budget is deter-

mined by the Ministry of Finance, which means that one of the main institutions the Audit Bureau is expected to control can exert pressure on the Bureau by cutting down on its budget. *Third*, as already described, many laws and decrees in Jordan are superfluous, outdated, and unclear. The Audit Bureau therefore faces considerable difficulty in monitoring compliance with these laws and decrees. The regulation on government procurement, for example, is not clearly formulated, and this poses an additional hindrance to the prosecution of any official who has favoured a bidder because of *wasta* (Abadi, Al-Baik and Al-Masri, 10 April 2006). *Fourth*, critics also argue that the Audit Bureau restricts itself too much to supervision of the *ex-ante* budgetary process, i.e. to planning which takes place *before* money is effectively spent, thereby leaving much scope for unlawful practices during or after the disbursement of public funds (Kassay 1998, 59).

*The Anti-Corruption Unit at the General Intelligence Department:* This unit was founded in 1996 at the earliest. Its main task is to investigate questionable activities and refer them, if necessary, to the Public Prosecutor (Carnegie Endowment / Fride 2005). The unit deals with cases of tax evasion, abuse of power, embezzlement, money-laundering, violations of intellectual property rights, along with the smuggling and trafficking of drugs and arms (Hattar 2000).

Critics argue that this Anti-Corruption Unit is ineffective in its work because it is part of the General Intelligence Department, which generally avoids any kind of publicity and which is itself accused of internal corruption and influence peddling (Khouri 2005; Kassay 1998; Bertelsmann Stiftung 2003).

#### *Streamlining and standardisation of procedures*

Incentives for the use of *wasta* have been slightly reduced by streamlining and standardising procedures, i.e. by lowering the benefits of using *wasta*, in both state-business interactions and in administrative human resource management. In addition, an extensive public sector reform programme has been set in motion. To create an efficient public sector, however, these efforts must be intensified, and further reforms are needed. Measures are also needed to reinforce transparency in the public sector as a precondition for controlling compliance with existing regulations.

Sharif Ali Zu'bi, Jordan's current Minister of Industry and Trade, is convinced that "*Jordan is transforming from an economy dominated by an ever-present government and burdensome bureaucracy to a market economy in which the private sector leads and the government facilitates [and] a merit-based economy in which hard work pays off*" (Zu'bi 2006). However, while much has been achieved with regard to streamlining and standardisation procedures, "*too often, good ideas have failed to take root because they have not been followed through, or because the initiators and supporters of reform have moved on too quickly from key positions*" (Hashemite Kingdom of Jordan 2004, 6).

Several reform measures have improved state-business interactions in the past years:

- The process of starting a company has been simplified, for example through the establishment of the one-stop-shops in the Jordan Investment Board (JIB) and the Ministry of Industry and Trade (MoIT) (see Box 1, Page 47), as well as through the creation of the Aqaba Special Economic Zone (ASEZ) (see Box 2, Page 48).
- Tangible improvements have been achieved in standardising customs procedures.
- The Ministry of Public Sector Development (MoPSD) has set up several programmes to streamline administrative procedures. For example, a so-called Challenge Fund has been put in place to finance innovative improvements in service delivery.
- The Jordan Agency for Enterprise Development (JAED) was set up in 2003 to become an umbrella organisation for Jordan's different investment promotion agencies: the Jordan Investment Board (JIB), the Industrial Estates Corporation (JIEC), and the Free Zone Corporation (Hashemite Kingdom of Jordan 2006a). However, JAED is still not operative. Its director left the institution in November 2005, and no successor has been appointed. In addition, the institution has no employees except for a few secretaries and a driver: "*JAED is where it was in 1999: in the design stage, a study in the making*" (Mansur 2006).

Procedures for public sector recruitment and promotion have also been slightly improved, and more reform measures are planned. For instance, several public sector institutions have introduced a merit-based selection process that objectively compares how well candidate profiles match the job description (for details see Box 5).

**Box 5: Steps taken to standardise the recruitment and promotion of public sector employees**

The Aqaba Special Economic Zone Authority (ASEZA) and the Municipality of Greater Amman (MGA) have both improved their recruitment procedures. They now advertise vacancies with job descriptions in the newspapers and short-list applicants according to their qualifications. Short-listed candidates undergo English language and ability tests, as well as structured interviews.

However, an official in the MGA also admitted that many employees get jobs for 'social reasons' and because they are poor. The Mayor of Amman is still often pressured by parliamentarians who seek jobs for their supporters. Such statements confirm broader evidence that merit-based recruitment systems have not been introduced in a systematic way.

Some improvements have also been made regarding salaries and limitations on the time of employment in the public sector. Highly qualified staff can be hired on the basis of contracts. Such contracts make it possible to limit the period of employment on the one hand while paying salaries substantially above the civil service pay scale on the other.

In addition, the Ministry of Public Sector Development (MoPSD) has developed principles for improving human resource policies in the public sector. These ideas include appropriate and equitable salaries, regular performance evaluations, merit-based promotion procedures, better training, and effective procedures governing retirement, redundancy and dismissal. The MoPSD and the Civil Service Bureau are currently also working on a new civil service by-law which "*Aims at ensuring that the public sector has the right number of people with the right number of skills in the right jobs*" (MoPSD 2006b, 6).

Finally, some ministries have introduced performance evaluation systems to set incentives by adjusting salaries according to employee performance. However, according to an official from the MoPSD, these systems do not work satisfactorily because supervisors in the ministries usually give good grades for all their employees regardless of performance.

Source: MoPSD (2006b), YEA (2006)



### 7.2.3 Implementing political reforms

Progress in political reforms has been slow. Although the government of Jordan began in the 1990s to initiate reform projects such as the Jordan First Initiative and the National Agenda, these have been only partially implemented to date.

In the National Agenda, the government describes its plans to undertake broad political reforms. For instance, the chapter on *political development and inclusion* mentions a revision of Jordan's electoral, party, associations and press laws (for details see Box 6).

Though, it is very unclear whether any of these ideas will ever be implemented. Only some two hundred copies of the National Agenda have been distributed to the public. Although the agenda is supposed to be available for downloading on the internet, the link to both the Arabic and the English versions of the full document have been inactive so far.

For its part, the Jordan First Initiative has been little more than a PR campaign. Some critics say that it was started mainly to strengthen the identification of the Jordanians with their country and with the King.

### 7.2.4 Organising a coalition for change

The task of forming groups along lines of common interest remains difficult in Jordan because of legal restrictions on the freedoms of assembly and speech. As a result, no strong movement or pressure group has emerged calling for more action against the widespread use of *wasta*. Only a few business associations and NGOs are active in the field, and it is up to them to become the nuclei of a broader coalition for change.

The majority of business associations in Jordan are too weak for this task and too dependent on the will of the government and the interests of a small number of well-connected big entrepreneurs who themselves benefit from the use of *wasta* in Jordan. In particular, the Chambers of Commerce and the Chambers of Industry are considered ineffective in representing the interests of a larger fraction of their members. Even worse, they seem to be part of the system, since their leaders themselves are said to make ample use of *wasta* (Barhan, 22 February 2006).

**Box 6: The National Agenda**

In February 2005, King Abdullah II instructed a committee to develop the National Agenda, a holistic programme for economic, political and social reforms to be implemented by the government of Jordan. It builds on earlier initiatives such as the National Charter and the Jordan First Initiative, but for the first time clearly points out that economic development can only take place if political reforms are undertaken simultaneously.

Several measures envisaged by the National Agenda would help to curtail the use of *wasta*. Its chapter on *Investment Development* proposes streamlining administrative procedures in the areas of registration, taxation and customs. This would reduce incentives for using *wasta*. The reforms proposed in the chapter on *Political Development and Inclusion* aim at comprehensive revision of the laws governing the media, political parties and NGOs. This would strengthen the legal security of non-state actors and contribute to their ability to fight *wasta*. The National Agenda's chapter on *Justice and Legislation* recommends giving the judicial system more independence and reviewing all laws concerning judicial procedures. Such reforms would also facilitate the enforcement of penalties for the use of *wasta*.

Nevertheless, many Jordanians who argue that the royal committee lacked representatives from the middle class and the political opposition criticise the National Agenda. Also, the agenda has not been well communicated to the Jordanian public, although this would be necessary to ensure broad support for its implementation. Others say that its recommendations are too abstract.

Most observers doubt that the agenda will ever be implemented. Even the representative of the Government Performance Directorate at the Prime Ministry, which oversees the process of implementation, admitted that "*implementation is a serious problem. Of course, there is always opposition*" (Al-Hmoud, 26 February 2006). It therefore remains to be seen whether the regime has enough political will to realise its ambitious plans.

Source: Al-Ahmad / Shanshal (2006); Hashemite Kingdom of Jordan (2006a); MoPIC (2006a); Taher (2006)

However, some business associations clearly speak out against any form of favouritism. The Young Entrepreneurs Association (YEA), for example, has published several reports (YEA 2000; YEA 2004; YEA 2006) pointing out the detrimental effects of the widespread use of *wasta* for Jordan's economic development. In these reports, the YEA criticises both the behaviour of the state and its employees and the rent-seeking mentality of many entrepreneurs; the reports call for a change in attitudes and policies. The YEA is still isolated in its efforts, but it is well managed and could in the future become an important part of a broader coalition for change.

A few NGOs are also engaged in the fight against corruption. Some of these focus on human rights issues (e.g. Al-Mizan), others on freedom of press (e.g. the Arab Archives Institute). Unfortunately, these NGOs have not yet formed alliances with each other. When they organise workshops, for example, they invite representatives of the government, the private sector and the press but not of other NGOs engaged in the fight against the use of *wasta*.

### 7.3 Recommendations

The state and the private sector have key responsibility for the fight against widespread use of *wasta*. The state needs to establish transparency and accountability on all levels of the administrative and political system. This probably cannot be achieved reached without major governance reforms. On their parts, businesspeople who suffer from the effects of *wasta* should form a coalition against favouritism. They should heighten public awareness, lobby for political change, and mutually agree to refrain from the use of *wasta* in all situations.

NGOs, the media, and foreign donors can support the efforts of these two groups of stakeholders. NGOs and the media can provide information, mediate conflicts, and serve as advocates for the weak and poor. Donors should urge their partners in development co-operation to work for governance reforms, to provide technical assistance when needed, and to give a good example in their own activities.

### 7.3.1 The state

The parliament and government of Jordan should make the fight against favouritism a priority. They should put more effort than in the past into (i) heightening public awareness of the negative effects of *wasta* and (ii) eliminating the incentives for businesspeople to ask for preferential treatment and civil servants to grant it. Even more important, however, politicians should (iii) make the administrative and political system more transparent and accountable and (iv) implement broader governance reforms.

#### *Heightening public awareness*

The government should communicate the negative consequences of *wasta* to society and show people alternative ways of getting their business done. In addition, it should take measures to strengthen the solidarity of citizens with the nation as a whole.

People should understand that government funds belong to the entire population and are therefore not to be exploited by individuals. The government of Jordan should thus initiate additional public awareness programmes to sensitise all citizens to the negative consequences and unlawfulness of using *wasta*. Likewise, investors should be better informed about improvements in administrative procedures and human resource policies so that they know there is no longer any need to employ *wasta*. 22 % of the businesspeople interviewed and 13 % of the public sector employees covered by our standardised survey indicated that the rules governing procedures in the public sector should be better explained to businesspeople (see Table A6 in Annex A and Table B7 in Annex B).

In addition, measures should be implemented to strengthen Jordanians' identification with public interests. 43 % of the businesspeople interviewed stated that a mentality change was crucial for curtailing the use of *wasta* in Jordan (see Table A6 in Annex A). *First*, the government should strengthen the public's loyalty to the state as an institution (i.e. not necessarily to the respective government in office or other specific persons). This goal can best be achieved by getting people involved in public life and making them participate much more than in the past in political decision-making. *Second*, activities at the community level should be initiated to bring together the members of different tribes, thus fostering trust and

sympathy across societal gaps. Many Jordanians today feel solidarity only with those of their family, their clan, and their tribe, but not with other citizens. *Third*, the state should make citizens aware of both their rights and their duties. In this sense, the Jordan First Initiative proposed that school curricula “*implanting values of democracy, justice, equality, and citizenship, as well as the rights and duties of citizens and national unity*” (Foreign Ministry of the Hashemite Kingdom of Jordan 2004).

#### *Eliminating incentives to ask for and grant preferential treatment*

The government must create incentives for businesspeople to refrain from using *wasta* and for government employees to refrain from providing preferential treatment to friends and relatives.

Negative incentives can deter people from using *wasta*. Therefore, the government should do more than in the past to punish people for granting or exploiting any kind of preferential treatment in the public sector. The use of *wasta* is still not explicitly described as a criminal act by any law. As one lawyer argued, “*We need a full-scale description of wasta, along with standards and criteria that are known publicly and channels that are open for complaints.*”

In addition, the government should take measures to strengthen compliance with existing laws, decrees and guidelines. Currently, fines imposed on civil servants for favouring relatives or friends are low and should be increased. In general, procedures and decisions by public administrators should be better monitored. The civil servants interviewed in this study themselves pointed out that their departments should be better supervised. To reach this goal, an efficient government entity has to be built up to fight all kinds of corruption. The existing Anti-Corruption Unit at the General Intelligence Department lacks transparency and effectiveness and therefore is not trusted by the Jordanian population. Moreover, the independence of the judiciary must be strengthened.

At the same time, positive incentives should reward Jordanians for refraining from the use of *wasta*. The most important starting point for this is further streamlining and standardising all administrative procedures in Jordan so that no one needs *wasta* to go through them quickly and easily. At the same time, a prize might be awarded every month or year for the most

transparent and service-oriented government department or for the friendliest employee within each department.

An even more effective approach, however, would be to make *wasta* completely useless. When citizens realise that administrative procedures have become easy, cheap and quick, they will no longer have any reason for trying to use *wasta*. Efforts in this area could start with the implementation of the Policy Statement for Public Sector Reform 2004-2009 (Hashemite Kingdom of Jordan 2004) and the Public Sector Reform Programme (MoPSD 2006b).

Additional steps would be to:

- Introduce clearer rules for public officials while also ensuring that the rules allow for flexible decision-making in case of situations encountered for the first time and therefore not covered by the rules.
- Decentralise decision-making in the public sector to prevent high-ranking officials from making all the decisions. For instance, decision-making power about starting an investment project should be transferred from the ministries to the one-stop-shops.
- Implement sound human resource policies in the public sector: recruitment and promotion of employees should be improved, transparent, merit-based recruitment systems should be given priority in all public sector entities, and sound performance evaluation systems should be put in place. Moreover, as public sector employees stressed, positive incentives should be put in place and better training should be provided for them; salaries should be increased, and employees should be better trained on the job.<sup>19</sup> Finally, external and internal supervision should be improved, and new employee contracts should be limited in number.

### *Strengthening transparency and accountability*

Measures must also be implemented to foster transparency and accountability in the whole of Jordan's political and administrative system.

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19 In our survey among public sector employees 24 % named better payment and 18 % better training as means for increasing their motivation and their qualifications for serving the business area. 16 % of the employees said that special incentives, such as bonuses or vacation packages, would increase their motivation on the job (see Table B7 in Annex B).

In public administration, the division of responsibilities should be much more clear-cut and transparent. Every citizen should be able to find out who is responsible for a decision or an administrative procedure and to check whether this is in line with official guidelines. Transparent, merit-based recruitment and promotion systems should be put in place, and all public sector employees should receive better training. All public sector employees must feel accountable for all of their decisions.

