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**USAID/Jordan Local Enterprise Support Project
(USAID LENS)
Associate Award**

**QUARTERLY REPORT
July 1 – September 30, 2014**

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USAID/Jordan Local Enterprise Support Project (USAID LENS)

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July 1 – September 30, 2014

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Acronyms

AOR	Agreement Officer Representative
AVI	Association Viability Index
BDS	Business Development Services
BDSP	Business Development Service Provider
CAM	Competitiveness Appraisal Matrix
CBO	Community-based Organization
CDCS	Country Development Cooperation Strategy
CDS	Cities Development Strategy
CEP	Jordan Civic Engagement Project
CGAP	Consultative Group to Assist the Poor
CIBER	Competitiveness Impacts of Business Environment Reform
CIS	Jordan Civic Initiatives Support Program
CLA	Collaboration, Learning, and Adapting
CSR	Corporate Social Responsibility
DEF	Development and Employment Fund
E-TVET	Employment, Technical and Vocational Education Training Fund
EU	European Union
FHI 360	Family Health International 360
FI	Financial Institutions
FLGR	Bulgarian Foundation for Local Government Reform
FSA	Financial Sector Assessment
GAM	Greater Amman Municipality
GDP	Gross Domestic Product
GEDC	Governorate Economic Development Cooperation Forum
GIZ	German Society for International Cooperation
GOJ	Government of Jordan
ICMA	International City/County Management Association
ICT	Information Communication Technologies

IFC	International Finance Corporation
IR	Intermediate Result
JCP	Jordan Competitiveness Program
JEDCO	Jordan Enterprise Development Corporation
JEDP	Jordan Economic Development Project
JFRP II	Jordan Fiscal Reform Program II
JIB	Jordan Investment Board
JICA	Japan International Cooperation Agency
JLGFP	Jordan Loan Guaranty Facility Program
JTD III	Jordan Tourism Development III Program
LDD	Local Development Directorates
LDU	Local Development Units
LDVC	Local Development Voluntary Committees
LED	Local Economic Development
LENS	Jordan Local Enterprise Support Activity
LES	Local Economic Scorecard
LGDP	Local Governance Development Program
M&E	Monitoring and Evaluation
MEDA	Mennonite Economic Development Associates
MFI	Microfinance Institution
MFW	Microfinance Fund for Women
MIT	Mobile Interactive Technologies Group
MOA	Ministry of Agriculture
MOI	Ministry of Interior
MOMA	Ministry of Municipal Affairs
MOPIC	Ministry of Planning and International Cooperation
MSE	Micro and Small Enterprises
MSME	Micro, Small and Medium-Sized Enterprises
NAFES	National Fund for Enterprise Support
NBFI	Non-Bank Financial Institution

NGO	Non-Governmental Organization
OIRE	Office of International Research Ethics
OPIC	Overseas Private Investment Corporation
PLEDJ	Promoting Local Economic Development in Jordan
PPD	Public-Private Dialogue
PPP	Public-Private Partnership
RLDP	Regional and Local Development Project
SCALE	System-wide Collaborative Action for Livelihoods and the Environment
SME	Small and Medium-sized Enterprises
SMS	Short Message Service
SNA	Social Network Analysis
TA	Technical Assistance
TraiNet	Training Results and Information Network
UNDP	United Nations Development Programme
USAID	U.S. Agency for International Development
VCA	Value Chain Analysis
WEPIA	USAID Water Efficiency and Public Information for Action project

I. EXECUTIVE SUMMARY

The USAID Local Enterprise Support Project (USAID LENS) transitioned into project implementation phase with the roll out of its grants fund in Q4. The project received a total of 79 grant applications under RFAs for MSE Strengthening Grants and Financial Institution Development Grants. At the time of writing, the applications were under review by the USAID LENS Grants Evaluation Committee (GEC). The GEC has shortlisted 9 applications in the former category and 7 in the latter. The project expects to award grants before the year closes. In parallel, the project was developing 10 concept notes from partner municipalities for local economic development (LED) initiatives. Proposed initiatives were being refined in collaboration with partners.

The project also invested substantial time finalizing its Activity Monitoring & Evaluation Plan (A-MEP) for submission. This has included revisions to the logframe and development of indicators and targets, with collaboration of all components, the M&E team and Diana Rutherford, FHI 360 Research and Evaluation Specialist. The A-MEP was submitted to the client in mid-September, and the M&E team has now turned its attention to the development of data collection tools and mechanisms.

