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PRIVATE ENTERPRISE TECHNICAL RESOURCE

ASSISTANCE (PETRA)

EVALUATION

FINAL REPORT

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## I. Findings and Conclusions

**A. General:** The PETRA Project has now been under active implementation for over one year. It is the view of the evaluation team that the learning stage has now passed, that the PETRA Office should be operating with increasing efficiency and decreasing USAID involvement and that the PETRA Office and PETRA Committee should have by now forged an effective working relationship, which provides for clear committee guidance of PETRA operations and clear lines of communication between the committee and office management.

Overall, the PETRA Office must improve efficiency in order to better serve the target community. This is especially true in light of the successful marketing campaign which the office undertook. This campaign resulted in over 300 new applications for PETRA funding for the first quarter of 1988. This is compared to 280 applications for the previous seven months, June - December 1987. In other words, the application load being managed by the office has increased dramatically from an average of 40 applications per month for 1987 to 100 applications per month through the first quarter of 1988.

The project was designed to assist private sector Jordanians start, improve or expand their businesses in Jordan. In the absence of a model for the "venture capital type" approach envisioned, the PETRA Office was obliged to operate in an ad hoc fashion, considering each situation, each proposal as unique. Where this ad hoc approach did work at the start, the absence of standard procedures and techniques for comparing and evaluating proposals means that the process is comparatively slow. At this point it is too slow to cope with the volume of applications.

The following obstacles to increased efficiency currently exist in the PETRA Project:

### 1. PETRA Office

a. Staffing - The PETRA Office is understaffed for the volume of applications now being received during the period of this evaluation. This is resulting in slow processing time for applications and allows little time for project monitoring and evaluation activities. Any subsequent evaluation should take up more completely the whole issue of office staffing including the appropriate mix of personnel required for the office to function efficiently and effectively. In general, the office should have monitoring and evaluation personnel as well as access to accounting and legal services.

b. Internal Office Management - Related to the above is day-to-day office management. PETRA is innovative and wide-reaching but can do little more without established standards and procedures in place to facilitate functioning of the project office. It is the observation of the evaluation team that PETRA staff time is not managed efficiently and that the PETRA staff does not always work effectively. This is partly due to overall staffing levels but also due to internal management procedures which should be refined and sharpened to better utilize office resources. At present too much USAID staff time is still being spent with PETRA staff on a day-to-day basis because adequate management systems have yet to be adopted. Management issues need to be identified by office management and presented to the PETRA Committee for resolution/approval.

2. PETRA Committee - The PETRA Committee should become more involved in project/office management issues; i.e., adoption and approval of subproject selection, evaluation and monitoring criteria; long range strategic planning for the overall project; office staffing and training, etc. At present the committee's agenda each meeting centers primarily on the approval/disapproval of subproject applications. The office and the committee must forge a working relationship whereby management and planning issues/problems can be brought to the committee's attention and the committee can in turn give direction and guidance to the office. It is recommended that subcommittees be established to work with the office in such areas as personnel and staffing, small loans, financial operations, office administration, agricultural loan reviews, industrial loan reviews, etc.

3. Criteria - Specific to the above, the office and the committee should agree on more stringent criteria for the preparation, evaluation and monitoring of individual subproject applications. At present, while criteria does exist, it is not firmly imbedded in the system as yet. Each proposal is treated as unique rather than according to a standard procedure. Consequently, there is little uniformity in presentation which precludes comparisons to other proposals.

4. USAID Role - The project is still consuming too much USAID direct hire staff time. It was originally envisioned that USAID staff time would be phased down as the project gained maturity. This has not yet happened.

**B. Principal Findings:** It is the feeling of the evaluation team that the general assumptions about the project remain correct and that overall the project has matured and begun to make progress. There is no call at this point for a project paper revision. There should be, however, a formal comprehensive evaluation scheduled for the future. Such evaluation should be detailed and cover all aspects of project operations.

With regard to specific areas of inquiry set out in the scope of work, the findings of the evaluation team are as follows:

1. It is concluded that the PETRA staff generally conducts thorough investigations but that the analyses presented to the committee contain gaps in information. In a few cases proposals were submitted to the committee without satisfactory investigation. Project analysts should be thorough in this regard and follow standardized guidelines (check list) for proposal evaluation.

2. The average processing time for approved activities is 75 days, due to a combination of factors both internal and external. There is no definite distinction in processing time between projects according to the level of funding or type of financing. There are projects which have been pending for more than one year, and there exists a backlog of over 200 applications. Of this number 100 applicants have yet to be interviewed. The average time for the staff to reject a pending project is 85 days; i.e., it takes 85 days to say "no" to bad proposals. It is the opinion of the evaluation team that these times are long and measures should be taken to expedite application processing. Suggested actions:

A. Limit the number of new projects to be submitted to the PETRA Committee to say 10 and ensure that these proposals are well prepared.

B. Establish a small loan subcommittee with approval authority up to \$75,000 to accommodate the large number of small projects.

C. Applicants should be required to submit requested materials within two weeks of PETRA Office contact requesting such materials. If the applicant does not respond within this timeframe the applicant should be notified. If no response is forthcoming then the application should be rejected.

D. Establish a regular committee meeting date, say the first Sunday of every month.

3. The PETRA application is a simple one sheet questionnaire. The application does not provide information to the applicants on the types of projects eligible for PETRA funding. The application should also include questions, in simple format, on costs, markets, sales and profitability. This will reduce the number of noneligible applications and avoid public dissatisfaction.

4. The PETRA staff do not have specific guidelines to prepare proposals for submission to the committee. It is the opinion of the evaluation team that a standardized format for proposal evaluation and presentation be followed. This should be cleared by the committee.

