

Project Document for the Government of Jordan

Title: **JOR/01/005 : Empretec Jordan
Mediterranean 2000 Programme**

**Contribution & cost
sharing financing**

Duration: Phase I: 1 year (2002)
Phase II: 2 years (2003 – 2004)

PHASE I / YEAR 1

Med 2000 \$200,000
JLGC (in-kind) \$ 50,000

Project site: Hashemite Kingdom of Jordan

Sub-total \$ 250,000

Government
Cooperating Agency: Ministry of Planning

National Counterpart: Jordan Loan Guarantee Corporation

PHASE II / YEAR 2&3

Med 2000 \$ 100,000
JLGC (in-kind) \$ 80,000

✓ Implementing agency: United Nations Conference on
Trade and Development (UNCTAD)

Others (Government of Jordan,
UNDP and Third Parties cost-
sharing)

Executing Agency: United Nations Development
Programme (UNDP Jordan)

Total \$ 570,000
Sub-total \$ 750,000

Estimated starting date: January 2002

Total \$ 1,000,000

Brief description:

The UNCTAD/Empretec Programme for Jordan will be implemented within the framework of the Med 2000 Programme whose purpose is to assist ten countries in the Mediterranean Basin and the Horn of Africa to promote SMEs which can grow, partner and compete in the global economy. Med 2000 is funding phase I of the Empretec Jordan programme. Phase I is a preparatory and fund-raising phase which includes the recruitment of national staff, the establishment of the business support centre within the counterpart, the conduction of three Entrepreneurship training workshops, the development of a national training capacity and business counselling to selected entrepreneurs and enterprises. The programme is under the overall umbrella of the Local Development Programme (LDP) at the Ministry of Planning of which development of SMEs is a major component. LDP has been recently launched by the Government of Jordan to meet the developmental needs of the country in an accelerated manner with special emphasis on poverty alleviation and unemployment reduction in provinces and remote governorates. The counterpart institution is the Jordan Loan Guarantee Corporation. The objective of phase I is to create awareness on the programme and raise additional resources to deepen and expand the Programme in a subsequent phase II. The objective of phase II is the full operationalisation and institutionalisation of the programme and its consolidation into an independent and sustainable foundation, supported by public and private stakeholders. The Board of Directors of the Empretec Business Centre, composed of 10 local partners and UNDP representing UNCTAD, will provide the main guidance to achieve the programme objectives.

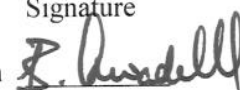
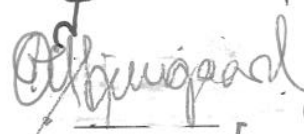

On behalf of:	Signature	Date	Name/title
Government of Jordan		9-1-2002	BASSEM AWADALLAH / MINISTER OF PLANNING
UNDP			Bjørnegaard / Res. Representative
JLGC		30-1-2002	Said Hammami / Managing Director



TABLE OF CONTENTS

A. CONTEXT	4
1. DESCRIPTION OF SUBSECTOR	4
2. THE HOST COUNTRY STRATEGY	9
3. INSTITUTIONAL FRAMEWORK FOR SUBSECTOR.....	9
4. PRIOR AND ON-GOING INTERNATIONAL ASSISTANCE.....	18
B. PROJECT JUSTIFICATION	25
1. DESCRIPTION OF EMPRETEC PROGRAMME	25
2. TARGET BENEFICIARIES	28
3. PROJECT STRATEGY AND IMPLEMENTATION ARRANGEMENTS.....	28
4. BOARD OF DIRECTORS OF THE EMPRETEC BUSINESS CENTRE	29
5. MAIN RESPONSIBILITIES OF THE STAFF OF THE EMPRETEC CENTRE	30
6. EXPECTED END-OF-PROJECT SITUATION.....	31
7. SPECIAL CONSIDERATIONS	32
8. COORDINATION ARRANGEMENTS.....	32
9. UNCTAD EXPERTISE	33
10. UNDP JORDAN SUPPORT	33
11. COUNTERPART SUPPORT CAPACITY.....	34
C. DEVELOPMENT OBJECTIVE.....	34
D. IMMEDIATE OBJECTIVES, OUTPUTS AND ACTIVITIES.....	35
E. TRACK INDICATORS	42
F. INPUTS.....	43
1. THE COUNTERPART ORGANIZATION: JLGC.....	43
2. UNDP/UNCTAD	43
G. RISKS.....	43
H. PRIOR OBLIGATIONS AND PREREQUISITES.....	44
I. PROGRAMME REVIEW, REPORTING AND EVALUATION.....	44
J. LEGAL CONTEXT	44
K. BUDGET.....	45
1. UNCTAD/MED 2000 CONTRIBUTION FOR PHASE I (ONE YEAR)*	45
2. CONSOLIDATED BUDGET PER DONOR CONTRIBUTION.....	46
3. NATIONAL COUNTERPART CONTRIBUTION (IN-KIND / CASH).....	49
4. UNCTAD'S FINANCIAL CONTRIBUTION FOR PHASE I AND PHASE II	50
L. ANNEXES.....	51
1. WORKPLAN.....	51
2. TERMS OF REFERENCE FOR THE EMPRETEC TEAM IN JORDAN	55
3. CONDITIONS REGULATING UNCTAD'S PROPERTY RIGHTS OVER THE EMPRETEC PROGRAMME.....	60
4. THE ENTREPRENEURSHIP TRAINING WORKSHOP	61
5. THE MEDITERRANEAN 2000 PROGRAMME	67

LIST OF ABBREVIATIONS

ACC	Amman Chamber of Commerce
ACI	Amman Chamber of Industry
AMIR	Access to Micro-finance & Improved Implementation of Policy Reform
BDS	Business Development Services
EJADA	Euro-Jordanian Action for the Development of Enterprise
ETW	Entrepreneurship training workshop
EU	European Union
FJCC	Federation of Jordanian Chambers of Commerce
FNF	Friedrich Naumann Foundation
FTA	Free Trade Agreement
GDP	Gross domestic product
IDB	Industrial Development Bank
ILO	International Labour Organization
IMF	International Monetary Fund
IMP	Industrial Modernization Programme
ISO	International Organization for Standardization
IT	Information Technology
ITC	International Trade Centre UNCTAD/WTO
JABA	Jordanian American Business Association
JBA	Jordanian Businessmen Association
JD	Jordanian Dinar
JEDCO	Jordan Export Development & Commercial Centres Corporation
JIB	Jordan Investment Board
JLGC	Jordan Loan Guarantee Corporation
JTA	Jordanian Trade Association
JUSBP	Jordan-United States Business Partnership
LDP	Local Development Programme (MOP)
MAC	Management Advisory Committee
MIT	Ministry of Industry and Trade
MOP	Ministry of Planning
MOU	Memorandum of understanding
NGO	Non-governmental organization
PECs	Personal entrepreneurial competencies
QIZ	Qualified Industrial Zone
SME	Small and medium enterprise
SPPU	Social Productivity Programme Unit
TNC	Transnational corporation
TOT	Training of trainers
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
VTC	Vocational Training Center
WTO	World Trade Organization
YEA	Young Entrepreneurs' Association

A. CONTEXT

In 1998 UNCTAD launched the Mediterranean 2000 Programme (*see annex 5*), a multi-agency programme financed by the Italian Government to strengthen the SME sector in ten selected countries of the Mediterranean Basin and the Horn of Africa through the Empretec Programme and through cooperation with other international organizations (ISO, ITC, ILO, UNIDO) and other UNCTAD's technical assistance programmes (Trade Point Programme and Investment Policy Review).

With seed-funding from Med 2000, UNCTAD selected Jordan and the Palestinian Territory as the first beneficiaries in the Middle East to implement the Empretec Programme.

1. Description of subsector

Jordan is positioned strategically at the convergence of three continents, Europe, Asia and Africa, sharing borders with five Middle Eastern countries, Iraq, Saudi Arabia, Syria, the Palestinian Territory and Israel. Jordan is considered one of the most progressive countries in the region with a commitment for democracy, political reform and open markets.

The Hashemite Kingdom of Jordan is a constitutional monarchy which had been ruled by H.M. King Hussein bin Talal since 1952, until his death in February 1999. His son, King Abdullah Bin Al-Hussein ascended to the throne in a smooth transition. The head of the Government is the Prime Minister who is appointed by the King. The Prime Minister nominates the Council of Ministers responsible for the day-to-day government. It operates under the nominal scrutiny of the directly elected but heavily government controlled parliament. The next quadrennial elections are expected in 2002.