The project has also made progress in the implementation of its research agenda in support of the Collaborating, Learning and Adapting (CLA) process. The research team, working with an external research firm, Middle East Management and Research Consultants (MEMRC), finalized an extensive questionnaire for the project's much-anticipated MSE survey. At the time of writing, the questionnaire was being migrated to tablets for data collection and data analysis dashboards were being finalized. Fieldwork on the survey will begin in late October and be completed in mid-November. Meanwhile, the project received the finalized Sector Assessments and Governorate Profiles from local research firm Al Jidara. Two other pieces – LED Barriers and Alternative Resources Survey – were underway by short-term technical assistants (STTAs). Anticipated delivery is mid-October.

The project has also actively supported USAID/Jordan's recent efforts to strengthen the work of the Economic Development and Energy (EDE) portfolio across the board with participation in a three-day retreat at the Dead Sea to identify potential linkages and areas of collaboration/cooperation among projects and implementing partners. As well, project leadership and the M&E team have contributed lessons learned in the development of the project A-MEP to the Mission's efforts to strengthen its results framework.

On client request, the project is planning the public launch of the project in mid-October in the governorate of Zarqa.

II. PROJECT HIGHLIGHTS, ACHIEVEMENTS & MAJOR ACTIVITIES

Overarching

Monitoring and Evaluation

During Q4, the USAID LENS Monitoring & Evaluation team re-evaluated the project's existing logical framework (logframe). The project team and client agreed that the logframe required revision in order to strengthen its alignment with both the USAID/Jordan Mission framework and the project's theory of

change. This theory posits that expanding and strengthening inclusive growth networks in an enabling environment supports economic resilience and can help produce sustainable local economic development.

The logframe was revised to better represent the USAID/Jordan Mission Country Development Cooperation Strategy (CDCS) and to be more internally consistent with the project's systemic approach. Its reorientation to an activities/outcomes approach, rather than a component-based approach, more accurately demonstrates how catalyzing inclusive growth networks helps produce the intermediate outcomes necessary to achieve USAID LENS' stated objective.

The USAID LENS Monitoring and Evaluation (M&E) team has operationalized this logframe in a revised A-MEP. All project components contributed to the revision of the logframe, as well as the development of indicators, targets and PIRS in the revised A-MEP, which was submitted to the client on September 19. Both will be actualized in the knowledge management system, pending client approval. The monitoring and evaluation unit is now developing its data collection tools and methodology.

Communications

Revisions to the logframe have been well aligned with efforts to address one of USAID LENS' key communications challenges: during Q2 and Q3 the project noted several gaps in understanding between project philosophy, methodology and objectives, outlining the need for clear and concise messaging. Much of this confusion stemmed from the project's complexity and the presentation of the project's organizational components, rather than a portrayal of the activities expected to drive results and impacts. In Q3 and Q4, the communications team invested substantial efforts into developing project messaging and positioning statement to reflect the project's chief objective and to convey how the project achieves this aim – facilitating linkages, building capacity and strengthening the enabling environment – rather than on the internal organization of project components.

The development of strategic messaging facilitated the development of USAID LENS visual identity and the creation of basic informational project materials, all of which were collectively introduced to the client and the USAID/Jordan EDE community during an EDE portfolio retreat in September at the Dead Sea.

The communications team has also begun to develop USAID LENS' online presence. The creation of a micro-site (<http://www.jordanlens.org/index.php/en/>) in August for the purpose of grants solicitations may be the foundation for the further development of a website.

In September, the communications team received from the selected knowledge management system (KMS) developer a proposal for the development of the project KMS. The proposal includes a scope of amendments to the existing KMS (initially developed for USAID Civic Initiatives Support Program), as well as a scope for several new features. KMS development will proceed in four phases, with delivery of components occurring from early October through mid-January.

Research and Analysis

By the close of the quarter, USAID LENS had several significant research pieces underway. Research findings will provide project baseline data and inform the design of USAID LENS interventions in years to come.

MSE Survey: Despite the important role MSEs play in Jordan's economy, little is known about their specific characteristics and the business climate in which they operate. Effective project implementation

requires much improved knowledge about its target beneficiaries, and LENS has made an improved understanding of MSEs a project priority. The MSE survey will measure basic microenterprise demographics that are currently unknown about Jordan's vast MSE sector, among them; firm awareness of national policies; registrations (including reasons firms are not currently registering); ability to access markets; job creation potential; profitability; challenges to establishing vertical and horizontal linkages; quality of HR skills, and access to finance and other business development services.