5. It is the opinion of the evaluation team that a small projects fund set aside is not needed at this stage. The type of applications received by the PETRA Office is a good mix of small, medium and large projects.

6. It is recommended that for projects of \$15,000 or less that the committee chairman be given approval authority. Projects up to \$75,000 should be reviewed and approved by a small loan subcommittee.

c. Recommendation:

To manage the current workload the PETRA Office operating procedures must be modified. Based on the testing and experimentation conducted during the start-up phase, two principal options have emerged as possible alternatives: (1) turn the PETRA Office into a true intermediate credit institution, or (2) reorganize the PETRA Office into a foundation which handles grants and wholesales the loan portfolio.

OPTION 1: Intermediate Credit Institution. The problem here is primarily a manpower/skill mix problem. At this point, the Project has established a pattern of demand. From this, the Committee and Office can design a standardized set of procedures and focus the evaluation criteria more narrowly. However, a senior advisor with loan officer/venture capital experience, and a monitor/evaluation officer will be required to fully staff the operation. It is the belief of the evaluation team that this would be sufficient to bring the manpower and skill mix in line with current project activities. The majority of the recommendations and findings of this evaluation assume this approach.

OPTION 2: Foundation. Establishing a foundation would significantly reduce and alter the PEIRA Office work load. It would transfer the loan portfolio to other institutions currently performing credit analyses by making block grants under special terms. The PEIRA Office would then monitor the loan portfolio and would continue to manage the grant portfolio (the Office was originally intended to manage grants only).

Either approach needs further examination, but a decision on how to proceed must be made within the next month, and its execution effected no later than October 1, 1988.

5 A

**II. Scope of Work-Methodology:** The purpose of this evaluation is to examine the progress made over the last year in implementing the PETRA Project through examination of the PETRA projects portfolio, office procedures and management, the functioning of the PETRA Committee and USAID's role in project implementation and monitoring. The scope of work provides for a progress evaluation to be undertaken to assess current project status. This will involve examination of project files and records for specified areas of inquiry, examination of management systems and interviews with individuals concerned with various aspects of the project. The evaluation team carried out the following scope of work.

**A. General Areas of Inquiry**

1. Are the general assumptions about the project still correct? How does the project look overall?
2. Is there a need for a PP revision?
3. Is there a need for a formal/comprehensive evaluation at a future date?
4. What policy issues need to be addressed (interest rates, sustainability of the project past PACD, etc.)?
5. What day-to-day operational/office management issues are observed? (For example, does the absence of an office vehicle impair performance and the meeting of project objectives?)

**B. Client Profile**

**C. Proposal Preparation and Quality:** PETRA was established to help Jordanian businesses generate employment, earn or conserve foreign exchange, and/or improve the way Jordan does business by financing business proposals that are designed to develop new businesses and product lines or improve existing products and processes. Although it is too early to evaluate actual project impact, there is a sufficiently large portfolio to begin to draw some conclusions about regional disbursement of project funds, the typical business size, sectoral concentration, anticipated employment generation, etc. The following questions are addressed:

1. Is the PETRA Office developing and presenting high quality proposals to the committee for consideration? This included review of (1) the need for a standard format for presenting projects, (2) dollar/dinar thresholds for required pieces of information (e.g., market studies, extent of feasibility work) submitted on a given project, and (3) whether current levels of investigation provide sufficient information to the committee on which to base a decision. This activity included a random sample of proposals and a review of how the office is handling the current mass of small project proposals now being submitted.

2. Are proposals being developed expeditiously? What is the average processing time for approved activities by funding level (e.g. \$0-5,000; \$5,000-15,000; \$15,000-30,000, etc.). Are there any points where processing could be speeded up? Are projects held too long in pending status?
3. Is there a need for a revamping of application procedures to accommodate small project proposals?
4. Are guidelines for submission of proposals being followed? Are interested applicants being furnished guidelines? Do guidelines provide a standardized format for proposals?
5. Is a standard format needed for presenting projects?
6. Is there a need for a small projects fund set-aside? What recommendations if any should be made for establishing a small loan window?
7. Should there be dollar/dinar thresholds for required pieces of information submitted on a given project?
8. Do current levels of investigation provide sufficient information to the committee on which to base a decision?
9. How are disapproved applicants handled?

D. Financial Evaluation: Will include sample audit(s) on specific projects to evaluate disbursement mechanism(s). In addition, the following should be assessed:

1. Are project files in auditable order?
2. How does PETRA hire consultants?
3. What consulting rates are being charged to the PETRA Office?

E. PETRA Office:

1. Is the PETRA Office becoming too bureaucratic? The relationship between the office and the clients was considered here in terms of requirements that may not be necessary. One problem here has been that with new types of applications new rules emerge. Therefore, what is the client being asked to submit? Is it all necessary?
2. Does the office require more professional staff, specifically for monitoring and evaluation work?
3. Does the Executive Assistant position make sense in the current office make-up? ANE/DP/E, Chris Herman, has recommended that the PETRA Office hire someone with data management and computer skills to operate the project's data base and indicator reporting system. Should the Executive Assistant position be thus modified?