Modern information and communication technologies can effectively contribute to this goal. For example, in the case of tenders, the criteria for awarding contracts can be published on the Internet so that businesspeople can compare why a certain company was awarded a contract and whether this decision was in accordance with the initial call for bids. Moreover, e-procurement and e-tendering have helped in many countries to bring down government spending dramatically. In Jordan, the use of computers has already helped to accelerate administrative procedures and to make results more predictable.

In addition, every public sector entity should develop mechanisms allowing customers and public officials to blow the whistle on users of *wasta* without having to fear negative consequences.

At the same time, however, Jordan's political system must also become more transparent and accountable: (i) The parliament should be empowered to hold the Prime Minister and the whole government accountable for its actions. In particular, the Audit Bureau's reports should be addressed to the parliament and should be discussed in its committees and its General Assembly. (ii) A Freedom of Information Law is needed which will allow citizens to demand disclosure of all government activities. This would increase transparency and allow the public to monitor all ministers and other politicians. (iii) The government should implement its plan to establish an independent ombudsman who would serve as a first address for the complaints of citizens and can therefore help to develop a code of conduct for politicians and government employees. The ombudsman should directly report to the parliament. (iv) The system of public financial management and tracking should be improved; all budget plans and monitoring reports should be available to the public.

### *Adhering to democratic principles*

The Jordanian government should implement its plans for political reform and democratisation as specified in the National Agenda. As already shown, the use of *wasta* in Jordan is directly related to that country's political system. Measures aimed at reducing the use of *wasta* on the administrative level will therefore lack success in the long run unless they are accompanied by broader political reforms. The role of democratic elections should be strengthened, and the influence of informal networks and clientelistic relations must be reduced. In particular, the party law should be liberalised, and the election law<sup>20</sup> should be reformed to allow for a more representative parliament and for stronger parliamentary control of the government. In addition, freedom of press and the freedom of speech must be enhanced.

### 7.3.2 The private sector

As the other main stakeholder in state-business relations next to the state, the private sector also has to play an important role in the fight against *wasta*. Business people and business associations should contribute to a heightened awareness and form a coalition for change.

#### *Heightening public awareness*

Business associations and professional unions should assume responsibility for heightening awareness among their members about the negative impacts of *wasta* on state-business relations and on the business climate at large.

Also, they should inform businesspeople about improvements in relevant administrative procedures in Jordan and campaign in this manner for interactions with the state according to the rules and not by using *wasta*.

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20 Introducing proportional representation would be beneficial for at least two reasons: first, fewer members of parliament would be elected because of *wasta* and, second, the free development of political parties in Jordan would be enhanced.



### *Organising a coalition for change:*

Business associations and professional unions should try to organise a coalition for change among their members and should call for legal and administrative reforms that avert the use of *wasta* in all interactions between businesspeople and the state.

Business associations could, for example, consider forming ‘islands of integrity’ among their members, i.e. alliances of private firms, which abide by a code of conduct that bans both *wasta* and bribes in all kinds of interactions with the state. If the established business associations turn out to be too large to organise such an alliance, smaller groups of companies could establish new associations that are more flexible and thus better able to form ‘islands of integrity’ in well-defined areas. For example, an ‘island of integrity’ could be formed in which only a small number of large companies compete in the tendering process, e.g. for the construction of public roads. Even if only a few companies submit to such a code of ethics, which prohibits, *inter alia*, the use of *wasta*, they might be able to monitor whether every one else is abiding by this code.

### 7.3.3 NGOs and the media

Even though NGOs and the media are not direct stakeholders in state-business relations, they can play an important role in reducing the impact of *wasta* in this field. They should act in the public interest and assume three tasks: promoting reform and greater awareness, mediating in conflict situations, and speaking out for those who find it difficult to voice their concerns. Currently, however, the scope for NGOs and the media to follow these recommendations is limited, since law restricts the work of NGOs and freedom of the press is not fully guaranteed (The Star 2006).

#### *Heightening awareness*

Educating people on their rights and duties does not only empower them but also enables them to inform state bodies about their needs and wishes. NGOs and the media can thus pressure the government and the private sector to intensify their efforts in the fight against the use of *wasta*. They can raise public awareness for this issue (i) by publishing research studies on its importance, (ii) by informing the public about the negative impacts

of *wasta*, including the fact that *wasta* violates their rights, (iii) by reporting about flagrant cases of *wasta* and the related abuse of power, and (iv) by organising conferences, seminars and lectures on these subjects.

### *Mediating in conflict*

NGOs and the media can also try to bring parties with conflicting interests together in order to reach compromises. For this purpose, NGOs can organise round-table discussions and workshops, and the media can serve as a public forum for discussion.

### *Defending the weakest*

NGOs and the media should always have an eye out for those who have greatest difficulty in making their voices heard. They should, for example, try to increase public awareness for those who have little *wasta* or none at all. In addition, they should monitor legislative and bureaucratic procedures and analyse all reforms with regard to their impact on the poor. NGOs like Al-Mizan should continue to offer legal counselling to the weak and poor who have no other means of finding out about their rights.

## 7.3.4 Donors

The scope of possible action for donors in fighting against the use of *wasta* in Jordan is very limited, but they can provide support to the efforts of Jordanian institutions. Most of the necessary measures against the use of *wasta* can be financed and implemented by the Jordanian government or by other domestic actors. For their part, donors should therefore concentrate on three tasks: *First of all*, they must give a good example of transparency and the control of corruption in their own work. *Second*, they should make use of bilateral policy dialogue to urge the Jordanian government to become more active in the fight against the use of *wasta* and other forms of corruption and to remind it repeatedly of the necessity for fundamental political reforms. *Third*, donors may think about providing technical assistance, e.g. for improving the effectiveness of Jordanian NGOs.

### *Setting a good example*

The most important thing for donors to do is to set a good example for their Jordanian partners in all of their activities. For example, they should avoid recruiting staff for development co-operation projects on the basis of *wasta* and should also monitor how financial assistance is spent.

### *Pushing for governance reforms and anti-corruption initiatives*

Donors should also make use of the opportunities available to them in bilateral and multilateral policy dialogue with the Jordanian government to call for political reforms within the Kingdom. The OECD-MENA Initiative on Government and Investment for Development of the Organisation for Economic Co-Operation and Development (OECD) is one example of a multilateral forum for policy dialogue. It is based on the idea that policy makers from Arab and OECD-countries should exchange ideas on governance and investment policies (OECD 2006b).<sup>21</sup> The *Forum for the Future* of the Group of Eight (G8) is a similar initiative launched by the G8 in 2004.<sup>22</sup> In the context of such good governance initiatives, donors should push all relevant Jordanian actors to intensify their efforts to do everything they can against the widespread use of *wasta*.

### *Providing technical assistance*

The question whether donors should provide assistance to a partner country in a specific sector or field depends very generally on two criteria.

*First*, donors should make sure that the respective partner country is actually in need of support, i.e. (i) that it suffers significantly from a problem

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21 The Initiative on Governance and Investment for Development is a regional effort that tries to strengthen Arab countries' capacity to design and implement reforms and to facilitate policy dialogue on governance and investment policies. It consists of the Good Governance for Development in the Arab Countries Initiative, which is also supported by the UNDP Programme on Governance in the Arab Region, and the Investment Programme (OECD 2006b).

22 The Forum for the Future is an annual forum that permits the G8 countries, countries of the Broader Middle East and North Africa (BMENA) and other supporters to engage in a debate on political, economic and social reform on a regular basis (US Department of State 2006).

and (ii) that no domestic actor is able to solve the problem without foreign assistance.

*Second*, donors should carefully inspect the partner country's interest in donor support, i.e. they should verify (i) whether the population really wants the problem to be solved and (ii) to what degree the government is ready to contribute as much as it can to the solution of the problem.

The fight against the use of *wasta* in Jordan meets the first of these two criteria to some extent. The foregoing chapters have shown that *wasta* is a serious problem with a significantly negative influence on state-business relations in Jordan – and probably on private sector development and economic growth as well. Nevertheless, the Jordanian government should be able to implement most of the measures that are considered as useful for combating the use of *wasta*.

As a consequence, donors should carefully reflect whether they should support Jordan in this area. If they decide to do so, they should direct their contributions to areas that constitute bottlenecks for Jordanians in reducing the use of *wasta*.

It is difficult to say whether the second of the two criteria – the commitment of the Jordanians and their government to the fight against *wasta* – is currently being met. On the one hand, the King is committed to fighting all forms of corruption, and the government drafted an Anti-Corruption Bill in the summer of 2005. In addition, a royal committee developed a comprehensive programme, the National Agenda (see Box 6), for economic and political reform for the coming years. Moreover, tangible progress has been made during the last couple of years in public sector reform (see Section 7.2). On the other hand, adoption of the Anti-Corruption Bill has been stalled for months. Likewise, the National Agenda is promising, but there are doubts whether it will ever be implemented, and its contents do not seem to have been communicated well to the Jordanian public. Furthermore, most reforms implemented so far have been limited to the administrative level, and little has changed on the broader political stage; as shown in Section 7.1, the political system continues to contribute to the persistence of *wasta*.

In any case, donors should limit themselves to providing technical rather than financial assistance. Even though Jordan is a middle-income country, it is already one of the countries with the highest per capita inflow of de-

velopment assistance worldwide. As a consequence, its government certainly has the means to finance all measures against the use of *wasta* listed above (and these are not prohibitively expensive anyway).

Technical assistance, on the other hand, might be helpful in some well-defined areas. Jordan has acquired much technical know-how on development issues in the last couple of years. Donors, especially the United States and the World Bank, have provided ample support in the area of public sector reform. In addition, e.g. the EU and Canada have funded several small projects to strengthen human rights and civil society organisations, including help for NGOs and journalists and the improvement of the legal system (USAID 2003). Nevertheless, donors can still provide valuable expertise in selected fields. For example, donors should disseminate information on what can be done against *wasta*, i.e. they should transfer know-how to Jordan, especially concerning what other countries have done and what experience they have had with strategies for combating fighting favouritism and other forms of corruption. In addition, donors should consider increasing their support for Jordanian NGOs or business associations in their activities against *wasta*. Finally, they might also think about providing technical assistance for administrative and political reforms such as, e.g. the development of regulatory systems and customs and revenue systems or for enhancing the capacities of MPs.



## **Annexes**





## Annex A: Results of semi-structured interviews with 58 business people

During its field research phase, the team from the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) conducted 63 interviews with representatives of Jordanian and foreign enterprises. Five of these interviews failed to bring any substantial results. The findings from the remaining 58 interviews are presented here.

### *The Interviews*

45 of the interviews (78 %) took place in Amman or Zarqa, nine were conducted in the Aqaba Special Economic Zone (ASEZ) and four in the Industrial Estate of Sahaab (see Table A1).

Five of the companies involved were active in the information and communication technology (ICT) sector, four in the pharmaceutical industry, 21 in other manufacturing sectors (textiles, stationery products, cosmetics, machines, computer screens, plastics, furniture, etc.), 13 in trade, nine in consultancy or marketing activities and six in tourism. On average, the firms had been founded 12 years earlier and had 45 employees (see Table A1). 54 companies were owned by Jordanians and four by foreigners.

Six of those interviewed were less than 30 years old, 32 between 30 and 45, 15 between 45 and 60, and only one was older than 60. The age of four interview partners is unknown.

Most interview partners were identified with the assistance of different business associations, micro-finance institutions and business-development agencies. These were asked to provide the DIE team with a mixed sample list of their members / clients according to size, branch, and ownership for the purpose of interviews by the DIE team. Some interview partners, however, were also selected randomly from the telephone book to avoid systematic mistakes in the composition of the sample.

This sample is, of course, not representative for all enterprises in Jordan. Its results should therefore be treated with caution. Nevertheless, the sample is more representative than the sample on which the Global Competitiveness Report is based (see Table A2).

Table A1: Location and economic sector of the covered companies											
Sector	total number	location of company			age of interviewee					average number of employees	average age of company (years)
		Amman or Zarqa	Aqaba Special Economic Zone (ASEZ)	Industrial Estate Sahaab	<30	30-45	45-60	>60	n/a		
<b>All interview partners</b>	<b>58 (100%)</b>	<b>45 (78%)</b>	<b>9 (16%)</b>	<b>4 (7%)</b>	<b>6 (10%)</b>	<b>32 (55%)</b>	<b>15 (26%)</b>	<b>1 (2%)</b>	<b>4 (7%)</b>	<b>45</b>	<b>12</b>
ICT industry	5 (100%)	5 (100%)	0 (0%)	0 (0%)	2 (40%)	1 (20%)	1 (20%)	1 (20%)	0 (0%)	55	6
Pharmaceutical industry	4 (100%)	3 (75%)	0 (0%)	1 (25%)	0 (0%)	4 (100%)	0 (0%)	0 (0%)	0 (0%)	95	9
Other manufacturing	21 (100%)	17 (81%)	1 (5%)	3 (14%)	1 (5%)	11 (52%)	6 (29%)	0 (0%)	3 (14%)	58	7
Consultancy and marketing	9 (100%)	9 (100%)	0 (0%)	0 (0%)	1 (11%)	7 (78%)	1 (11%)	0 (0%)	0 (0%)	16	7
Tourism	6 (100%)	1 (17%)	5 (83%)	0 (0%)	0 (0%)	2 (33%)	4 (67%)	0 (0%)	0 (0%)	29	8
Trade	13 (100%)	10 (77%)	3 (23%)	0 (0%)	2 (15%)	7 (54%)	3 (23%)	0 (0%)	1 (8%)	33	5

<b>Table A2: Size of the covered companies</b>							
<b>Com- pany size (number of em- ployees)</b>	<b>all Jordan</b>			<b>DIE sample</b>			<b>WEF sample</b>
	<b>share of all compa- nies</b>	share of all em- ployees	<i>average number of em- ployees</i>	<b>share of all compa- nies</b>	share of all employ- ees	<i>average number of em- ployees</i>	<b>share of all compa- nies</b>
<b>0-5</b>	<b>75 %</b>	33 %	2,4	<b>24 %</b>	2 %	3,1	<b>0 %</b>
<b>6-20</b>	<b>15 %</b>	19 %	7,1	<b>26 %</b>	6 %	10,3	<b>0 %</b>
<b>21-100</b>	<b>8 %</b>	48 %	26,4	<b>39 %</b>	47 %	56,5	<b>45 %</b>
<b>100+</b>	<b>2 %</b>			<b>11 %</b>	45 %	180,2	<b>55 %</b>
Source: Lopez-Claros / Schwab / Porter (2005), Table 1; MoIT (2006)							

*Main problems of doing business in Jordan*

One of the interview questions referred to major problems faced by the enterprises currently or in the past in opening or running their businesses. The majority of respondents said that investment conditions in Jordan have improved during the last years and that their business was doing well. Many referred to the King as the driving force behind the ongoing reforms or pointed to Dubai as an example of a good business climate.

Nevertheless, most interview partners also pointed to a number of areas in which they were currently facing problems or in which they had had problems in the past. The single most frequently mentioned area was registration and licensing: 33 % of all interview partners mentioned problems in this field. 26 % talked about problems regarding the high level of competition in their market, the qualification of workers, and access to finance. 22 % faced difficulties with access to and the price of inputs for their production. 16 % suffered from low demand for their products, and 12 % each from insufficient active support by the government and problems in taxation. 9 % complained about customs procedures and 7 % about the lack of stability in the Middle East. 3 % mentioned the areas of tendering, labour regulation and the protection of intellectual property rights. Only 2 % had problems with the infrastructure, and 16 % named various other problems (see Table A3).