In addition to its utility to the project, LENS anticipates that the survey will be a valuable contribution to the work of national development planners, line ministries, municipal planning and development authorities, business service providers, including financial institutions, and other donor agencies.

USAID LENS procured the services of local research firm MEMRC in July to develop the MSE Survey design and questionnaire, which were finalized in late September. Fieldwork will begin in mid-October and be completed in mid-November. The survey initially will be conducted in the project's three target governorates (Amman, Zarqa and Irbid), but will be iterated elsewhere as the project expands into new geographies.

Sector Assessment: Local research firm Al Jidara is conducting research to provide qualitative data to support the development of profiles for each of the project's four selected sectors: 1) tourism and hospitality; 2) transport and logistics; 3) food processing; and 4) ICT as an enabler. Sector assessment will help USAID LENS identify the most impactful sub-sectors in each and structure interventions in support of MSEs in each sector and understand policy and regulatory issues. Al Jidara is expected to submit a final draft in early October.

LED Governorate Profiles: Profiles of the project's three target governorates (Zarqa, Irbid and Amman) were completed in August by the local consultancy firm Al Jidara. The profiles provide social, economic and political data of each governorate and indicate their respective development challenges. Profiles will be used as a reference in the development of LED initiatives as well as to identify opportunities to support business development opportunities in the project's selected sectors. The approach to the governorate profiles will also be applied to other governorates as the project expands its targeted geographies in Year 2.

Preliminary Assessment/Research: Following a decision in July to expand the project's area of operation to the southern governorate of Tafilah (anticipated January 2015) and one other southern governorate by April 2015, USAID LENS project staff began reviewing assessments and reports from national ministry partners and other donor projects to develop a better understanding of project challenges and opportunities in Tafilah.

LED Alternative Resources Study: In September, USAID LENS procured the services of an STTA to research and analyze the range of financial resources available to municipalities to implement local economic development initiatives, as well as the process of fiscal transfer and the impact of recent reductions in central government transfers. The study also will identify LED resources that reduce municipalities' need to rely on fiscal transfers: these may include public private partnerships, corporate social responsibility (CSR) initiatives, tax collection, or other municipal fees and sources of funding from other government agencies. Findings and recommendations will be presented by mid-October. An international STTA will review the study and provide international context and best practices on LED

alternative resources, municipal budgeting practices, debt challenges, irregular fiscal transfers and timelines. The STTA will also focus on capacity building needs for municipal staff to develop alternative strategies and plans to finance LED at the subnational level in Jordan.

LED Barriers Study: In September, USAID LENS procured the services of an STTA to analyze overall economic, political, social barriers which limit the implementation and/or effectiveness of LED efforts. Findings will guide the project’s approach to supporting LED efforts and will help initiate discussions about economic, social and political barriers to LED in local context as well as highlight strategies to overcome these barriers. A first draft is expected in October, and a final draft before end 2014, following its vetting during a workshop with local stakeholders.

Gender Mainstreaming

USAID LENS is guided by the goal of improving the economic resilience of vulnerable populations in Jordan, especially women and youth, and facilitating their participation in and ability to benefit from economic growth to ensure long-term prosperity. The USAID LENS Gender Analysis, completed in Q3, demonstrated the potential challenges the project will encounter in advancing women’s active participation in civic and economic life and contributing to gender equality generally.

In order to ensure the engagement of women and youth in economic activity and public sector decision-making, and to contribute to greater gender equality, USAID LENS has instituted a practice of gender mainstreaming across all project activities during work planning for Year 2 as part of its strategic approach. In September, the project procured the assistance of a gender specialist to assist in the practical integration of gender perspectives into all aspects of the project: technical programming, communications and research, monitoring, evaluation and CLA.

The project also began revisiting all research, monitoring and evaluation methodologies to ensure that gender perspectives are integrated, and that data concerning gender issues will be adequately captured, analyzed and reported and can support the design of project interventions and the CLA process.

Component I: Increased MSE Growth

Sub-Component I.1: Policy Environment Enhanced for MSEs

MSEs have been largely excluded from efforts to reduce barriers to firm competitiveness. USAID LENS champions the easing or removal of policies and regulatory barriers to market entry, starting with those concerning registration and licensing and extending to MSEs’ ability to access finance.

