

## ACTION FICHE FOR JORDAN

### 1. IDENTIFICATION

Title	Support to Enterprise and Export Development - Jordan		
Total cost	EC Contribution EUR 15 million National contribution in cash and in kind estimated EUR 1 million		
Aid method / Management mode	Project approach decentralised management		
DAC-code	25010	Sector:	Business support services and institutions

### 2. RATIONALE

#### 2.1. Sector context

Jordan suffers from a structural trade deficit with total imports almost twice as high as exports. The trade deficit is partially covered by a surplus in services, mainly remittances and tourism. To date, export trade with the EU and EU direct investment in Jordan is limited. The structural imbalances are currently being aggravated by the rising cost of imported oil products, and declining grants to the Kingdom seem likely to further widen the balance of payments deficit.

In recent years, the total value of Jordanian exports has progressed quite strongly (by around 22% annually over 2005 and 2006). However, these exports concentrate on a restricted range of products, most of which have limited international market prospects. Development of exports of higher value-added products is essential to reducing the structural imbalances. Improved private sector performance is a critical factor in this context. Accordingly, the Government has included export development in the mandate of Jordan Enterprise (JE), which is the public agency responsible for SME development.

A key priority for the Jordanian Government and the EU is to promote Jordanian exports to the EU, facilitate regional integration and cooperation in the Mediterranean basin and further South-South trade.

#### 2.2. Lessons learnt

The Jordanian authorities and the EC seek to ensure sustainability of certain activities developed as components of the EC-funded Euro-Jordanian Action for the Development of Enterprise (EJADA) programme, completed in 2006 (see section 2.3.). EJADA included an export promotion component entitled "the Euro-Jordanian Export Programme (EJEP)". EJEP has developed a methodology for export promotion based on the analysis of sectors, products, trade preferences, market

access conditions and target market characteristics. A study has been recently completed on "Integrating the EJEP model into JE". Certain aspects of this study will be integrated into the project.

JE plans to pursue export promotion efforts, as originally developed under EJEP, focused on clusters of enterprises in high potential sectors. It is intended to provide support both for companies in traditional areas (such as stone/marble, processed food, agricultural products including cut flowers, jewellery, handicrafts and pharmaceuticals, a number of which were covered under the previous EJEP project), as well as in new areas (including certain engineering products, paints, resins and other chemicals, base metal products, furniture and aluminium profiles). As it concerns a demand-driven programme, specific priorities will be developed during the preparation of work plans depending on levels of demand expressed by companies.

The efforts will be based on direct support to Jordanian SMEs and clusters of companies to assist them in developing strategies for the internationalisation of their businesses, focused on the development of links upstream (access to inputs, technologies, investment) and downstream (distribution channels and markets). Such efforts are expected to have a strong positive impact on Jordan's export performance in the medium term.

The EJADA experience also highlighted the need for improved capacity in the banking sector to respond to SME financial service needs. Activities under the planned project will build on the EJADA experience and will focus on the financing needs of Jordanian exporters, in synergy with planned activities under the Services Modernisation Programme.

### **2.3. Complementary actions**

The implementing agency for the "Support to Enterprise and Export Development" project, Jordan Enterprise, has a key role in the implementation of a number of donor-supported SME development initiatives.

The Services Modernisation Programme (EC budget commitment of EUR 15 million), the implementation of which began in early 2008, aims to strengthen Jordanian SMEs in service industries, working both on policy and regulatory issues as well as through the provision of direct support to companies.

The EJADA Programme was an important and very visible EU contribution to private sector development in the period 2002-2006. It provided a range of support, both in the form of direct technical assistance to companies to improve performance and policy assistance to the Jordanian authorities to improve the environment for investment and business development. A number of components of EJADA have contributed to the development of Jordan Enterprise as Jordan's mandated SME development agency. The "Support to Enterprise and Export Development" project builds on the foundations.

Other relevant projects include: the 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;

JOINUS programme, jointly funded by the US and Jordan to increase trade and investment flows between the US and Jordan. In addition, the CBI Netherlands has a cooperation agreement with Jordan Enterprise to assist in export and entrepreneurship development and UNIDO has a project to develop investment and Jordanian enterprises export capacities.

#### **2.4. Donor coordination**

EC support to private sector development through JE in the 2007, 2008 and 2009 budgets is strongly supportive of Jordan's national development strategies and priorities articulated through the National Agenda and the "We are all Jordan" initiative. The new government's commitment to this strategic framework has been reaffirmed following the November 2007 elections and the urgency of coherent private sector policies and development efforts has been highlighted in the light of current macroeconomic challenges.

