



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

**QUARTERLY REPORT  
October 1 – December 31, 2014**

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# **USAID/Jordan Local Enterprise Support Project (USAID LENS)**

## **QUARTERLY REPORT FY15 Q1**

**October 1 – December 31, 2014**

COOPERATIVE AGREEMENT AID-278-LA-14-00001

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## TABLE OF CONTENTS

ACRONYMS .....	III
I. EXECUTIVE SUMMARY .....	1
II. PROJECT HIGHLIGHTS, ACHIEVEMENTS & MAJOR ACTIVITIES .....	1
<i>Component 1: Increased MSE Growth</i> .....	1
<i>Sub-Component 1.1: Policy Environment Enhanced for MSEs</i> .....	2
<i>Sub-Component 1.2: Improved MSE Competitiveness</i> .....	2
<i>Sub-Component 1.3: Increased Access to Finance</i> .....	3
<i>Component 2: Improved Local Economic Development</i> .....	3
<i>Sub-Component 2.1: The National Policy Environment is Supportive of Local Economic Development (LED)</i> .....	3
<i>Sub-Component 2.2: Local Governments Plan for and Support Broad-Based Growth</i> .....	4
III. SUMMARY OF GRANT IMPLEMENTATION & APPRAISAL.....	5
IV. CHALLENGES AND PROPOSED REMEDIAL ACTIONS.....	6
V. IMPACT ACHIEVED AGAINST TARGETS.....	6
VI. NEXT QUARTER ACTIVITIES (JANUARY – MARCH 2015).....	7

## Acronyms

A-MEP	Activity Monitoring & Evaluation Plan
AOR	Agreement Officer Representative
APS	Annual Program Statement
AVI	Association Viability Index
BDS	Business Development Services
BDSP	Business Development Service Provider
BSP	Business Service Provider
CAM	Competitiveness Appraisal Matrix
CBO	Community-based Organization
CCD	Companies Control Department
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
FSVC	Financial Services Volunteer Corps
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
JOHUD	Jordanian Hashemite Fund for Human Development
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
LTRC	Land Transportation Regulatory Commission
M&E	Monitoring and Evaluation
MCI	Municipal Capacity Index
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
MOU	Memorandum of Understanding
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
PIL	Program Implementation Letter
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**

This quarterly report covers the period from October 1–December 31, 2014. The conclusion of fieldwork on November 30 for the USAID LENS Micro and Small Enterprise Survey is a key achievement of Y2 Q1. Data collected from micro and small enterprises was subjected to verification, cleansing and analysis throughout the month of December, and the project looks forward to sharing the findings of this unique survey with diverse local and international stakeholders over the coming months.

USAID LENS also concluded the scoring of grant applications received under its MSE Strengthening and MFI Institutional Strengthening Funds during the quarter and initiated due diligence with potential awardees, with the aim of awarding grants to recipients no later than February 2015. The project plans to strengthen and expand its grants program in Year 2 with the introduction of an APS structure, offering grants in several different categories and accepting applications on a rolling basis.

By the end of the quarter, USAID LENS was approaching agreement with institutional stakeholders on several key initiatives, including multi-faceted support to the Ministry of Industry, Trade and Supply and the Companies Control Department, as well as the Land Transport Regulatory Commission. The project was also nearing the conclusion of a Memorandum of Understanding (MOU) with a major supermarket chain to support the integration of local food processors into the grocer's value chain.

Meanwhile, the grant package for governorate partners was sent to USAID for approval in December 2014 following the completion of all necessary documentation. Comments and feedback provided by USAID have since been received and will be used to modify the grant package. The project team had been working on the amendments to the package, specifically the concept note and the budget, so that it can be reviewed by the client prior to being officially re-submitted. It is now anticipated that the work associated with this program could begin by early February 2015.

