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**USAID/Jordan Local Enterprise Support Activity
(USAID LENS)
Associate Award
QUARTERLY REPORT**

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USAID/Jordan Local Enterprise Support Activity (USAID LENS)

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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
CDS	Cities Development Strategy
CEP	Jordan Civic Engagement Project
CGAP	Consultative Group to Assist the Poor
CLA	Collaboration, Learning, and Adapting
CDCS	Country Development Cooperation Strategy
JLGFP	Jordan Loan Guaranty Facility Program
CIBER	Competitiveness Impacts of Business Environment Reform
CSP	Jordan Civil Society Program
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
GIZ	German Society for International Cooperation
GAM	Greater Amman Municipality
GOJ	Government of Jordan
GDP	Gross Domestic Product
ICMA	International City/County Management Association
ICT	Information Communication Technologies

IFC	International Finance Corporation
IR	Intermediate Result
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
JCP	Jordan Competitiveness Program
JLGF	Jordan Loan Guarantee Facility
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
M&E	Monitoring and Evaluation
MEDA	Mennonite Economic Development Associates
MFI	Microfinance Institution
MSE	Micro and Small Enterprises
MSME	Micro, Small and Medium-Sized Enterprises
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
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
TrainNet	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 most significant development in the USAID LENS Project in Q2 has been the modification of its grants program, which has helped generate substantial interest in its target demographics. Three Annual Program Statements (APS), published in February 2015, had attracted hundreds of applications by the end of March, compared to a few dozen received under the project's RFA in August 2014. The APS opportunities offer grants in three categories, and the project has been encouraged by the response. USAID LENS is considering expanding the types of grants available under the APS mechanisms to better reach and serve Jordanian women.

USAID LENS continued to develop its plans for expansion into the governorates of Tafilah and Aqaba, anticipated in April/May 2015. Meetings with senior officials in these areas clearly indicated that the project will need to adapt its approach to meet the challenges and specificities of each region. In Tafilah, technical teams identified a number of focused initiatives that were presented to the governor and discussed internally for further feedback. The project also made two field visits to the sites of the proposed initiatives for further assessment. During a follow up visit in early March, the project discussed with the Tafilah governor potential next steps, including the expansion of the grants program to the region. As this report was being prepared, field visits to Aqaba were on-going.

In parallel, USAID LENS also began evaluating the challenges and opportunities in Karak and Ma'an in order to inform project decision-making as to where the project can best deliver impact for beneficiaries. The project is developing a recommendation to be shared with the client, and a final decision as to USAID LENS expansion into a sixth governorate is expected in early Q3.

USAID LENS' official project launch in the Governorate of Irbid took place in February 2015 at the Jordan Armed Forces Officers Club. The event was attended by senior USAID/Jordan mission officials, as well as senior Jordanian government officials, representatives of the project's municipal partners, as well as partners and beneficiaries from the private sector with whom the project has on-going initiatives. More than 250 guests attended an interactive session facilitated by the USAID LENS team, who presented potential initiatives with partner municipalities and the grants program.

Finally, USAID LENS received client approval of the Year 2 Work Plan in March 2015, and expects to receive approval of the project A-MEP in early April.

II. PROJECT HIGHLIGHTS, ACHIEVEMENTS & MAJOR ACTIVITIES

Component I: Increased MSE Growth

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

USAID LENS has begun implementing a multi-faceted initiative with Jordan's Companies Control Department (CCD) to improve the efficiency of the business registration process for MSEs. The initiative is designed to minimize constraints on the registration process, including a plethora of written approvals from multiple governmental authorities, various on-site before and after inspections, numbers of steps required to register a trade name, and limited technical capacity within the CCD.

In March, USAID LENS issued an RFP to replace the department's outdated server, which is overtaxed by demand on its limited storage capacity. The downtime and direct and indirect maintenance costs create inefficiencies in the registration process. The provision of a grant for the procurement of a new server will deliver both internal and external efficiencies: for the CCD, for registrants and other governmental and civil entities.

The project is also coordinating with the Financial Services Volunteer Corps (FSVC) to assist the CCD in mitigating the abovementioned challenges to the registration process. The project is developing a service manual that clarifies the registration process for different types of business entities, outline the tangible and intangible costs/benefits of registration and provides answers to frequently asked questions about CCD services and units for different registration requirements. The manual will also include a directory of locations, links, contacts and other information related to the registration process. The FSVC will supply training for CCD personnel on the proper use of the manual and other aspects of CCD customer service. It is anticipated that the content for the manual will be complete by the end of April, after which an RFQ for design and publication will be issued.

