# Action Fiche for Jordan

## 1. IDENTIFICATION

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|---|---|---|---|
| Title | Support for enterprise and export development (SEED) in Jordan<br><br>(ENPI/2008/019-570) | | |
| Total cost | EU contribution: EUR 10 million financed from the SPRING programme 2011/2012[1]<br>Complementing the initial EU contribution of EUR 15 million[2] | | |
| Aid method / Management mode | Project approach: partial decentralised management | | |
| DAC-code | 25010 | Sector: | Business support services and institutions |

## 2. RATIONALE

In response to the Arab Spring, the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy presented two Joint Communications "A partnership for democracy and shared prosperity with the southern Mediterranean"[3] and "A new response to a changing Neighbourhood"[4]. These called for a qualitative step forward in the relations between the EU and its southern neighbours that should be rooted unambiguously in a joint commitment to common values. More flexible and tailored answers that differentiate among each partner country should be offered in order for the partnership to develop with each neighbour on the basis of its needs, capacities and reform objectives. Supporting sustainable inclusive growth and economic development with a particular emphasis on small and medium-sized enterprises is one of the key objectives laid out in these joint communications.

A key component of the EU's response to challenges in the southern Neighbourhood is the SPRING programme 2011-2012 (Support for Partnership, Reforms and Inclusive Growth), which was established as an innovative “umbrella” programme to channel additional funds to partner countries to support democratic transformation, institution-building and further growth, operationalising the incentive-driven approach provided for in the two Communications referred to above.

The proposed action is in line with these objectives in that it is a scaling up of the on-going SEED programme that aims at enhancing the competitiveness of the Jordanian

[1] C(2011)6828 of 26 September 2011.
[2] C(2008)6087 of 23 October 2008.
[3] COM(2011)200 of 8 March 2011.
[4] COM(2011)303 of 25 May 2011.

agro-industry and manufacturing micro, small and medium sized enterprises and strengthening representative organisations; promoting Jordanian exports in targeted markets and contributing to the reduction of the national trade imbalance. The SEED programme aims to achieve sustainable and broadly distributed benefits to the population through the creation of employment and income-generating opportunities in export industries. A financing agreement for the implementation of the SEED programme was signed with the Government of Jordan in December 2009 with an operational implementation phase of 42 months.

The programme and the proposed additional activities fall within the priority 2 of the Jordan Country Strategy Paper 2007-2013[5], Support to trade, enterprises and investment development and are fully in line with the SPRING priorities.

## 2.1. Sector context

Jordan suffers from a structural trade deficit. During the period 2008-2011, the trade in goods deficit measured as the difference between domestic exports and total imports stood on average at 41.5% of GDP. Jordan has been further affected by the global financial crisis. Exports only grew at an annual compound growth rate of 2% during this period, while imports at an annual average growth rate of 2.75%. The trade deficit is partially covered by a surplus in services, mainly remittances and tourism. In recent years the dynamism of the Jordanian economy has decelerated, and real GDP growth rate on annual average has only reach 2.6% during the period 2008-2011.

A key priority for the government of Jordan is to increase and diversify exports to assure the sustainability of the external accounts, correct the structural trade imbalances and turn exports into the engine of growth of the economy. For this it is imperative to strengthen and diversify the country's productive capacity and enhance the competitiveness of Jordanian firms, in particular of micro, small and medium enterprises (MSMEs). MSMEs drive and constitute 97% of the economic activity in Jordan. They employ up to 60% of the workforce and they represent a developmental priority on Jordan's agenda. The Jordan Enterprise Development Corporation (JEDCO) has been legally mandated by its law No. 33/2008 to undertake this mission.

The government of Jordan has launched a number of initiatives to achieve these objectives. The international crisis, and increasing competition in third markets and in the domestic market as well, gives urgency to double the efforts in this respect. Development of manufactured and agro-industry exports of higher value-added products is essential to assure a competitive place for Jordan in the international markets and to sustain adequate growth rates, while generating employment for an increasing highly-skilled labour force confronting the acute unemployment problem affecting the population, in particular the youth.

5 C(2007)672 of 27 February 2007.

## 2.2. Lessons learnt

The Jordanian authorities, with the support of the EU, have launched three programmes, managed by JEDCO, aiming at increasing and diversifying exports and to strengthen the institutional capabilities to provide upgrading services to MSMEs, and are seeking to ensure sustainability of private sector support activities. The services modernisation programme (JSMP)[6], whose implementation began in early 2008, aims to strengthen Jordanian MSMEs in service industries, working both on policy and regulatory issues as well as through the provision of direct support to companies. This programme is close to completion. The current support to enterprise and export development (SEED/JUMP II) programme, which will be extended by this action, targets manufacture and agro-business MSMEs. It builds on the EU-funded Euro-Jordanian action for the development of enterprise (EJADA) programme, which was completed in 2006[7]. It also aims at consolidating JEDCO as the leading SME development agency in Jordan. The programme, reinforce and expand the modernisation of the services sector in Jordan[8] seeks to consolidate the achievements of JSMP and to provide further support to services MSMEs to upgrade and internationalise.