The current population is around 5 million, with a high annual population growth rate averaging 3.4 %. A large proportion of Jordan's population is concentrated in Amman and other urban areas. The population is relatively young, with 42 % under the age of 15 years and only 3 % above 64. The literacy rate is one of the highest of the region with 89 % of the population being able to read and write.

Official estimates of the unemployment rate are quoted at 13.7 % (2001). Unofficial sources estimate it around 17 %. The country has become one of the few countries in the world to be both a major importer and exporter of labour. While importing unskilled or semi-skilled labour mainly from Egypt and Syria, about one-third of Jordan's labour force is employed outside the country. The high level of education common to Jordanians has made them a valuable part of the regional labour force, and remittances from abroad are the primary reason behind the country's services surplus.

Since 1989 and with the support of international institutions and countries, Jordan has made sustained efforts in stabilization and structural reforms, raising efficiency in the public sector, financial sector reform, trade liberalization and privatization. As a result, the improvements achieved in a number of important areas have been satisfying and now Jordan is considered one of the most progressive countries in the region.

Effectively, Jordan has taken solid steps towards a market-oriented economy placing increased emphasis on the private sector. The involvement of the public sector has been reduced and today it is mainly concentrated in mining industries, public utilities and transportation. This aims at providing a stable macroeconomic environment and laying the legal and administrative ground for the private sector to participate more actively in the development process. Furthermore, the Government remains committed to bringing down the fiscal deficit, lowering the public debt burden and pursuing a prudent monetary policy as essential elements of its strategy in increasing investor confidence in the Jordanian economy.

In April 1999, Jordan finalised a new IMF agreement that brought it loans of US\$ 200 millions to support economic adjustment and structural reform over 1999-2001. The structural adjustment programme envisages an improvement in the growth performance to 3-4 % by the year 2001, maintenance of low inflation rate (2-3 %) and a gradual strengthening of international reserves position. Budget deficit is expected to be reduced to 4 % of GDP by the year 2001. Tax reform will be geared more towards improving the business environment than raising overall revenue. The adjustment process is accompanied by structural reforms in the areas of taxes, civil service pension and social security, financial sector, trade and privatization. Significant progress has been achieved in several areas of structural reform, including fiscal monitoring and control, government debt management, trade liberalization and privatization. In the trade area, reductions in tariff rates were implemented in July 1999, when the maximum import tariff was reduced from 40 % to 35 %. It was also reduced to 30 % when Jordan acceded to the World Trade Organisation on 11 April 2000. Moreover, there is a commitment to continue with tariff reduction in the coming years. Legislative steps were taken, as Jordan became WTO member, including amendments to the customs law and passage of a new law on intellectual property rights.

The Jordanian economy has grown in real terms by over 4.67 % per annum on an average over the last eight years. However, recession due to the situation in the Palestinian Territory and in Iraq caused a steep fall in per capita income. The inflation rate in Jordan is one of the lowest among emerging economies. The Jordanian Dinar is officially kept at an exchange rate to the US Dollar at JD 0.7 to one US\$. Additionally, the stock of external debt to GDP has fallen steadily. Besides rescheduling operations, the debt service ratio has been reduced to 7.7 % in 1997.

While Jordan is still suffering from a wide trade deficit and from the instability in the Palestinian Territory, the country has made progress in boosting exports and reducing imports. The combination of a narrowing external trade gap and a sharp rise in the services balance caused Jordan's current account deficit to drop to its lowest level since 1990.

The strong growth of Jordan's exports (301 % between 1985 and 1997) has been caused by a number of interrelated factors. First, the government has exerted continuous and intensive efforts to encourage exports by making available the necessary financing and support to export projects, and also by addressing their concerns. The private sector has played an invaluable role in boosting exports by penetrating new markets. Other factors include the improved competitiveness of Jordanian products abroad due to greater attention to quality standards and the increasing number of companies and projects holding or seeking to obtain ISO 9000 certificates.

However, given the scarcity of natural resources and the country's narrow industrial base, Jordan has suffered chronic merchandise-trade deficits. Despite the devaluation of the JD, which made Jordanian goods more attractive internationally, and trade liberalisation policies which sought to better integrate the Jordanian economy globally, curtailing imports and stimulating exports have not been sufficient to significantly reduce the trade deficit. This is due to an import bill, which has historically been around twice as high as export earnings. Export diversification has increased in recent years as Jordan moved away from traditional crude materials exports and focused on value-added manufacture products. Although phosphate and potash continue to be the country's major exports, amounting to 25 % of total exports in 1998, manufactured products such as pharmaceuticals account for an increasing share of Jordanian exports. Today, pharmaceuticals are Jordan's second highest export earner after phosphates, generating over US\$ 145 millions in 1998. The trend toward a more diversified export base has to continue, as Jordan has to strengthen its integration into the world economy.

In 2001, the United States and India became respectively the first and second largest export markets for Jordan. Exports to the Gulf States and Saudi Arabia have largely recovered and Iraq has re-emerged as a major market under the current UN oil-for-food programme, even if neither trade nor transshipments have reached the levels of the 1980s. All together, exports to Arab countries account for 52 % of total Jordanian exports.

However, this concentration of regional exports is likely to change as Jordan benefits from the recent trade agreement with the European Union and the newly ratified Free Trade Agreement with the United States. The partnership agreement with the European Union, which came into force on 1 January 1999, calls for the gradual removal of trade barriers and the establishment of a free trade zone with the 15-member European Union over a 12-year period. The new partnership agreement encourages more direct European investments in Jordan, provides tariff-free access to EU markets for Jordan's agricultural and industrial products, and facilitates the transfer to Jordan of state-of-the-art technology. Furthermore, Jordan is hosting EJADA (Euro-Jordanian Action for the Development of Enterprise), a programme funded by the EU that provides technical and managerial support to private Jordanian SMEs. The EJADA team was constituted beginning of 2001 and is now starting activities.

The Free Trade Agreement (FTA) between the United States and Jordan was ratified early October 2001. It will boost exports to the American market as tariff reductions will be implemented. The new FTA builds upon other US initiatives with the Jordan's Qualified Industrial Zones (QIZs) retaining their duty and quota-free status. In March 1998, Jordan and Israel signed a bilateral agreement to set up the first Jordan's QIZ which provides investors the unique opportunity of full duty-free access to the US market for any goods produced within the zone. A second QIZ in Jordan has recently been established in Aqaba. Jordan has also established two free zone areas to promote export-oriented industries and transit trade.

Geographically, most of Jordan's imports come from Europe, especially Germany, Italy, France and the United Kingdom. The major share of Arab imports comes from Iraq, which supplies Jordan with most of the country's oil. Recently, imports from Asia have risen as a result of the decline in the value of East Asian currencies and the consequent

fall in prices of their exports. Manufactured goods, mainly consumer products, continue to be one of Jordan's major imports. However, machinery takes up the lion's share of imports as a result of Jordan's drive toward building up a capital intensive manufacturing base and the government's large expenditures on infrastructure.

Historically, Jordan relied on import to satisfy domestic aggregate demand. With low investment levels, Jordan continues to live beyond its means and has not made appropriate investments to sustain such costly private and public consumption. The key to sustaining high future growth levels rests on the dynamics of various economic sectors in restructuring the components of aggregate demand in favour of investments and exports.

In general, the Jordanian economy is private-sector oriented. Accordingly, direct state ownership is relatively small. It is significant only in the mining sector (phosphates and potash) and in public utilities (electricity, water, communications and transport). Jordan recognizes that the continued recovery and future growth of the economy depends primarily on a more proactive role of the private sector and a redefinition of the role of the government in the economy. Therefore, a privatization programme started in 1992 and aims at enhancing enterprise efficiency through the sale of shares of technically advanced strategic investors, deepening the financial market through public share offerings, and reducing subsidies and consolidating public finances. In order to facilitate the process, an Executive Privatization Unit (EPU) has been established. The sale of 33 % of Jordan Cement Factories to Lafarge and 40 % of the Jordan Telecommunication Company to a consortium (France Telecom/Arab Bank) were considered very successful. Some other enterprises have been privatized (Jordan Tourism and Spa Co., Aqaba Railway Corporation, Public Transport Corporation) or are in the process (i. e. Royal Jordanian Airline and the National Electric Power Company), and the privatization programme is being extended to other sectors (Jordan Investment Corporation, Water Authority of Jordan, post sector).