USAID LENS is now finalizing a draft Program Implementation Letter (PIL) to formalize the implementation. Meanwhile, the project continues to explore ways to maximize its impact on business registration processes. In collaboration with the Ministry of Industry and Trade (MOIT), the project has recently identified potential partners for collaboration in implementing electronic linkages among ministries to facilitate registration. Currently, the reasonable starting point for stronger electronic information sharing are Civil Status and Passport Department, the Jordanian Bank Association and the Driver and Vehicle Licensing Directorate; approvals from these ministries are the most often requested.

Sub-Component 1.2: Improved MSE Competitiveness

The project has also submitted to the client for consideration a PIL outlining USAID LENS' support for the Land Transport Regulatory Commission (LTRC). This is 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; and boost the competitiveness and sustainability of MSEs working in the land freight and auto repair sectors, 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 certify trainers in safety and quality standards. The project issued an international consultant solicitation for the development of the national curriculum.

In the transport sector, USAID LENS has also begun to explore the potential to support an initiative with logistics company Aramex. The initiative includes support for the Aramex Agents Program (an outsourcing program utilizing independent couriers in various governorates) and e-commerce solutions for MSEs.

The project publicly announced its collaboration with supermarket chain Safeway in March at its launch event in the Irbid governorate. USAID LENS plans a signing ceremony on a memorandum of understanding (MOU) to integrate food producers and processors into the supermarket's supply chains for at least two product lines: pickled vegetables and processed dairy products. Interventions 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 March, the project finalized a needs assessment and capacity building requirements, and facilitated a training orientation workshop between Safeway and agro-MSEs in Irbid to introduce the latter to aspects of food processing, production and supermarket supplier relationships.

Sub-Component 1.3: Increased Access to Finance

USAID LENS has finalized the selection of a consultant for the migration of the credit information database to Tanmeyah. As this report was being prepared, contract finalization was underway, with work expected to start in May 2015. 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. In relation to this, the project has also initiated discussions

with Tanmeyah about conducting a Risk Management workshop for MFI partners and is developing a statement of work in this regard.

The project has posted two RFPs for technical support and capacity building for the National Microfinance Bank (NMB) to create a Small and Medium Enterprise (SME) department and develop NMB's capability to receive client repayment via mobile phone. The project has also revised the proposed RFP for technical services to build capacity of Ahli Microfinance Company (AMC) in establishing an SME Unit.

In parallel, to complement grant awards work, discussions have begun with MFIs on future technical assistance that they would require in order to diversify their product lines, innovate and contribute to keeping themselves competitive in meeting MSE needs.

Component 2: Improved Local Economic Development

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

In Q2, USAID LENS undertook the following policy-related activities:

- **Dialogue on the Impact of the Public Private Partnership (PPP) Law on Municipalities:** USAID LENS conducted a thematic workshop on March 3 that was attended by 70 participants representing municipalities, key strategic partners (representatives of MOF, MOMA, MOPIC and MOI), private sector companies, NGOs and business associations. The objectives of the workshop were to: (1) create a better understanding of how to advance local economic development efforts within the context of Jordan's public-private partnership law (endorsed November 2014); (2) share experiences and best practices (local, regional and international) to help participants identify possible approaches by which to benefit from PPP mechanisms; and (3) determine how USAID LENS can assist municipal partners in furthering economic growth activities, including PPP opportunities. Some of the potential support mechanisms include: (1) helping municipalities develop a pipeline for potential municipal PPPs to be categorized by regions, size and sector; and (2) providing support in seconding financial analysts for municipalities interested in developing PPPs.

Discussion amongst participants during the workshop identified a number of recommendations that could be considered by national stakeholders in the further implementation of the PPP law. This includes: (a) expanding the authorities of the mayor and municipal councils related to PPP at the municipal level; (b) amending regulations of the financial operations of municipalities to align with private sector requirements; (c) establishing a fund to support PPPs within municipalities; (d) establishing a unit to support partnerships between municipalities and the private sector within MOMA; (e) and developing a regulation that mandates deducting part of PPP profits for municipal employees who work in the development units. Further research and dialogue on such recommendations will be required in order to move along efforts to encourage public private partnerships.

- **Impact of Draft Municipal Law on Local Financial Resource Mobilization:** Preliminary discussions took place amongst project staff on the impact of the Municipalities Draft Law on local municipalities concerning their role in mobilizing economic development efforts. The discussions focused on the current status of the draft and identified areas where project engagement might be warranted, including potential policy interventions. Some of the preliminary ideas around these internal discussions focused on: (a) potential support for MOMA in establishing regulations that employ articles of the law to support activities which accelerate economic growth efforts; (b) linking institutional strengthening efforts to partner municipalities in ways that increase their financial management, investment attraction, and asset management capacities; (c) supporting partner municipalities in

adapting best practices by introducing successful international and regional modules; and (d) supporting capacity building activities that help partner municipalities to endorse adaptation of local laws and parallel regulations. Some of these ideas will be further defined during sessions in the next quarterly period supporting a more robust policy framework.