<b>Table A3: Main fields of problems of the covered companies in general</b>						
	registra- tion / licensing	high competi- tion	finding qualified workers	access to finance	access to and price of inputs	insuffi- cient demand
<b>All interview partners</b>	<b>19</b> <i>(33%)</i>	<b>15</b> <i>(26%)</i>	<b>15</b> <i>(26%)</i>	<b>15</b> <i>(26%)</i>	<b>13</b> <i>(22%)</i>	<b>9</b> <i>(16%)</i>
Amman and Zarqa	12 <i>(27%)</i>	11 <i>(24%)</i>	12 <i>(27%)</i>	14 <i>(31%)</i>	9 <i>(20%)</i>	9 <i>(20%)</i>
Aqaba Special Economic Zone (ASEZ)	5 <i>(56%)</i>	1 <i>(11%)</i>	2 <i>(22%)</i>	1 <i>(11%)</i>	1 <i>(11%)</i>	0 <i>(0%)</i>
Industrial Estate Sahaab	2 <i>(50%)</i>	3 <i>(75%)</i>	1 <i>(25%)</i>	0 <i>(0%)</i>	3 <i>(75%)</i>	0 <i>(0%)</i>
ICT industry	2 <i>(40%)</i>	1 <i>(20%)</i>	2 <i>(40%)</i>	3 <i>(60%)</i>	1 <i>(20%)</i>	0 <i>(0%)</i>
Pharmaceutical industry	3 <i>(75%)</i>	2 <i>(50%)</i>	0 <i>(0%)</i>	1 <i>(25%)</i>	1 <i>(25%)</i>	1 <i>(25%)</i>
Other manufacturing	4 <i>(19%)</i>	6 <i>(29%)</i>	7 <i>(33%)</i>	4 <i>(19%)</i>	9 <i>(43%)</i>	4 <i>(19%)</i>
Consultancy and marketing	3 <i>(33%)</i>	2 <i>(22%)</i>	4 <i>(44%)</i>	1 <i>(11%)</i>	0 <i>(0%)</i>	4 <i>(44%)</i>
Tourism	4 <i>(67%)</i>	1 <i>(17%)</i>	1 <i>(17%)</i>	1 <i>(17%)</i>	0 <i>(0%)</i>	0 <i>(0%)</i>
Trade	3 <i>(23%)</i>	3 <i>(23%)</i>	1 <i>(8%)</i>	5 <i>(38%)</i>	2 <i>(15%)</i>	0 <i>(0%)</i>
Interview partner younger than 45	14 <i>(37%)</i>	9 <i>(24%)</i>	9 <i>(24%)</i>	9 <i>(24%)</i>	6 <i>(16%)</i>	6 <i>(16%)</i>
Interview partner older than 45	5 <i>(25%)</i>	6 <i>(30%)</i>	6 <i>(30%)</i>	6 <i>(30%)</i>	7 <i>(35%)</i>	3 <i>(15%)</i>

lack of active support by government	taxation	customs	security and stability	tendering	labour regulation (work permits)	protection of intellectual property rights	infrastructure supply	other
<b>7</b> (12%)	<b>7</b> (12%)	<b>5</b> (9%)	<b>4</b> (7%)	<b>3</b> (5%)	<b>3</b> (5%)	<b>3</b> (5%)	<b>2</b> (3%)	<b>9</b> (16%)
7 (13%)	7 (16%)	3 (7%)	3 (7%)	3 (7%)	2 (4%)	2 (4%)	0 (0%)	6 (13%)
0 (0%)	0 (0%)	2 (22%)	1 (11%)	0 (0%)	1 (11%)	0 (0%)	2 (22%)	2 (22%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (25%)	0 (0%)	1 (25%)
0 (0%)	0 (0%)	1 (20%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (25%)	1 (25%)	0 (0%)	2 (50%)
2 (10%)	2 (10%)	1 (5%)	2 (10%)	1 (5%)	1 (5%)	0 (0%)	0 (0%)	1 (5%)
2 (22%)	1 (11%)	0 (0%)	0 (0%)	2 (22%)	0 (0%)	1 (11%)	0 (0%)	1 (11%)
1 (0%)	0 (0%)	1 (17%)	2 (33%)	0 (0%)	1 (17%)	0 (0%)	2 (33%)	2 (33%)
2 (15%)	4 (31%)	2 (15%)	0 (0%)	0 (0%)	0 (0%)	1 (8%)	0 (0%)	3 (23%)
7 (16%)	6 (16%)	2 (5%)	3 (8%)	3 (8%)	2 (5%)	3 (8%)	1 (3%)	6 (16%)
0 (0%)	1 (5%)	3 (15%)	1 (5%)	0 (0%)	1 (5%)	0 (0%)	1 (5%)	3 (15%)

	<b>at least one of the following fields</b>	registration and licensing	customs	taxation
<b>All interview partners</b>	<b>46</b> <i>(79%)</i>	<b>29</b> <i>(50%)</i>	<b>10</b> <i>(17%)</i>	<b>10</b> <i>(17%)</i>
Amman and Zarqa	<b>36</b> <i>(80%)</i>	22 <i>(49%)</i>	7 <i>(16%)</i>	10 <i>(22%)</i>
Aqaba Special Economic Zone	<b>7</b> <i>(78%)</i>	5 <i>(56%)</i>	2 <i>(22%)</i>	0 <i>(0%)</i>
Industrial Estate Sahaab	<b>3</b> <i>(75%)</i>	2 <i>(50%)</i>	1 <i>(25%)</i>	0 <i>(0%)</i>
ICT industry	<b>5</b> <i>(100%)</i>	2 <i>(40%)</i>	2 <i>(40%)</i>	2 <i>(40%)</i>
Pharmaceutical industry	<b>4</b> <i>(100%)</i>	3 <i>(75%)</i>	0 <i>(0%)</i>	0 <i>(0%)</i>
Other manufacturing	<b>18</b> <i>(86%)</i>	10 <i>(48%)</i>	4 <i>(19%)</i>	2 <i>(10%)</i>
Consultancy and marketing	<b>6</b> <i>(67%)</i>	4 <i>(44%)</i>	0 <i>(0%)</i>	2 <i>(22%)</i>
Tourism	<b>4</b> <i>(67%)</i>	4 <i>(67%)</i>	1 <i>(17%)</i>	0 <i>(0%)</i>
Trade	<b>9</b> <i>(69%)</i>	6 <i>(46%)</i>	3 <i>(23%)</i>	4 <i>(31%)</i>
Interview partner younger than 45	<b>33</b> <i>(87%)</i>	20 <i>(53%)</i>	5 <i>(13%)</i>	8 <i>(21%)</i>
Interview partner older than 45	<b>13</b> <i>(65%)</i>	9 <i>(45%)</i>	5 <i>(25%)</i>	2 <i>(10%)</i>

tendering	promotion by government	labour regulation (work permits)	infrastructure supply	protection of intellectual property rights	others
<b>8</b> (14%)	<b>7</b> (12%)	<b>7</b> (12%)	<b>6</b> (10%)	<b>3</b> (5%)	<b>1</b> (2%)
8 (18%)	7 (16%)	5 (11%)	4 (9%)	2 (4%)	1 (2%)
0 (0%)	0 (0%)	2 (22%)	2 (22%)	0 (0%)	0 (0%)
0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (25%)	0 (0%)
1 (20%)	0 (0%)	0 (0%)	2 (40%)	0 (0%)	0 (0%)
1 (25%)	0 (0%)	2 (50%)	0 (0%)	1 (25%)	0 (0%)
3 (14%)	3 (14%)	4 (19%)	1 (5%)	0 (0%)	1 (5%)
3 (33%)	2 (22%)	0 (0%)	1 (11%)	1 (11%)	0 (0%)
0 (0%)	0 (0%)	1 (17%)	2 (33%)	0 (0%)	0 (0%)
0 (0%)	2 (15%)	0 (0%)	0 (0%)	1 (8%)	0 (0%)
7 (18%)	6 (16%)	5 (13%)	4 (11%)	3 (8%)	1 (3%)
1 (5%)	1 (5%)	2 (10%)	2 (10%)	0 (0%)	0 (0%)

### *Quality of state-business relations*

Since problems in state-business relations ranked so high, the interview partners were asked whether they had also problems in other fields of interaction with the public administration. When the results of this question are added to the first one, the result is a total of 46 out of 58 interlocutors (i.e. 79 %) who mentioned problems in at least one field of state-business relations (see Table A4): Again, the most frequently mentioned field was registration and licensing (50 % of all interviewees), followed by customs procedures and taxation (17 % each), tendering (14 %), insufficient support of business promotion by the government (12 %), deficits in labour regulation (12 %), infrastructure supply (10 %) and protection of intellectual property rights (5 %).

Those who mentioned problems in their interactions with the public administration were furthermore asked about the nature of these problems. According to their answers, the long duration of procedures is the single most important source of problems in state-business relations. It was mentioned by 67 % of those who had any problems at all (see Table A5). Other types of problems are the high number of procedures in interactions with the public administration (37 %), unequal treatment by the state (33 %), the unpredictability of decision-making by public administrators (26 %), and the high cost of procedures (11 %).

### *The role of wasta*

In a further step, the interlocutors were asked what they believed to be the major reasons for their problems in interactions with the public administration. Their answers indicated that insufficient training and motivation of the employees in the public sector are among the main causes of problems for investors in Jordan. This was mentioned by 50 % of those who mentioned problems with the public administration. 39 % said that there was too much regulation, and another 39 % criticised the fact that too much decision-making was based on personal relations (*wasta*). 17 % believed that regulation was inappropriate, and 9 % criticised the concentration of decision-making power in the hands of a few, along with the lack of necessary regulation. 11 % mentioned frequent changes in rules, and 7 % that there was much over-employment in the public sector, that the rules left too much room for discretion, and that there was not enough communication between the administration and business people (see Table A5).



It thus became clear during the interviews that it is sometimes not enough in Jordan to have a good idea for business and to sell a good product. Rather, it is often necessary to know someone who can help applicants complete bureaucratic procedures, get permission, or obtain a loan. 50 of the 58 businesspeople interviewed (86 %) stated that it is helpful to have *wasta*, i.e. to have good relations, which can be used with influential persons for personal advantage. Only three (5 %) said that this is not the case, five (9 %) did not state an opinion on this matter (see Table A6).

Most interlocutors rejected the idea that it is possible to bypass laws or rules with the assistance of *wasta*. Some of them regarded violations of the rules as corruption and not as *wasta*.

Nevertheless, *wasta* is essential for doing business in Jordan. According to most other interviewees, *wasta* not only speeds up procedures but it also determines access to business opportunities. Those who have *wasta* get public tenders, can travel with the King to potential investors or clients abroad, get licenses in highly regulated sectors, and obtain permission to produce in protected areas. Some interview partners even stated that the high relevance of *wasta* in Jordan was an important reason why many talented young entrepreneurs leave the country or entirely give up their firm.

As a consequence, 56 % (28 out of 50) admitted to using *wasta* themselves for their interactions with the public administration. Only 24 % (12 out of 50) said that they do not use *wasta*, and 20 % of those who were asked this question gave no clear answer.

Those who relied on the use of *wasta* were also asked whether they are trying to obtain more or better *wasta*. 13 of 28 (46 %) acknowledged that this is the case, while 12 (43 %) said that they did not. Three gave no clear answer (see Table A6).

Obtaining *wasta* can be very expensive. Some business people are born with *wasta*. They derive their *wasta* simply from the family they are born into and from their good family name, which can open many doors to them that remain closed for the majority of other Jordanian entrepreneurs. Others however have to invest if they want to obtain *wasta*. They must spend time with other people, make small gifts or even employ people who have *wasta* themselves.

**Table A5: Main kinds and causes of problems in state-business relations**

	main kind(s) of problem(s)				
	long duration of procedures	high number of procedures	unequal treatment	unpredictable decision-making	high costs of procedures
<b>All interview partners</b>	<b>31</b> <i>(67%)</i>	<b>17</b> <i>(37%)</i>	<b>15</b> <i>(33%)</i>	<b>12</b> <i>(26%)</i>	<b>5</b> <i>(11%)</i>
Amman and Zarqa	23 <i>(64%)</i>	14 <i>(39%)</i>	13 <i>(36%)</i>	11 <i>(31%)</i>	5 <i>(14%)</i>
Aqaba Special Economic Zone	6 <i>(86%)</i>	3 <i>(43%)</i>	2 <i>(29%)</i>	1 <i>(14%)</i>	0 <i>(0%)</i>
Industrial Estate Sahaab	2 <i>(67%)</i>	0 <i>(0%)</i>	0 <i>(0%)</i>	0 <i>(0%)</i>	0 <i>(0%)</i>
ICT industry	4 <i>(80%)</i>	1 <i>(20%)</i>	2 <i>(40%)</i>	3 <i>(60%)</i>	0 <i>(0%)</i>
Pharmaceutical industry	4 <i>(100%)</i>	1 <i>(25%)</i>	1 <i>(25%)</i>	0 <i>(0%)</i>	1 <i>(25%)</i>
Other manufacturing	11 <i>(61%)</i>	5 <i>(28%)</i>	3 <i>(17%)</i>	4 <i>(22%)</i>	3 <i>(17%)</i>
Consultancy and marketing	4 <i>(67%)</i>	5 <i>(83%)</i>	5 <i>(83%)</i>	1 <i>(17%)</i>	1 <i>(17%)</i>
Tourism	4 <i>(100%)</i>	1 <i>(25%)</i>	2 <i>(50%)</i>	1 <i>(25%)</i>	0 <i>(0%)</i>
Trade	4 <i>(44%)</i>	4 <i>(44%)</i>	2 <i>(22%)</i>	3 <i>(33%)</i>	0 <i>(0%)</i>
Interview partner younger than 45	22 <i>(67%)</i>	11 <i>(33%)</i>	11 <i>(33%)</i>	8 <i>(24%)</i>	4 <i>(12%)</i>
Interview partner older than 45	9 <i>(69%)</i>	6 <i>(46%)</i>	4 <i>(31%)</i>	4 <i>(31%)</i>	1 <i>(8%)</i>

main cause(s) of problem(s)									
qualification of civil servants	too much regulation	<i>wasta</i>	inappropriate regulation	frequent change of rules	concentration of decision-making	too little regulation	overstaffing in the public sector	too much room for discretion	lack of communication
<b>23</b> (50%)	<b>18</b> (39%)	<b>18</b> (39%)	<b>8</b> (17%)	<b>5</b> (11%)	<b>4</b> (9%)	<b>4</b> (9%)	<b>3</b> (7%)	<b>3</b> (7%)	<b>4</b> (9%)
18 (50%)	13 (36%)	16 (44%)	5 (14%)	4 (11%)	2 (6%)	4 (11%)	3 (8%)	2 (6%)	2 (6%)
3 (43%)	5 (71%)	2 (29%)	3 (43%)	1 (14%)	2 (29%)	0 (0%)	0 (0%)	0 (0%)	2 (29%)
2 (67%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (33%)	0 (0%)
2 (40%)	2 (40%)	3 (60%)	1 (20%)	0 (0%)	1 (20%)	1 (20%)	1 (20%)	0 (0%)	1 (20%)
4 (100%)	1 (25%)	1 (25%)	1 (25%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (25%)	0 (0%)
8 (44%)	4 (22%)	4 (22%)	2 (11%)	3 (17%)	1 (6%)	2 (11%)	1 (6%)	0 (0%)	1 (6%)
3 (50%)	4 (67%)	5 (83%)	1 (17%)	1 (17%)	0 (0%)	0 (0%)	1 (17%)	0 (0%)	0 (0%)
3 (75%)	3 (75%)	1 (25%)	2 (50%)	0 (0%)	1 (25%)	1 (25%)	0 (0%)	0 (0%)	1 (25%)
3 (33%)	4 (44%)	4 (44%)	1 (11%)	1 (11%)	1 (11%)	0 (0%)	0 (0%)	2 (22%)	1 (11%)
17 (52%)	13 (39%)	13 (39%)	7 (21%)	4 (12%)	1 (3%)	2 (6%)	3 (9%)	3 (9%)	3 (9%)
6 (46%)	5 (38%)	5 (38%)	1 (8%)	1 (8%)	3 (23%)	2 (15%)	0 (0%)	0 (0%)	1 (8%)

