

Minimum Capital for Limited Liability Companies



Challenges:

Until late summer 2008, Jordan had one of the world's highest 'minimum capital' requirements to register a new company, and it was a major impediment to economic growth, especially for small and medium sized enterprises. The JOD 30,000 amount (about US\$42,373) was 860 percent of the per capita GDP and 50 percent of it had to be on deposit with a bank as a surety. In part because of this requirement, the World Bank's *Doing Business* report 2007 ranked Jordan 137 out of 181 countries for ease of starting a business.

Initiatives:

USAID's Jordan Economic Development Program (SABEQ) had as a mandate to improve the business climate in Jordan; the Program targeted the minimum capital requirement as one of the first things to address. The team showed the Government that other countries do not have such stringent requirements (in fact, a third of the countries have no requirements). Case studies of Egypt, Tunisia and Morocco illustrated the success when these countries reduced their requirements. Finally the team provided the Government with concrete recommendations for the reduction (between JOD 1 and 1,000), expected impact and a proposed new Bankruptcy and Insolvency Law to address the concerns about companies going bankrupt.

Results:

After considerable study, the Government of Jordan took the plunge and reduced the minimum capital requirements to JOD 1,000 in August 2008. After USAID supported a public awareness campaign, the results were remarkable: over a thousand new companies registered in 8 months, creating at least 3,300 new jobs. And, Jordan's ranking in the World Bank's *Doing Business* report 2008 increased by 6 positions, greatly improving its ability to attract foreign investors.