During the same period, the project began to prepare the ground for expansion into two new governorates in 2015. Project leadership introduced the USAID LENS Project to the governor of Tafilah as well as personnel of the Tafilah Governorate Local Development Unit in early December. These discussions, along with internal research to identify areas of potential impact, will inform project approach to the governorate and future strategy. Meanwhile, the USAID LENS team began research to develop profiles for the governorates of Ma'an and Karak. Preliminary findings from all three governorates will be presented and internally discussed in January 2015, and profiles and understandings gleaned from in-house research will inform the selection of the project's fifth target geography.

Finally, USAID LENS officially inaugurated its activities in the governorate of Zarqa with an event attended by US Embassy officials and a number of government officials representing key national partners, and began planning for the project's official launch in the governorate of Irbid. The latter will be integrated into a broader USAID/Jordan Mission trip to Irbid, involving all USAID/Jordan EDE activities in the governorate.

## **II. PROJECT HIGHLIGHTS, ACHIEVEMENTS & MAJOR ACTIVITIES**

### **Component I: Increased MSE Growth**

## Sub-Component 1.1: Policy Environment Enhanced for MSEs

USAID LENS is progressing rapidly towards the conclusion of the draft text for a Program Implementation Letter (PIL) between USAID/Jordan and the Companies Control Department (CCD) for an initiative to improve the efficiency of the business registration process for MSEs, increase awareness of public policy, and develop the department's productivity and capacity. This initiative emanates from a review of existing studies on constraints to business registration and licensing and interviews with employees and commercial lawyers involved in the registration process at the Ministry of Trade, Industry and Supply (MoITS), CCD, and one-stop shops in Irbid and Zarqa.

USAID LENS noted that one of the main constraints to registration is the plethora of written approvals from multiple governmental authorities, various on-site before and after inspections, and numerous steps required to register a trade name. A lack of clear guidance regarding the registration process, as well as inconsistency in knowledge and communications among concerned governmental employees themselves, exacerbates the complexity of registration. USAID LENS will be working with the Financial Services Volunteer Corps (FSVC) to assist the CCD to mitigate these challenges through the development of a service manual that clarifies the registration process for different types of business entities, outlines the tangible and intangible costs/benefits of registration, and provides answers to frequently asked questions (FAQs) on CCD services and units for different registration requirements along with a directory of locations, links, contacts and other information. The development of a service manual will be followed by a public awareness campaign to increase MSE awareness of the registration process and prepare potential entrepreneurs and proprietors to make informed choices in the registration process.

FSVC analysis has also shown that the CCD's technical capacity is an additional constraint on registration processes and efficiency. The CCD's current server is outdated and has limited storage capacity, leading to downtime when the server is not functioning and direct and indirect maintenance costs. The server is expected to exceed maximum capacity within five years. USAID LENS' provision of a grant for the procurement of a new CCD server will deliver both internal and external efficiencies; for the CCD, for registrants, and other governmental and civil entities.

The project continues to explore issues related to pre-requisites for registration in selected sectors, registration of sole proprietorships, workflow, and the potential for uptake of e-signature in collaboration with MoITS.

## Sub-Component 1.2: Improved MSE Competitiveness

USAID LENS has also reached in-principle agreement with Safeway, the largest supermarket chain in Jordan, on the parameters of a MOU to integrate food producers and processors into the supermarket's supply chains for two product lines: pickled vegetables and processed dairy products. Interventions within this initiative are expected to result in increased productivity, reduced post-harvest losses, increased technical capacity among agro-MSEs, improved product range and quality, more efficient processing and improved marketing, and additional income for producers and other actors in the targeted value chains.