The experience under JSMP and SEED/JUMP II demonstrate that the programmes are addressing a real need of Jordanian MSMEs, judged on the basis of the number of proposals received and the grants allocated under these programmes. Under JSMP a total of 956 proposals were received for the five grant schemes requesting a total contribution of EUR 41.6 million; and 175 grants given to beneficiaries for a total amount of EUR 8.74 million. Under JUMP II, up to date, 686 proposals have been received requesting a total contribution of EUR 28.3 million; and 120 grants given under the five grant schemes for a total amount of EUR 6.3 million. The proposals submitted until today under JUMP II would have implied a total investment by applicant of around EUR 109 million.

A preliminary assessment of the impact of the grants on the beneficiaries' performance and on the Jordanian economy suggests that most of the objectives of the programmes are being achieved, and that they are to a large extent contributing to MSMEs upgrading and internationalisation. An impact assessment has been performed for the "Quick Response Scheme", a pilot grant scheme that was designed to help JMSP testing all procedures related to a competitive award of grants and studying the needs of the services sector's SME, and their ability to apply EU procedures. According to the assessment, all grantees reported direct positive impacts 6 months after the action in terms of improved financial performance, increase in exports, entering new markets and establishing business linkages with foreign companies abroad, introducing new services and generating new jobs. The scheme generates about 40% co-financing from the beneficiaries.

Finally, but not less important, is that these programmes have significantly contributed to enhance JEDCO's institutional capabilities to provide support to MSMEs, and consolidate its role as the leading MSMEs development agency in

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6 C(2007)6207 of 14 December 2007.

7 PE/1999/2450 of 16 December 1999.

8 C(2011)8349 of 24 November 2011.

Jordan. JEDCO is well suited to enhance its role in providing upgrading and internationalisation support services to Jordanian MSMEs. It has enhanced its human resources capacities, and established adequate internal systems and procedures to effectively manage MSMEs support programmes. In 2012 JEDCO is among the three organisations short listed to the prestigious International Trade Center (ITC) Best Trade Promotion Organization (TPO) award for a developing country. The official result will be announced in October.

The Banking window initiative, developed under these programmes, aiming at raising SMEs readiness to access to competitive financing, and optimising the use of financial resources, including collaterals has been included in the EuroMed - Database of Good Practice in 2011.

### 2.3. Complementary actions

JEDCO, the implementing agency for the SEED/JUMP II programme and JSMP and JSMP II, has also a key role in the implementation of other donor-supported MSMEs development initiatives and in programmes launched by the government of Jordan. In this regard, is worth mentioning the USD 30 million USAID[9]-funded SME Financing Programme to be launched soon, and the five years JOD 150 million Governorates Development Fund, financed by the government of Jordan, which will be directly managed by JEDCO. JEDCO will seek to build synergies between these programmes, and restructure its organisation and operations in order to more effectively administer all the programmes under its responsibility. This will contribute to upgrading JEDCO institutional capabilities and to further consolidate it at the leading MSMEs development agency in the country.

### 2.4. Donor co-ordination

EU support to private sector development through JEDCO is strongly supportive of Jordan's national development strategies and priorities articulated through the “National Agenda” and the "We are all Jordan" initiative. The government's commitment to this strategic framework has been reaffirmed in a number of occasions; and the urgency of coherent private sector development policies has been highlighted in the light of current macroeconomic challenges.

Donor co-ordination is assured through a number of mechanisms. Co-operation between EU Member States in Jordan takes place through meetings chaired by the EU Presidency. Regular meetings of commercial counsellors ensure co-ordination on economic issues and related assistance matters.

The Ministry of Planning and International Cooperation established, in 2007, ten Government donor co-ordination working groups (GDCWG); to ensure co-ordination between major donors and the relevant ministries and institutions in a number of thematic areas, including Trade and Investment. The Donor/Lender Consultation Group (DLCG) continues to ensure co-ordination between major donors in a number of thematic areas, including private sector development.

[9] United States Agency for International Development.

# 3. DESCRIPTION

## 3.1. Objectives

The objectives of the initial SEED programme of 2008 remain valid, which are: 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.

The purpose of this action is to extend the programme and to further contribute to reinforcing JEDCO's institutional capabilities, and to building synergies with other programmes being implemented by JEDCO, in particular with the Governorates Development Fund (GDF).

## 3.2. Expected results and main activities

The extension of the programme and the additional resources will contribute to achieving the results expected from SEED as presented in the action fiche and financing agreement.