Donor coordination is assured through a number of mechanisms. Cooperation between EU Member States in Jordan is effected through meetings chaired by the EC and the EU Presidency. Regular meetings of commercial counsellors ensure coordination on economic issues and related assistance matters.

In July 2007, the Ministry of Planning and International Cooperation (MoPIC) established nine donor coordination working groups. At the same time a Donor/Lender Consultation Group (DLCG) continues to ensure coordination between major donors in a number of thematic areas including private sector development.

### **3. DESCRIPTION**

#### **3.1. Objectives**

The project has the objectives of enhancing the competitiveness of the Jordanian agro-industry and manufacturing enterprises and strengthening representative organisations; promoting Jordanian exports in targeted markets and contributing to the reduction of the national trade imbalance. It aims to achieve sustainable and broadly distributed benefits to the population through the creation of employment and income-generating opportunities in export industries.

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

The objectives of the project are to be achieved through continued efforts to strengthen Jordan Enterprise as an effective modern SME development agency inspired by EU and international best practice and working methods. The project will contribute to strengthening JE's overall management and human resources development and will focus in particular on capacity development for JE's Export Promotion Department.

The "Support to Enterprise and Export Development" project will complement and be closely co-ordinated with the 2007 EC Services Modernisation Programme, which

is focused on the development of capacities to support SME development in service industries.

Institutional development will be supported through a Technical Assistance (TA) contract targeting strategic management and HR development within JE, as well as through the provision of budget resources permitting recruitment and training of additional staff required by specific project activities. TA will also support policy analysis and development and will provide tailored assistance directly to exporting businesses and business associations. Training and legislation development for relevant public institutions will be supported. In addition, EC support will also cover specific information and communication activities, as well as an allocation for necessary project equipment and vehicles for JE.

Taking account of the experience under the EJADA project, the "Support to Enterprise and Export" project will, amongst other objectives, seek to use export-led SME development as an instrument for equitable and sustainable growth, by strengthening capacities of regional and local authorities to work with the private sector.

The main activities and expected results can be summarised according to four main components, as follows:

### *3.2.1. Component 1: Institution-building/policy support*

The project will support JE to make an effective contribution to national policy development concerning the business and trade environment, through development of an SME industrial strategy favouring the internationalisation of able firms. The policy and regulatory environment will be reviewed and proposals developed for upgrading SME legislation in line with EU and international best practice. The performance of the financial system supporting SMEs as exporters will be assessed. The relevant institutions, notably the Ministry of Industry and Trade, will be assisted to prepare and promote needed policy reforms.

Three distinct components have been identified which are intended to contribute towards the long-term development of Jordan Enterprise as a credible actor in the field of export promotion.

#### *3.2.1.1. Main EU long- and short-term Technical Assistance (TA)*

TA provided by EU experts will transfer international best practice in the field of export promotion, and build relevant management capacity within Jordan Enterprise. The approach will focus on greater "internationalisation" of Jordanian SMEs, allowing them to participate more effectively in commercial networks with international, especially European, commercial partners.

The TA will support Jordan Enterprise in the effective management of Components 2 and 3 of the project, and will help to further develop and apply the EJEP methodology. The TA inputs will be closely co-ordinated with the assistance provided under the 2007 EC-funded Services Modernisation Programme, which is supporting the development of management information systems for Jordan Enterprise.

### 3.2.1.2. JE staffing and running costs

Taking account of the difficulty for the government to increase budgetary allocations for public agencies such as Jordan Enterprise, the project budget includes an allocation to cover JE management costs associated with the EC-funded project, allowing recruitment of key staff on market-based salary scales.

The project budget will also cover the procurement of equipment and software required for effective implementation of the export promotion methodology which is being developed and implemented.

### 3.2.1.3. Visibility, seminars, workshops.

Resources will be provided to Jordan Enterprise for the purpose of ensuring that the EC-supported action is well understood by the Jordanian business community, who will be given opportunities to shape the design of project components and influence priorities, as well as benefit from direct support activities and networking opportunities.

Implementation of Component 1 will lead to a viable model of export promotion being sustainably established within the competent Jordanian public agency, with export development being facilitated through an appropriate modern regulatory environment.

## 3.2.2. *Component 2: Direct SME development support*

This component includes but is not limited to internationalisation, partnership and technology transfer, technology upgrading, productivity enhancement, quality upgrading and improving the availability of financial tools to support SMEs. Assistance will be provided to exporting firms/SMEs, sub-sectors and representative associations through the direct provision of TA and grant schemes. Areas of activity will include:

Capacity-building for providers of support to the SME sector, including relevant public bodies as well as private sector and industry representatives and associations. Support will be made available for developing human resources through specialised training programmes that respond to the needs of both SMEs and supporting institutions.