**Table A6: The use of *wasta* by the interviewed business people**

	Is it helpful for business people to have <i>wasta</i> ?			<i>if so:</i> Are you using <i>wasta</i> yourself?		
	yes	no	n/a	yes	no	n/a
<b>All interview partners</b>	<b>50</b> (86%)	<b>3</b> (5%)	<b>5</b> (9%)	<b>28</b> (56%)	<b>12</b> (24%)	<b>10</b> (20%)
Amman and Zarqa	39 (87%)	1 (2%)	5 (11%)	22 (56%)	8 (21%)	9 (23%)
Aqaba Special Economic Zone	9 (100%)	0 (0%)	0 (0%)	5 (56%)	3 (33%)	1 (11%)
Industrial Estate Sahaab	2 (50%)	2 (50%)	0 (0%)	1 (50%)	1 (50%)	0 (0%)
ICT industry	3 (60%)	0 (0%)	2 (40%)	2 (67%)	1 (33%)	0 (0%)
Pharmaceutical industry	3 (75%)	1 (25%)	0 (0%)	3 (100%)	0 (0%)	0 (0%)
Other manufacturing	18 (76%)	2 (10%)	1 (15%)	9 (50%)	6 (33%)	3 (17%)
Consultancy and marketing	7 (100%)	0 (0%)	2 (0%)	2 (29%)	0 (0%)	5 (71%)
Tourism	6 (100%)	0 (0%)	0 (0%)	2 (33%)	2 (33%)	2 (33%)
Trade	13 (100%)	0 (0%)	0 (0%)	10 (77%)	3 (23%)	0 (0%)
Interview partner younger than 45	35 (92%)	1 (3%)	2 (5%)	24 (69%)	5 (14%)	6 (17%)
Interview partner older than 45	15 (75%)	2 (10%)	3 (15%)	4 (27%)	7 (47%)	4 (27%)

<i>if yes again:</i> <b>Are you trying to obtain (better) <i>wasta</i>?</b>			<i>if yes once more:</i> <b>How do you try to obtain (better) <i>wasta</i>?</b>			
yes	no	n/a	offer gifts	give discount to clients	networking	employ agent
<b>13</b> (46%)	<b>12</b> (43%)	<b>3</b> (11%)	<b>2</b> (15%)	<b>2</b> (15%)	<b>6</b> (46%)	<b>6</b> (46%)
10 (42%)	9 (41%)	3 (14%)	1 (10%)	1 (10%)	6 (60%)	5 (50%)
2 (40%)	3 (60%)	0 (0%)	1 (50%)	1 (50%)	0 (0%)	0 (0%)
1 (100%)	0 (0%)	0 (0%)	0 (0%)	1 (0%)	0 (0%)	1 (100%)
1 (50%)	1 (50%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)
3 (100%)	0 (0%)	0 (0%)	1 (33%)	0 (0%)	2 (67%)	2 (67%)
3 (33%)	4 (44%)	2 (22%)	0 (0%)	1 (33%)	0 (0%)	2 (67%)
0 (0%)	2 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
1 (50%)	1 (50%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)	0 (0%)
5 (50%)	4 (40%)	1 (10%)	1 (20%)	1 (20%)	3 (60%)	1 (20%)
11 (46%)	10 (42%)	3 (13%)	1 (9%)	1 (9%)	6 (55%)	6 (55%)
2 (50%)	2 (50%)	0 (0%)	1 (50%)	1 (50%)	0 (0%)	0 (0%)

The 13 business people who admitted trying to obtain (better) *wasta* were asked how they went about it. Six said that they employ agents who have good *wasta* and can get administrative procedures done faster and easier than they themselves. Another six relied on networking, two on gifts to decision-makers, and two on giving discounts on their own products in exchange for a privileged treatment in administrative procedures (see Table A6. Please keep in mind that some interlocutors mentioned more than one strategy).

### *Fighting the use of wasta*

The business people were then asked what they thought about fighting the use of *wasta* in Jordan. 23 said that the use of *wasta* should be reduced, while only four were completely against it. Two believed that it was impossible to fight the use of *wasta* (see Table A7).

Many interlocutors mentioned during the interviews that improvements have taken place over the past five years, that the conditions for doing business in Jordan were improving and that the importance of *wasta* was decreasing. Some said that the National Agenda was a good step forward but others had doubts whether it would ever be implemented. More unequivocally, the e-government initiative of the Jordanian government was seen by many as a helpful tool for limiting the use of *wasta* and other forms of corruption. In addition, many mentioned that the new generation which was now growing up was much less prone to using *wasta* because of better education and because many people from this generation had studied abroad and come back with different social values.

Nevertheless, many interviewees also complained that reforms already implemented are insufficient and that changes have been carried out too slowly and remain too limited in scope and scale. They mentioned at least four reasons for this:

- Too little effort is made to involve the population in the reform process, and reform projects are not sufficiently explained to them. Jordanians have never before been encouraged to discuss political decisions or to take a stand on political ideas. In fact, membership in a political party has for decades been regarded as almost criminal.
- The loyalty of Jordanians belongs to their families and tribes rather than to the government.

- *Wasta* is viewed by many Jordanians as part of their traditions and culture, that is, as a natural feature of a tribal society. Some interviewees stressed that they learned to use *wasta* as children.
- There is considerable opposition to reforms. Many Jordanian citizens and companies benefit significantly from *wasta* and are not keen on giving up these advantages. Many also have a good deal of political influence and thus have the means to prevent reforms.

As a consequence, the interviewees were also asked what they believed to be a good strategy for fighting the use of *wasta*. Ten said that a change of mentality was crucial for any improvement in this sense, eight stated that a better regulatory framework was needed, five said that the main problem was the lack of transparency in the political and administrative process, four called for a democratisation of their country, three believed that the use of *wasta* should be more severely sanctioned, and two said that public sector employees should have greater powers (see Table A7).

In addition, six believed that it is up to the King to do something about the use of *wasta*. Four believed that the educational system could contribute best to the fight against it, and three saw it as a responsibility of the government. Two believed that NGOs or business associations could make a valuable contribution, and one said that the media could fight the use of *wasta* (see Table A7).

### *The role of business associations*

At the end of the interviews, the business people were asked whether they believed that membership in a business association could help them. Almost all are members of a business association in which membership is compulsory (see Table A8).

Only 25 % of those who confirmed to be member of a business association said that they benefited from it, while 68 % did not feel themselves well represented. They said that they did not benefit from their membership and complained of high membership fees and high fees for training courses. Many maintained that the leaders of the business associations were interested only in personal gains and did not care about the members. Large companies were alleged to deal directly with the government with the effect that they did not need the business associations at all. 8 % of the interviewees did not answer the question (see Table A8).

**Table A7: Opinion of the interviewed business people on fighting against**

	Do you think that the use of <i>wasta</i> should be reduced?			How can the use of		
	yes	no	im-possible	better regulation	sanction- ing	more trans- parency
	<b>All interview partners</b>	<b>23</b> (79%)	<b>4</b> (14%)	<b>2</b> (7%)	<b>8</b> (35%)	<b>3</b> (13%)
Amman and Zarqa	20 (80%)	3 (12%)	2 (8%)	7 (35%)	2 (10%)	5 (25%)
Aqaba Special Economic Zone	2 (67%)	1 (33%)	0 (0%)	1 (50%)	0 (0%)	0 (0%)
Industrial Estate Sahaab	1 (100%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)	0 (0%)
ICT industry	3 (100%)	0 (0%)	0 (0%)	1 (33%)	0 (0%)	1 (33%)
Pharmaceutical industry	3 (100%)	0 (0%)	0 (0%)	0 (0%)	1 (33%)	1 (33%)
Other manufacturing	5 (63%)	2 (25%)	1 (13%)	2 (40%)	1 (20%)	1 (20%)
Consultancy and marketing	4 (80%)	0 (0%)	1 (20%)	3 (75%)	0 (0%)	2 (50%)
Tourism	1 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Trade	7 (78%)	2 (22%)	0 (0%)	2 (29%)	1 (14%)	0 (0%)
Interview partner younger than 45	18 (75%)	4 (17%)	2 (8%)	6 (33%)	3 (17%)	4 (22%)
Interview partner older than 45	5 (100%)	0 (0%)	0 (0%)	2 (40%)	0 (0%)	1 (20%)



<b>the use of <i>wasta</i></b>							
<i>If yes:</i>							
<b><i>wasta</i> be reduced?</b>			<b>Who can do anything to reduce the use of <i>wasta</i>?</b>				
demo- cratisation	mentality change	empower civil servants	King	govern- ment	educa- tional system	civil society	media
<b>4</b> (17%)	<b>10</b> (43%)	<b>2</b> (9%)	<b>6</b> (26%)	<b>3</b> (13%)	<b>4</b> (17%)	<b>2</b> (9%)	<b>1</b> (4%)
4 (20%)	7 (35%)	2 (10%)	6 (30%)	2 (10%)	4 (20%)	2 (10%)	1 (5%)
0 (0%)	2 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
0 (0%)	1 (100%)	0 (0%)	0 (0%)	1 (100%)	0 (0%)	0 (0%)	0 (0%)
0 (0%)	0 (0%)	0 (0%)	1 (33%)	1 (33%)	0 (0%)	0 (0%)	0 (0%)
2 (67%)	1 (33%)	2 (67%)	0 (0%)	0 (0%)	0 (0%)	1 (33%)	0 (0%)
1 (20%)	3 (60%)	0 (0%)	2 (40%)	1 (20%)	1 (20%)	1 (20%)	0 (0%)
1 (25%)	3 (75%)	0 (0%)	1 (25%)	0 (0%)	2 (50%)	0 (0%)	1 (25%)
0 (0%)	1 (100%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
0 (0%)	2 (29%)	0 (0%)	2 (29%)	1 (14%)	1 (14%)	0 (0%)	0 (0%)
4 (22%)	8 (44%)	2 (11%)	5 (28%)	2 (11%)	4 (22%)	2 (11%)	1 (6%)
0 (0%)	2 (40%)	0 (0%)	1 (20%)	1 (20%)	0 (0%)	0 (0%)	0 (0%)

<b>Table A8: Opinion of the interviewed business people on business associations in Jordan</b>						
	<b>Are you member of a business association?</b>			<i>If yes:</i> <b>Does it help you?</b>		
	yes	no	n/a	yes	no	n/a
<b>All interview partners</b>	<b>40</b> (69%)	<b>1</b> (2%)	<b>17</b> (29%)	<b>10</b> (25%)	<b>27</b> (68%)	<b>3</b> (8%)
Amman and Zarqa	32 (71%)	0 (0%)	13 (29%)	7 (22%)	22 (69%)	3 (9%)
Aqaba Economic Zone	5 (56%)	1 (11%)	3 (33%)	1 (20%)	4 (80%)	0 (0%)
Industrial Estate Sahaab	3 (75%)	0 (0%)	1 (25%)	2 (67%)	1 (33%)	0 (0%)
ICT industry	4 (80%)	0 (0%)	1 (20%)	0 (0%)	3 (75%)	1 (25%)
Pharmaceutical industry	2 (50%)	0 (0%)	2 (50%)	1 (50%)	1 (50%)	0 (0%)
Other manufacturing	17 (81%)	0 (0%)	4 (19%)	6 (35%)	10 (59%)	1 (6%)
Consultancy and marketing	6 (67%)	0 (0%)	3 (33%)	2 (33%)	3 (50%)	1 (17%)
Tourism	3 (50%)	1 (17%)	2 (33%)	0 (0%)	3 (100%)	0 (0%)
Trade	8 (62%)	0 (0%)	5 (38%)	1 (13%)	7 (88%)	0 (0%)
Interview partner younger than 45	25 (66%)	0 (0%)	13 (34%)	4 (16%)	19 (76%)	2 (8%)
Interview partner older than 45	15 (75%)	1 (5%)	4 (20%)	6 (40%)	8 (53%)	1 (7%)

## Annex B: Results of the standardised survey among low- to medium-ranking public sector employees

In connection with this study a survey was conducted among 180 government employees. It covered public sector institutions that are especially relevant for the registration of companies and other typical state-business interactions:

- The Jordan Investment Board (JIB: 7 employees),
- The Ministry of Industry and Trade (MoIT: 19 employees),
- The Municipality of Greater Amman (MGA: 10 employees in the Tendering Department, 16 in the Companies Licensing Department, 17 in the Customer Relations Department, 33 in the Jubeiha District Office, and 29 in the Marka District Office) and
- The Aqaba Special Economic Zone Administration (ASEZA: 21 employees in the One-Stop-Shop for investors and 28 in the Tax Department).

The employees were asked to fill out a written questionnaire, which contained 14 questions (see Box B1 at the end of this annex). All of the employees were willing to co-operate, some appeared almost enthusiastic about the fact that they were asked about their opinions.

Almost a third of the 180 government employees had been working in the same administrative unit for more than 10 years, 15 % for more than five but less than 10 years, 42 % for more than one year but less than five years, and 11% for less than one year. 50 % of the total sample reported a salary of more than 100 but less than 200 JD per month, while 37 % had a salary of 200–400 JD and only 13 % received more than 400 JD per month (Table B1).

### *Existence and quality of rules for the work of the employees*

The large majority of the employees (89 %) reported that written rules governed the performance of their tasks, and 83 % were convinced that these rules are clear or even very clear. The share of those without written rules was highest within the MoIT and lowest in the ASEZA One-Stop-Shop (0%). 42 % of all employees believed that the rules given to them covered all of their tasks, though only 14 % of the employees in the JIB and only 24 % of the employees in the ASEZA One-Stop-Shop for investors were of this opinion (Table B2).

Table B1: Sample of the standardised survey									
	time of service within government office					monthly income			
	< 1 year	1-5 years	6-10 years	> 10 years		< 200 JD	201-400 JD	> 400 JD	
<b>Total</b>	<b>19</b> (10,6%)	<b>76</b> (42,2%)	<b>27</b> (15,0%)	<b>58</b> (32,2%)		<b>90</b> (50,0%)	<b>66</b> (36,7%)	<b>24</b> (13,3%)	
Jordan Investment Board (JIB)	0 (0,0%)	0 (0,0%)	0 (0,0%)	7 (100%)		1 (14,3%)	4 (57,1%)	2 (28,6%)	
Ministry of Industry and Trade (MoIT)	2 (10,5%)	6 (31,6%)	1 (5,3%)	10 (52,6%)		11 (57,9%)	7 (36,8%)	1 (5,3%)	
Municipality of Greater Amman (MGA): Tendering Department	0 (0,0%)	3 (30,0%)	1 (10,0%)	6 (60,0%)		4 (40,0%)	6 (60,0%)	0 (0,0%)	
Municipality of Greater Amman (MGA): Licensing Department	0 (0,0%)	10 (58,8%)	3 (17,7%)	4 (23,5%)		11 (64,7%)	4 (23,5%)	2 (11,8%)	
Municipality of Greater Amman (MGA): Customer Relations	5 (31,3%)	6 (37,5%)	3 (18,8%)	2 (12,5%)		15 (93,8%)	1 (6,3%)	0 (0,0%)	
Municipality of Greater Amman (MGA): Jubeiha District Office	5 (15,2%)	16 (48,5%)	6 (18,2%)	6 (18,2%)		22 (66,7%)	11 (33,3%)	0 (0,0%)	
Municipality of Greater Amman (MGA): Al-Marka District Office	3 (10,3%)	9 (31,0%)	2 (6,9%)	15 (51,7%)		18 (51,7%)	9 (31,0%)	2 (6,9%)	
Aqaba Special Economic Zone Administration: One-Stop-Shop	2 (9,5%)	13 (61,9%)	1 (4,8%)	5 (23,8%)		4 (19,1%)	9 (42,9%)	8 (38,1%)	
Aqaba Special Economic Zone Administration: Tax Department	2 (7,1%)	13 (46,4%)	10 (35,7%)	3 (10,7%)		4 (14,3%)	15 (53,6%)	9 (32,1%)	

*The role of wasta in state-business relations*

64 % of the 180 government employees surveyed were convinced that customers can speed up procedures in public administration by means of *wasta*, i.e. by personally knowing someone in the relevant government office. This share was highest among the employees of the Tendering and Licensing Department of the Municipality of Greater Amman (90 and 88 % respectively), the ASEZA One-Stop-Shop (76 %), and the MoIT (74 %). The government employees surveyed thought that speeding up public administration procedures was the dominant motivation of their customers for having recourse to *wasta* (64 % of all employees), followed by the conviction that everybody else also tries to use *wasta* (26 %) and that customers cannot get what they want without *wasta* (26 %). 20 % of the employees also said that the rules were too complicated for the customers (see Table B3).

