

## ACTION FICHE - JORDAN

### 1. IDENTIFICATION

Title	<b>Jordan - Services Modernisation Program (SMP)</b>		
Total cost	EC Contribution: €15 million; Jordan Contribution: in kind evaluated in approx. €1million		
Aid method / Management mode	Project Approach - Decentralised Management		
DAC-code:	25010	Sector:	Business services

### 2. RATIONALE AND COUNTRY CONTEXT

Over recent years, Jordan and the EU have taken significant steps toward increasing mutual trade volumes and the expansion of investment opportunities. The services sector is of major importance to Jordan (75% of GDP), a participant since December 2000 in the WTO General Agreement on Trade in Services and one of seven Mediterranean partners that officially opened negotiations on the liberalisation on services and the right of establishment at the Euro-Mediterranean Trade Ministerial Conference in Marrakech on 24 March 2006. Liberalisation will improve Jordan's access to the EU services market, the largest in the world, and provide benefits from EU service technologies, company links and investments.

It is vital, therefore, to assist Jordan in diversifying its service exports through a comprehensive package of assistance, which will include technical and financial support to businesses, in terms not only of market access, but also of innovation and technology transfer, as well as institutional support for investment and export-promotion institutions. Based thereon, Jordan has requested a programme of support to develop the services sector, as an accompanying measure supporting its participation in the services trade liberalisation process.

#### 2.1. Sector context

Whereas services liberalisation has been recognised by Government as an important strategic opportunity for Jordan, sentiment among Jordanian businesses appears predominantly negative to the outlook of opening the services sectors. Discriminatory tax and investment incentive schemes practices may have distorted the environment for private sector development of service industries. The project will contribute to developing a clearer understanding of the potential for sector development in the context of liberalisation, improve the analysis of constraints to development, and foster an improved regulatory environment favourable to both foreign and domestic investment.

#### 2.2. Lessons learnt

The EU supported the development of the private sector through the Euro-Jordanian Action for the Development of Enterprise (EJADA), which provides a range of

support for small and mid-sized businesses. Key lessons learnt from EJADA show that the services sector remains nascent in several domains and there is still a considerable need to provide assistance to Jordanian business related organisations and individual companies.

As highlighted in a recent audit of the MEDA programme in Jordan, the success of the reform programmes depends on the existence of a clear commitment and an agenda for implementing reforms, which can be reinforced through capacity building measures. Improving the institutional capacity of the Jordanian administration accelerates the implementation of reforms.

Different capacity-building operations have been provided through the SAAP (the Programme to Support the Implementation of the Association Agreement). The experience so far with the SAAP (decentralised management) demonstrated the relevance of a field-based mechanism, notably to ensure ownership, which calls for greater decentralisation.

### **2.3. Complementary actions**

There are several complementary efforts in Jordan that aim to aid the development of SMEs: SAAP, which is an EC funded decentralised programme aimed at improving capacity for implementing the EU-Jordan Association Agreement; the Agadir Technical Unit, funded by the EC to manage the Agadir Agreement; a cooperation agreement between JEDCO and the Netherlands assists JEDCO in export and entrepreneurship development; UNIDO project to develop investment and Jordanian enterprises export capacities; USAID-funded Sustainable Achievement of Business Expansion and Quality Program (SABEQ) initiative; SIYAHA programme, also USAID funded, which aims to develop a dynamic, competitive tourism industry and JOINUS programme, jointly funded by the US and Jordan to increase trade and investment flows between the US and Jordan.

### **2.4. Donor coordination**

The overall coordination, harmonisation and alignment of donor efforts is led by the UN, in close cooperation with the Ministry of Planning and International Cooperation and the different line Ministries. The “Donor/Lender Consultation Group (DLCG)” process initiated in Jordan ensures coordination between Member States, as well as USAID, the UN and other active donors, such as Japan. The DLCG has established six thematic groups: education, social development, private sector reform, environment, water, governance and public-sector reform. Cooperation with EU Member States is effected through monthly meetings chaired by the EU, with a special emphasis on establishing an “EU road map for donor harmonisation and alignment”. Coordination with the World Bank and EIB is achieved under the Strategic Partnership Agreement between the three institutions, launched in 2004. The EC Delegation’s chairmanship of the UNDP donor/lender private sector development sub-group should facilitate co-ordination during project implementation.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The overall objective is to assist Jordan to benefit fully from the opportunities arising from trade liberalization of services in the context of the GATS and the economic integration objectives of the Istanbul Framework Protocol (July 2004). The MIP 2007-2010 provides for two actions, one in 2007 and a second in 2009. The specific objectives of this first phase are:

- (a) Identify and modernize public policy measures including the regulatory frameworks aimed at develop service based economic development and exports;
- (b) Strengthen capacities of the Jordanian public sector bodies mandated to promote the service sectors;
- (c) Create and reinforce initiatives designed to enhance employment and income generation opportunities in the service sectors;
- (d) Develop Jordanian local consulting capacities to support the development of service sectors;
- (e) Assist in development of SMEs working in the service sectors, including the development of relevant banking and other financial services, and enhance their export capacities.

#### **3.2. Expected results and main activities**

A decentralised project is to be hosted at the Jordan Enterprise Development Corporation (JEDCO). The Project Management Unit (PMU), a directorate within JEDCO, will address the needs of the service sectors. A Director, civil servant, answerable directly to the CEO of JEDCO, will head the PMU. The project will support operating costs of JEDCO specific to the planned activities, including locally contracted specialist staff. An EU Technical Assistance Team will assist the Director and the PMU staff during the project implementation.

The project will comprise the following activities covering both institutional development activities (Activities 1-3) as well as direct support to services sectors (Activities 4-5):

- (1) Technical Support Activity (TSA) to conduct sector/cluster based analysis and evaluate enterprise-based support for product upgrading and modernization; and design of assistance to service firms to be provided under the sector development budget line. This will relate, inter alia, to software development and procurement, purchase of new equipment, training, help for establishing local-local and local-foreign linkages among firms, and work with business federations and associations to develop and promote export strategies for service sectors.
- (2) Policy Support Activity (PSA) to assess policies and regulations to improve the service sector legislative and regulatory environment. Policies addressed

may be cross cutting or sector specific. Outputs from the PSA will also feed into the policy effort of the Jordan Agency for Investment and Economic Development (JAED) and the Services Unit • the body addressing Jordan's negotiations regarding the services sector, which is to be established through support from this activity, within the International Trade Directorate at the Ministry of Industry and Trade.

- (3) Service Information Centre (SIC) Activity to develop a database for Jordanian firms with export interest, and contact information related to these firms. Information on potential international partners will also be collected. The SIC Activity will be hosted within the Information Centre at JEDCO in order to maintain consistency, integration and cohesiveness of information services. It will receive and channel input and feedback from all the other components of the PMU, subscribe to specialized data service providers and enable access of Jordanian parties interested to these links and sites. Information, communication and awareness campaigns, as an integrated measure with the PR activities of JEDCO will be part of the activities co-ordinated via the SIC. The SIC will also benefit from a Management Information System (MIS) to be designed for JEDCO by the PMU to make sure that information flows are properly circulated and integrated.
- (4) Service Exports Promotion Activities (SEPA) to promote Jordanian service exports through support to participation in trade fairs, promotional and market access missions, and the creation of viable export platforms for service producers. The activity will complement and work closely with the Export Promotion Department at JEDCO, and build its capacity to: develop services export alliances through exporter-linkage events; establish and maintain relationships with trade organizations in targeted export markets; organize match-making events between Jordanian services providers and importers mainly from the EU and the Mediterranean region; and organize conferences and trade fairs in Jordan for service companies.
- (5) Financial Support Activity (FSA) to increase, for SMEs in the service sector, the availability and effectiveness of financial instruments, particularly in relation to medium and long-term loans. Activities include a Loan Guarantee Scheme (LGS), a banking windows programme, and developing a financing policy that addresses the needs of SMEs in the services sector. The project will provide a specific financial assistance through the Jordan Loan Guarantee Fund (JLGF) in order to support these activities.

### **3.3. Stakeholders**

The primary stakeholders and beneficiaries of the initiative in Jordan are: service companies particularly the ones classified as SMEs, business support organizations and federations, civil society organizations, and other donor initiatives. Among the beneficiaries will also be current and future development programmes instituted by donors/lenders in Jordan. EU firms and markets will also benefit as they are better able to access Jordanian service companies and service supporting organizations.