4. What effect does the absence of a PETRA vehicle have on office performance and meeting project objectives? What kind of remedies might be taken?
  5. Are office hours appropriate? The office is supposed to be open for business Saturday through Thursday, 8:00-2:00. It has been pointed out that these hours (i.e., government hours) can cause confusion in the minds of the clientele whether this is a private sector operation or a public sector one. Furthermore, it is argued that these hours conflict with private sector working hours, and that the office should reopen in the afternoon.
  6. Is the office over or under staffed? Indicate any proposed staffing changes.
  7. Training recommendations: USAID is planning to host a private sector development course in Jordan. It is planned that the PETRA Office attend. Are there any additional areas of training that should be provided?
- F. PETRA Committee: The evaluation of the committee's performance focuses on the decision-making role of the committee. Questions addressed the following:
1. Does the committee meet with sufficient regularity?
  2. How many activities does the committee review in a meeting?
  3. What issues are of most concern to the committee?
  4. How does the committee resolve problems on decision making?
- G. USAID's Role: USAID was expected to work with the Industrial Development Bank to establish the PETRA Office, recruit and train staff and then step back to allow the office to operate independently. At this point USAID was to serve as committee member with minimal monitoring and processing of advance and liquidation vouchers for the office.
1. How much assistance is USAID providing and in which areas (e.g., technical appraisal, financial analysis, administration, management, accounting, etc.)? Are there particular areas (e.g., financial analysis) that could use special attention and other areas (e.g., office administration) that could use less?
  2. How much assistance are other committee member institutions devoting to the management of the project?

### III. Project Description

A. Evolution of Thinking on the PETRA Project: PETRA was originally conceived as a granting mechanism. The office, committee structure and systems were all designed assuming PETRA would only grant funds. However, in June 1987 the PETRA Committee suggested that where there was reason to anticipate profit generation and that applicants should be given loans, not grants. Then in July 1987, the PETRA Committee suggested that if PETRA was to loan money, interest rates should be charged. During this time the PETRA Office was suffering serious management problems that were not fully resolved until October. Between October and February the new General Manager was becoming acclimated to the job, so management efforts were going into training.

New issues, some outside the scope of this evaluation, which were introduced into the project when the committee decided to loan funds and then charge interest include:

1. Workload for the PETRA Office is significantly different than that contemplated for a granting institution. In particular, accounting and monitoring requirements are much higher. An accountant has already been hired and a fulltime monitor is now being sought.
2. Selection criteria have necessarily altered to focus on profit generation and the financial soundness of the established business.
3. There is no clear guideline for setting interest rates.
4. The sustainability of the PETRA Office becomes an issue with the reflows of the loans.
5. The provision for repayment through the Cities and Villages Development Bank (CVDB) may be inadequate.
6. The PETRA Project has developed a very real but new objective: to convince the banking community, by example, that high collateral requirements currently in place are not necessary to secure a loan. PETRA is making cash flow loans with promissory notes as guarantee. To demonstrate that one can make collectible loans based on cash flow, the PETRA Project must demonstrate a sound repayment record. Repayments are not due to begin until January 1989, nine months before the end of the project.

TABLE 1

ILLUSTRATIVE LIST OF ACTIVITIES

Expected Achievements/Accomplishments	Activities	Agency Wide Objectives	Relationship to USAID Private Sector Development Strategy
Improve the free play of market forces	<ul style="list-style-type: none"> <li>- Policy study on licensing</li> <li>- Policy study on interest rates</li> <li>- Strengthen existing business organizations and create new ones as appropriate to represent membership before GOJ policy makers</li> </ul>	Policy Reform Policy Reform Institution Building	Policy Dialogue Policy Dialogue Policy Dialogue
Improve private financial intermediation	<ul style="list-style-type: none"> <li>- TA to Bankers Association</li> <li>- Feasibility Study on Private Development Bank/Venture Capital Firm</li> <li>- Training to Bankers</li> <li>- Training to Central Bank on Development of new instruments and establishing a secondary market</li> <li>- Seminars on Venture Capital to private investors</li> <li>- PD &amp; S Studies on capital access for small entrepreneurs</li> </ul>	Institution Building Institution Building  Technology Transfer Technology Transfer  Technology Transfer  Institution Building	Specific Activity PD & S  Specific Activity Specific Activity  Specific Activity  PD & S
Improve management in Jordanian enterprises	<ul style="list-style-type: none"> <li>- TA from IESC</li> <li>- Management Training seminars tailored to specific industries</li> </ul>	Technology Transfer Technology Transfer	Specific Activity Specific Activity
Develop new products and improve efficiencies in product quality of Jordanian manufacturing and service enterprises	<ul style="list-style-type: none"> <li>- TA to Engineering Association</li> <li>- TA to specific industries</li> </ul> Pilot and innovative projects and S & T in: Educational & TV Production CRT Health Production Construction Production Agribusiness Industry Tourism	Technology Transfer Technology Transfer	Pre-implementation mech Specific Activities  and PD & S and Pre-implementation mech
Improve Marketing and Promotion of Jordanian products and services	<ul style="list-style-type: none"> <li>- Establish Exporters Association</li> <li>- Strengthen existing business organizations to provide information exchange and referral services on markets.</li> <li>- Provide feasibility studies on markets to individual firms</li> <li>- Marketing seminars tailored to specific industries</li> </ul>	Institution Building Institution Building  Technology Transfer  Technology Transfer Technology Transfer	Pre-implementation mech Pre-implementation mech  Specific Activity  Specific Activity
Develop standards	<ul style="list-style-type: none"> <li>- TA to Accountants Associations to develop generally accepted accounting principles</li> <li>- TA to Bankers Association to develop standards for classification of loans.</li> </ul>	Technology Transfer  Technology Transfer	Specific Activity  Specific Activity
Heighten the social consciousness of the private sector	<ul style="list-style-type: none"> <li>- Establishment of consumer groups</li> <li>- TA to enable larger firms to work with smaller firms/ PVO's</li> </ul>	Institution Building Technology Transfer	Specific Activity Specific Activity
Privatization	<ul style="list-style-type: none"> <li>- TA for Privatization of Alia</li> <li>- TA for Privatization of Bus Company</li> <li>- Studies on other privatization candidates</li> </ul>	Privatization Privatization Privatization	Specific Activity Specific Activity Specific Activity

**B. Project Description:** The PETRA Project was designed by the Ministry of Planning (MOP) and USAID/Amman as a first step toward addressing constraints to private sector growth and competitiveness. It provides direct assistance to Jordan's private sector, funding business proposals submitted by businessmen and women committed to helping themselves increase their economic participation locally, regionally and in other world markets.