The Jordanian economy is mainly depending on the mining industry, one of the main contributors to economic growth and a principal generator of national income. As phosphates and potash are Jordan's main natural resources, their export provides a major source of revenues. Joint ventures in the mining industry are expected to substantially increase value-added income earnings.

Concerning the industrial sector, Jordan has in recent years been focusing on high value-added manufacturing industries. Pharmaceuticals, foodstuffs, consumer products and ready-to-wear garments are among the most prominent of Jordan's manufacturing industries. The growth of pharmaceutical industry has been particularly impressive. Now pharmaceutical is one of the leading industries in Jordan and the second most important export earner. There are currently 17 Jordanian pharmaceutical manufacturers, providing over 3,500 direct employment opportunities.

Tourism is one of Jordan's major industries, contributing around 11 % of GDP. Growth of the tourism sector is likely to remain volatile and correlated to political developments in the region.

Agriculture in Jordan is limited to the area of fertile land and the availability of water. As such, Jordan is a net importer of foodstuffs, even if efforts have been made in this

industrial sector. The scarcity of water resources is the most serious problem facing Jordan.

Transport and communications are quite well developed in Jordan. The Internet sector has been growing rapidly nourished by the business community which as individuals enjoys complete access to Internet without governmental restrictions or monitoring. Internet service promises to be one of the most lucrative areas in the telecommunications sector. Internet cafés are flourishing in Amman. Moreover, recently, Jordan has been ambitiously embarking on plans to develop its information technology (IT) sector and His Majesty King Abdullah II is strongly supporting it. The REACH initiative¹, launched in June 1999, is a comprehensive strategy aimed at strengthening Jordan's IT sector. Furthermore, the organization of the first Jordan's IT Forum in March 2000 resulted in a solid plan of action for the sector's development, a new minister was appointed and the Information Technology Association of Jordan (Int@j) was created.

Public sector investment in infrastructure is the leading factor affecting the construction industry in Jordan. Private construction is overwhelmingly biased in favour of housing development. However, Jordan has one of the lowest land and construction costs in the region.

The SME sector in Jordan

Recognizing that small and medium enterprises provide a fundamental and vital base for improving production capacity and, consequently increase employment, Jordan is paying increasing attention to their development. The successive governments have paid continuous support to address the issue of poverty and unemployment through SME development and to allocate necessary funds, especially through programmes developed by the Social Productivity Programme (SPP).

There is no formal definition of SMEs in Jordan, but in its different surveys, the Department of Statistics is used to classify different economic data according to the number of work force in three categories: the establishments employing less than five workers, the ones employing five workers to less than 20 and the ones employing more than 20 workers. According to the Sixth Annual Report (1999) of the Jordan Loan Guarantee Corporation, in 1997, the number of industrial establishment employing four workers and less stood at 19,600, employing about 46,800 men and women i. e. 82 % of the total 24,000 industrial establishments which employ about 142,700 workers. Adding the number of medium-scale establishments that employ less than 20 workers, the number of SMEs in Jordan rises 23,400 establishments, i. e. 97,7 % of the total number of industrial establishments employing some 73,900 men and women i. e. 51,8 % of the total industrial labour force in 1997. As for the geographical distribution of small-scale industries employing less than five workers, it is apparent that around 44,5 % of these establishments are concentrated in the capital Amman, while 38,9 % are concentrated in

¹ REACH embraces actions in the IT sector in the following areas:

- Regulatory framework
- Estate infrastructure
- Advancement programmes
- Capital
- Human resources development

three governorates (Irbid, Zarqa and Balqa) and the remaining percentage is distributed on other governorates on the Kingdom. According to UNDP and with no sectoral distinction, there are 74,000 micro and small enterprises in Jordan.

The main constraints facing small and medium Jordanian enterprises are:

- Lack of a focused policy toward the SME sector.
- Scarcity of natural and water resources.
- Increasing competition from foreign products coupled with a lack of marketing and distribution skills.
- Lack of technological know-how.
- Limited access to technology and business information
- The use of traditional and low-productivity equipment and machines.
- Low quality products.
- Limited access to formal financial services.
- Limited access and/or lack of customised technical assistance programmes.

2. The host country strategy

Today, the Hashemite Kingdom of Jordan considers SMEs as a mean of promoting both economic growth and poverty alleviation objectives. Consequently, it is more committed to stimulating SME development and is supporting the emergence of business support institutions. However, it still lacks of a focused policy toward the SME sector. This sector though constituting the largest employer in Jordan has been marginalized on the planning and legislation levels. No legislation has been formulated targeting this sector and the several existing donor programmes were not sufficiently coordinated.

The present efforts at the national level should produce positive dividends benefiting the SME sector. The Government, especially through the Local Development Programme, has undertaken short, medium and long-term programmes aimed at increasing economic growth through the enhancement of productivity based on social development. The programmes emphasize both public and private sector involvement and partnership, and the growth of inter-regional and international trade, strategically managed within the framework of sustainable development.

3. Institutional framework for subsector

Some initiatives from the public, private and financial sector are creating a more favourable environment for SME development.

◆ The **Ministry of Planning**, according to the Law n° 68 (1971), shall achieve, between others, the following objective: “encouragement of the private sector to contribute to the development of the Jordanian Society and propose policies and methods that will help the activity of this sector and its development.”

In the last five years, poverty alleviation and unemployment reduction has been among the top priorities of the Government of Jordan. Towards this end, the Social

Productivity Program (SPP) was launched at the beginning of 1998 as an outcome of the National Strategy for Poverty Eradication and Unemployment Reduction.

Throughout 1998-2001, the SPP was geared towards maximising the well-being of the poor people, through the implementation of five components at the local level. These five major components include:

1. restructuring the public assistance targeted at the poor (National Aid Fund-NAF Restructuring and Expansion);
2. improvement in the physical and social living conditions of the poor (Community Infrastructure Project - CIP);
3. promotion of small and micro enterprises (Micro and Small Enterprise Development Programme);
4. generation of productive employment (Training and Employment Support Programme); and
5. Integrated Community Development programme (pilot projects).

The SPP has achieved most of its preset goals and objectives. Achievements include the generation of over 20,000 jobs, extension of over 72,000 small and micro loans, upgrading of infrastructure and implementation development and social programmes.

Towards the end of 2001, the Government of Jordan has designed a new comprehensive developmental programme: the Local Development Programme (LDP) to be launched at the beginning of 2002. Building on previous achievements, this programme aims at addressing the overall developmental needs of the country in an accelerated manner. Special emphasis is put on poverty alleviation and unemployment reduction in governorates and remote provinces of the country. Development of and support to small and medium enterprises are a major and central component of the LDP.

Empretec, as a capacity-building programme to promote the development of SMEs, the recognised active force in job creation, is fully in line with the objectives of the Government and the LDP of reducing unemployment and thus alleviating poverty. It particularly fits in the framework of the private sector development programme (support to medium enterprises) and the entrepreneurial development skills programmes of LDP.

The Empretec Jordan Programme will be under the overall umbrella of the Ministry of Planning/LDP. The Ministry of Planning/LDP will be a member of the Board of Directors of the Empretec Business Centre in Jordan.

◆ Jordan has a large and thriving **banking and financial sector**. The sector has heavily benefited from Jordan's position as a regional entrepot. There are currently 20 banks operating in Jordan, of which nine are domestic, five are foreign, one is Islamic and five are investment banks. Jordanian banks have opened branches in the Palestinian Territory.

Various programmes dedicated to **micro-finance** are being implemented in Jordan. In the framework of the Social Productivity Programme, micro-financing for small enterprises has been largely developed. The Development and Generating Fund (DGF) and the Queen Alia Fund are the most active organizations in promoting soft loans to enhance the productivity of the resource-challenged segments of society and to tackle the root causes of poverty and unemployment.

Pursuant to a recent study by the Ministry of Planning, the volume of credit to micro- and small-scale enterprises in Jordan offered by different establishments operating in the field (apart from commercial banks) is estimated at about JD 63 million for about 36,000 borrowers. The estimates of the Ministry of Planning also indicate that the demand for finance for micro-enterprises is about JD 160 million for 176,000 potential borrowers (56,000 of whom are in the formal sector with a demand volume of about JD 118 million and 120,000 borrowers in the informal with a demand volume of about JD 42 million). Consequently, the supply capacity is not sufficient and there is a financing gap to be filled in.