### 3.4. Risks and assumptions

#### Assumptions:

- Jordan remains committed to development and liberalisation of service sectors.
- The will and resources are available in line ministries, official agencies and the wide variety of stakeholders involved to address issues related to service sector reform.
- The commitment and willingness of the Jordanian business community to change, and to exploit new business opportunities in the services sector remain.

#### Risks:

- There is lack of commitment from the authorities and other stakeholders in opening up and developing service sectors.
- There is lack of agreement by the stakeholders regarding methodologies to be used in addressing service sector development.
- Lack of suitably qualified and experienced staff delay or prevent the implementation of the project.
- Stakeholders in the service sectors do not cooperate and consequently prevent meaningful change and improvement.
- There is lack of a coordinated approach by the wide variety of stakeholders preventing or at least delaying change in a cohesive and comprehensive way.

### 3.5. Crosscutting Issues

The action is supportive of the EC goal of **poverty reduction** as it supports economic diversification and development, generates employment and greater income opportunities. From a **gender perspective**, support to the service sectors and companies encourages the role of women in Jordan, particularly in the service sectors. Special attention will be paid to women entrepreneurs and women-run businesses.

## 4. IMPLEMENTATION ISSUES

### 4.1. Implementation method

Decentralised management through the signature of a financing agreement.

Apart from the Technical Assistance Team, main service contract, for which the procedure could be managed by the EC Delegation, procurement and award procedures are decentralised to the JEDCO PMU within the following limits:

The Commission controls ex ante the contracting procedures for procurement contracts >50.000 euro and ex post for procurement contracts ≤ 50.000 euro.

Through the programme estimates, payments are decentralised for operating costs and contracts to the JEDCO PMU up to the following ceilings:

Works	Supplies	Services	Grants
< €300,000	< €150,000	< €200,000	• €100,000

#### **4.2. Procurement and grant award procedures**

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations that are in force at the time of the launch of the procedure in question.

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. The maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Implementing Rules of the Financial Regulation where financing in full is essential to carry out the action in question.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

#### **4.3. Budget and calendar**

The total programme amount is €16 million. The total amount of the EC support will be €15 million, all in the form of technical co-operation.

The contribution of the beneficiary country includes the availability of fully furnished offices space, IT and communications equipment and other running costs (not included in the EC contribution) and salaries of already existing staff of the JEDCO that will be seconded to the PMU (including secretarial, drivers and other support staff). The additional personnel, equipment, MIS and TA will be provided through EC Support.

A part of the EC contribution will be disbursed directly by the EC to the Central Bank of Jordan to contribute to the Jordan Loan Guarantee Corporation component • with the aim to guarantee medium and long term loans disbursed by the banking system to small and medium sized enterprises specifically targeting services sectors. The transfer of funds will be done by means of a grant agreement signed between the Commission and the Central Bank of Jordan, on the basis of article 168(f) of the Implementation Rules. The remaining amount will be available for financing contracts of supplies, services and grants. Evaluations and Audit contract will be managed by the Commission services.

The duration of the project will be of 48 months.

#### **4.4. Performance monitoring**

The performance monitoring will follow a number of indicators referring to the different activities. They will include: increased contribution of service sector entities

to Jordan's GPD, increased export of services, increased number of service companies, increased linkages between Jordanian services firms and international firms, decreased Jordan's unemployment rate. The sources of verification will be national statistics and special monitoring mechanisms set up and performed by the PMU. Final list of indicators monitoring and modalities will be finalised during inception period and included in the first Annual Work Plan. Reporting will be as follows:

Quarterly Progress Reports will be submitted, providing information on individual activity progress in terms of budget consumption, implementation time-plan and activity completion (as a percentage). Implemented and planned tasks and activities will be outlined and deviations from time plan will be noted, their implications assessed and corrective measures will be proposed.

A Final report will be submitted at the end of the project activities.

Reports will be prepared by the PMU and submitted to the project Steering Committee and the EC.

#### **4.5. Evaluation and audit**

The implementation of the programme will be the subject of a regular follow-up by the Commission services.

The programme will be the subject of external evaluations managed by the Commission services at mid-term period and a final evaluation following the completion of the project.

The programme will be the subject of an external audit managed by the Commission services on a yearly basis, following the adoption of each Annual Work Plan. A final audit will also be performed before the end of the closure phase.

#### **4.6. Communication and visibility**

Communication and visibility activities will be carried out in accordance with provision of the Visibility Guidelines.