### *3.2.1. Component 1: Institution building and policy support*

JEDCO has been strengthened as an effective modern SME development agency and has been recognised by the government of Jordan as the country's central institution for enterprise and export development but additional support is needed in order to enable JEDCO to respond to new initiatives in the sector and to continue to properly manage the EU funded projects.

The three distinct sub-components identified in the original action fiche remain valid.

- *Main EU long- and short-term technical assistance*

The project includes a technical assistance contract targeting strategic management and human resources development within JEDCO. Under this component, the project will support JEDCO in the implementation of the GDF and in building synergies between SEED/JUMP II and that programme, and with other projects being implemented by JEDCO.

It is proposed to extend the on-going technical assistance for an indicative period of 2 years. Indicatively, the extension will include the presence of one long term expert (the team leader) and 150 short term expert (STE) man days to be deployed to support JEDCO or directly the programme beneficiaries'(MSMEs and business associations).

- *JEDCO staffing and running costs*

Institutional development will be continued through the provision of budget resources permitting to retain SEED staff required by specific project activities, and for financing the running costs necessary to cover the extension period.

- *Visibility, seminars, workshops*

Additional resources will be provided to JEDCO for the purpose of ensuring the EU supported action is well understood by the Jordanian business community, main beneficiaries of the direct support activities and networking opportunity.

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

This component includes but is not limited to start up, partnership and technology transfer, technology upgrading, productivity enhancement, internationalisation, 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 technical assistance and grant schemes.

Five grant schemes were designed during the implementation of the SEED Programme to support Jordanian SMEs and business associations:

Grant Scheme 1: Participation in trade missions and trade events
Grant Scheme 2: Support to export development including certification
Grant Scheme 3: Support to associations, federations, and joint initiatives
Grant Scheme 4: Support to micro enterprises and start up companies
Grant Scheme 5: Reinforcement

Additional resources will be provided to further call for proposals for Grant Scheme 2, Support to Export Development including Certification, Grant Schemes 4, Support to Micro Enterprises and Start-up companies, and 5, MSMEs Reinforcement.

The project will as well provide additional technical assistance to MSMEs in the areas above, and will support the establishment of a technical assistance facility to provide direct support to MSMEs in undertaking energy efficiency audits and for implementation of actions plans to improve the energy efficiency in production processes. This facility could also provide assistance for water use efficiency in MSMEs.

The project will support the establishment by JEDCO of a “soft” packaging centre, which will provide assistance to Jordanian MSMEs regarding packaging technology and materials. The centre will be depository of the required software and technical information, and staffed with technical personnel capable to provide technical and advisory services to MSME’s.

### 3.2.3. *Component 3: Support to the establishment of the Governorates Development Fund (GDF)*

In July 2011, His Majesty King Abdullah announced the creation of a JOD 150 million fund targeting the governorates to be implemented in partnership with the private sector. The GDF aims at creating sustainable jobs, leveraging the public-private partnership to improve the social development and enhancing the living conditions and standards of the governorates by introducing innovative financing tools and investing in income generated projects identified by the local community and expected to generate the maximum economic development, social welfare and financial returns. The GDF will invest in productive and income generating projects (SMEs and large projects) located in the governorates, whether start-ups or existing companies operating in the services, manufacturing, industrial and agro-business sectors.

In July 2012, by the Prime Ministry resolution number (617) JEDCO was mandated and instructed to design the overall structure of the GDF, to manage the day to day activities of the GDF "Fund Manager" and to be the anchor investor by representing the government interest.

JEDCO will establish business and development units in the governorates and will work in close co-ordination with the local communities, municipalities, consulting counsels and other social and development agencies located in the governorates to identify the potential projects based on the needs of the community and on the available human expertise, natural resources and governorates' comparative advantages.

The project will support the establishment and the implementation of the GDF in its initial phase, providing resources for staffing, allowing JEDCO to undertake outreach activities in the governorates. It will also provide funds for technical assistance activities for the benefit of the fund beneficiaries', as well as in support of JEDCO to effectively administer the GDF; including the development of the required legal framework. The project will not provide direct financial contribution to the GDF.

#### *3.2.4. Other*

The project includes an allocation for "contingencies" to allow some flexibility in the implementation. No additional allocation for audit and evaluation is requested, as this is covered by the on-going programme.

### 3.3. 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 JEDCO staff and technical assistance 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 co-operation and other deliverables.

***Risks:***

a) Security concerns prevent full and proper implementation of the project.

b) A lack of suitably qualified and experienced staff delays or prevents implementation of the project.

c) Stakeholders in the respective sectors do not co-operate and consequently prevent meaningful change and improvement.

d) A lack of a co-ordinated approach by the wide variety of stakeholders prevents or delays change in a cohesive and comprehensive way.