The **Jordan Loan Guarantee Corporation (JLGC)** was established in 1994 as a public shareholding company for guaranteeing loans to small and medium sized organizations. Its mission is to enhance sustainable economic growth in Jordan through the provision of a range of economically viable guarantees covering domestic small and medium size business loans, export credits, and related services.

JLGC's main goals and objectives:

- Utilization of guarantees to fully or partially cover the risks of loans granted by banks and financial institutions. These loans should be directed toward establishing economic projects or expanding existing ones in order to increase production capacity and marketing efficiency as well as create new job opportunities and the possibility of earning or saving foreign currencies.
- Utilization of guarantees to cover the risks involved in export credit, particularly in those industrial sectors, which are in line with the aims of JLGC.
- Re-guaranteeing any or all of the risks that pertain to the loans that JLGC guarantees already.
- Utilization of guarantees for JLGC's own accounts or for other agencies accounts.
- Preparing economic feasibility studies and project evaluations as well as conducting necessary studies on JLGC's performance and policies in order to match it with the developments of various economic sectors in Jordan.
- Developing the tools, means, and models related to the work of JLGC (whether modern or conventional) and training the staff on their use in the various fields. This includes the guaranteeing of credit operations in line with the doctrines of the Islamic Law (sharia') and those, which realize JLGC objectives.

Through the participation of 19 commercial banks in the loan guarantee programme, JLGC was able to provide guarantee for risks of loans granted by commercial banks at a total value of about JD 40 million allocated for some 2,126 enterprises. JLGC is also cooperating closely with EJADA (Euro-Jordanian Action for the Development of Enterprise) in designing financing schemes.

The JLGC is the national counterpart for the Empretec Jordan Programme, will host the Empretec Business Centre and its Managing Director will be the President of the Board of Directors.

The **Industrial Development Bank** was established in 1965 and is specialized in financing industrial and touristic projects. Beside this main activity, other services are offered by the bank: participation in equity of industrial and touristic project, financing

small scale industries and handicrafts (easy term loans to finance machinery, equipment and raw materials), assisting industrial projects towards upgrading their services (consultancy grants to obtain ISO 9000 certification and alleviate environmental hazards), training of mid-level staff and management of business corporations in different areas (finance, management, marketing, accountancy, computer, etc.) and brokerage services at Amman Financial Market.

The Industrial Development Bank will be a member of the Board of Directors of the Empretec Business Centre in Jordan.

◆ Several local institutions are extending research, training courses and workshops aimed at developing the SME sector.

The Industrial Engineering Department at the **University of Jordan** is proposing to establish an Innovation Centre at the University. The objective of the centre is to enhance innovation, promote restructuring business development systems and create the skills needed to transform innovation into market opportunities through designing entrepreneurship programmes. The project aims at linking talent, technology, capital, know-how with relevant resources to leverage entrepreneurial capabilities and to accelerate the development of new and existing companies. The Innovation Centre will promote knowledge user and producer relationships, science-technology networks, R&D-production linkages, skills and knowledge development, incentive programmes and the development of relevant science, technology infrastructure, and accelerate information diffusion. The Centre will promote partnership among all stakeholders including industry, government, local business, educational and local communities.

The University of Jordan will be a member of the Board of Directors of the Empretec Business Centre in Jordan.

The **Vocational Training Center (VTC)** is a public institution established in 1994. With the support of UNDP and ILO, it provides business training and advisory services for SMEs. Al-Urdun Al-Jadid Research Center (UJRC) created the **Jordanian Forum for Economic Development (JFED)** in order to contribute to solving the problems of the economic challenges facing Jordan. The main challenges facing Jordan include the low growth rate of the gross domestic product (GDP), the high growth rate of the population, and the need to cope with globalization, which demands higher productivity and more competitive goods and services. The forum will create the framework for the Center's economic activities, especially those concerned with enhancing dialogue between the public and private sectors, and academia. The forum will discuss the "hot" economic issues, presenting solutions for these problems. The recommendations will be passed on the legislative and executive authorities, in addition to businessmen, media and economists. JEFD provides UJRC with terms of reference concerning economic affairs, with an emphasis on encouraging dialogue between the public and private sectors. The objective will be to provide solutions which will raise the growth rate as well as create more job opportunities.

◆ **The chambers of commerce and business associations:**

The **Federation of Jordanian Chambers of Commerce (FJCC)** was established and commenced its operations on 19 December 1955 and was registered in accordance with

the Jordanian Chambers of Commerce by-law No. 58 of 1961. As a private sector representative, FJCC serves its members interests in all economic, commercial and service fields. FJCC'S primary responsibility is to cooperate with the country's various public sector bodies to: achieve balanced economy; steer the state's foreign economic relations in favour of the private interest; and strive for Arab economic integration. FJCC provides an umbrella for 15 Chambers of Commerce located in the major cities and districts of the Hashemite Kingdom of Jordan. It also provides its services to a community of 70,000 members engaged in the various trading and business activities all over Jordan.

The **Amman Chamber of Commerce (ACC)** was established in 1923 as a non-profit organization to regulate and represent the interests of all trade firms in Amman. Since the year of its establishment, the ACC has had so far 20 elected boards of directors of 12 members each. The ACC assumes a prominent position among Jordanian private institutions representing the private sector, as it makes relentless efforts in activating the role of private sector in the national economic development, promoting Jordan's economy, investment and tourism, encouraging exports and amending and upgrading economic laws and litigation.

The ACC carries out the following major tasks and duties:

- Providing the trade sector with various services such as issuance and endorsement of the certificates of origin, provision of guaranties and ratification of commercial arbitration transactions.
- Assisting the private sector in Jordan in organizing trade fairs and exhibitions both locally and abroad.
- Participating in the preparation of talks and negotiations concerning Jordan membership to WTO and informing various commercial sectors of the most important developments in this regard.
- Preparing reports on Jordan's economic relations with countries around the world and on means and ways of promoting trade with these countries.
- Participating in debates and discussions of amending/drafting economic and investment laws.
- Enhancing trade relations and exchanging visits, information, publications with other chambers of commerce
- Providing the business community with commercial and economic information and statistics and preparing data in different economic fields.
- Settling trade disputes through arbitration and conciliation.

The ACC continues to achieve gradual progress in its course of extending services to the business community. In fact, these services have grown considerably as a result of the economic and social progress which Jordan has witnessed over the past few decades. The services rendered to its 32,000 Members are: economic and business advocacy, management training, trade promotion, labour relations, conducting commercial arbitration.

The Amman Chamber of Commerce will be a member of the Board of Directors of the Empretec Business Centre in Jordan.

The **Amman Chamber of Industry (ACI)**, established in 1962, is a non-profit organization representing the Jordanian industrial sector and a main reference organization for information on industry and the economy. The Chamber represents in its membership 97 % of Jordanian manufacturing firms, varying in size from the large to the medium and small. Among its 7,000 members are all the larger industrial companies and corporations in Jordan, including those engaged in mining, energy, fertilizers, chemicals, metals, pharmaceuticals, among others. The functions and duties of the Chamber are wide-ranging and diverse. Its main concern is the continued growth, well-being and development of the Jordanian economy in general, and the industrial sector in particular. It has consistently shown initiative and dynamism, making many significant contributions to the national dialogue. This has earned the Chamber the respect of all other economic institutions and parties in Jordan and a position of leadership in the private sector. The Chamber is also deeply concerned with Jordan's regional and international economic relations, an interest that revolves around two main aspects. The first of these is the country's export orientation, the position of Jordanian products on foreign markets and the quest for new markets abroad. From this perspective, the Chamber is involved in the promotion and development of national exports and in building the ties and bonds necessary for their growth. For this purpose the Chamber continuously develops its relations with its counterpart institutions of industry and trade in many countries of the Arab world and other regions abroad. The second aspect concerns Jordan's ability to attract foreign investment. This is not merely a question of expanding and enhancing national production, but also one of affirming Jordan's openness to world trade, and its regional and international outlook. The synergy that would be sparked off by interaction with foreign business, technology, known-how and management is tremendous and holds the promise of profit for Jordanian and foreign investors alike. The Amman Chamber of Industry is at the forefront of this developing trend and maintains strong ties with various foreign chambers and international organizations in order to ensure this kind of interaction.