The Project was divided into set aside funds (\$3,000,000) and general funds (\$7,000,000). The set aside category, managed jointly by USAID and the MOP, funds bilateral private sector project design activities, administrative support of the PETRA Office and other specific private sector activities identified prior to project signing. (See Table 1, Illustrative List of Activities.)

The innovative side of the project lies in the general funds category. The general funds category funds, on a cost sharing basis, business development proposals submitted by the private sector. PETRA funds may be used for a wide range of development activities including feasibility studies, technical assistance, seminars, specialized training and, in limited circumstances, some commodities.

The PETRA Project is managed by the PETRA Committee which is composed of senior representatives from the Industrial Development Bank, Ministry of Planning, USAID, Ministry of Finance, Central Bank, Ministry of Trade and Industry, Agriculture Credit Corporation, City and Villages Development Bank, and the Amman Chamber of Industry. The committee was charged with meeting monthly to review and approve or disapprove business proposals which had been investigated and judged to meet PETRA selection criteria by the PETRA Office.

Staff and implementation responsibilities are held by the PETRA Office. The PETRA Office staff works directly with applicants to develop their ideas and prepare proposals for committee review and then is supposed to monitor and evaluate approved projects.

**C. Project Goal and Purpose:** The project goal is to assist the Jordanian private sector to be the driving force behind increased income, export and employment growth. The project purpose is to alleviate policy, industry-wide and firm specific constraints to increasing overall productivity and effectiveness in the private sector.

D. Project Elements

1. Specific Accomplishments: The intent of PETRA is to fund numerous individual activities which may be identified throughout the course of the project. By seeking to support a wide variety of activities which can be funded as needs arise, PETRA will give needed flexibility in implementing and supporting private sector development programs.
2. Beneficiaries: Of all of the projects aimed at assisting the private sector, PETRA is the only one which specifically targets a broad spectrum of the private sector. As categorized by size, the project targets the following by the private sector. PETRA funds may be used for a wide range of development activities including feasibility studies, technical assistance, seminars, specialized training and, in limited circumstances, some commodities.

Micro: 1-3 employees, mainly family owned and operated, informal, low tech, concentrated in trade with some manufacturing.

Small: 4-25 employees, family owned, hired labor, low to medium tech, trade, services and light manufacturing.

Medium: 26-100 employees, family to public ownership, hired labor, medium tech, services and light manufacturing.

Large: Over 100 employees, many with significant GOJ ownership, hired labor and often professional managers, modern technology manufacturing and some services.

Targets also include individuals, notably migrant workers returning from the Gulf, who are skilled but are lacking in capital to establish a small shop or company. Particular attention will be given to targeting enterprises or cottage industries owned and run by women. While these entities are relatively few in number in comparison with other developing countries, at least one such enterprise has already been identified, namely, the Bedouin Women's Handicraft Center, to which assistance could also indirectly benefit an entire village.

Beneficiaries will also include society at large, since more employment opportunities will be derived from growth in the private sector, and all consumers will benefit from improved and less expensive products. Similarly, increased taxes resulting from increased income will benefit the economy as a whole.

#### IV. Client Profile

A. Methodology: The task of this section was to examine PEIRA's portfolio to determine where funds were going. To do so, a data base was constructed which contained the project title, amount, loan or grant type of assistance, sector of assistance and size of business. The objective was to assess developmental impact. However, given that a majority of projects are only just getting underway, there is no way to determine increases in profits, exports or other similar criteria based on successful operation of a business. The indicators of developmental impact capable of being measured at this stage are regional disbursement, projects directly assisting or benefiting women, new business creation and/or employment generation.

One caveat, the following analyses reflect different ways of counting the approved projects. This section examines 35 approved projects. Of those 35, three were split funded, i.e. partially grant funded and partially loan funded. (This split resulted from the determination that capital investments should be loan funded, but that technical assistance could be grant funded in certain circumstances.) Consequently, there are 25 grants and 13 loans totalling 38 separate activity accounts. Another anomaly is the Beni Hamida Rug Weaving project. Although this activity is fully grant funded, it does carry a significant raw material (wool) and equipment (computer and automobile) component as well as a labor (weavers and project management) component. Therefore, in the type of assistance assessment, the Bani Hamida project was broken out accordingly which then gives a total of 39 assistance areas.

B. Findings: The thirty five projects total JD 492,097 (approximately US\$1,476,291). (See Table 2.) Included in this number are fourteen new business start ups. Seventy one percent of the funds went to businesses outside the greater Amman area. (See Table 5.) Forty eight percent of the projects are in areas where the population centre is 20,000 or less. Eight women's projects (7 grant and 1 loan) totalling JD 137,153 (28% of total funds) were financed. (See Table 6.) Ninety four percent of these were in the handicraft field. Thirteen projects and 37% of the funds went to micro businesses (0-5 employees) which generated 18 permanent jobs (40% of all permanent jobs). Thirteen projects and 26.5% of funds went to non-profits which generated 10 permanent jobs (22.2% of all permanent jobs). (See table 4.) (For the purposes of this section, "profit" versus "nonprofit" was determined based on the project, not the applicant. Hence, the Bani Hamida project, which is income generating and expected to be self-sustaining, is counted as a business although the grant was to Save the Children.)