*The role of wasta in the recruitment and career advancement of public sector employees*

*Wasta* also seems to play a very important role in the recruitment of employees for the public sector. 77 % of the respondents stated that *wasta* is important or even very important for finding employment in their departments. Among the employees of the Municipality of Greater Amman, the share was up to 100 %, while it was comparatively low for those of the JIB (43 %) and the ASEZA Tax Department (65 %, see Table B4).

37 % of the employees also stated that they needed more training. This share was highest for the employees of the JIB (43 %) and ASEZA (One-Stop-Shop: 48 %, Tax Department: 71 %).

	Do you have written rules for the job you do?			Do you rules are clear	
	yes	no	n/a	very clear	clear
<b>Total</b>	<b>89%</b>	<b>7%</b>	<b>4%</b>	<b>37%</b>	<b>46%</b>
JIB	86%	14%	0%	29%	57%
MOIT	68%	21%	11%	21%	53%
MGA: Tendering Dep't	90%	10%	0%	30%	50%
MGA: Licensing Dep't	88%	12%	0%	41%	41%
MGA: Customer Relations	94%	6%	0%	63%	25%
MGA: Jubeiha Office	94%	0%	6%	36%	55%
MGA: Marka Office	86%	3%	10%	55%	38%
ASEZA: One-Stop-Shop	100%	0%	0%	33%	52%
ASEZA: Tax Dep't	89%	7%	4%	21%	46%
Income 101-200 JD	89%	7%	4%	37%	49%
Income 201-400 JD	89%	5%	6%	38%	42%
Income above 400 JD	88%	13%	0%	38%	46%
Less than 1 year in job	89%	5%	5%	47%	37%
1-5 years in job	96%	3%	1%	34%	49%
6-10 years in job	85%	7%	7%	44%	37%
More than 10 years in job	81%	12%	7%	34%	50%

believe that these for the employees			Do rules cover all the procedures that the customers of your administration come for?				
			sometimes clear	unclear	n/a	all	most
<b>12%</b>	<b>2%</b>	<b>1%</b>	<b>43%</b>	<b>39%</b>	<b>8%</b>	<b>1%</b>	<b>9%</b>
0%	0%	14%	14%	71%	14%	0%	0%
11%	5%	0%	26%	32%	21%	0%	21%
10%	10%	0%	40%	40%	10%	10%	0%
6%	6%	0%	47%	35%	6%	6%	6%
13%	0%	0%	56%	38%	0%	0%	6%
9%	0%	0%	58%	27%	3%	0%	12%
7%	0%	0%	69%	17%	3%	0%	10%
14%	0%	0%	24%	62%	10%	0%	5%
29%	0%	4%	21%	57%	11%	0%	11%
11%	2%	0%	50%	36%	4%	2%	8%
17%	2%	2%	36%	42%	9%	0%	12%
4%	0%	4%	33%	42%	17%	0%	8%
16%	0%	0%	47%	37%	5%	0%	11%
14%	1%	1%	39%	41%	9%	0%	11%
15%	4%	0%	37%	41%	4%	4%	15%
7%	2%	2%	48%	36%	9%	2%	5%

	<b>Customers can speed up procedures by knowing one of the employees</b>		
	true	not true	n/a
<b>Total</b>	<b>64%</b>	<b>36%</b>	<b>1%</b>
JIB	57%	43%	0%
MoIT	74%	26%	0%
MGA: Tendering Dep't	90%	10%	0%
MGA: Licensing Dep't	88%	12%	0%
MGA: Customer Relations	69%	31%	0%
MGA: Jubeiha Office	58%	42%	0%
MGA: Marka Office	34%	66%	0%
ASEZA: One-Stop-Shop	76%	19%	5%
ASEZA: Tax Dep't	61%	39%	0%
Income 101-200 JD	58%	41%	1%
Income 201-400 JD	70%	30%	0%
Income above 400 JD	71%	29%	0%
Less than 1 year in job	58%	42%	0%
1-5 years in job	70%	29%	1%
6-10 years in job	63%	37%	0%
More than 10 years in job	59%	41%	0%
* Respondents were allowed to tick multiple answers to this question.			
** Out of 30 civil servants mentioning other reasons, 8 stated that those who try use <i>wasta</i> are doing so to get a permission for something that is not allowed by law, 6 noted that the use of <i>wasta</i> was a custom and 2 assumed that those who try to use <i>wasta</i> have a weak character.			



<b>Customers turn to <i>wasta</i>, because ... *</b>					
... the rules are too complicated	... they can't get what they want without <i>wasta</i>	... they want to speed up procedures	... anybody else uses <i>wasta</i> as well	... of other reasons **	n/a
<b>20%</b>	<b>27%</b>	<b>64%</b>	<b>26%</b>	<b>17%</b>	<b>2%</b>
14%	29%	43%	29%	43%	0%
5%	11%	63%	11%	11%	5%
20%	40%	80%	70%	20%	0%
6%	47%	65%	18%	0%	0%
19%	19%	88%	19%	25%	0%
17%	38%	52%	17%	14%	3%
38%	10%	62%	24%	5%	5%
21%	14%	64%	25%	21%	0%
17%	30%	66%	27%	12%	2%
27%	23%	59%	32%	15%	0%
13%	21%	71%	4%	21%	4%
21%	21%	42%	32%	21%	0%
18%	24%	68%	24%	11%	3%
19%	37%	74%	37%	19%	0%
22%	26%	60%	21%	16%	2%
20%	27%	64%	26%	17%	2%

	How important is it to have <i>wasta</i> to get employed in your department?					Are you offered enough training for your job?		
	very	a bit	not very	not at all	n/a	yes	no	n/a
<b>Total</b>	<b>52%</b>	<b>25%</b>	<b>16%</b>	<b>6%</b>	<b>2%</b>	<b>59%</b>	<b>37%</b>	<b>3%</b>
JIB	14%	29%	43%	14%	0%	57%	43%	0%
MoIT	37%	37%	21%	5%	0%	53%	37%	11%
MGA: Tendering Dep't	90%	10%	0%	0%	0%	60%	30%	10%
MGA: Licensing Dep't	76%	12%	6%	0%	6%	59%	41%	0%
MGA: Customer Relations	56%	38%	0%	6%	0%	94%	6%	0%
MGA: Jubeiha Office	70%	15%	12%	3%	0%	67%	33%	0%
MGA: Marka Office	48%	21%	14%	17%	0%	76%	17%	7%
ASEZA: One-Stop-Shop	33%	38%	19%	0%	10%	48%	48%	5%
ASEZA: Tax Dep't	36%	29%	32%	4%	0%	29%	71%	0%
Income 101-200 JD	54%	20%	11%	11%	3%	70%	24%	6%
Income 201-400 JD	56%	29%	15%	0%	0%	45%	55%	0%
Income above 400 JD	29%	33%	38%	0%	0%	58%	38%	4%
Less than 1 year in job	32%	16%	37%	11%	5%	74%	21%	5%
1-5 years in job	53%	32%	8%	5%	3%	61%	34%	5%
6-10 years in job	56%	26%	19%	0%	0%	37%	63%	0%
More than 10 years in job	55%	19%	19%	7%	0%	64%	34%	2%

### *The role of bribes*

Only 1 % of public sector employees believe that their colleagues often accept bribes. This share turned out to be highest for the Tendering Department of the Municipality of Greater Amman (10 %, see Table B5).

However, 64 % of the employees think that bribes are accepted at least from time to time. Again, the respective share for the Tendering Department of the Municipality of Greater Amman (75 %) was far above average. It was even higher for the MoIT (86 %) and the Company Licensing Department of the Municipality of Greater Amman (76 %), while it turned out to be lower for the JIB (64 %) and the ASEZA (One-Stop-Shop 39 %, Tax Department: 57 %).

68 % of the government employees surveyed stated that accepting even small tips was not acceptable, but 23 % believe that it is acceptable because salaries are low in the public sector. Once more, the respective share is highest among the employees of the Municipality of Greater Amman (up to 44 %). Interestingly, it is only slightly above average for employees with a below-average salary (28 %). 7 % of the employees also responded that small tips are acceptable because their clients are rich (up to 19 % in the Municipality of Greater Amman, 10 % in the ASEZA One-Stop-Shop).

### *Ideas for improving public service*

In addition, the government employees were asked to write down their own ideas on how service for customers in their department could be improved (See Box B1). Almost all the interviewees made at least one recommendation (see Table B6). Many of these recommendations are related to better working and living conditions for government employees to make them more satisfied and, thus, more committed to their work: 33 % of the government employees in the survey made one or more proposals concerning (i) higher salaries, (ii) more equality of treatment by their directors, (iii) improvements in their workplace or equipment, (iv) shorter working hours, or (v) higher job security.

<b>Table B5: Spread and acceptability of bribery</b>				
	<b>Do the employees in your accept payments from</b>			
	yes, frequently	yes, sometimes	yes, rarely	yes, but I cannot say how often
<b>Total</b>	<b>1%</b>	<b>14%</b>	<b>22%</b>	<b>27%</b>
JIB	10%	10%	30%	20%
MoIT	0%	35%	18%	24%
MGA: Tendering Dep't	0%	13%	31%	31%
MGA: Licensing Dep't	0%	21%	26%	37%
MGA: Customer Relations	3%	18%	15%	24%
MGA: Jubeiha Office	0%	0%	14%	43%
MGA: Marka Office	0%	14%	17%	41%
ASEZA: One-Stop-Shop	0%	4%	25%	11%
ASEZA: Tax Dep't	0%	10%	29%	19%
Income 101-200 JD	0%	13%	23%	24%
Income 201-400 JD	3%	17%	21%	32%
Income above 400 JD	0%	13%	21%	21%
Less than 1 year in job	0%	5%	37%	32%
1-5 years in job	0%	17%	20%	18%
6-10 years in job	7%	15%	19%	30%
More than 10 years in job	0%	14%	22%	34%
* Respondents had the option to tick more than one answer.				

department customers?		If employees are accepting such payments: Is it acceptable? *				
no, never	n/a	yes, because salaries are low.	yes, because those who offer payments are rich.	it is hard to accept payments	no, it is not acceptable	n/a
<b>34%</b>	<b>2%</b>	<b>23%</b>	<b>7%</b>	<b>11%</b>	<b>68%</b>	<b>3%</b>
30%	0%	30%	10%	20%	50%	0%
24%	0%	35%	6%	6%	53%	0%
25%	0%	44%	19%	19%	50%	6%
16%	0%	21%	5%	5%	68%	5%
36%	3%	30%	9%	12%	64%	3%
43%	0%	14%	0%	0%	71%	14%
24%	3%	7%	3%	7%	86%	0%
61%	0%	14%	0%	14%	82%	0%
38%	10%	24%	10%	10%	62%	5%
36%	3%	28%	9%	16%	60%	3%
26%	2%	24%	5%	6%	73%	2%
50%	0%	4%	4%	4%	83%	4%
26%	0%	32%	11%	11%	68%	0%
41%	4%	26%	7%	16%	62%	1%
33%	0%	15%	4%	15%	70%	7%
28%	2%	21%	7%	2%	74%	3%

	<b>(1) better working conditions for civil servants</b>					
	<b>Total</b>	better payment for employees	treat all employees the same way	better working area and equipment	give employees stable jobs	shorter working hours
<b>Total</b>	<b>33%</b>	<b>24%</b>	<b>11%</b>	<b>9%</b>	<b>3%</b>	<b>3%</b>
<i>Absolute number (total)</i>	<b>59</b>	<b>44</b>	<b>20</b>	<b>16</b>	<b>6</b>	<b>6</b>
JIB	<b>43%</b>	14%	29%	0%	0%	0%
MoIT	<b>16%</b>	5%	5%	11%	0%	0%
MGA: Tendering Dep't	<b>40%</b>	10%	20%	0%	20%	0%
MGA: Licensing Dep't	<b>53%</b>	47%	29%	0%	12%	18%
MGA: Customer Relations	<b>6%</b>	6%	0%	0%	0%	0%
MGA: Jubeiha Office	<b>30%</b>	27%	3%	21%	6%	0%
MGA: Marka Office	<b>28%</b>	24%	3%	3%	0%	3%
ASEZA: One-Stop-Shop	<b>48%</b>	38%	10%	10%	0%	0%
ASEZA: Tax Dep't	<b>39%</b>	29%	21%	14%	0%	7%
Income 101-200 JD	<b>24%</b>	21%	7%	9%	6%	4%
Income 201-400 JD	<b>41%</b>	27%	15%	9%	2%	2%
Income above 400 JD	<b>42%</b>	29%	17%	8%	0%	4%
Less than 1 year in job	<b>26%</b>	21%	5%	0%	11%	11%
1-5 years in job	<b>25%</b>	32%	7%	13%	5%	3%
6-10 years in job	<b>11%</b>	4%	7%	7%	0%	0%
More than 10 years in job	<b>26%</b>	14%	16%	9%	2%	2%
Note:	The figures for the positions in some categories add to more than the					

<b>customer service</b>												
<b>(2) better training and recruitment of civil servants</b>				<b>(3) more positive and negative incentives for civil servants</b>				<b>(4) more efficient organisation of work in the public sector</b>				
<b>Total</b>	better training to employees	more information for employees on how to do their job	better recruitment according to capabilities	<b>Total</b>	better incentives for employees (bonuses, vacancies etc.)	more supervision from independent authority	more penalties	<b>Total</b>	more authorities for employees in decisions	more computers / use them more efficiently	to have a clear organizing system	decrease the number of employees (over-staffing)
<b>27%</b>	<b>18%</b>	<b>8%</b>	<b>6%</b>	<b>21%</b>	<b>16%</b>	<b>6%</b>	<b>2%</b>	<b>19%</b>	<b>9%</b>	<b>5%</b>	<b>2%</b>	<b>2%</b>
<b>48</b>	<b>33</b>	<b>15</b>	<b>11</b>	<b>38</b>	<b>28</b>	<b>10</b>	<b>4</b>	<b>34</b>	<b>16</b>	<b>9</b>	<b>3</b>	<b>3</b>
<b>29%</b>	29%	0%	0%	<b>43%</b>	43%	14%	14%	<b>29%</b>	14%	0%	14%	0%
<b>16%</b>	16%	0%	0%	<b>21%</b>	16%	5%	5%	<b>11%</b>	0%	5%	0%	0%
<b>10%</b>	0%	10%	0%	<b>10%</b>	0%	0%	0%	<b>10%</b>	10%	0%	0%	0%
<b>18%</b>	12%	6%	0%	<b>41%</b>	41%	0%	0%	<b>12%</b>	0%	12%	0%	0%
<b>25%</b>	25%	0%	6%	<b>13%</b>	0%	13%	0%	<b>19%</b>	19%	0%	0%	0%
<b>33%</b>	27%	9%	9%	<b>9%</b>	6%	3%	0%	<b>18%</b>	6%	9%	0%	3%
<b>21%</b>	7%	7%	14%	<b>31%</b>	24%	3%	3%	<b>7%</b>	3%	3%	0%	0%
<b>29%</b>	14%	10%	5%	<b>29%</b>	19%	14%	5%	<b>36%</b>	14%	0%	10%	0%
<b>43%</b>	29%	21%	7%	<b>11%</b>	7%	4%	0%	<b>29%</b>	18%	7%	0%	7%
<b>20%</b>	10%	7%	6%	<b>18%</b>	13%	3%	2%	<b>18%</b>	6%	7%	0%	0%
<b>29%</b>	23%	8%	8%	<b>26%</b>	20%	8%	3%	<b>12%</b>	14%	3%	2%	5%
<b>46%</b>	38%	17%	4%	<b>21%</b>	13%	8%	0%	<b>25%</b>	8%	4%	8%	0%
<b>21%</b>	16%	5%	0%	<b>21%</b>	16%	11%	0%	<b>11%</b>	11%	11%	5%	0%
<b>26%</b>	17%	9%	8%	<b>18%</b>	13%	5%	1%	<b>18%</b>	4%	8%	3%	0%
<b>22%</b>	15%	15%	4%	<b>4%</b>	4%	0%	0%	<b>19%</b>	15%	0%	0%	4%
<b>24%</b>	19%	3%	9%	<b>22%</b>	19%	5%	2%	<b>10%</b>	7%	3%	2%	2%

totals, because some interviewees have made several proposals.