Development of export-related financial services, including export-credit. Export-related incentive programmes will be examined and may be funded on a pilot basis within the programme, if feasible.

Strengthening competitiveness in selected key sectors focused on target export markets, to be identified on the basis of expressed demand from the Jordanian private sector, with consideration of all aspects of the value-chain (such as production, transport, financing, marketing). Internationalisation of SMEs requires attention to issues such as inward investment, technology transfer and development of joint ventures or other forms of partnership with foreign companies, as well as building local capacities. It requires a phased approach by companies to develop capacities to export to neighbouring, regional and international markets. Direct technical

assistance as well as support through sector associations and other forms of promotion such as the development of international business networking will be used. Competitiveness will be enhanced through efforts to ensure availability of internationally compliant packaging materials.

In order to ensure benefits for the poor and less developed regions, possible activities will be developed including building business linkages with fair-trade organisations, facilitation of e-commerce, provision of technical training to artisans and development of craft villages.

Implementation of Component 2 will lead to measurable improvement in the capacities and performance of Jordanian enterprises in targeted industrial sectors in serving regional, European and international export markets. The capacities and performance of industry representative bodies to provide export-related services to their membership will be enhanced. The benefits of the project activities will be favourably distributed as regards access of the less economically favoured regions of Jordan.

### 3.2.3. *Component 3: Export development*

This includes shorter- and longer-term measures to improve access to foreign markets, expected to cover (but not limited to) promotion, trade fairs, trade centres abroad, international certifications and the establishment of an export and quality culture.

Linked to the further development of the EJEP methodology referred to above, Jordan Enterprise will design and implement targeted export promotion programmes. These will be based on analysis of "behind the border" barriers to exports and provision of targeted information to help enterprises overcome such barriers.

An "Export Achievement Certificate" programme may be undertaken to showcase the important role of exporting in the Jordanian economy and encourage R&D and the use of best practice models.

Activities will be undertaken with appropriate institutional partners to develop a standards and quality management culture in the private sector, to assist in overcoming standards-related impediments to market access for Jordanian products. Targeted information and training measures will be developed with actual and potential providers of training for the identified agro-industry and manufacturing sectors. Support related to curricula and qualifications will be provided to academic and vocational organisations for development of standards and quality management elements in higher education and technical training programmes.

Implementation of Component 3 will lead to improved knowledge in the Jordanian business community of key high potential markets and based on analysis of market access requirements and constraints.

### 3.2.4. *Other*

The project includes an allocation for "Unforeseen and contingency" to allow some flexibility in implementation, and as usual, an allocation for audit and evaluation.

### **3.3. Stakeholders**

#### **Key stakeholders include:**

The main stakeholders in the programme activities are Jordanian manufacturing and agro-business SMEs that are interested in upgrading and exporting their products, as well as representative bodies, professional associations and institutions providing support services to the export sector. Direct organisational beneficiaries include the Chambers of Commerce and Industry and other professional associations. Employees, job seekers and trainees in focus industries will all benefit from the planned activities, as will enterprises providing inputs and services to exporting companies.

Other stakeholders encompass groups and individuals from: the public sector (notably the Ministry of Industry and Trade, the Ministry of Agriculture, Jordan Investment Board (JIB), Jordan Industrial Estates Corporation (JIEC), and Jordan Institute for Standards and Metrology (JISM)); academic and vocational organisations; mass-media communication and public relations organisations. The public/private interface is key to facilitating growth and development in the private sector.

All tools, methodologies and approaches used in the project will be transferred and instituted in the relevant Directorates of the Jordan Enterprise (JE) and associated activity beneficiaries as the counterpart institutions for this project.

### **3.4. Risks and assumptions**

The project design is based on the following main assumptions:

- (a) Jordan's commitment to enhanced competitiveness of productive export sectors is maintained and political will exists to continue implementing the necessary regulatory reforms.
- (b) The bodies responsible for private sector development have the resources and mandate to pursue development of the productive (manufacturing and agro-business) sectors.
- (c) There is commitment and willingness on the part of the business community to develop export capacities and pursue internationalisation of their businesses.
- (d) Quality of recruited JE staff and TA is good and programme management effectiveness is high.
- (e) The priorities of export-driven national development are sustained. Institutional will at central, regional and local levels to pursue export development is sustained.
- (f) Cross-departmental and cross-institutional Project Management Teams are created as the need arises to support the implementation of the project and funds are made available to reward their efficiency in facilitating cooperation and other deliverables.