TABLE 2  
TYPE OF ASSISTANCE FUNDED

	NO. OF PROJ.	AMOUNT (JD)	NEW BUS.	NEW JOBS		
				PERM.	P/T	TOT.
Technical Assistance	10	146,495	2	6	0	60
Travel	7	11,454	0	0	0	2
Raw Mat./Equip.	12	130,690	5	18	161	20
Labor	10	203,458	7	21	142	14
<b>TOTAL</b>	<b>39*</b>	<b>492,097</b>	<b>14</b>	<b>45</b>	<b>303</b>	<b>105</b>

\*There are only 35 separate projects, however this table counts the grant/loan splits which were made according to type of assistance (e.g. capital costs being loan and technical assistance being grant).

TABLE 3  
ASSISTANCE BY SECTOR

	NO. OF PROJ.	AMOUNT (JD)	% OF JD	NEW BUS.	% OF NEW JOBS				TOTAL
					PERM.	PERM.	P/T	TOT.	
Handicraft	4	128,690	26.2	1	13	28.9	250	12	275
Manufacturing	8	90,275	18.3	4	13	28.9	50	20	83
Tourism	3	77,945	15.8	0	1	2.2	0	3	4
Agriculture	5	66,483	13.5	3	8	17.8	0	8	16
Trng./Educ.	10	53,066	10.8	2	7	15.6	0	9	16
Other	1	49,500	10.0	0	0	0	0	50	50
Services	1	18,500	3.8	1	3	6.6	0	3	6
Publishing	3	7,638	1.6	3	0	0	3	0	3

TABLE 4  
ASSISTANCE BY SIZE OF BUSINESS

	NO. OF PROJ.	AMOUNT (JD)	% OF JD	NEW BUS.	% OF NEW JOBS				TOTAL
					PERM.	PERM.	P/T	TOT.	
Micro	13	181,921	37.0	9	18	40	53	24	95
Small	7	62,610	12.7	2	7	15.6	0	10	17
Medium	2	117,000	23.8	0	10	22.2	210	11	231
Non-Profit	13	130,566	26.5	3	10	22.2	40	60	110