In the transport sector, USAID LENS is drafting content of a proposed PIL between USAID/Jordan and Jordan's Land Transport Regulatory Commission (LTRC) concerning an initiative to support MSEs in the transport sector in responding to and complying with new local and international transport and logistics regulations. This initiative will deliver a nation-wide curriculum and a trainer certification program for the

land transport business in Jordan, boost the competitiveness and sustainability of MSEs working in the land freight sector, as well as the auto repair sector, where mechanics will be assisted in developing technical capabilities to install and maintain tachograph and other vehicle safety devices. The initiative will also increase the LTRC's long-term capacity to deploy a trainer's certification component to certify trainers in safety and quality standards. The PIL will be finalized and submitted to the Mission for consideration early in Q2.

USAID LENS has drafted an RFP and SOW for a consultancy to begin developing the requisite curriculum and training programs, and anticipates that the project will begin implementing the initiative in February 2015.

### Sub-Component 1.3: Increased Access to Finance

In December 2014, USAID LENS issued and closed an RFP for a feasibility study for the development and migration of the *Tanmeyah* database. The database will serve as an information-sharing platform, administered by *Tanmeyah*, and will support efforts to combat willful default and over-indebtedness and support enhanced sector reporting including risk and market analysis.

A recommendation to provide *Tanmeyah* with technical support to review and revise its strategic business plans and develop a sustainability strategy was approved in October 2014, allowing the project to move forward with a Simplified Network Assessment conducted by an STTA. The draft analysis was under review throughout December 2014, and USAID LENS expects to receive the final draft, along with recommendations, early in Y2 Q2.

## Component 2: Improved Local Economic Development

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

USAID LENS devoted considerable effort to analysis of policies affecting LED with a view to supporting municipalities in capitalizing on or alleviating the potentially negative impacts of existing legislation on LED.

A law concerning Public Private Partnerships (PPP) was endorsed in November 2014 to support linkages between both public and private sectors and to enhance economic sector performance and investments in the governorates. USAID LENS has identified the new law as a potential area for helping municipal partners and private sector at local levels to work more closely together, improve levels of service and enhance the management of municipal assets.

To clarify understanding of the law and to best determine how the project can support public-private partnerships at the municipal level, a thematic workshop will be held in January 2015 amongst key stakeholders and facilitated by consultants and experts competent in policy development and international best practice in the area of PPP. The workshop will assist governorate and municipal partners as well as key partner ministries to: (a) better understand LED potential within the context of the public-private partnership law; (b) identify types of PPPs that can be implemented by municipalities; (c) assess gaps within the new law, that can be also addressed later by bylaws and regulations; (d) introduce best practices; and (e) identify specific follow-up mechanisms by which USAID LENS can support governorate and municipal partners in deploying PPPs in their communities.

A new, government-approved draft municipalities law was updated in August 2014 and is expected to be submitted to the Jordanian Parliament for discussion in its regular session this winter. Of particular interest to USAID LENS are issues and articles in the draft concerning investment, LED, over-lapping authorities, independent financial management, local accountability, transparency and public access to information. USAID LENS is conducting an analysis of the legislation to understand how it may affect municipalities, especially their ability to mobilize and/or access resources, as well as project implementation. This analysis is expected to be completed by the end of January 2015. The analysis will facilitate USAID LENS' coordination with projects in USAID/Jordan's Democracy, Human Rights, and Governance (DRG) office to provide inputs to the draft law related to investment and financial resources. For USAID project purposes, an analysis of the law is important because it will clarify the potential role and opportunities of municipalities in making more independent decisions to attract investment, mobilize resources to support business development, etc.

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

Following the municipal engagement process and the selection of the ten (10) municipal partners in Irbid, Zarqa and Amman in June 2014, the project worked with representatives of partner municipalities to develop locally proposed initiatives. The concepts of these initiatives were finalized early in Q1, and the project procured the assistance of consultants to begin vetting the initiatives through a range of assessments (market demand studies, technical feasibility assessments, business model review, etc.) in order to make grant proposals specific, justifiable and to help ensure sustainability.

In addition to mobilizing targeted support for MSEs within each governorate and municipality, the project will consider financing additional initiatives in each partner municipality throughout the year, including the new additional municipal partners in Tafilah. The potential resources and expansion to an additional governorate(s) by April 2015 will also require the project to undertake LED initiatives that could begin as early as July 2015, depending on the start-up approach.