The Amman Chamber of Industry will be a member of the Board of Directors of the Empretec Business Centre in Jordan.

The **Jordanian Businessmen Association (JBA)** was established in 1985 as an independent, non-profit organization with its headquarter in Amman, Jordan. The main objective of the Association is to create and maintain a business climate that will enable the private sector to accomplish its role in the sustainable economic and business development in Jordan. The JBA embraces a wide spectrum of well-reputed entrepreneurs. It comprises about 400 members of senior businessmen in Jordan active in the different Jordanian economic sectors including industry, commerce, agriculture, banking, insurance, construction, tourism, transport and others. They represent the core of the private sector and this qualifies the Association to act as the single unified spokesman for Jordanian businessmen in communications and meetings with similar foreign businessmen associations.

The JBA is also concerned with the activation of the Jordanian private sector in cooperation and coordination with the Federation of Jordanian Chambers of Commerce and the Chamber of Industry and other private sector's institutions. It is also the aim of the JBA to expand cooperation in business with both Arab and foreign countries to the mutual benefit of all sides. In this context, joint business councils have been set up with similar associations in Egypt, Canada, France, Turkey, Malaysia, Spain, Syria, Britain,

Palestine, Singapore, Indonesia, Romania, Italy and Morocco. Such councils are invested with the development of relations between private sectors in Jordan and the said countries. The JBA runs dialogues with ministries concerned with economic affairs in Jordan to boost the role of the private sector in the economic development in the Kingdom. It receives missions of the foreign business communities, which visit Jordan and arranges the meetings between such missions and their Jordanian counterparts.

The Jordanian Businessmen Association will be a member of the Board of Directors of the Empretec Business Centre in Jordan.

The **Jordan Trade Association (JTA)**, a private non-profit organization, was established in 1989 with the support of USAID to assist Jordanian business in their quest to develop international trade, especially the promotion of Jordanian export worldwide. JTA represents, amongst its membership structure, leading manufacturing and service concerns from various sectors of the Jordanian economy. Through its daily activities and strategic projects, JTA has enabled Jordanian exporters to identify new marketing opportunities for their goods and services and to advance their distribution into non-traditional markets.

JTA offers the following services:

- International links: JTA organises and arranges for the participation of Jordanian companies in exhibitions, fairs, and trade missions around the world, and connects Jordanian companies with various global business organizations and trade promotion centers.
- Trade information: JTA conducts markets studies, continues to update its library facilities, publishes a number of materials for foreign and local distribution, and acquires new computerized information network with international linkage, that enables JTA to provide most current and updated information on international economies and trade opportunities.
- Local and global training: JTA organises lectures, conferences and seminars on topics of interest to the manufacturer and exporter, and provides the opportunity for its members to attend training courses abroad.
- Local links: JTA cooperates and coordinates with local trade organizations from both the private and public sectors.

The Jordan Trade Association will be a member of the Board of Directors of the Empretec Business Centre in Jordan.

The **Young Entrepreneurs' Association** was established in November 1998 as a voluntary, membership-based non-profit organization, with the mission of creating outstanding young entrepreneurs through idea exchange, fellowship, education, training and advocacy, to enhance entrepreneurs' skill level allowing them to compete in the global economy. The YEA strives to create an entrepreneurial and leadership culture as the cornerstone of national economic development.

The YEA objectives are the following:

- to identify and organize entrepreneurs in Jordan,
- to change mindset through the promotion of innovation and creativity,

- to affect public policy to improve the business environment,
- to facilitate success of entrepreneurial ideas through provision of relevant training and education,
- to develop a forum for networking among members and the global business community,
- to promote best ethical business practices.

The Young Entrepreneurs' Association will be a member of the Board of Directors of the Empretec Business Centre in Jordan.

The mission of **Int@j (Information Technology Association of Jordan)**, a voluntary non-profit, private organization created in 1999 is to effectively represent, promote, and advance the Jordanian software and IT services industry in the global market. The new IT Association is the focal point for all Jordanian IT industry-related activities. The Association is open to all value-added IT related, software development and support enterprises. It proposes to fulfil its mission through the following objectives:

- Advocate industry issues: represent IT industry interests and lobby with government and international groups; propose national initiatives and conduct public relations efforts.
- Promote industry investment opportunities in Jordan: promote Venture Capital (VC) and Initial Public Offerings (IPOs); form relationships with local export-oriented groups; represent the industry at conferences and trade shows; set up databases and publicize membership through websites, newsletters, hyperlinks, promotional materials and advertising.
- Provide industry research and market information: conduct market studies; disseminate local, regional and international opportunities; provide market trends.
- Effect standardization, certification and quality control in the IT industry: promote certification bodies and their value addition; enforce an IT industry code of ethics; standardize employment contracts and benefit packages.
- Support human resource development: work with educational institutions to focus on critical skills; strengthen ties with local universities and collaborate with overseas universities; and initiate industry programs to benefit university students.
- Advance industry intellectual property rights: certify IPR compliance; update members in IPR law changes; and work towards local IPR regulations conducive to IT industry growth.
- Form international IT industry alliances: actively seek alliances with global players; develop and attract venture capital funds; and disseminate success stories.
- Manage industry stakeholder relations and resolve industry conflicts: build and reinforce bridges among association Members; and between association Members and government, media, universities, NGOs and donors.

Int@j will be a member of the Board of Directors of the Empretec Business Centre in Jordan.

The **Jordan Export Development & Commercial Centers Corporation (JEDCO)** is an autonomous, non-profit corporation equally owned by the Ministry of Industry and Trade, the Jordan Federation of Chambers of Commerce and the Amman Chamber of Industry. It is governed by a board of directors chaired by the Minister of Industry and

Trade with six members from the public sector, six members from the private sector and one member from each of the Royal Jordanian Airlines and the agricultural sector.

It was first established in 1972 as Jordan's national export development agency. In 1992, under the new name of JEDCO, further functions were mandated to implement government commitments in regard to regional trade protocols and agreements with several Arab countries. In addition, JEDCO has taken the rein to help Jordanian private and public sectors expand their export activities beyond the region and to integrate with world markets through its promotional and export development schemes.

JEDCO now offers a wide range of services directly to exporters and indirectly to the country's various private and public sector organizations. These include: Technical Export Development, Trade Promotion, Information Services, Market Information and Research, Human Resources Development, Regional and International Cooperation. Furthermore JEDCO host the UNCTAD Trade Point.

- The Information Services comprise the **Euro Info Correspondence Center** Jordan (EICC) hosted by JEDCO. The Center's main objective is to enhance business relations between small and medium size companies in Jordan and other 250 members of the network.

◆ **Legal framework:**

The Government has long recognized the need for establishing business-enabling structures with strong investment incentives. Developing an efficient regulatory framework activates the role of the private sector, increases the volume of domestic investment, and attracts inward international investment. A wide-ranging legislative package has been drafted and introduced to foster a more efficient and transparent business environment.

The **Investment Promotion Law**, which was passed in 1995 and recently amended, provides both Jordanian and foreign investors with additional incentives and tax exemptions. The new law also established the Investment Promotion Corporation (IPC), which became the Jordan Investment Board (JIB). It is responsible for marketing Jordanian investment opportunities internationally. JIB works to create linkages between national and foreign companies through joint-ventures, assists investors at all stages on the investment cycle and acts as a contact or liaison between investors and other government bodies whose services are needed by the investor. It enjoys financial and administrative independence. Specifically, it works to identify and promote investment opportunities. It offers a "one-stop window" at which investors can acquire all the necessary licenses and permits from the proper authorities, and also provides advice, information and manuals to interested investors.

The **Income Tax Law** has been amended and tax rate has been reduced.

Jordan has one of the most developed and fastest growing stock markets in the region. The Amman Financial Market (AFM) is one of the largest Arab stock markets. In June 1997, the **Securities Law** was enacted. It created a regulatory body, the Jordan Securities and Exchange Commission (JSEC). The objectives of the new organization and its legal framework are to: adhere to internationally accepted and proven standards

and practices to increase investor confidence and interest; standardize market practice and protect investor rights; establish a completely transparent, well-functioning and regulated capital market; achieve effective and efficient institutional operations; maintain a transparent flow of information among market institutions, participants and investors; create sophisticated, professional and efficient organizational and administrative functions of market institutions and the JSEC. In addition to the JSEC, the government is establishing four other entities: a private sector stock exchange, a private sector depository, an institute to provide proper training concerning dealing in securities, and an association to represent private sector participants in the securities industry in their dealing with the JSEC.