<b>Table B6 (continued)</b>							
	<b>(5) simpler procedures</b>	<b>(6) more information for customers</b>	<b>(7) better behaviour of employees</b>				<b>(8) other</b>
			<b>Total</b>	equal treatment of customers	employees should work by the rules	better collaboration between employees	
<b>Total</b>	<b>17%</b>	<b>13%</b>	<b>22%</b>	<b>13%</b>	<b>9%</b>	<b>3%</b>	<b>6%</b>
<b>Absolute number (total)</b>	<b>30</b>	<b>23</b>	<b>39</b>	<b>24</b>	<b>17</b>	<b>5</b>	<b>12</b>
JIB	<b>14%</b>	<b>14%</b>	<b>0%</b>	0%	0%	0%	<b>0%</b>
MoIT	<b>5%</b>	<b>5%</b>	<b>16%</b>	5%	5%	11%	<b>5%</b>
MGA: Tendering Dep't	<b>30%</b>	<b>10%</b>	<b>50%</b>	30%	20%	0%	<b>10%</b>
MGA: Licensing Dep't	<b>6%</b>	<b>12%</b>	<b>12%</b>	6%	6%	0%	<b>0%</b>
MGA: Customer Relations	<b>38%</b>	<b>31%</b>	<b>50%</b>	38%	19%	0%	<b>6%</b>
MGA: Jubeiha Office	<b>12%</b>	<b>9%</b>	<b>9%</b>	6%	3%	0%	<b>3%</b>
MGA: Marka Office	<b>17%</b>	<b>10%</b>	<b>14%</b>	10%	7%	0%	<b>3%</b>
ASEZA: One-Stop-Shop	<b>19%</b>	<b>0%</b>	<b>43%</b>	19%	29%	5%	<b>10%</b>
ASEZA: Tax Dep't	<b>18%</b>	<b>25%</b>	<b>18%</b>	14%	4%	7%	<b>19%</b>
Income 101-200 JD	<b>18%</b>	<b>14%</b>	<b>21%</b>	16%	7%	1%	<b>4%</b>
Income 201-400 JD	<b>12%</b>	<b>9%</b>	<b>20%</b>	11%	12%	3%	<b>11%</b>
Income above 400 JD	<b>25%</b>	<b>17%</b>	<b>29%</b>	13%	13%	8%	<b>4%</b>
Less than 1 year in job	<b>11%</b>	<b>11%</b>	<b>0%</b>	16%	5%	0%	<b>0%</b>
1-5 years in job	<b>18%</b>	<b>14%</b>	<b>0%</b>	18%	12%	1%	<b>1%</b>
6-10 years in job	<b>19%</b>	<b>4%</b>	<b>0%</b>	7%	0%	4%	<b>8%</b>
More than 10 years in job	<b>10%</b>	<b>5%</b>	<b>0%</b>	5%	3%	5%	<b>9%</b>



At the same time, 27 % of the interviewees made proposals as to one or more of the following: (i) more or better training for government employees (18 %), more and better information for government employees on how to handle procedures (8 %), and better recruitment of new employees according to their real capabilities (6 %).<sup>46</sup>

21 % of the employees recommended greater incentives for serving clients better: 16 % proposed bonus payments, extra vacation time, or other rewards for employees who do a good job. 6 % stated that more external supervision from an independent government authority would be useful. 2 % believed that more penalties should be imposed on employees who neglect their job (Table B6).

13 % recommended that customers be better informed about the tasks, procedures and work of the government departments.

17 % of the interview partners suggested simplifying administrative procedures in the public sector, and 19 % made other proposals related to the organisation and work of their department, such as giving government employees more authority in making decisions (9 %), using computers more often and more efficiently (5 %), streamlining organisational structures in their departments (2 %), reducing the number of employees in their department because of over-staffing (2 %), reducing the number of employees responsible for one and the same task, and putting relevant government offices together in one place (e.g. in the case of the one-stop-shop of the JIB).

Finally, 22 % of the government employees mentioned their own conduct: 13 % declared that customers should be treated equally, that is, independently of their social status. 9 % wrote that civil servants should adhere to the rules better. And 3 % felt that co-operation between employees had to be improved (Table B6).

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46 The three figures add up to more than 27 % because some employees had more than one of the three ideas.

## Annex C: Results of the semi-structured interviews with 18 medium- to high- ranking public sector employees

Parallel to the standardised survey among low- to medium-ranking civil servants described in Annex B, 18 semi-structured interviews were conducted with medium- to high-ranking employees in the same departments. Most were the direct superiors of the civil servants covered by the survey. They were, however, interviewed in a conversation and not like their subordinates via a printed, anonymous questionnaire.

The interviewees included:

- Five employees at the *Central Office Building of the Municipality of Greater Amman* (MGA: the directors of the Customer Care Department, the Professional Licensing Department, the Naming and Numbering Department, and the Tendering Department as well as the deputy director of the Human Resources Department),
- Three employees at the *Al-Marka District Office of the Municipality of Greater Amman* (the District Director as well as the Directors of the Knowledge and the Engineering Departments),
- Three at the *Jubeiha District Office of the Municipality of Greater Amman* (the District Director and the Directors of the Engineering Department and the Registration Department),
- Four from the *Aqaba Special Economic Zone Administration* (ASEZA: the Directors of the Human Resources Department, the Taxation Department and the Company Registration Department / Aqaba One-Stop-Shop as well as the Administrative and Financial Department),
- Two from the *Ministry of Industry and Trade* (MoIT: the Directors of the Trade Directorate and the Competition Directorate) and
- The Director of the One-Stop-Shop at the *Jordan Investment Board* (JIB).<sup>47</sup>

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<sup>47</sup> In some interviews, several people were interviewed at a time. They were nevertheless counted as only one interview and only the highest-ranking person is listed above. For a complete list see p. 189.

The focus of the interviews was on interactions between entrepreneurs and the state on the administrative level and on the role of *wasta* in these interactions. However, some civil servants were also asked how public sector employees were currently recruited and promoted. At the end, all interlocutors were asked for reform proposals.

### *Quality of state-business relations*

The interviewees had very diverse opinions on the quality of state-business relations. The majority said that much has improved in the last few years, i.e. that procedures have become much easier, the public administration more customer-oriented, and services faster than in the past. Some, however, admitted that some serious problems prevail.

Five of the 18 civil servants stressed that procedures in their departments are now much faster and less complicated than in the past. For example, it allegedly takes only one hour to get a professional license and only one or two weeks to register a company (the duration seems to be about the same in Aqaba and in Amman). Four other interviewees, however, claimed that the procedures still take too much time; two said that employees are still not well trained, and one said that there is a lack of planning everywhere.

Four civil servants said that the official guidelines for their work were still very unclear and too complicated, while five others stated that the rules were now very clear and simple and that room for discretion no longer exists. Nevertheless, the same people stated that their customers did not understand the rules.

This shows how important it is to inform business people about the procedures and rules of the public administration. All of the institutions studied here have now started to spread information about their work in the form of brochures and via the internet. In addition, the ASEZA holds several meetings per year to discuss its procedures with investors, and it trains its employees in explaining the rules to customers. In the MGA, the MoIT and the ASEZA, customers have the possibility to complain about the service provided.

In general, the services of the ASEZA are alleged to be better than those provided in the rest of the country. All those interviewed in Aqaba said that ASEZA would be a good model for the rest of the country because its

procedures are easier, its authorities better co-ordinated, and its public sector employees better trained for their jobs.

Nevertheless, three interview partners complained that none of the three One-Stop-Shops (one in the JIB, one in the MoIT and one in the ASEZA) can make decisions on its own because the applications of investors are still sent to the different ministries involved. In addition, six interview partners criticised overlaps of responsibilities among the various ministries and other public authorities. In Aqaba, for example, two different customs departments co-exist, one working for the ASEZ and the other for imported goods destined for the rest of the country.

Another problem frequently mentioned is that many business people do not comply with the rules. Four respondents said that many customers try to use *wasta* to speed up the procedures or even to by-pass the laws. These people “*just do not trust the public sector*” and some of them are “*always asking for extras*”. Three respondents regretted that business people did not co-operate with them, whereas one said that he had “*excellent relations*” with the private sector.

With respect to future reforms, one interviewee said that the e-government initiative of the Jordanian government will make procedures easier and more transparent, while another stressed that every entrepreneur would accept the rules if they are fair, even though they may be complicated.

### *The role of wasta in state-business relations*

The second phase of the interviews in this study focused on the importance of *wasta* in state-business interactions. A very ambiguous picture emerged.

Seven interviewees said that there was “*some wasta everywhere*”. Two others, however, stated that *wasta* was “*not everywhere*”. Seven stressed that there was no *wasta* at all or at least only very little in their departments, while six others admitted that there was “*also some wasta here*”. Two interview partners found that there was “*less wasta in Aqaba than in Amman*”, and eight said that the role of *wasta* in the country was generally diminishing.

The civil servants interviewed also had very contradictory opinions on what the term *wasta* includes. Five stated that *wasta* was used to speed up procedures, not to break the law (which they considered a criminal act and

thus not *wasta*). Three others, however, said that *wasta* was needed only when official papers were not O.K., i.e. in order to by-pass a rule.

As a consequence, the civil servants were also asked what they thought personally about *wasta*. Here too, the picture was very mixed. All interviewees agreed that *wasta* is bad when used to obtain official approval for people who do not meet the relevant conditions or to obtain jobs for unqualified people. However, only six felt that it was always bad for them to use *wasta* – five because it resulted in unfair outcomes, and one because it was “*annoying and embarrassing*”. One also said:

*“Wasta is something illegal and unjust. I am a Muslim and my religion forbids wasta.”*

Eight others, however, stated that *wasta* is sometimes good – for example when it speeds up procedures (4 respondents), corrects mistakes of the bureaucracy (3 respondents) or helps poor people (1 respondent). Nevertheless, one added at once – almost regretfully: “*But then it is still against ISO 9001.*”

Some of the interview partners tried to explain the frequent use of *wasta* in Jordan. Most of them hinted at socio-cultural factors, such as tribalism and the strong role of the family in the Jordanian society. One of them said that if an employee is not ready to use *wasta* for his relatives he is seen as a bad person. Another complained that “*all civil servants have their own agenda*” (i.e. to favour their relatives). A third expressed it like this:

*“Wasta is in the culture: personal relations are very important in all parts of life.”*

Others, however, provided political explanations for the prevalence of *wasta*: four said that the Mayor of Greater Amman, the Members of Parliament and the Ministers also use *wasta*. One stressed that this sets a bad example for lower-level employees, and three complained that no one controls politicians. Three others found that the government does too little against the use of *wasta* in public administration, and two felt that it was too seldom punished, i.e. only when it was obvious that the law had been severely violated.

Some employees also blamed the structure of the administration itself. One said that he urgently needed *wasta* to obtain any document from an-

other ministry. One complained that the minister had the last word in every little issue. Another said:

*“All decision-making power is concentrated in the hands of the head of a department, so documents cannot be issued by the employees. Therefore, people use *wasta* to get to the top more quickly.”*

Three employees stressed how difficult it was to do anything against the use of *wasta*. One of them said that an employee who was not ready to give preferential treatment to people with good *wasta* was considered a bad person. The second reported that when he once said something against the use of *wasta* he was called a bureaucrat who wanted to slow down procedures and reduce the flexibility of the department. The third declared, “*if you follow the law you are always accused*”.

### *The role of *wasta* in the recruitment and promotion of public sector employees*

Many of the public sector employees interviewed stressed that a major reason for the inefficiency of state-business relations in Jordan is “*recruitment under a mask*”. This expression refers to the widespread phenomenon that people are hired for the public sector merely because of their *wasta* and not because of their qualifications. As a result, public sector offices are completely overstaffed, offices are crowded, only some employees work and they are disturbed at their tasks by others who do not.

Five respondents stated that recruitment for the public sector is still effected mainly by *wasta*, and three admitted directly or indirectly that they had gotten their own jobs only because they had *wasta*. Only two believed that *wasta* was used much less now in the recruitment and promotion of public sector employees than in the past. One interviewee said:

*“The large number of employees who don’t really have work to do is maybe the biggest obstacle to making progress on the e-government initiative. Because they would be made completely obsolete if nothing were to be done manually anymore.”*

Several interview partners tried to find explanations. Four mentioned that they were often compelled by a minister or a Member of Parliament (MP) to employ someone. One said:

*“If the minister tells you to employ someone you can’t say no.”*

Two others argued:

*“The MPs must give jobs to their supporters.”*

*“The mayor is also under pressure, he must always negotiate the with MPs.”*

Three also took into consideration that they were sometimes forced to hire people because of social considerations.

### *Fighting the use of wasta*

Some interview partners made numerous suggestions on how to fight the use of *wasta* in Jordan. These suggestions fall into three main groups.

The first group concerns public sector reform: five interview partners stated that higher salaries in the public sector would be helpful in reducing the influence of *wasta* on state-business relations. Three others said that employees in the public sector should be better trained. Five proposed additional efforts to simplify procedures in public administration, thus making the use of *wasta* obsolete. One argued that the e-government initiative would bring about the needed change, and four others believed that public administration rules should be better explained to clients. One respondent called for better controls in the public sector and for more severe punishment of violators of the rules, while two others preferred positive incentives to make civil servants obey the law. These persons argued that the prizes now awarded by some authorities for best employees of the year have already led to a substantial change in the behaviour of their subordinates.

Likewise, the interlocutors also talked about measures to limit the influence of *wasta* on the recruitment and promotion of civil servants. Two reported very good experience with job descriptions. One mentioned that much progress has been made by better screening of job applicants and by employing them on probation only. Another said that they had performance evaluations had been introduced but had thus far been of little value in reducing the role of *wasta* in the promotion of public sector employees.