Business registration in Jordan takes place through the Ministry of Trade and Commerce, Companies Control Department (CCD), and the Chambers of Commerce and Industry. Most of the procedures within this process are regulated by the issuing agency or chamber. The CCD is the governing institution for the initial step of registration, and is thus the primary counterpart for a Financial Services Volunteer Corps (FSVC) project working to reduce regulatory barriers to business registration in Amman (with plans to expand to Salt and Tafilah, the latter being a target governorate in Year 2).¹ FSVC is training CCD staff on

¹ The initial step to register a business, depending on the type of business entity, it is registered either at the General Registry office at Zarqa and Irbid Directorate of Industry and Trade for Sole Proprietor, or at the Company Control

customer service (front and back office); advising the CCD on the best approach to upgrade industry classification to International Standard Industrial Classification 4 standards (working on updating objectives); assessing the CCD's business registry and data flow; and following up with the CCD on recommendations issued during the IT consultations. USAID LENS sees the additional need to develop a service manual to facilitate the registration and licensing process, increase MSE awareness of procedures, enhance CCD website capabilities to meet user needs and to improve CCD staff standards and performance through IT development and technical support. The MSE component has drafted a concept note outlining these potential support mechanisms for the CCD in collaboration with the FSVC.

In late September, the MSE component also initiated discussions with the Central Trade and Industrial Registration Directorate at the Ministry of Trade and Industry to explore the potential to collaborate in easing procedures and regulations concerning the start-up of sole proprietorships.

USAID LENS also has identified the FSVC and the USAID Jordan Competitiveness Project as potential allies in a coordinated effort to achieve registration and licensing streamlining.

The project's Access to Finance component is also working closely with GIZ to discourage a government-proposed 3% VAT on disbursements or gross interest portion of repayments (vs. an actual tax on profit). Depending on the revenue model of the MFI in question, the VAT impact will be equivalent to an additional income tax of 12-25%. The A2F component has provided GIZ legal counsel with an analysis of the financial and operational impact of the proposed VAT, and a position paper will argue that VAT on financial transactions, especially credit, is not considered best practice and would negatively affect MFI sustainability.

The A2F component also has begun exploring potential areas of collaboration and cooperation with GroFin Jordan, an SME development financier providing technical assistance, credit and occasionally venture capital. GroFin currently operates in two USAID LENS geographies (Irbid and Zarqa) and selected sectors (tourism and food processing), with potential opportunities for linkages with MSE growth activities and enabling environment support in municipalities.

Sub-Component 1.2: Improved MSE Competitiveness

USAID LENS released and closed an RFA under the MSE Strengthening Fund (see Section IV. *Summary of Grants Implementation and Appraisal*).

Meanwhile, initial discussions with stakeholders in selected sectors have led to a clearer focus on opportunities to drive quick and impactful initiatives, particularly in the Food Processing and Transport and Logistics sectors. Notably, USAID LENS has reached agreement in principle with Safeway, with a view to signing an MOU making the supermarket a potential partner in supporting supply chain integration in the Food Processing sector and expressed willingness to support the development of MSE farmers and food processing cooperatives in a value chain. Safeway will support increasing the competitiveness of each in terms of quality and standards for processed food products supplied to Safeway supermarkets. Safeway is

Department hosted by Chambers of Commerce in Irbid and Zarqa for other types of companies. In Amman only one place for all type of companies, Company Control Department (CCD) at Ministry of Industry and Trade (just a physical presence for Sole Proprietorships).

the largest supermarket chain in Jordan, and is a major supplier to refugee markets in the north of the country. Its collaboration with USAID LENS represents a significant opportunity to expand the market of some food producers, and to allow local producers to benefit from Syrian markets, notably camps, which are presently served exclusively by suppliers outside the area.

Additionally, in a collaborative effort with the LED component, the MSE component has linked a partner municipality, Na'our (Amman governorate), to potential investors in the food sector. It has also initiated discussions on value chain development in the olive production sector with the head of the SME Industrial Association and Olive Press Syndicate and begun field visits to Irbid, including to local olive mills and presses to develop market intelligence. The team has also begun visiting cooperatives in Shola and Tabaqet Fahel municipalities to develop knowledge on end markets, current projects, previous grants and potential integration in selected value chains and collaboration with municipalities.