A **Mutual Funds and Trust Law** is in the drafting stage to create the necessary environment for private sector mutual funds, which are at the center of the financial sector reform strategy.

The government drafted the **Competition (Antitrust) Law** with participation from the private sector in an up-to-date manner that aims at encouraging competition in domestic markets, improving existing market structures, fostering economic efficiency and enhancing consumer welfare. Furthermore, the law addresses issues related to entry barriers to trade, and advocates sound, internationally recognized and accepted business practices.

A new **Companies law** has been drafted as an amendment to the previous Companies Law. Under the amended law, approval requirements for several sector-specific economic activities are abolished; company registration requirements are simplified; other previously centralized and duplicated licensing requirements are annulled; and corporate governance and finance are improved.

The **Custom Law** has been made consistent with WTO requirements. Moreover, in recognition of the pivotal role of the private sector in expanding exports, and keeping in line with the overall drive toward liberalizing the economy, the government has taken a number of steps to improve the capacity of national industries for competing in international markets. Within this framework, a project for modernizing and upgrading the efficiency of the customs system was launched in mid-1997 and is now well underway. A key component of the project is the implementation of ASYCUDA (Automated System for Customs Data and Management) Programme from UNCTAD.

Since the accession to the WTO, the government is also improving the **Intellectual Property Rights (IPR) Legislation** in order to enhance present IPR laws and enable their efficient implementation in Jordan.

4. Prior and on-going international assistance

There is a major involvement of international organizations and bilateral agencies in funding or executing programmes and activities related to supporting and developing the private sector in general and the SME sector in particular. The international and bilateral organizations involved can be classified into:

- UN organizations: ILO, UNIDO, ESCWA, UNDP, UNCTAD.
- The World Bank and its affiliate IFC.
- Multilateral organizations: European Union, Arab Fund, Islamic Development Bank.
- Donor Agencies: USAID, DEG, GTZ (Germany), Abu Dhabi Development Fund, Italian Cooperation, SIDA (Sweden), JICA (Japan), among others.

In year 2000, the donor community committed, through the Ministry of Planning, US\$ 663.3 million in official development assistance (ODA). Loans comprised US\$ 295 million representing 44.5 % of total aid, while grants made up the remainder (US\$ 368.3 million or 55.5 %).

Multilateral aid accounted for almost 52 % (US\$ 345 million) of all aid provided to Jordan (loans: 65.3 %, grants: 34.7 %). Among multilateral donors, the European Union was the major aid provider accounting for 33.2 % of total aid followed by the Arab Fund for Economic and Social Development at 33 %, the Islamic Development Bank at 21 %, the World Bank at 10.6 % and the OPEC Fund for International Development at 1.45 %. Bilateral aid accounted for 48 % (US\$ 318.3 million) of all aid provided (bilateral grants: 78.1 %, loans: 21.9 %). United States (including aid from the USAID) was the main bilateral donor, providing Jordan with 67.7 % of total bilateral aid, followed by Germany at 13 %, Abu Dhabi Fund for Development at 6.3 %, Italy at 5.8 % and Japan at 3.6 %.

Most ODA has been directed to the following sectors: water and wastewater (47 % of total foreign aid), structural adjustment purposes (25 %), services sector (6.6 %), industrial modernization (5.27 %), education (5.25 %), agriculture (4.08 %), wheat (3.5 %), health (2.12 %) and public sector reform (0.9 %).

UNDP is undertaking several technical assistance programmes in Jordan. The Sub-Programme of Capacity-Building for Management of Jordan's Integration into the Global Economy is aimed at contributing to a more favourable balance of payments position, a stronger export-driven economic growth, the creation of many new jobs in export-oriented sectors and a continuous inflow of productive foreign investment. In that regard, UNDP was assisting the Jordanian Investment Promotion Corporation (IPC), which became the Jordanian Investment Board (JIB).

Concerning the assistance to small enterprises, UNDP launched a new programme in September 1999. Funded jointly by USAID and UNDP, the US\$ 500,000 project aims at developing a comprehensive set of training materials for owners and employees of micro and small enterprises. The business training will equip them to draw up realistic business plans as well as tackle technical and operational problems that affect their productivity and profitability. Moreover, it will guide a select group of Jordanian NGOs on how to best market such training programmes to potential clients. The training, developed by **ILO**, is divided into two clusters (Improve Your Own Business and Expand Your Business). The two interactive learning programmes has been translated and adapted in Arabic and tailored to suit the special characteristics and conditions of Jordan's business climate. Furthermore, the ILO previously teamed with UNDP Jordan to establish an Industrial Extension Services Unit at the Vocational Training Corporation. The Unit provides business development services to industrial SMEs.

UNDP Jordan is the Executing Agency for the Empretec Jordan Programme and will also administer the project. A representative of UNDP Jordan will be the Vice-President of the Board of Directors.

The Investment Promotion Unit (IPU), as part of the **UNIDO** Integrated Programme for Jordan, has the mandate to support the development of the local industrial private sector, especially SMEs, through the promotion of foreign investment.

The Unit, based at the Jordanian Investment Board (JIB) premises, provides non-financial services to Jordanian entrepreneurs, and facilitates exchange of contacts with the Italian business community with the direct purpose of fostering direct co-operation between Jordanian and Italian counterparts.

Furthermore, the Unit has the specific task of promoting the implementation of the soft loan of total amount 18 billion ItL (approximately US\$ 8.5 million) granted by the Italian Government to the Government of Jordan. The loan is in its final stage of approval and will be made available to Jordanian businessmen through the Jordanian banking system, at soft conditions, to purchase goods and services of Italian origin.

In order to fulfil its tasks, the Unit has been allocated a budget of US\$ 590,000, funded by the Italian Government through UNIDO and is expected to operate on a two-year project timeframe (starting from October 2000).

For the operational activities of non-financial nature the IPU adopted a strategy that involves the promotion of selected investment opportunities, the participation of Jordanian delegations to fairs in Italy with a portfolio of project profiles. Within the framework of the UNIDO ITPOs network, cross-country programmes within the Mediterranean Region are also pursued.

The activities related to the financial component of the programme consist in supporting the applications to the soft loan through the preparation of the project profile and the development of the business plan of the project including its financial appraisal. A special focus is set on the establishment of joint ventures.

The services of the Unit are targeted to all industrial sectors. However, a dedicated program for the olive-oil sector has been developed, to be followed by programs for the textile and the Dead Sea Cosmetics sector. In particular the olive oil program led to the identification of 41 projects requiring know how and technology improvements, the organization of a training course for olive oil testers attended by 60 entrepreneurs, the participation of a delegation of 24 entrepreneurs to the international SOL fair in Italy and the holding of a round table to present the findings of the sectoral study undertaken to Institutional and Private Industry Representatives.

As a result of the work already carried out the IPU held meetings with 170 private companies, identified 111 project profiles, 70 of which are being promoted, organized or presented 6 training courses and seminars.

The Investment Promotion Unit (IPU/UNIDO) will be a member of the Board of Directors of the Empretec Business Centre in Jordan.

USAID is implementing some major initiatives aimed specifically at private sector entrepreneurs, including for example the establishment of the Jordan Trade Association (JTA) and other export promotion programmes; the launching of small enterprise development initiatives; the provision of technical services to Jordanian businesses; and an equipment financing programme aimed specifically at the Jordanian private sector.

The USAID-funded private sector needs assessment, completed in March 1997 identified lack of access to financial services as the single most important constraint facing small, medium and micro enterprises in Jordan. Other concerns were also cited including those related to other businesses services such as technology transfer, marketing and management.

Given funding constraints at the time, USAID Jordan developed an IR (Intermediate Result) focused on increasing access to micro-finance services. Specific activities here include promoting sustainable micro-finance programmes through commercial banks and NGOs providing institutional incentive grants to organizations implementing sustainable micro-finance programmes; and developing a micro-enterprise lending capacity among mainstream Jordanian financial institutions.