The above assumptions are inter-related. JE benefits from a clear mandate in the field of SME development and its core operating costs are covered by the Jordanian public budget contribution. It will be reinforced in its capacity to stimulate private sector development by the experience gained through implementation of this and other externally funded projects. The relevance and effectiveness of the support provided to private operators will contribute to strengthening JE as a channel for communication and debate on regulatory and policy issues. The involvement of the private sector in project design should ensure strengthened political linkages to help ensure that needed regulatory reforms are given priority.

**Risks:**

Security concerns prevent full and proper implementation of the project.

- (g) A lack of suitably qualified and experienced staff delays or prevents implementation of the project.
- (h) Stakeholders in the respective sectors do not cooperate and consequently prevent meaningful change and improvement.
- (i) A lack of a coordinated approach by the wide variety of stakeholders prevents or delays change in a cohesive and comprehensive way.

**3.5. Crosscutting Issues**

The project authorities will take due account of relevant crosscutting issues:

**Environmental sustainability:** where required, environmental sustainability issues will be taken into account in prioritising direct support activities with SMEs.

**Gender equality:** a particular focus is envisaged for activities supporting the development of small businesses owned by women, or providing income-generating opportunities for women.

**Good governance:** the project will contribute to improved policy analysis leading to relevant legislative and institutional reform, improving economic governance in areas relevant to SME development.

**Human rights:** in direct support activities with SMEs, priority will be given, as far as possible, to activities resulting in the creation of employment opportunities in poorer, less developed regions of Jordan.

## 4. IMPLEMENTATION ISSUES

### 4.1. Implementation method

The project will be implemented under decentralised management through the signature of a financing agreement between the European Commission and the Government of Jordan.

The Authorising Officer considers that the conditions of Article 56.2 of the Financial Regulations have been met for decentralised management by the Government of Jordan, following evaluations of these conditions in 2004 and 2007. For the Capacity Building component and with due consideration of the proper implementation of the action, the relevant Authorising Officer may decide to recruit the adequate technical assistance in centralised direct management.

The Commission controls *ex ante* the contracting procedures for procurement contracts >50.000 EUR and all grant contracts, and *ex post* for procurement contracts • 50.000 EUR.

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

The Authorising Officer ensures that, by using the model of financing agreement for decentralised management, the segregation of duties between the authorising officer and the accounting officer of the decentralised entity will be effective, so that the decentralization of the payments can be carried out within the limits specified below.

Works	Supplies	Services	Grants
< EUR 300 000	< EUR 150 000	< EUR 200 000	• EUR 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, 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%. The Jordanian authorities and the EC may agree a lower co-financing rate if appropriate. 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

Budget line	Activity (see section 3.2)	EC Contribution EUR	Beneficiary contribution (in kind)	Total
<b>1</b>	<b>Institution-building/policy support</b>			<b>4 050 000</b>
1.1	Main EU long and short-term Technical Assistance	1 200 000		
1.2	JE staffing and other running costs, inclusive of support equipment and software (supplies and services)	1 600 000	1 000 000	
1.3	Visibility, seminars, workshops	250 000		
<b>2.</b>	<b>SME development support</b>			<b>8 000 000</b>
2.1	Support to Private Sector:  This includes internationalisation, partnership and technology transfer, technology upgrading, productivity enhancement, quality upgrading and the development and availability of financial tools to support SMEs. Assistance to exporting firms/SMEs, sub-sectors, representative associations through direct provision of TA and grant schemes.	8 000 000		
<b>3.</b>	<b>Export development support</b>			<b>3 250 000</b>
3.1	Export development:  This includes promotion, trade fairs, trade centres abroad, international certifications and the establishment of an export and quality culture	3 250 000		
<b>4</b>	<b>Other</b>			<b>700 000</b>
4.1	Unforeseen and contingency	400 000		
4.2	Audit and evaluations	300 000		
	<b>Total</b>	<b>15 000 000</b>	<b>1 000 000</b>	<b>16 000 000</b>

The indicative operational implementation period of the project will be 42 months.

### 4.4. Performance monitoring

The performance monitoring indicators will relate to, for example: improved balance of payments situation resulting from increased exports of manufactured goods and agricultural products; increased number of Jordanian SMEs engaged in exporting; stronger added value of products exported; broader range of products exported; increased partnerships between Jordanian exporters and international firms, increased

employment opportunities in exporting SMEs; regional distribution of exporting SMEs; delivery of training and education programmes promoting an export culture.

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 the time plan will be noted, their implications assessed and corrective measures proposed.

- (j) A final report will be submitted at the end of the project activities.

Reports will be prepared by JE 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 (around mid-2010) and a final evaluation immediately after the final date of activities.

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 programme. 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 the provisions of the Visibility Guidelines. Related costs will be met from budget line 1.3 of the budget breakdown in article 4.3.