Following discussions with key sector stakeholders, the MSE component has developed a concept paper for a program to help MSEs in the transportation and logistics sector to comply with new international standards regulations concerning commercial vehicles and their drivers.² The paper is being discussed internally. The regulations will limit existing MSEs' ability to compete with large companies and will become barriers to entry for potential startups once the laws come into effect. The goal of USAID LENS' proposed program is to assist MSEs in the transport and logistics sector to sustain and grow in light of this new challenge.

Sub-Component I.3: Increased Access to Finance

An RFA for the Financial Institutions Grant was released and closed during Q4. (See Section IV. Summary of Grants Implementation and Appraisal.) Given its unique role as the Jordan Microfinance Network, USAID LENS is also likely to support Tanmeyah through an in-kind grant mechanism. Tanmeyah has tremendous potential to positively impact and support the microfinance sector, and USAID LENS' support for the network can contribute to several other project goals, such as MSE competitiveness, an improved enabling environment and expanded linkages and network strengthening. Throughout Q3 and Q4, multiple discussions with Tanmeyah and other A2F stakeholders identified three critical areas for USAID LENS support for the network: development of a sustainability plan, creation of a robust MFI database available to stakeholders in civil society and at various levels of government and MFI sector advocacy related to rules, regulations and legislation that impact the sector. Potential project support for Tanmeyah has been fully outlined in a concept note submitted to the client at the end of Q4. In October, an international consultant will travel to Jordan to meet with stakeholders and begin developing the network's sustainability plan. Based on the findings, the project will consider what kind of grant might be appropriate.

² The Jordanian government passed a regulation in 2011 (to be implemented in 2014) requiring commercial vehicle drivers to acquire new certifications. Moreover, according to new requirements imposed by the EURO-MED agreement on transportation, the Government of Jordan will also enforce regulations passed in 2006 requiring all new public export transportation vehicles to be equipped with a digital Tachograph device, which records speed, distance traveled, and driver activity.

Component 2: Improved Local Economic Development

Sub-Component 2.1: The National Policy Environment is Supportive of Local Economic Development (LED)

Updated Analysis and Presentation of LED Barriers (Activity 2.1.1c)

See Research and Analysis, p. 4

Local Economic Development Scorecard Design and Validation/LDU Functional Analysis Framework (Activity 2.1.1e / 2.1.2b)

USAID LENS began developing the LED scorecard in Q3 as a tool to set a baseline and guide future capacity building for LDUs in a variety of areas, including asset assessment, economic and financial planning, and gender mainstreaming. Likewise, the project initiated the process of reviewing the roles and responsibilities of LDUs to inform a more detailed analysis of LDU functions in specific partner municipalities and governorates. In Q4 the project began integrating the LED Scorecard and the LED Functional Analysis into a single “Municipal Index” tool. The LED component along with the monitoring and evaluation team is currently developing the index to be used on an annual basis to serve as a baseline to assess the level of technical assistance needed for each municipality. The Municipal Index will be validated with key stakeholders in an LED workshop in November. The scorecard tool will be a continuing activity to be updated with municipal partners on a biannual basis and will be shared during public-private dialogues.

Design Governorate Economic Development Coordination Forum (Activity 2.1.3a)

USAID LENS seeks to help coordinate actors and streamline relationships between national line ministries, governorates, and municipalities to create an LED-enabling environment: first, by outlining relationships, including the mechanisms by which information, resources, and responsibilities flow among these actors; and second, by working with stakeholders to streamline mechanisms, introduce best practices, and coordinate around specific tasks contributing to an LED-enabling environment. The Governorate Economic Development Coordination (GEDC) Forum is being designed by the project to involve municipal and governorate partners to collaborate with line ministries to host an annual forum for the discussion of relevant economic development topics in each governorate. USAID LENS has finalized the concept note for this activity and anticipates that three forums will take place in Year 2; one in each partner municipality.

Sub-Component 2.2: Local Governments Plan for and Support Broad-Based Growth

USAID LENS supports the development of an enabling environment through a range of interventions deemed most relevant to the needs and opportunities of the local community and business environment, as well as through building understandings with partners of how different LED modalities can be applied. In Q4 the project targeted the development of building a common understanding of LED and supported peer-to-peer learning to help build capacity of elected leadership and LDU staff to increase economic activity. At the end of the quarter, USAID LENS received concept notes from partner municipalities for LED initiatives, and these are now being refined in collaboration with partners. The LED component also initiated preliminary discussions with MSE sector experts on project support mechanisms for selected sectors.