Additional funding allowed USAID to not only expand funding availability in microfinance, but also support other important business services, taking into account best practices and experiences from similar USAID programmes elsewhere. The **Jordan-United States Business Partnership (JUSBP)** initiative extends technical assistance and training to small and medium size Jordanian businesses in important areas such as management, marketing, and technology transfer. Also, USAID has launched a new entrepreneurial and job training programme aimed at young Jordanians, with a view toward providing appropriate business knowledge and skills to operate effectively in a market economy.

Illustrative activities and results anticipated under this IR over a five-year period include:

- A series of major, new small and micro-finance initiatives in Jordan, providing micro-finance services to at least 25,000 active borrowers by 2001 and representing a huge increase from the few thousand micro-loans made available as a result of all the finance programmes in operation in Jordan today. At least 50 % of the borrowers will be women, and at least 30 % of the borrowers will be outside Amman, including in the less developed southern part of the country.
- At least three micro-finance institutions in operation based on sustainable micro-finance "best practices" criteria, with formal links to the lending and/or savings operations of private sector commercial banks.
- Cost-effective business development services provided relating to technology, marketing and management to small, medium and micro enterprises. Also, improved quality standards and new trade, investment and business linkages with the US and with the region.

The micro-finance initiatives are implemented through the **Access to Micro-finance & Improved Implementation of Policy Reform (AMIR)** Programme which is a four-year economic opportunities project funded by the USAID, implemented in partnership with the Jordanian private sector and various ministries and departments of the Government of Jordan. AMIR Programme activities promote economic growth and

prosperity in Jordan through the development of a more favourable environment for business – one that stimulates increased investment and enables Jordan’s private sector to meet the challenges of economic globalization. Launched in March 1998, AMIR Programme goals are accomplished through the following three primary components:

1. Business Association Initiative:

The AMIR Programme has partnered with Jordan’s business associations to assist them in achieving a greater voice for the private sector on key policy issues. Business associations are also improving their ability to provide useful services to member businesses organization with technical and financial assistance from the AMIR Programme. In addition, through Jordan Vision 2020, a coalition of business associations is taking a leading role in creating a private sector economic strategy to guide Jordan into the 21st century.

2. Sustainable Micro-finance Initiative:

The AMIR Programme is assisting in the establishment of a sustainable micro-finance industry in Jordan through commercial banks and NGOs, based on internationally accepted “best practices”. By enabling these organizations to lend to micro and small businesses that traditionally have not had access to the formal financial system, the AMIR Programme is helping to create a new group of productive workers – further spurring economic growth.

3. Improved Implementation of Policy Reform:

The AMIR Programme assists the Jordanian government and its agencies in the implementation of policy reforms designed to stimulate private sector growth, increased investment, and Jordan’s integration into the global economy. A key focus of these actions is improving the efficiency of government operations and services to new and existing businesses.

Today, coming to an end, the AMIR Programme is about to be renewed.

Vision 2020:

Jordan’s private sector organizations participated in two unique meetings sponsored by the AMIR Programme. Both were aimed at forming a consensus among leaders of the business community on main economic issues facing Jordan. Among the top priorities identified were the need for a clearly stated private sector-driven economic strategy document to aggressively carry Jordan into the 21st century and coalition among business associations to coordinate their policy advocacy efforts.

In April 1999, 30 representatives from 16 of Jordan’s private sector organizations participated in a conceptual meeting to launch Jordan Vision 2020, a plan to achieve a private sector strategy to guide Jordan’s economic growth. There was broad consensus among meeting participants that while many business sectors have responded to the challenge of providing individual sector-specific strategies for economic growth, to date there has not been a broad business-wide approach that ties these individual plans together and provide a unified document to guide national policy.

Vision 2020 achieves this by bringing together private sector leaders to examine the issues facing Jordan in the next 20 years, and to set the broad priorities for a national economic strategy. Vision 2020 does not produce a workplan with detailed action steps.

Rather, the strategy identifies priorities for action, setting the agenda for action by the private sector and encouraging discussion and further study of key issues at the national level.

In 2000, the leading Jordanian business association have launched the report on the main challenges facing the private sector over the short- and medium-term (next 20 years) and the suggested policy responses required to meet them. It presents seven strategies aimed at ensuring a more prosperous future for Jordan. These strategies are designed to:

- Project dynamic leadership,
- Establish an effective public-private partnership,
- Instil international competitiveness,
- Ensure access to markets,
- Modernise our business environment,
- Develop world-class infrastructure,
- Develop skilled human resources.

The foundations of Vision 2020 strategies are:

- More equitable distribution of income,
- Foreign direct investment as a prime driving economic force, with focus on high-profile investments,
- Export orientation for Jordan's businesses and products,
- Technology orientation,
- Increased investment in infrastructure and education, and
- Benchmark Jordan's performance against the world's best.

EU cooperation in Jordan:

Four grant agreements were signed in April 2000 between the European Community and the Jordanian Government amounting to a total of Euro 129 million.

A grant agreement was signed in 2000 for the joint implementation of an **Industrial Modernization Programme (IMP)**, now called **EJADA (Euro-Jordanian Action for the Development of Enterprise)**. The project aims at supporting, modernizing and improving Jordan's private sector especially SMEs as well as start-up companies operating in industry-related sectors. This four-to-five-year project involves a budget of Euro 41.6 million, which is to be directed to actors in the private sector. These actors include business support organizations, financial institutions dealing with SMEs and vocational training institutions as well as public sector support institutions such as the Ministry of Planning and the Ministry of Industry and Trade.

EJADA has four components:

1. Technical support to SMEs, start-ups and business associations: enterprise-tailored technical assistance and training, and capacity enhancing measures for business support organisations, trainers and consultants.
2. Financial support to SMEs and start-ups: a special loan guarantee fund, to increase access to medium and long-term finance for SMEs and start-ups.

3. Vocational training and improved human resources development: capacity-building inputs to education providers, enabling more demand-driven and SME-oriented services.
4. Policy support and institutional strengthening of key stakeholders: stakeholders' capacity enhancement in policy formulation and implementation, to promote a more conducive environment for enterprise development.

A Programme Management Unit (PMU) has been set up to manage the implementation of all activities, as well as a National Steering Committee. The PMU has the task to give strategic guidance and support to the programme in addition to coordinating research and conducting and publishing industrial modernization studies for information dissemination to both private and public sector institutions. Operational activities of PMU are starting in fall 2001.

Furthermore, in 1997, the European Union (EU) represented by the European Commission (EC) has agreed with the Government of Jordan represented by the Ministry of Planning to finance for three years the **Euro-Jordanian Business Service Centre** (Euro Meda Team) under the Euro-Mediterranean Partnership Agreement. The primary purpose of the programme is to promote economic growth of market economy in Jordan through assistance to private businesses within virtually all sectors of production and services.

The project cycle consists of three main components:

- The Preliminary Support Component: a diagnostic is carried out by the Business Service Team in order to identify the support needs. The European Union funds the costs for the diagnostic thus free of charge to the company.
- The General Support Component: a team of European and Jordanian experienced consultants ascertains that the diagnostic focus areas are sustainable. The European Union funds the Service Team for this component; the individual companies are however required to pay a nominal contribution.
- The Specialized Support Component: this component is for implementation of highly specialized technical components such as production processing, IT, product development, marketing or quality management. The services are provided by highly qualified experts. The European Union also funds this component, but the individual companies pay a nominal contribution.

To conclude on the multilateral initiatives, it should be noted that the Empretec Programme in Jordan (phase I) is financed with seed funding from the Italian Development Cooperation within the framework of the **Med 2000 Programme**, which is conceptualized to harmonize UN agency activities in the SME field in ten countries in the Mediterranean Basin and the Horn of Africa. Besides a multi-country approach, the Programme also has a multi-agency focus. Various international agencies, including UNCTAD, ITC, UNIDO, ILO and ISO, are being encouraged to intervene in an integrated manner while executing their own SME development projects (*see annex 5*).

B. PROJECT JUSTIFICATION

After careful analysis of prior and ongoing assistance to SMEs in Jordan, UNCTAD concluded that there is a need for more integrated interventions in assisting and supporting entrepreneurs as part of a broader development policy. The SME sector, strongly contributing to the Jordanian social fabric, needs to be supported. Research points to numerous constraints Jordanian entrepreneurs and their enterprises need to overcome to establish themselves in the market place and, even more particularly, to meet the standards of foreign competitors. To guide emerging SMEs through the consolidation and growth phase, emphasis needs to be placed on tailor-made, targeted assistance over a period of several years.