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TABLE 7

### ASSISTANCE AND JOB CREATION BY SECTOR

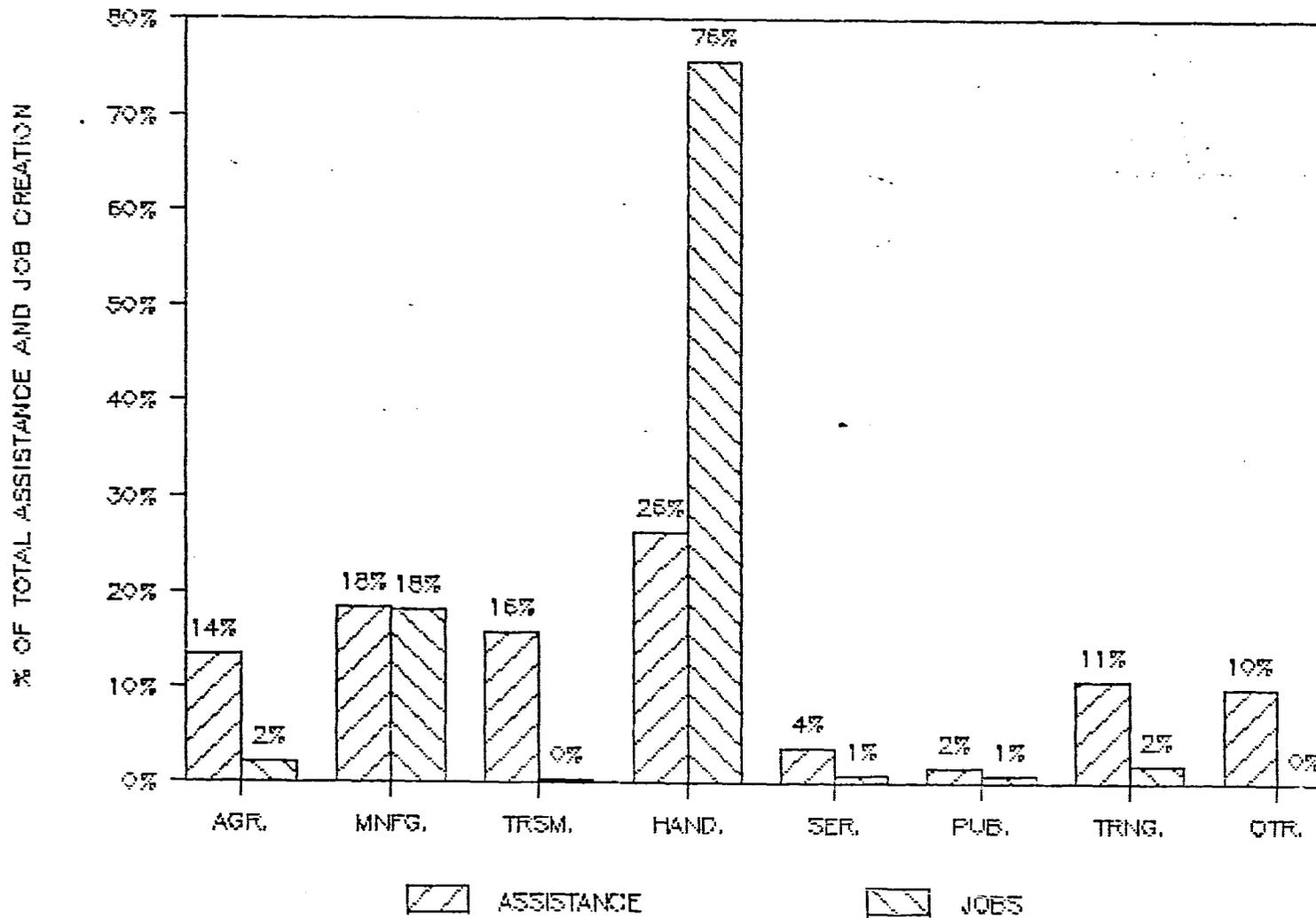


Table 8

# PERMAN'NT & P/T JOBS PER SECTOR

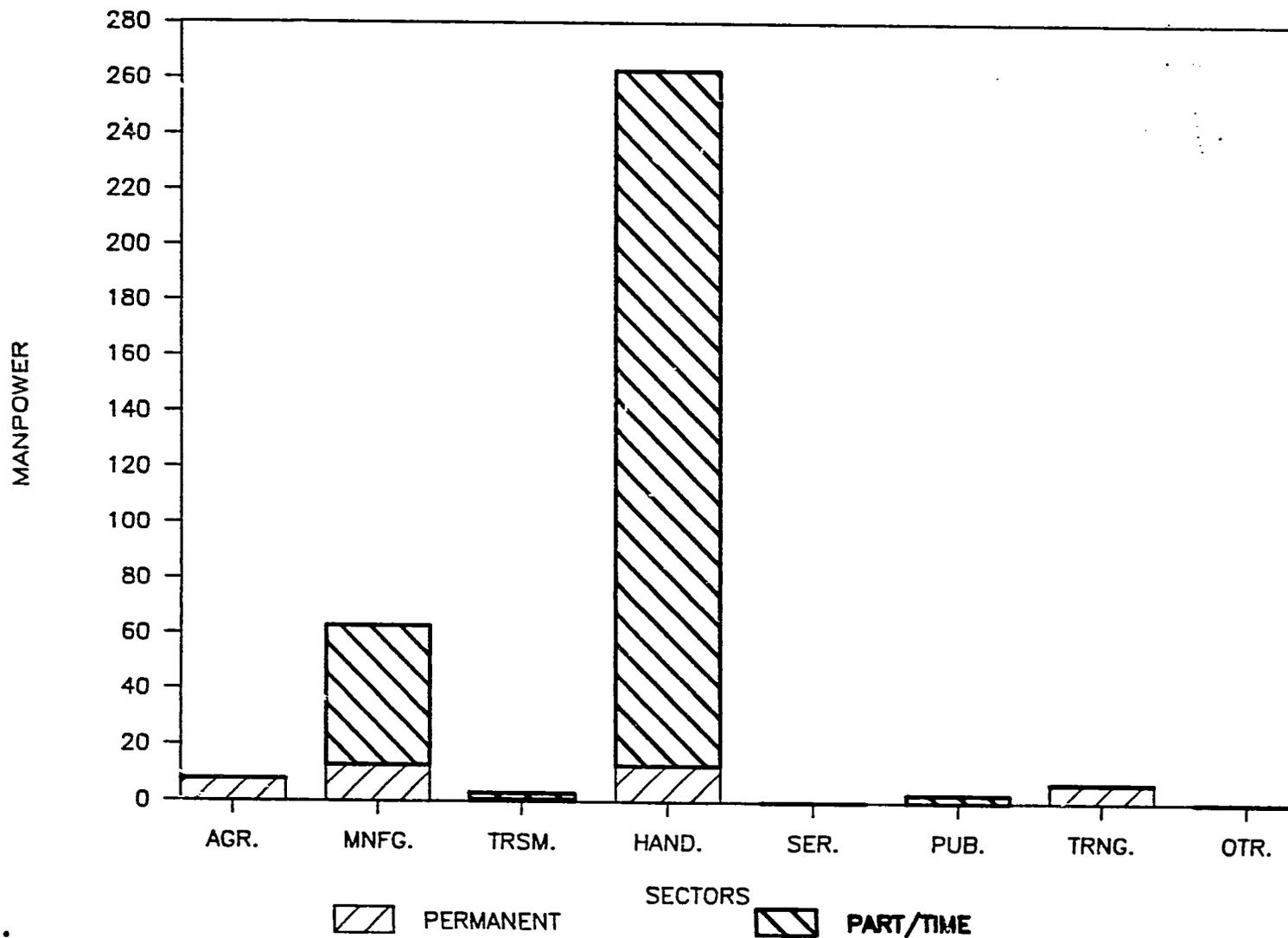


Table 9

# PERMANENT & PART/TIME JOBS BY SIZE OF BUSINESS

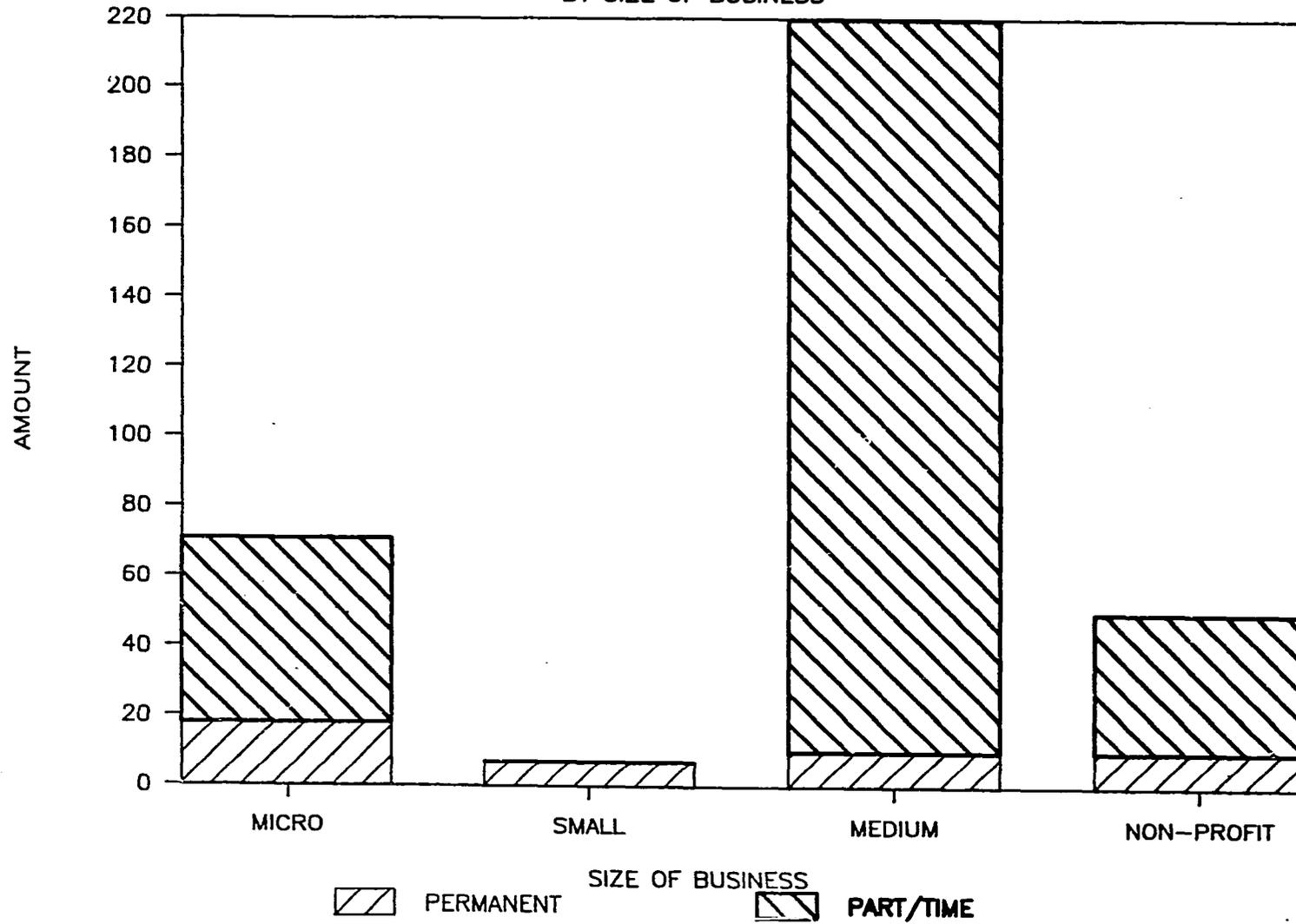
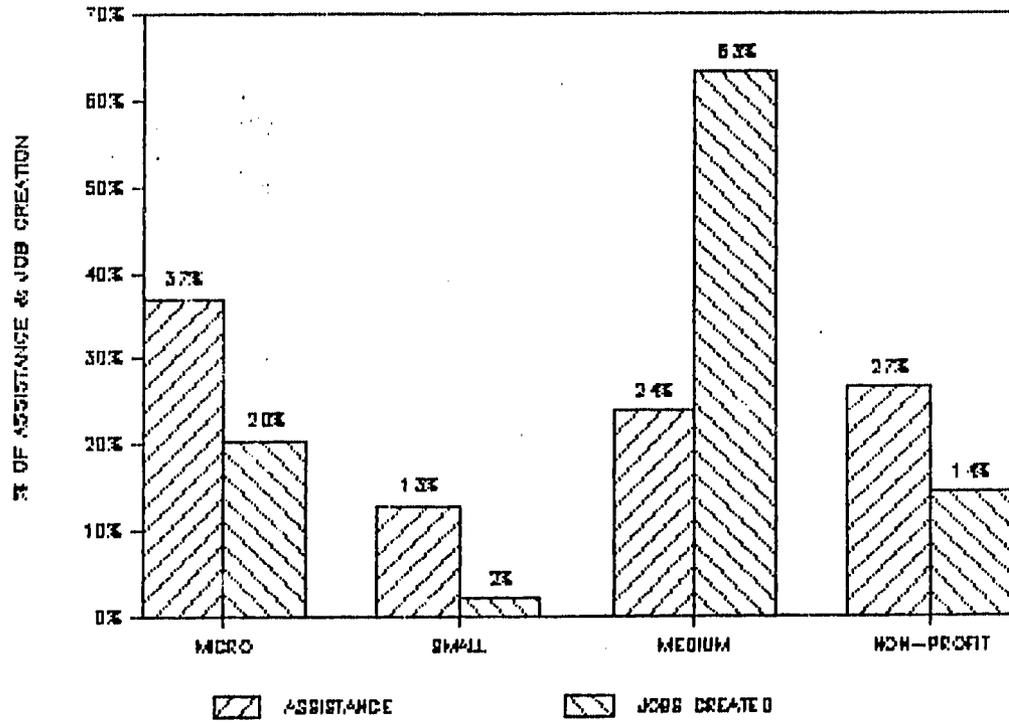


TABLE 10

ASSISTANCE & JOBS CREATED BY FIRM SIZE



Per Table 2(a) the portfolio is split JD 328,687 grant and JD 163,410 loan. Of the grant portion, 40% (JD 130,566) went to non-profits. Of that JD 71,066 (54%) went for training, conference attendance and other "non-productive" activities. PETRA funds have financed labor (41%), technical assistance (30%), raw material and equipment purchases (27%) and travel training (2%). Sectorally, PETRA funds have financed projects in handicrafts (26.2%), manufacturing (18.3%), tourism (15.8%), agriculture (13.5%), training/education (10.8%), services (3.8%) and publishing (1.6%).