USAID LENS also initiated discussions with municipalities in Amman to begin developing a concept for the provision of training and facilitation of dialogue to support municipalities not selected as partners.

Throughout Q1, USAID LENS also developed and refined its public-private dialogue (PPD) concept, following discussions and focus groups with stakeholders. Early in Q2, the project plans to meet municipality and governorate stakeholders in each of the three governorates to assess their level of interest and commitment to the PPD process, and present PPD objectives, strategic goals and partner views of the feasibility/necessity of PPD in each municipality. This will help identify the municipalities willing and able to support PPD and help develop the PPD approach in each geography with a view to commencing PPD in at least some municipalities in Q2. A PPD facilitator has also been selected.

Technical components also worked with the M&E team on the development of the LDU assessment tool, which will be eventually integrated into the Municipal Capacity Index (MCI). The framework for the LDU assessment tool was developed and discussed during internal workshops that were held in December 2014. USAID LENS anticipates that the LDU assessment tool will be finalized in January 2015 and validated amongst municipal partners in February 2015.

### III. SUMMARY OF GRANT IMPLEMENTATION & APPRAISAL

USAID LENS includes a \$10 million grants program. The project grants manual was approved by USAID in Y1 Q3, and USAID LENS began implementing its grants program in Q4 with the publication of two grant solicitations in August. In Y2 Q1, the project short-listed five entities under the MSE Strengthening Fund and seven proposals under the MFI Institutional Strengthening Fund and began due diligence with grant candidates. The project anticipates awarding grants no later than end of February 2015.

In Y2, USAID LENS plans to modify the grants program to more effectively reach its target demographics by offering grants on a rolling basis through an Annual Program Statement (APS) and by expanding the type of grant opportunities. The mechanisms being developed include those described briefly in the table below. The communications unit has developed an exhaustive awareness plan to generate interest in the grants program. USAID LENS is also considering a grant opportunity exclusively for women business-owners and entrepreneurs.

<b>USAID LENS APS Grant Opportunities</b>			
<b>Grant Type</b>	<b>Target</b>	<b>Max. Amount (JD)</b>	<b>Max. Time</b>
<b>New Business</b>	Supports individuals/groups wishing to establish start-up businesses, with priority given to businesses in LENS selected sectors (food processing, transport and logistics and tourism). ICT projects that provide solutions/applications in support of business processes in the abovementioned sectors may also be considered.	JD 15,000 for non-existing businesses; JD 17,000 for existing businesses	12 months
<b>BSP Support</b>	Supports business service providers, including business and professional associations, business incubators, cooperatives, consultative centers at universities etc., engaged in promoting collective action among a number of MSEs and providing products/services to MSEs.	JD 50,000	3-18 months
<b>Fast Track</b>	Supports existing MSEs, whether formal or informal, through the provision of well-defined business development services. Services provided will strengthen MSE competitiveness through improving current operations and/or developing new products/services and/or aiding MSEs to access new markets.	JD 17,500	6 months