The Empretec Programme is designed to develop a service structure, which would avoid isolated interventions and piece meal approaches. In order to build an SME, entrepreneurs need to be assisted with a number of training and advisory services, ideally complementary in character. In reality, entrepreneurs are faced with the difficulty of identifying appropriate assistance, choosing the right service providers and meeting the costs of high-quality consultants. The SME service structure in Jordan does not currently allow the entrepreneurs to address different aspects of business development in an integrated manner.

At this point in time, for many entrepreneurs, technical assistance is viewed as a precondition for access to finance from one of the SME loan schemes. In reality, non-financial and financial assistance is rarely mutually supportive. What is needed is a support programme that helps entrepreneurs to improve all aspects of their business, thus making them eligible for financing from banks or lending programmes. This link between non-financial and financial services is needed to facilitate growth and innovation of Jordanian firms.

Empretec is designed to address precisely this aspect of combining more closely the access to business support services with eligibility for access to finance. In this context the Programme focuses on the establishment of an institutional framework, which mobilizes and channels critical business support services to potential banking clients. Empretec does not disburse loans, but enters into strategic alliances with financial institutions to short cut the access to finance for promising entrepreneurs and enterprises.

In the case of Jordan, UNCTAD/Empretec identified the Jordan Loan Guarantee Corporation (JLGC) as the national counterpart institution for the implementation of the Programme.

1. Description of Empretec Programme

The Empretec project in Jordan has been designed in light of the experience gained in 24 countries and in accordance with the Empretec methodology.

Empretec is an integrated capacity-building programme of UNCTAD that provides training, technical assistance, and an institutional framework to foster entrepreneurial

capabilities and the growth of internationally competitive small and medium enterprises (SMEs).

The Programme identifies promising entrepreneurs, provides them with training aimed at strengthening their entrepreneurial behaviour and business skills, assists them in the preparation of business plans and in accessing financing for their business ventures, helps to arrange mutually beneficial links with larger national and foreign companies, and puts in place long-term support systems to facilitate the growth and internationalisation of their ventures. Towards this end, UNCTAD, as implementing agency, establishes national institutional structures and networks, which have the capacity to implement the Empretec Programme according to best practice standards.

A select number of participants enter the Programme through an initial two-week achievement motivation workshop (the Entrepreneurship Training Workshop – ETW, *see annex 4*), which encourages the individuals to focus on their role as entrepreneurs and challenges them to critically examine their personal strengths and weaknesses. Immediately following the workshop, Empretec participants are encouraged by the Empretec business counsellors to develop an individualised plan of action for follow-up activities. The Programme is always demand driven. In the selection and development of appropriate business support services, some core modules have been introduced into the Programme, such as business diagnostics, business plan preparation, quality awareness and control, management of change, productivity improvement, accounting, financial management, and negotiating joint ventures. Empretec strives to provide to its beneficiaries state-of-the-art services at affordable cost. In order not to duplicate efforts, Empretec developed and accredited a network of local service providers who can be called upon to render specialised services to the Empretec participants. The Programme also seeks the co-operation of specialised international experts or multilateral donor programmes.

Within about two to three years of operation in a country, the Empretec Programme features a “critical mass” of business leaders in the local economy. The personal and business performance of these Empretec participants contributes to a more positive attitude of bankers, local business partners and foreign investors towards the small business sector.

Without actually providing loan guarantees, Empretec acts as “guarantor” to the banks, by offering the track record of the entrepreneur and a viable business plan, which is prepared jointly by the entrepreneur and Empretec staff. It is at this stage that Empretec can begin to intervene on behalf of credible, high-performing local SMEs with TNCs and other local and international business partners.

To assure the continuation of Empretec training and follow-up support services, the methodology has to be transferred to a local institution with the capacity to respond to the needs and expectations of the Empretec participants. In this regard, to provide integrated support services, UNCTAD/Empretec emphasises the need to establish a one-stop-shop, which provides under one roof, access to appropriate training, advisory and information services, through a small team of highly qualified trainers and business counsellors. Towards this end, UNCTAD/Empretec establishes in each country a Business Support Center (BSC), usually located in the counterpart institution. The professionally staffed Business Support Centre, managed by a director (*see annex 2*), assists the entrepreneurs in developing and implementing their business plans, securing financing, and getting the new ventures underway.

As a result of Entrepreneurship Training Workshops, the Empretec's are motivated to remain in close contact in order to exchange information, give support or explore business opportunities. Towards this end, Empretec's organise themselves in associations. The entrepreneur associations constitute one of the most dynamic elements of the Programme and they provide constant feedback.

During the first year of Programme implementation, training and advisory services to the entrepreneurs are conducted in parallel with the development of the institutional base and the training and capacity building of local staff and counterpart institutions.

Careful attention is paid to the selection and training of local entrepreneurship trainers. The training-of-trainers programme (TOT) is conducted simultaneously with the training of entrepreneurs. Once the local trainer candidates master all aspects of training methodology and workshop dynamics, they are certified as local Empretec trainers. At this stage local training teams replace foreign trainers. TOT programme involves no less than three or four workshops.

The average cost of the Programme per country is estimated at US\$ 1,000,000 for three years. The local counterpart organisation usually contributes to some local costs mainly in-kind. After a consolidation period of three to five years, and as soon as a local team of certified trainers is available, the cost per year can be kept below US\$ 200,000, which can be covered by participants fees and contracts with major clients.

Although the above-mentioned strategy is common to all programmes, Empretec is generally tailored to the local situation and the characteristics of the counterpart organization. The different programmes develop their own products, and negotiate their individual concepts for institutional sustainability and enter into different institutional cooperation and service arrangements.

The Programme has an impact on the local economies in the form of entrepreneurs assisted, business generated, and jobs created. Empretec contributes to energizing the private sector and to improving the business environment in the countries where it operates. In particular, it stimulates business associations to enhance and expand support services to their SME members, and provides an important link between the established business community and the emerging entrepreneurial class, which has been given voice through the Association of Empretec's.

The following elements are basic to all Empretec-type programmes:

- Clear focus
- Selectivity
- One-stop enterprise support
- Strategic alliances
- Network of clients
- Network of consultants
- Sustainability
- Access to finance

2. Target beneficiaries

The project is aimed at stimulating the growth of new SMEs as well as existing companies. The primary target group are promising entrepreneurs (including women, university graduates, key personnel of existing firms) and SMEs within priority manufacturing and service sectors and with a potential for competitiveness in domestic or export markets. While Empretec does not render sector-specific services, special attention will be given to growing sectors in Jordan.

Other indirect beneficiaries include staff of cooperating support programmes, local trainers, bank loan officers and representatives of the public sector.

3. Project strategy and implementation arrangements

The Empretec Jordan Programme will be implemented in cooperation with a local counterpart institution, the **Jordan Loan Guarantee Corporation (JLGC)**, which will host the Empretec Business Centre. The project will be implemented by UNCTAD and executed by UNDP Jordan.

The **Jordan Loan Guarantee Corporation (JLGC)** is a public shareholding company, established under the Jordanian Companies Law and registered on 26 March 1994. Its mission is to enhance sustainable economic growth in Jordan through the provision of a range of economically viable guarantees covering domestic small and medium size business loans, export credits and related services. The JLGC objectives are “to narrow the gap between the banking sector on the one hand and the entrepreneurs of feasible SMEs on the other”, as well as “to enable the targeted businessmen obtain necessary finance easily”.

Advantages of cooperation between UNDP/UNCTAD-Empretec and JLGC:

- complementary expertise: financial services (JLGC) and non-financial services (Business Development Services, Empretec)
- long-term sustainability of counterpart institution
- access to target beneficiaries
- access to main financial institutions

Project cycle:

Phase I (year 1): Implementation of the Programme through the installation of the **Empretec Jordan Business Centre**, located in JLGC and the transfer of the Empretec methodology, including installation training package, conduction of three Entrepreneurship Training Workshops (ETW) for 25 participants each and training of local trainers.

Funding arrangements:

Phase I of Empretec Jordan will be executed and implemented over a period of one year by UNDP/UNCTAD in cooperation with the counterpart, with seed-funding of US\$ 200,000 from the Med 2000 Programme and JLGC contribution of US\$ 50,000 in-kind. In order to secure funding for phase II, fund-raising activities will have to be carried out