- **Municipal Revenue from Advertising:** Project staff members have begun internal discussions concerning the laws and policies for municipal use of advertising spaces, which represents a potential source of additional revenue for municipalities in Jordan. More analytical work will be conducted on the types of advertising that is possible within municipal jurisdictions and the legal process involved to allow municipalities to raise such revenues. This policy topic will be discussed further during upcoming efforts to develop a more robust policy framework moving forward.

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

USAID LENS received client approval on the proposed Municipal and Governorate Local Economic Development Unit Empowerment Packages. The package includes in-kind and technical support and training that should aid local economic development officials to better plan for local economic development. The combination of support and training will be adapted as per the needs of each partner. The project plans to proceed with rolling out this package with all municipal and governorate partners in early April.

Five local economic development practitioners visited Jordan in March to work with project staff and representatives of partner municipalities to advance the design and implementation of municipal initiatives to support economic growth based on their own experiences and similar challenges. USAID LENS is drawing upon the resources and support of US municipalities to further knowledge transfer, institutional strengthening and support for the design and implementation of local economic development initiatives amongst partner municipalities in Jordan. The mission – involving representatives of the municipalities of Pocatello (Idaho), Normal (Illinois) and Hooksett (New Hampshire) – was designed to provide ongoing support to the project’s partner municipalities. The US cities were selected based on their compatibility with partner municipalities. It was the first actual engagement between the municipal partners from Jordan and the selected US partner municipalities. (A delegation representing Jordanian governorate LDUs was previously introduced to the CityLinks program during their mission to the US in September 2014 where they learned more about how local economic development is enabled by municipalities, including intergovernmental frameworks, coordination efforts and locally-driven best practices). During the exchange visit in March, representatives from both the US and Jordanian municipalities involved shared common challenges and tactics, as well as identified potential next steps for the municipalities in Jordan in advancing their economic development priorities based on more effective dialogue with the private sector and use of evidence-based rationale in the design of their activities.

USAID LENS met with all partner municipalities in January 2015 in the three (3) governorates to: (a) assess their level of interest and commitment to the public-private dialogue process; (b) present PPD objectives and strategic goals; and (c) seek municipalities’ views of the feasibility/necessity of the PPD in each municipality so that the project could allocate the appropriate support to begin supporting such meetings in Q2. Generally all partner municipalities expressed interest, but several opted to postpone due to their existing workloads. However, the first PPD took place in Al Amriyeh municipality on March 12. Private sector employers, municipal and city council members attended the session and came up with a number of potential initiatives to be implemented through the support of the project. Attendees included:

1. Five (5) municipal employees including the Mayor, LDU staff and senior staff
2. Two (2) members of the city council (including one woman)
3. Six (6) members from the private sector

4. One (1) CBO founder
5. Four (4) members from the public sector (including one woman)
6. Two (2) USAID LENS project staff: Tom Monastyrski and Salah Jamani
7. Two (2) LED Practitioners from Hooksett, NH: Dean Shankle and Kathryn Rosengren

USAID LENS is following up with other municipalities to set dates and provide further support to launch the PPDs as they are able.

III. SUMMARY OF GRANT IMPLEMENTATION & APPRAISAL

USAID LENS published three Annual Program Statements (APS) on February 2. The three APS are designed to more effectively reach the project’s demographics, following a disappointing response to its RFA published in Y1, Q4. Grant applications will be accepted on a rolling basis over the course of a year, and the type of grant opportunities have been expanded to include the three mechanisms outlined in the table below.

USAID LENS APS Grant Opportunities			
Grant Type	Target	Max. Amount (JD)	Max. Time
New Business	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
BSP Support	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.	JD50,000	3-18 months
Fast Track	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.	JD17,500	6 months

At the close of Q2, the project had received 601 applications, the majority of which (440) were new business applicants. The APS are currently active in USAID LENS target geographies of the governorates of Irbid, Zarqa and Amman (outside of the Greater Amman Municipality), and the project plans to extend it to

Tafilah and Aqaba early in Q2, providing that sufficient internal support is in place to manage the evaluation process efficiently and effectively.

In parallel with the revision to the grants application solicitation mechanism, USAID LENS has revised its approach to grants evaluation to meet the needs of applicants. Focus groups and feedback during solicitation workshops indicated that applicants in the project's target geographies are often less familiar with grants and the processes associated with awarding a grant. Moreover, applicants in the project's geographies, while seeking to better develop their livelihood opportunities, may lack familiarity with the customary language and/or concepts related to business. To alleviate this barrier, USAID LENS is implementing an evaluation mechanism for new business applicants that allows the most-promising short-listed candidates to pitch their ideas in person to the Grants Evaluation Committee during regularly scheduled evaluation meetings in each governorate.