LED Municipality Workshops (Activity 2.2.1a)

USAID LENS conducted three workshops in August (one in each target governorate) to facilitate dialogue around LED initiatives and design steps for partner municipalities to undertake initiatives in support of economic growth. Each workshop highlighted a range of possible LED initiatives that could be implemented by municipal partners. The workshops also featured the contributions of two international partner volunteers who presented specific LED best practices from case studies in the US that demonstrated some of the key processes associated with successful LED. Participants included representatives of municipal and governorate LDUs, and committed local government officials.

City-to-City Partnerships (Activity 2.1.1c)

USAID LENS organized a two-week exchange trip to Washington DC and Charlotte, North Carolina in September for Jordanian LED partners to learn about LED and local government in the US. Participants attended meetings, presentations and site visits with representatives from ICMA, NOMA (North of Massachusetts Avenue) Business Improvement District, the US Department of Commerce, Maryland Economic Developers Association, Maryland Department of Business and Economic Development, Maryland Director of Tourism, and the City of Annapolis, MD. The visit to Charlotte, NC included LED-focused sessions, presentations at ICMA's 100th Annual Conference and a full day of site visits and meetings with the City of Charlotte focused on LED and the University City Business Improvement District. In Charlotte, participants were apprised of the city's strong partnership with the university, which has supported city development by adapting its curriculum and training to meet the needs of the local private sector and the City of Charlotte.

Participants included representatives from the Ministry of Interior, Ministry of Planning and International Cooperation, Zarqa Governorate LDU, Irbid Governorate LDU, and Amman Governorate LDU, as well as three USAID LENS project staff. Participants will deliver trip reports, exchange evaluations, and action plans speaking to knowledge gained, lessons learned, and next steps for integrating these takeaways into their LED work in Jordan. The project will use the feedback provided in participant evaluations to refine the overall exchange process and inform the design of future exchange activities.

III. SUMMARY OF GRANT IMPLEMENTATION & APPRAISAL

USAID LENS is supported by a \$10 million grants program, under which grants will be awarded in multiple categories. The project grants manual was completed in Q3, and the project began implementing the grants program in Q4 with the publication of two grant solicitations in August (details of each solicitation can be accessed at (<http://www.jordanlens.org/index.php/en/grants-opportunities>)). The publication of RFAs was followed by two grants facilitations workshops.

USAID LENS received 15 applications under the **Financial Institution Development Grants** (August 11-September 11) and 80 under the **MSE Strengthening Fund** (August 18-September 17), and the USAID LENS Grants Evaluation Committee began reviewing a total of 79 administratively eligible grants in late September. The committee expects to begin awarding grants by end 2014; at the time this report was being prepared, the project had shortlisted 9 applications under the MSE Strengthening Fund and planned to recommend pursuing seven initiatives with four MFIs.

Additionally, a preliminary assessment of the support package for LDUs in each targeted governorate was completed in July 2014 as part of the in-kind **Governorate Support Grants** (for LDUs at the governorate

level). Each package is tailored to help each LDU to more effectively fulfill its mandate to coordinate, monitor progress, mobilize strategic partners and promote economic development efforts. Packages include basic equipment to help refurbish the LDU offices (as a pilot to be replicated in other governorates), support for re-branding the role and accessibility of the LDU, core training to assist in the implementation of functions and support for key staff to participate in the PMP certification program.

Municipal partners have also submitted to the project proposed LED initiatives for support within the framework of the **LED Initiatives Grants** (for partner municipalities). The proposals followed from LED workshops in August. USAID LENS has developed a preliminary overview of the proposed LED initiatives in each municipality and is validating proposals with each partner municipality. The validation process will be followed by the development of concept notes to be shared with mayors and municipal councils to earn buy-in and with the client to secure preliminary approval before finalization.