The second group of suggestions focused on the role of politicians in the fight against the use of *wasta*. One interview partner said that *“the government must act”*; another believed that *“the government must take the political decision to remove wasta”*, and a third argued:

*“Politicians should contribute by changing their mentality: they should fight wasta with political means and stop using it for their own benefit.”*

Three others, however, believed that the government would never do anything:

*“The King has the right vision for the country, but he is not successful in getting the right people to implement the visions.”*

Another answered:

*“The National Agenda has the potential to reduce wasta but I am not sure whether it will ever be implemented.”*

The third and last group of suggestions referred to the socio-cultural framework: five persons said that the general mentality would have to change and that the media (two respondents) or a better education system (three respondents) would contribute to this goal. One believed that things would change automatically with the coming of the next generation, and two stated that the most important thing to do was to raise people’s awareness about the negative aspects of using *wasta*.



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## List of interviewed experts

### **Government of Jordan and other public authorities:**

Aqaba Special Economic Zone Authority (ASEZA):

*Ahmad, Dr. Taha*, Commissioner for Administration and Finance. Aqaba, 28 March 2006

*Al-Daboubi, Ghazi*, Director, Human Resources Department. Aqaba, 27 March; and Amman, 26 April 2006

*Al-Farajat, Suha*, Head of Company Registration Division, Investment Directorate. Aqaba, 30 March 2006

*Al-Hurini, Amera*, Investor Services Officer, Investor Services Directorate. Aqaba, 27 March 2006

*Al-Jbour, Jihad*, Senior Officer, Investment Directorate. Aqaba, 30 March 2006

*Al-Reyati, Mohammed Hasan*, Revenue, Taxes and Audit Director. Aqaba, 28 March 2006

*Mashkwaj, Aida*, Executive Secretary, Chief Commissioner Office. Amman, 26 March 2006

Audit Bureau:

*Abadi, Hakam*, Economic Adviser. 10 April 2006

*Al-Amoor, Said*, Public Relations Officer. 10 April 2006

*Al-Baik, Hisham*, Financial Analyst. 10 April 2006

*Al-Barari, Mustafa*, President. Amman, 10 April 2006

*Al-Fayez, Mohammed*, Finance Manager. Amman, 10 April 2006

*Al-Masri, Hassan*, Economic Researcher. 10 April 2006

House of Representatives:

*Al-Wahsh, Dr. Mousa*, Member of Parliament, Islamic Action Front, Assistant Speaker of the Committee for Financial and Economic Issues. Amman, 25 April 2006

Jordan Enterprise Development Corporation (JEDCO):

*Akayleh, Dr. Wa'el*, Chief Executive Officer. Amman, 23 February 2006

Jordan Industrial Estates Corporation (JIEC):

*Alawi, Wisam*, Marketing Officer. Sahab, 27 February 2006

*Halaiqah, Ahmad*, Director of Investment Department. Sahab, 27 February 2006

Jordan Investment Board (JIB):

*Al-Asfar, Jamil*, Engineer, Director of Studies and Research Department. Amman, 23 March 2006

*Alowneh, Adnan*, Head of One Stop Shop. Amman 29 March 2006

*Farraj, Elias*. Amman, 23 March 2006

*Gammoh, Issa*, Overseas Marketing Manager. Amman, 27 February 2006

*Nsour, Ma'en*, Director. Amman, 23 March 2006

Ministry of Industry and Trade (MoIT):

*Abbadi, Luna*, Director of Competition Directorate. Amman, 27 March 2006

*Al-Armouti, Baha' Eddin*, Assistant Secretary General. Amman, 27 March 2006

*Ali, Maha*, Director of Foreign Trade Policy. Amman, 27 March 2006

*Mahasneh, Dr. Jamal Naji*, Head of the Industrial Policies Division, Industrial Development Directorate. Amman, 26 February 2006

Ministry of Planning and International Co-operation (MoPIC):

*Al-Hawyan, Ahmad*, Head of European Relations Section. Amman, 16 February, 17 April and 26 April 2006

*Al-Asal, Jamal*, Director, Policies and Studies Department. Amman, 17 April 2006

*Al-Atar, Ahmad*, Head of the Competitiveness Unit. Amman, 1 March 2006

Ministry of Political Development and Parliamentary Affairs:

*Bibi, Ali*, Strategic Planning Director, Amman, 27 March 2006

Ministry of Public Sector Development:

*Al Khawaldeh, Dr. Khleef*, Executive Director / Acting Secretary General. Amman, 20 February 2006

*Athamneh, Malik*. Amman, 19 February 2006

*Aranki, Wafa' M.*, Manager of the Challenge Fund. Amman, 20 February, 28 February and 21 March 2006

*Hakooz, Muna*, Executive Director, Human Resources Policy Administration. Amman, 20 February and 26 April 2006

*Obeida, Narween*, Public Relations Manager. Amman, 20 February 2006

*Qutaishat, Widad*, Manager for the Streamlining Component. Amman, 20 and 28 February 2006

Municipality of Greater Amman:

*Abdallat, Maisa*, Department of Knowledge and Quality Control, ISO Section, Marka District Office. Amman, 30 March 2006

*Abu Orabi, Zeyad*, Appointed District Director, District Office Jubeiha. Amman, 26 March 2006

*Abu Rasa'a, Shafer*, District Director, Marka District Office. Amman, 30 March 2006

*Al-Dweiri, Wasif*, Manager, District Office Jubeiha. Amman, 26 March 2006

*Al-Huniti, Hatem*, Assistant Manager, Human Resources Department. Amman, 27 March 2006

*Al-Muhaisen, Dr. Zaid*, Director of Mayor's Office. Amman, 23 March 2006

*Al Naser, Salameh*, Manager, Customer Care Department. Amman, 23 March 2006

*Al-Nsour, Wesam Mohammed*, Civil Engineer, Engineering Department, District Office Jubeiha. Amman, 26 March 2006

*Al-Ref'a'e, Ahmad*, Head of Engineering Department, Marka District Office. Amman, 30 March 2006

*Al-Sahouri, Ahlam*, Head of Registration Department, District Office Jubeiha. Amman, 26 March 2006

*Al Srou, Mohammad*, Appointed District Director, East District Office. Amman, 23 March 2006

*Boucai, Abdel Rahim*, Deputy Mayor of Amman. Amman, 23 March 2006

*Elayyan, Marwan*, Director, Naming and Numbering Department. Amman, 28 March 2006

*Hajjaj, Ibraheem*, Director, Engineering Department, District Office Jubeiha. Amman, 26 March 2006

*Hendawi, Moad'ataseem*, Director of Tendering Department. Amman, 28 March 2006

*Lozi, Omar S.*, Manager, District Office Jubeiha. Amman, 26 March 2006

*Shammout, Izzeddin*, Director of Profession and Advertisement Department. Amman, 28 March 2006

Prime Ministry:

*Al-Hmoud, Khalid*, Government Performance Directorate. Amman, 26 February 2006

*Nahar, Omar*. Amman, 26 April 2006

**Non-governmental organisations:**

Al Mizan Law Group for Human Rights:

*Abu Halaweh, Eva*, Executive Director. Amman, 12 March 2006

Amman Center for Human Rights Studies:

*Abu-Ayyash, Anbara*, International Relations Co-ordinator. Amman, 28 February 2006

*Assaf, Dr. Nizam*, Director. Amman, 28 February 2006

Arab Archives Institute / Transparency Forum Jordan:

*Kilani, Sa'eda*. Amman, 28 Feb 2006

*Sakijha, Basem*. Amman, 28 February 2006

Community Centers Association:

*Nasir, Dr. Sari*, Professor of Sociology, Community Centers Association: Development, Participation, Volunteering. Amman, 28 February 2006

*Saleh, Ferial*, Community Centre Hayy Nazzal. Amman, 27 February 2006

General Union of Voluntary Societies:

*El-Khatib, Dr. Abdullah*, President. Amman, 19 February 2006

Jordanian Communist Party:

*Hamarneh, Dr. Munir*, General Secretary. Amman, 9 March 2006

Jordanian Society for Citizen's Rights:

*Samhuri, Dr. Jawzi Ali*, President. Amman, 7 March 2006

Jordanian Women's Union:

*Shamrukh, Nadia*. Amman, 20 February 2006

Muslim Brotherhood / Islamic Action Front:

*Al-Wahsh, Dr. Mousa*, Member of Parliament, Assistant Speaker of the Committee for Financial and Economic Issues, House of Representatives. Amman, 25 April 2006

*Shaqra, Yehya*, Chief Information Officer, Information Office. Amman, 5 and 25 April 2006

National Society for the Enhancement of Freedom and Democracy:

*Aloul, Nadia Hashem*, Researcher. Amman, 1 March 2006

Near East Foundation:

*Al Qorom, Majdi*, Programme Manager, Amman Office. Amman, 26 February 2006

*Halaseh, Hajem*, Country Director, Amman Office. Amman, 26 February 2006

Noor Al-Husseini-Foundation:

*Abadja, Khaled*, Co-ordinator of the Micro-credit Programmes. Amman, 21 February 2006

Transparency International Secretariat:

*Dell, Gillian*, Programme Manager, Promoting International Conventions Against Corruption. Amman, 7 March 2006

*Hassan, Arwa*, African and Middle East Department. Amman, 7 March 2006

*Kelso, Casey*, Director of African and Middle East Department. Amman, 7 March 2006

*Mansouri, Neda*, African and Middle East Department. Amman, 7 March 2006

The Lebanese Transparency Association:

*Gebara, Khalil, PhD*, Co-executive Director. Amman, 7 March 2006

*Kibranian, Gaele*, Project Manager, The Lebanese Transparency Association. Amman, 7 March 2006

### **Business associations:**

American Chamber of Commerce in Jordan:

*Wazani, Rose Alissi*, Chief Executive Officer. Amman, 4 April 2006

Amman Chamber of Industry:

*Abu-Hakmeh, Juma*, Director General. Amman, 7 and 16 March 2006

*Allabadi, Fadel*, Director of SMEs Department. Amman, 16 March 2006

*El-Saadi, Ahmed*, Director of the Research and Information Department. Amman, 16 March 2006

*Haddad, Nadia*, Head of the International Relations Department. Amman, 7 March 2006

Aqaba Chamber of Commerce:

*Dannoun, Abdullah Anwar*, Director General. Aqaba, 30 March 2006

*Zaytoun, Jamal*, Vice President. Aqaba, 29 March 2006

German-Jordanian Business Council:

*Farraj, Deema*, General Manager. Amman, 8 March 2006

Information Technology Association Jordan (int@j):

*Awamleh, Ali*, Research & Information Officer. Amman, 1 March 2006

*Tabbaa, Sabri*, Chief Executive Director. Amman, 1 March 2006

Young Entrepreneurs Association:

*Hundaileh, Linda*, President. Amman, 1 March 2006

*Kabariti, Nour*, Executive Director. Amman, 1 March 2006

**Business-promotion agencies and micro-finance institutions:**

Achievement of Market-friendly Initiatives and Results Program (AMIR):

*Abdelhamid, Souad*, Investment Promotion and Business Development Services Manager. Amman, 27 February 2006

*Choksy, Khush*, Financial Markets Development Team Leader. Amman, 27 February 2006

*Hekala, Walter*, Manager: Customs Reform & Modernization Subcomponent, Private Sector Policy Initiative. Amman, 27 February 2006

*Muasher, Randa*, Deputy Component Manager: Enhanced Competitiveness Initiative. Amman, 27 February 2006

*Qunsol, Randa*, Business Management Specialist. Amman, 27 February 2006

*Wright, Geoff*, Component Manager, Enhanced Competitiveness Initiative. Amman, 27 February 2006

Ahli Microfinancing Company L.T.D.:

*Al-Aqrabawe, Ibrahim*, Branch Manager. Amman, 8 March 2006

*Abu Yaghi, Ghassan*, General Manager. Amman, 26 February 2006

*Kandah, Yousef*, Assistant General Manager. Amman, 26 February 2006

Empretec Jordan:

*Khalaf, Mazen*, Director. Amman, 8 March 2006

Euro-Jordanian action for the development of enterprise (EJADA):

*Osborn, Rodney*, Component Manager: Direct Support to SMEs. Amman, 2 March 2006

*Russell, Brendan*, Deputy Director. Amman, 2 March 2006

*Shabana, Ahlam*, Local Senior Adviser. Amman, 2 March 2006

Jordan Innovation Centre for Engineers & Industrial Enterprises:

*Abu-Hmeidan, Yousef*, Director. Amman, 12 March 2006

*Odeh, Mais*, Admin Assistant. Amman, 12 March 2006

Jordan Loan Guarantee Corporation:

*Ashkar, Nizar*, Manager, Credit Control and Monitoring Department. Amman, 3 April 2006

Tamweelcom / Jordanian Micro Credit Company:

*Al-Refai, Ziad*, CEO. Amman, 23 February 2006

### **Consultancies:**

ACE / Advanced Communications Consulting & Editing House:

*Kassay, Ali*, Managing Partner & CEO. Amman, 19 February and 15 April 2006

Arab Business Consultants for Development:

*Al-Qasem, Laith*, Chief Executive Officer. Amman, 9 March 2006

Asma Khader Law Firm:

*Khader, Asma*, Legal Consultant. Amman, 7 March 2006

EnConsult / The Envision Consulting Group.