## IV. CHALLENGES AND PROPOSED REMEDIAL ACTIONS

- 1. Challenges with grants approach.** The number and quality of applicants under USAID LENS' first grants RFA showed that the project faces a challenge in terms of reaching its target demographic and making the application process accessible and worthwhile. To address this, USAID LENS is revising its approach to the grant process by developing more targeted grants opportunities (see Section III: Summary of Grant Implementation and Appraisal), simplifying application forms, and designing a comprehensive outreach and training plan to ensure that target audiences are reached.
- 2. Potentially detrimental effect of government-proposed 3% VAT on MFIs.** USAID LENS' Access to Finance lead has been 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%. USAID LENS has provided GIZ's legal counsel with an analysis of the financial and operational impact of the proposed VAT. In spite of the potentially detrimental effect of the VAT on MFIs, concerned stakeholders were unable to effectively introduce this topic during the Donor Coordination meeting. USAID LENS plans to address the issue with the mission and develop a plan to keep the matter on the agenda.
- 3. Delays in mobilizing support for municipal LDUs.** There were some delays in mobilizing support for municipal LDUs during this period. The project team worked closely with partner municipalities to develop the concept notes for LED initiatives, under the impression that implementation would begin with assessments and feasibility studies under the approved grant initiation. Preliminary work on the design of LED initiatives began in September but took considerable time due to the low capacity of the LDUs and the need to engage further with some of the partners. There were also some complications in identifying priority initiatives to develop given competing local interests. The urgency to mobilize support for partner municipalities also created expectations among many mayors that the process of developing initiatives would be quicker (as they expect to see tangible results in a short period of time). As part of the ongoing development of the initiatives, USAID LENS is procuring the services of various local consultants to provide technical expertise to validate and/or specify key technical needs associated with each LED initiative. This process will begin in January 2015; feasibility studies, technical assessments, etc. will be integrated into the grant package for each initiative and will provide clear steps for smooth implementation and sustainability.
- 4. Reconfiguration of internal team structure.** To optimize engagement and impact, USAID LENS is reconfiguring its internal team structure to have a more geographic focus, in which team members from the project's two components will develop a tailored, systematic approach to each governorate and municipality.

## V. IMPACT ACHIEVED AGAINST TARGETS

Data collection tools are being developed by USAID LENS' monitoring and evaluation and technical teams, and are expected to be finalized late January 2015. It is anticipated that data collection will commence in mid-February 2015. Therefore, USAID LENS expects to populate this section with data in the Q2 report. A dashboard created for this purpose, including all A-MEP indicators, has been developed and will include:

- The annual target for each indicator
- The actual achieved in the reporting quarter
- The project's five-year targets
- The cumulative actuals achieved against the five-year targets

## VI. NEXT QUARTER ACTIVITIES (January – March 2015)

Below is a brief summary of activities planned to take place during the January – March quarter:

- **Publication of USAID LENS APS:** The project plans to publish grants opportunities under the APS by early February 2015.
- **Public-Private Partnerships:** USAID LENS will host an introductory workshop in January 2015 on PPP to showcase potential impact, best practices, etc., and to work with partner municipalities and governorates on the development of this LED tool in their communities.
- **Public-Private Dialogue:** USAID LENS will introduce its approach to PPD to municipal and governorate stakeholders in mid-January to assess the level of interest among partner municipalities. The project will support the development of a localized PPD approach in interested municipalities.
- **Irbid project launch:** USAID LENS plans to host an official project launch for the Irbid governorate, leveraging a 3-day USAID/Jordan Mission trip to the governorate to review the work of the entire EDE portfolio.
- **Project expansion:** USAID LENS plans to expand into two additional governorates in Y2. At the end of Q4, preparations were already underway for expansion into the governorate of Tafilah (anticipated January 2015), and preliminary research was underway to inform the selection of one additional southern governorate, either Karak or Ma'an. The project will review initial findings in early January 2015 and expects to begin work in its fifth governorate by April 2015.
- **Gender mainstreaming:** In order to ensure the engagement of women and youth in economic activity and public sector decision-making, USAID LENS has instituted a policy of gender mainstreaming across all project activities for Year 2. However, the project also seeks to strengthen gender mainstreaming as part of its strategic approach to project implementation. In Y2 Q2, USAID LENS will conduct an internal gender audit (January). Results will partly inform a comprehensive gender mainstreaming workshop for all team members in early February.
- **Knowledge-sharing and exchange:** First City-to-City mission expected in March 2015.
- **Release of analyses from the MSE Survey:** USAID LENS will design information dissemination activities to determine the most effective strategies for sharing and discussing the MSE Survey results with various groups of stakeholders.