IV. CHALLENGES AND PROPOSED REMEDIAL ACTIONS

- 1. Delays in mobilizing support.** Especially relevant in support for governorate-level LDUs. The concept note, action plan and budget lines were completed and received preliminary client approval by July 2014. However, grants manual approval was protracted and followed by the required internal procurement process (i.e. for in kind grants) to build the budgets with reasonable cost estimates. Meanwhile, governorate LDUs had developed an expectation that grant implementation would proceed more quickly. It will be important to more clearly define the process to follow when applying the initiative with the LDU partners at the municipal level in order to maintain credibility and the pace of project implementation in the field.
- 2. Managing expectations and building understanding.** It remains critically important that project messaging is clear so partners have realistic expectations of what the project can and cannot provide in terms of support. The LED component is especially challenged in this area, as there still remain some expectations that the project would finance projects beyond just economic development initiatives. Meanwhile, there still appears to be a lack of understanding amongst local partners on basic LED concepts and the role of the project in supporting local initiatives. Many partner municipalities are still trying to identify ideas that can be supported by the project and, as a result, have changed the focus of their proposals several times. The project staff has explained on many occasions that the project cannot directly finance investment in private sector efforts, but can seek to leverage such investment through feasibility studies, business plans and helping identify other sources of financing. Despite such efforts the project is still facing challenges with some of the partners concerning what it can and cannot fund.

To help remedy these misunderstandings, the LED team is conducting more visits to partner municipalities to meet with the LDUs to help draft their ideas in a way that the project can support. It is also providing further support to the municipal LDU partners as they vet initiatives with mayors and municipal councils. In order to deliver a clear message to the partner municipalities, the LED team is drafting a project implementation letter (PIL) identifying the roles and responsibilities of both the project and the municipality in fulfilling the mandate of the project.

- 3. Many municipal LDU partners have said transportation costs/commuting expenses represent a challenge to participating in USAID LENS events,** as they have to cover their own expenses and

consider this a personal burden. USAID LENS is currently conducting all its workshops, meetings and focus groups within the governorate to reduce transportation expenses. Municipalities still claim they do not have budgets for such expenses and the process of seeking approval to use the municipality cars is overly bureaucratic.

V. IMPACT ACHIEVED AGAINST OBJECTIVES

As a newly awarded project, much of USAID LENS' efforts in Year 1 were devoted to start-up activities, such as: the implementation of the project's extensive research agenda; the development of the MSE and LED grants mechanisms and USAID LENS Grants Manual; the establishment of the project steering committee; MSE sector selection; and the design of the model for LED interventions, as well as the initial implementation of this model through the initial City Selection process, the development of LED scorecards, and implementation of the LED training agenda for partners at the municipal and governorate levels.

USAID LENS also completed the development of the USAID LENS Project A-MEP, including the identification of annual targets for the years 2015-2018. The first draft of the A-MEP was submitted to the client in September. Since that time, at the request of the Mission, the project has participated in workshops to help update the Mission PMP.

VI. NEXT QUARTER ACTIVITIES (October – December 2014)

Below is a brief summary of activities planned to take place during the October-December quarter.

Overarching Activities/Deliverables

- Project inauguration mid-October
- Public-Private Dialogue and Stakeholder Engagement
- Conclusion of grants evaluation and awarding of grants
- Finalization of A-MEP following client feedback
- Gender mainstreaming workshop and gender strategy
- Social network analysis

Component I: Increased MSE Growth

Sub-Component I.1: Policy Environment Enhanced for MSEs

- Continuation of business registration and process mapping
- Continuation of license process mapping
- Start cost-benefit analysis of business registration
- Initiation of sector-specific regulatory reform
- Initiation of institutional strengthening activities for BSPs
- Initiation of sector-specific MSE support initiatives

Sub-Component I.2: Improved MSE Competitiveness

- Final sector assessment and profiling
- Finalization of MSE survey and analysis

Sub-Component 1.3: Increased Access to Finance

- Independent Financial Inclusion Consultant Diana Deszo (formerly Senior Director of the SEEP Network) to visit Jordan October 19-30 to support Tanmeyah in business and sustainability planning.
- Release of vendor solicitation to support Tanmeyah in establishment of credit information system.
- Work planning with selected partners after awarding of grants.

Component Two: Improved Local Economic Development (LED)

Sub-Component 2.1: The National Policy Environment is Supportive of Local Economic Development (LED)

- Policy Analysis of Public-Private Partnership Laws
- Analysis of Draft Municipal Law
- Presentation of LED Barriers Findings
- Governorate LDU Empowerment Program Implementation

Sub-Component 2.2: Local Government Plan for and Support Broad-Based Growth

- LED Initiative Development and Implementation
- City-to-City Partnership to support LED initiatives
- LED Municipal Index
- LDU Municipal Strengthening Support Mechanism
- LED Thematic Workshops
- Development and Distribution of LED Knowledge Products