While the project is satisfied that the revision to the grants mechanism has helped to better reach target demographics, it has also introduced new challenges, which the project is taking measures to address. These are outlined in *Section V. Challenges Encountered and Proposed Remedial Actions*.

IV. CHALLENGES ENCOUNTERED & PROPOSED REMEDIAL ACTIONS

- **Grants program:** While USAID LENS has been satisfied with the response to the publication of the APS in February, it has encountered four key challenges that can be outlined as follows:
 - **Applicants' use of consultants:** USAID LENS has become aware that in at least one governorate (Irbid), several applicants have depended on the use of consultants/accountants to complete the application form. The use of assistance is not prohibited. However, the project remains concerned that consultants claiming to have experience in preparing grant applications for MSEs and charging exorbitant fees may discourage potential applicants or unnecessarily put an applicant out of pocket. The project has integrated clear messaging into its written material concerning the grants and in its solicitation workshop that clearly discourages the use of paid consultants to complete the application form. Additionally, applications that exceed three pages are subject to administrative disqualification.
 - **Application volume:** The volume of applications received under the APS is stretching the capacity of the existing grants and technical teams. The grants team has hired two interns to deal with the more mundane aspects of grants management, such as data entry. The project has also advertised for technical grants coordinators who will be able to support the initial technical evaluation of grants and participate in diagnostic visits for Fast-Track applicants. The on-boarding of a new Senior Operations Director should also help identify and eliminate bottlenecks in the grants processing mechanism.
 - **Signing authority:** USAID LENS regards the assignment of grants signing authority to FHI 360 home office as another potential bottleneck for the grants program. The project has forecast its monthly grants spending at approximately \$500,000; or approximately 30-60 grants awards per month under the APS. USAID LENS, USAID/Jordan and FHI 360 are currently collaborating to devise an acceptable signing mechanism that would ease the pressure on FHI 360 home office and increase efficiency in the grants evaluation and awards process.
 - **Misrepresentation of grants by external parties/expectations management:** Unexpected turnout at a grants solicitation workshop in one (non-partner) municipality suggested to USAID

LENS that external parties may be using the grants opportunities as a political lever at the local level. The project is now reinforcing the message that such use of the USAID LENS grants program is detrimental to the project's ability to function in already challenging areas, to the project's beneficiaries and to those who might be leveraging the grants program for political purposes. The incident has also illuminated the importance of taking a measured and strategic approach to introducing grants into new geographies (Tafilah, Aqaba) where livelihood challenges are numerous and disenchantment with donor programs is high.

- **Municipal initiatives:** Feasibility studies and assessments for proposed municipal initiatives were found to be insufficiently focused on market demand and risk/opportunity during internal reviews. While it was apparent that municipal initiatives were feasible, they are not necessarily sustainable if managed by the municipalities. Consequently, the project has requested the consultants engaged for these studies to introduce these elements, as well as the potential for private sector involvement in their development. Once such clarifications are made, USAID LENS will determine what support is required for these initiatives, if any.

V. IMPACT ACHIEVED AGAINST THE OBJECTIVES

Data collection tools are being developed by USAID LENS' monitoring and evaluation and technical teams, and are expected to be finalized in July/August 2015; data collection will begin once the tools are finalized. Therefore, USAID LENS expects to begin populating this section with data in the Q3 report. A dashboard, including all A-MEP indicators, has been developed for this purpose 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

Policy Orientation Workshop: The project plans to hold an internal workshop, facilitated by a policy consultant, to strengthen project staff's ability to understand principles of the legislative system and process and policy support within the development context, learn how to identify a policy issue, and develop a better understanding of tools available for policy intervention.

MFI grant requests: Publication of RFPs for Tamweelcom and Micro-fund for Women, anticipated in May, with selection anticipated in June.

Support for Tanmeyah: Work on the credit information database will be conducted in May-June, with final deliverables anticipated in July. Anticipate management of consultant for development of credit information database for Tanmeyah and continued coordination with the network in support of its advocacy efforts to provide for a continued sales tax exemption for MFIs. A2F will continue to work with Tanmeyah in support of building institutional relationships with the MIX and Social Performance Task Force (SPTF), and other internationally recognized associations as appropriate. A2F will further engage with National Microfinance Bank on discussions of integrating non-financial service training into their operations.

MLDU/GLDU Support: Anticipate implementation of MLDU/GLDU Institutional Strengthening packages. The package includes a set of core and optional trainings (related to proposed initiatives and/or

identified needs) as well as basic equipment, modest office renovations and communications support (website, outreach, etc.) to help the units, both nationally and regionally, to more effectively carry out their mandated functions.

MSE Survey Expansion: The MSE Survey will be expanded into Tafilah, Aqaba and Karak with a panel study of approximately 2,400 firms in these three additional governorates.

[End of Quarterly Report]