*Mansur, Yusuf, PhD*, Managing Partner. Amman, 19 February, 20 March 2006 and 26 April

Kuwaiti Jordanian Holding Co.:

*Badran, Reem*, CEO. Amman, 2 March 2006

### **Academics:**

Al-Quds Center for Political Studies:

*Al Rantawi, Oraib*, Director. Amman, 21 February and 26 April 2006

Al Urdun al-Jadid Centre for Research:

*Hourani, Dr. Hani*, Director. Amman, 20 February 2006

German-Jordanian University:

*Hamaideh, Arwa*. Amman, 26 April 2006

*Mönch, Prof. Dr. Ronald*, Vice-President. Amman, 8 March and 26 April 2006

*Romhi, Raed*, Director of Industrial Relations (German Industry). Amman, 8 March 2006

Institut Français du Proche Orient (IFPO) / Centre des Etudes et des Recherches sur le Moyen Orient Contemporain (CERMOC) :

*Al Hussein, Jalal*. Amman, 21 February 2006

Jordan Centre for Public Policy Research and Dialogue:

*Kanaan, Dr. Taher*, Managing Director. Amman, 16 February 2006

*Kardoush, Marwan A.*, Director of Research. Amman, 16 February 2006

Jordanian Center for Dispute Resolution, Advocates and Legal Consultants:

*Aljazy, Omar M. H., PhD*, Managing Partner. Amman, 22 February 2006

Jordan Institute for Middle Eastern Studies:

*Abu Jaber, Prof. Dr. Kamel*, Director. Amman, 26 February 2006

Princess Sumaya University of Technology:

*Shahateet, Dr. Mohammad*, Economist. Amman, 15 February 2006

University of Jordan:

*Al Khouri, Riad*, Economist. Amman, 15 and 22 February 2006

*Al-Masri, Mohammad*, PhD, Political Economist, Centre for Strategic Studies. Amman, 18 February, 19 March, 14 April and 26 April 2006

*Barhan, Prof. Dr. Nasim*, Department of Geography, Faculty of Human & Social Research. Amman, 22 February 2006

*Braizat, Dr. Fares*, Head of Opinion Poll Department, Center for Strategic Studies. Amman, 26 April 2006

*Nasir, Dr. Sari*, Professor of Sociology, Community Centers Association: Development, Participation, Volunteering. Amman, 28 February 2006

*Saif, Dr. Ibrahim*, Head of Economic Department, Center for Strategic Studies. Amman, 26 April 2006



The Impact of Favouritism on the Business Climate: a Study on *Wasta* in Jordan

*Seyder, Prof. Dr. Ferhad*, Faculty of History. Amman, 19 February 2006

*Shteivi, Dr. Musa*, Director, Jordan Centre for Social Research. Amman, 22 February 2006

University of Marburg:

*Bank, André*, Research Fellow. Bonn, 12 January 2006

### **Journalists:**

Ad-Doustour / Jordan Press & Publishing Company:

*Al-Sharif, Osama Mahmoud*, Chief Editor, , 22 February 2006

Arab Archives Institute / Transparency Forum Jordan:

*Kilani, Sa'eda*. Amman, 28 Feb 2006

*Sakijha, Basem*. Amman, 28 February and 16 April 2006

Jordan Business Monthly:

*Al-Ahmad, Serene*, Editor. Amman, 2 March 2006

The Jordan Times:

*Sawalha, Francesca*, Chief Analytical Reporter. Amman, 23 February 2006

Oxford Business Group:

*Cornock, Oliver*, Country Editor. Amman, 4 April 2006

*Prekopova, Elena*, Country Director. Amman, 4 April 2006

Venture Magazine

*Saqr, Ruba*, Reporter. Amman, 26 April 2006

### **German Jordanian co-operation agencies:**

Embassy of the Federal Republic of Germany:

*Bantle, Stefan*, Deputy Head of Mission, Political, Commercial and Press Affairs. Amman, 15 February 2006

*Werle, Isabel*, Second Secretary, Development Cooperation. Amman, 15 February, 12 April and 26 April 2006

German Federal Ministry for Economic Co-operation and Development:  
Prof. Dr. Matthias Weiter, Head of Division 325 (Middle East). Bonn, 7 February 2006

Deutsche Gesellschaft für Technische Zusammenarbeit:  
*Geinitz, Dedo*, Senior Expert, UN Convention Against Corruption. Bonn, 6 February 2006

*Hechler, Hannes*, Junior Expert, State and Democracy. Bonn, 6 February 2006

*Kaddoumi, Martina*, Amman Office. Amman, 21 February 2006

*Mulot, Jean*, Team Leader, Financial Management Reform Project, Jordan Ministry of Finance. Amman, 21 February 2006

Friedrich Ebert Foundation:

*Khalil, Mohammed A.* Amman, 16 February 2006

Friedrich Naumann Foundation:

*De Winter, Annemie*, Resident Representative in Jordan and for Lebanon, Syria and Iraq. Amman, 20 February 2006

German Academic Exchange Service:

*Harfmann, Martin*, Lecturer for German Language and Literature, Jordan University. Amman, 27 February 2006

Goethe Institute:

*Lier, Dr. Thomas*, Resident Representative. Amman, 1 March 2006

InWent Capacity Building International:

*Al Baz, Dr. Ismail*, Project Director, Environment, Energy and Water. Amman, 21 February 2006

KfW Development Bank:

*Aruri, Sawzan*, Project Management Assistant. Amman, 21 February 2006

*Jung, Stefanie*. Amman, 14 February 2006

*Schlund, Dr. Matthias*, Resident Representative. Amman, 21 February 2006

Konrad Adenauer Foundation:

*Ostry, Dr. Hardy*, Regional Representative, Amman Office. Amman, 23 February 2006

Representatives of other donors agencies:

British Embassy:

*Shaw, Richard*, Head of the Economic and Political Section. Amman, 16 February 2006

Canadian Embassy:

*Herzallah, Wafa'*, Trade Commissioner. Amman, 14 February 2006

*Sulken, Peter*, Commercial Counsellor, Canadian Embassy. Amman, 14 February 2006

European Commission:

*Busschaert, Hervé*, Development Economist, Delegation of the European Commission to the Hashemite Kingdom of Jordan. Amman, 27 February 2006

*Heiberg, Claus*, First Secretary, Delegation of the European Commission to the Hashemite Kingdom of Jordan. Amman, 27 February 2006

*Summers, Guy*, Independent Consultant. Amman, 27 February 2006

United Nations Development Programme:

*Abu Jamous, Bashir*, Governance Analyst. Amman, 30 March 2006

*Gharaibeh, Firas*, Programme and Resource Mobilisation Manager. Amman, 23 February 2006

*Sood, Priya*. Amman, 23 February 2006

United Nations Industrial Development Organization:

*Carco', Monica*, Head of the Unit, Jordan Investment Board. Amman, 27 February 2006

*Ghazal, Thaer*, Promotions Expert, Jordan Investment Board. Amman, 27 February 2006

U.S. Agency for International Development (USAID):

*Al-Jabiri, Jamal*, Deputy Director, Office of Economic Opportunities. Amman, 23 February 2006

*Scott, Christopher*, Democracy Officer, Social Sectors Office. Amman, 23 February 2006

The World Bank:

*Sakkaya, Sebnem*, Country Economist Jordan. Amman, 24 February 2006

## List of interviewed business people by economic sector

### Information and communication technologies:

- Esense: *Maslamani, Samer*, Senior Project Manager. Amman, 12 March 2006  
Focus Solutions: *Jabari, Samer*, CEO. Amman, 9 March 2006  
Integrated Technology Group (ITG): *Ajlouni, Batoul*, Vice President. Amman, 13 March 2006  
Jordanian Automate Co. Ltd.: *Ghairabeh, Faris*, General Manager. Amman, 14 March 2006  
Naya Informatics: *Elias, Jean-Claude*, Director General. Amman, 6 March 2006

### Pharmaceutical industry:

- Jerash Pharmaceuticals Co.: *Khram, Abdul Rahman*, General Manager. Amman, 12 March 2006  
Nutri Dar: *Finan, Walid*, Managing Director. Amman, 14 March 2006  
Ram Pharma Co.: *Al-Malakh, Amer*, Deputy General Manager for Technical Affairs, and *Al-Najami, Mahmoud*, Deputy CEO. Sahab, 8 March 2006  
Specialized Medical Supplies Co. Ltd.: *Shamayleh, Manal Qarain*, Sales and Marketing Director. Amman, 13 March 2006

### Other manufacturing:

- ADRITEC Group International (Arab Drip Irrigation): *Zu'bi, Tarek*, CEO. Amman, 16 March 2006  
Al Eba' Knitting: *Al-Baghdadi, Bassam*, and *Al-Baghdadi, Oubay*, Owners. Amman, 22 March 2006  
Al Saheb Marble & Stone Co.: *Al Saheb, Fayez*, General Manager. Saheb, 6 March 2006  
Crystal Clear Ice: *Antary, Roula*, Owner. Amman, 19 March 2006  
The Engineering Co. for Signs: *Khattab, Gazi*, Sales Manager. Amman, 30 March 2006  
Farouk Jabsheh & Sons Co.: *Jabsheh, Nasser*, Marketing Manager. Amman, 14 March 2006  
High Protection Company for Armoured Vehicle Conversion (HPC): *Al-Arja, Reem*, Administration and Human Resources Officer. Aqaba, 29 March 2006  
International Plastic Co. Ltd.: *Othman, Fayez*, Sales Manager. Amman, 22 March 2006  
International Storage Battery Co. Ltd./ Hoppecke: *Abu Shaar, Alaa*, Production Manager, *Azzam, Manuel*, General Manager, *Makijian, Nishan*, Quality Assurance Manager. Amman, 9 March 2006

Kasih Food Production Co.: *Kasih, Khaled*, General Manager. Amman, 19 March 2006

Maani Ventures: *Taher, Abdulraouf*, Business Development Manager. Amman, 20 March 2006

Madaen Industrial Co.: *Fannoush, Faraj*, Executive Manager. Sahab, 15 March 2006

Master National Stationeries Industries Co. Ltd.: *Al-Assi, Muneer*, Managing Director. Amman, 7 March 2006

Neram Sin Kalau & Partner Company: *Al-Kurdi, Amer*, Product Designer, and *Kalau, Neram Sin*, Company Manager. Amman 21 March 2006

SABCO5 Producer of Ladies Quality Fashion: *Saleh, Marwan*, Director. Sahab, 15 March 2006

Würth Jordan Co. Ltd.: *Dentel, Norman*, Managing Director. Amman 29 March 2006

*Khafaldeh, Khaled*, start-up entrepreneur (computer screens) supported by the Young Entrepreneurs Association (YEA). Amman, 12 March 2006

N.N.2: Owner of a car garage specialised on Mercedes. Amman, 8 March 2006

N.N.3: Owner of a small repair shop that produces small metal pieces for cars. Amman, 8 March 2006

N.N.5: Owner of small bakery. Amman, 8 March 2006

N.N.7: Taylor for army clothes. Zarqa, 21 March 2006

N.N.11: Owner of bakery 'Al-Sharq'. Zarqa, 21 March 2006

#### Consultancy and marketing:

Abyad Research and Marketing Consultancy: *Abyad, Issa*, General Manager. Amman, 19 March 2006

Advertising and Event Management Solutions: *Kashd, Arvin*, Managing Partner. Amman, 13 March 2006

Arch Enterprise Solutions: *Abu-Gharbieh, Chaled*, Managing Partner. Amman, 12 March 2006

Compibase International: *Qtaishat, Khaled*, General Manager. Amman, 15 March 2006

DDB Worldwide Communications Group Inc.: *Matouk, Suleiman*, Managing Director. Amman, 13 March 2006

Energy Management Services: Al-Zatari, Nedal, General Manager. Amman, 19 March 2006

J-Gate: *Hamdan, Mohammed*, General Manager, *Kamal, Zaid*, IT & Website Co-ordinator, and *Abu-Rashid, Samer*, Sales Manager, start-up entrepreneurs (information service for venture capital) supported by the Young Entrepreneurs Association (YEA). Amman, 12 March 2006

Ketab: *Saad Eddin, Tawfeeq*, Business Developer, start-up entrepreneur supported by the Young Entrepreneurs Association (YEA). Amman, 12 March 2006

Maisam Architects and Engineers: Batayneh, Maisam, Principal Architect. Amman, 14 March 2006

Med Grant Medical Marketing Consultants: *Burgan, Sana*, General Manager. Amman, 14 March 2006

Tactic Consultant Est.: *Al-Thaher, Mohammad*, General Manager, Aqaba, 28 March 2006

Trainedge; Creative Consultants: *Hourani, Walid*, General Manager and Managing Director. Amman, 19 March 2006

#### Trade:

ADASCO Ship Chandeliers: *Zaitoun, Jamal*, General Manager. Aqaba, 29 March 2006

Alissar Garden: *Mzayek, Charif*, Managing Director, Alissar Garden. Amman, 12 March 2006

Al Zughiar Sons Trd. Est.: *Zughiar, Abdul Rahim*, General Manager. Amman, 13 March 2006

Aqaba Processing Co.: *Al-Ghzawi, Laith*, Operations Manager, and *El-Shyouchh, Zuheir*, Customs and Shipping Coordinator. Aqaba, 29 March 2006

Heidelberg Jordan Printing Development Co.: *Habesch, Rudy*, Managing Director. Amman, 20 March 2006

Orient International Metal Trading Co. Ltd.: *Ayyad, Wael*, Managing Director. Amman, 15 March 2006

Superior Heavy Equipment Trading Co.: *Kakish, Moussa*, General Manager. Amman, 27 March 2006

Vital Edition: *El-Uteibi, Nawaf*, Managing Partner. Amman, 20 March 2006

N.N.1: Owner of small shop for oil products. Amman, 8 March 2006

N.N.4: Owner of a small shop for mobile phones. Amman, 8 March 2006

N.N.6: Owner of a small printing press shop in Wihdat. Amman, 8 March 2006

N.N.8: Small computer trader. Zarqa, 21 March 2006

N.N.9: Small trader of household utensils and gifts. Zarqa, 21 March 2006

N.N.10: Trader of miscellaneous goods with 12 employees. Zarqa, 21 March 2006

Tourism:

Ayla Oasis Development: *Dudin, Sahl*, Managing Director,. Amman, 19 March 2006

Delta Airlines: *Twal, Maher*, Executive Manager and *Twal, Jeries*, General Sales Agent. Amman, 6 March 2006

Dive Aqaba: *Mauna, Leila*, Owner. Aqaba, 29 March 2006

Garden Village Hotels Camp and Resort: *Al-Reyati, Jamal*, Owner. Aqaba, 29 March 2006

Gelato Uno Best Italian Ice Cream: *Muasher, May*, Owner. Aqaba, 28 March 2006

Jordan Projects for Tourism Development: *Al-Khaldi, Nasser*, CEO,. Amman, 13 March 2006

## List of interviewed public sector employees by institution

Aqaba Special Economic Zone Authority (ASEZA):

*Ahmad, Dr. Taha*, Commissioner for Administration and Finance. Aqaba, 28 March 2006

*Al-Daboubi, Ghazi*, Director, Human Resources Department. Aqaba, 27 March 2006

*Al-Farajat, Suha*, Head of Company Registration Division / One-Stop-Shop. Aqaba, 30 March 2006

*Al-Hurini, Amera*, Investor Services Officer, Investor Services Directorate. Aqaba, 27 March 2006

*Al-Jbour, Jihad*, Senior Officer, Investment Directorate. Aqaba, 30 March 2006

*Al-Reyati, Mohammed Hasan*, Revenue, Taxes and Audit Director. Aqaba, 28 March 2006

Jordan Investment Board (JIB):

*Al-Asfar, Jamil*, Engineer, Director of Studies and Research Department. Amman, 23 March 2006

*Alowneh, Adnan*, Head of One Stop Shop. Amman 29 March 2006

Ministry of Industry and Trade (MoIT):

*Abbadi, Luna*, Director of Competition Directorate. Amman, 27 March 2006

*Ali, Maha*, Director of Foreign Trade Policy. Amman, 27 March 2006

Municipality of Greater Amman / Central Office:

*Al-Hunuti, Hatem*, Assistant Manager, Human Resources Department. Amman, 27 March 2006

*Al Naser, Salameh*, Manager, Customers Care Department. Amman, 23 March 2006

*Elayyan, Marwan*, Director, Naming and Numbering Department. Amman, 28 March 2006

*Hendawi, Moad'ataseh*, Director of Tendering Department. Amman, 28 March 2006

*Shammout, Izzeddin*, Director of Profession and Advertisement Department. Amman, 28 March 2006



Municipality of Greater Amman / Jubeiha District Office:

*Abu Orabi, Zeyad*, Appointed District Director. Amman, 26 March 2006

*Al-Dweiri, Wasif*, Manager. Amman, 26 March 2006

*Al-Nsour, Wesam Mohammed*, Civil Engineer, Engineering Department. Amman, 26 March 2006

*Al-Sahouri, Ahlam*, Head of Registration Department. Amman, 26 March 2006

*Hajjaj, Ibraheem*, Director, Engineering Department. Amman, 26 March 2006

*Lozi, Omar S.*, Manager. Amman, 26 March 2006

Municipality of Greater Amman / Marka District Office:

*Abdallat, Maisa*, Department of Knowledge and Quality Control, ISO Section. Amman, 30 March 2006

*Abu Rasa'a, Shaher*, District Director. Amman, 30 March 2006

*Al-Refa'e, Ahmad*, Head of Engineering Department. Amman, 30 March 2006

*Al Srou, Mohammad*, Appointed East District Director. Amman, 23 March 2006

*Please mind that most of the aforementioned stake-holders in medium to higher ranks of the public sector have been interviewed as experts as well and are therefore also listed above. In addition to them, 180 public sector employees in lower to medium ranks were covered by a standardised survey of printed questionnaires to be filled in anonymously by the employees (see Annex B).*



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