### 3.4. Cross-cutting issues

The project authorities will take due account of relevant cross-cutting 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.

### 3.5. Stakeholders

The key stakeholders identified for the 2008 SEED programme are still valid, these being, *inter alia*, Jordanian manufacturing and agro-business SMEs, as well as representative bodies, professional associations and institutions providing support services to the export sector.

## 4. IMPLEMENTATION ISSUES

### 4.1. Implementation method

The method of implementation will be partial decentralised management in accordance with Articles 53c and 56 of the Financial Regulation, except for the main technical assistance and audit and evaluation which will be contracted by the

Commission. An addendum to the on-going financing agreement will be signed with the Hashemite Kingdom of Jordan.

The Commission controls ex-ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex-ante control for procurement contracts > EUR 50,000 and may apply ex-post for procurement contracts ≤ EUR 50,000. The Commission controls ex-ante the contracting procedures for all grant contracts.

Exceptionally, at the request of the Jordanian authorities, the EU may act as contracting authority for specified activities under the Financing Agreement[10].

Payments are executed by the Commission except in cases where programme estimates are applied, under which payments are executed by the beneficiary country for operating costs and contracts up to the ceilings indicated in the table below.

The responsible 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 or of the equivalent functions within the delegated entity will be effective, so that the decentralisation 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 |

The change of management mode constitutes a substantial change except where the Commission "re-centralises" or reduced the level of tasks previously delegated to the beneficiary country under decentralised management.

## 4.2. Procurement and grant award procedures / programme estimates

(1) Contracts

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.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the European Neighbourhood and Partnership Instrument (ENPI) Regulation. Further extensions of this participation to other natural or legal persons by concerned the concerned authorising officer shall be subject to the conditions provided for in Article 21(7) of the ENPI Regulation.

(2) Specific rules for grants

10 In case the contracting authority will request the Delegation to launch Framework contracts on their behalf.

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions[11]. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

– - Financing in full (derogation to the principle of co-financing): The maximum possible rate of co-financing for grants is 80%. The Jordanian authorities and the EU 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 (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the General Budget.

– - Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 112 of the Financial Regulation applicable to the General Budget.

(3) Specific rules on programme estimates:

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 (i.e. the Practical Guide to procedures for programme estimates).

The EU financial contribution covers the ordinary operating costs deriving from the programme estimates.

### 4.3. Indicative budget and calendar

The total EU contribution to the programme is EUR 10 million, to be funded from the SPRING programme. The indicative breakdown is as follows:

| **Component** | **EU Contribution SPRING (EUR)** |
|---|---|
| **1) Institution-building and policy support (services, supplies)** | **1,427,250** |
| 1.1) Main EU long and short-term technical assistance | 677,250 |
| 1.2) JEDCO staffing and running costs | 700,000 |
| 1.3) Visibility, seminars, workshops | 50,000 |
| | |
| **2) Direct SME development and export support (services, grants)** | **7,370,000** |
| 2.1) Grants | 6,400,000 |

11 http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm.

| Component | EU Contribution SPRING (EUR) |
|---|---|
| 2.2) Technical assistance including the energy efficiency facility | 820,000 |
| 2.3) Packaging centre | 150,000 |
| | |
| **3) Support to the establishment of the Governorates Development Fund (services)** | **1,000,000** |
| **4) Contingencies (*)** | **202,750** |
| **Total** | **10,000,000** |

(*) The contingency amount can only be used with prior written approval of the Commission.

The indicative operational implementation period of the programme will be 36 months from the signature of the Financing Agreement.

### 4.4. Performance monitoring

The performance monitoring indicators developed for the current support to enterprise and export development (SEED/JUMP II) programme remains valid for this proposed extension. They include: decrease of national trade deficit, export and economic growth rates, improvement of social and poverty indicators, increased exports and or reduction of imports of competing products, increased and diversified export development and export promotion services provided by JEDCO to SMMEs, improved and regularly provided export market information services for SMMEs in selected promising sectors, diversification of exports products and markets, number of SMEs and micro-enterprises supported by region, number of start-ups facilitated and assisted, number of new foreign markets, number of new products exported, number of SMMEs newly operating in foreign markets, newly established partnerships with foreign enterprises initiated through the project.

Progresses are monitored through:

a) Project Steering Committee meetings.

b) Bi-annual progress reports submitted by JEDCO, 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.

c) Final report to be submitted at the end of the project activities.

The programme is also benefitting from the system of the external European Commission Results-Oriented Monitoring missions

### 4.5. Evaluation and audit

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

The programme will be the subject of external evaluations managed by the Commission services at mid-term period, and a final evaluation immediately after the final date of activities.

The programme is 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 Communication and Visibility Manual for EU External Actions[12]. Related costs will be met from Visibility budget.

[12] http://ec.europa.eu/europeaid/work/visibility/index_en.htm.