Only one possible non-performing loan has been identified at this point, the Azraq fish farm. The cooperative has not fulfilled its commitment to provide 50% of the cost. The PETRA Office has enlisted the assistance of the Jordan Cooperative Organization to assist in mobilizing the other 50% of the project cost to get the fish ponds into operation. The first payment on the loan comes due in January 1989, which may need to be deferred unless production proceeds faster than presently anticipated.

PETRA projects have created 45 permanent jobs, 303 part time jobs and 105 potential jobs. Sectorally, handicraft projects, representing 26% of funds, generated 29% of the permanent jobs; manufacturing representing 18.3% of the funds, generated 29% of permanent jobs; agriculture, representing 13.5% of the funds, generated 17.8% of the permanent jobs and training programs, generated 15.6% of the jobs.

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## V. Proposal Preparation and Quality

A. Summary: The PETRA Office received 621 applications since it started operations on June 1, 1987, requesting project financing for activities covering various sectors of the economy. Applicants were from individuals, companies, cooperatives and social groups. In its ten meetings (including three extra sessions) so far, the PETRA Committee has approved 27 grants for a total of JD 335,865 (approximately 1 million U.S. Dollars) and 13 loans for a total of JD 163,410 (approximately 488,000 U.S. Dollars) to finance 37 projects (three projects are financed through loan/grant arrangement). 351 applications have been rejected by the PETRA Office, 207 applications are under investigation by the staff, and 18 projects are ready to be submitted to the PETRA Committee.

The processing procedure involves initial screening of applications, client interviewing, project feasibility analysis, and committee reviewing for final approval or rejection. The staff, however, may reject those projects which are not feasible or do not meet PETRA selection criteria.

Projects submitted to the committee are required to 1) be economically feasible and based on good business practices and 2) meet PETRA selection criteria as indicated in the project paper. In addition, a number new criteria have been adopted by the committee as they have developed experience with proposal review.

The initial application available to clients is a one sheet questionnaire requesting basic information such as name and address of applicant, brief project description, amount of funds needed, estimated sales and references. Detailed information is requested after the first interview if the project has potential of being approved. The PETRA staff maintains good relationships with clients and provides time and needed assistance in explaining the PETRA project, completing the application and providing guidance to prepare the initial investigations on individual projects.

## B. PETRA Applications

### 1. Applications Status

Table 11 provides the status of PETRA applications distributed according to the month the applications were received by the office. The total monthly number of applications received by the PETRA office shows a marked increase in July 1987 and in the months of January and February 1988. The 118 applications received in July 1987 was a response to introduction of the PETRA Project made by the Ministry of Planning. The high number of applications received in January and February 1988 was a response to the marketing campaign launched by PETRA countrywide during January 1988.

Analysis indicates that 57% of applications are rejected upon screening and staff review. At present a substantial number of applications are still pending staff review and approval many of which were received in 1987. It is anticipated that 50% of pending applications will be rejected by the staff, and therefore the forecasted rejected applications will be around 73% of total applications.

Projects rejected by the PETRA Office are those projects which do not meet PETRA selection criteria. Such projects as gasoline stations, taxi cabs, car rentals, schools, bakeries, barber shops and supermarkets are immediately rejected upon screening. Table 14 includes a sample of 22 proposals rejected by the staff after preliminary investigation. The reasons for rejection, as indicated in the table, are mainly due to: 1) poor economic feasibility of project, 2) eligibility for IDB or ACC financing, and 3) withdrawal or nonresponsive applicant.

There are 207 applications pending staff approval and information from the applicant. Approximately 25% of these applications have been pending for more than three months. A sample of twenty pending projects was reviewed and the findings related to date submitted and reasons for pending status are summarized in Table 15. The PETRA Office should make plans to resolve these applications and place a timetable on the review process in order to avoid a backlog of projects needing review.

TABLE 11

OVERALL STATUS OF FSTRA APPLICATIONS

MONTH APPLICATION RECEIVED		REJECTED BY SCREENING	PENDING STAFF APPROVAL	REJECTED BY STAFF	APPROVED BY COMMITTEE	REJECTED BY COMMITTEE	PREPARED TO COMMITTEE	TOTAL NO. OF APPLICATIONS	
JUNE	87		2	15	11	4	2	34	5%
JULY	87		6	102	9		1	118	19%
AUGUST	87		1	22	4			27	4%
SEPTEMBER	87		8	11	5	3	2	29	5%
OCTOBER	87	1	8	13	3		1	26	4%
NOVEMBER	87		7	9		1	1	18	3%
DECEMBER	87		20	7	3			30	5%
JANUARY	88	63	46	2			8	119	19%
FEBRUARY	88	80	73	3	2		2	160	26%
MARCH	88	22	36	1			1	60	10%
		166	207	185	37	8	16	521	100%
		27%	33%	30%	6%	1%	3%	100%	

2. Regional Distribution of PETRA Applications - Table 12

Applications from Amman and the suburbs were 75% of the total number of applications received by the PETRA Office. Meanwhile, applications from Irbid and Zarqa were 9% and 6% respectively. Only 10% of the applications came from the rest of the country.

In view of the small percentage of applications received from outside of Greater Amman, the PETRA Office should conduct programs to encourage applications from other cities and villages.

3. Sectoral Distribution of PETRA Applications - Table 13 (Data here represent a profile of all applications received and should not be confused with data in Part IV which profiles approved applications)

Applications received by the PETRA Office cover different sectors of the economy as well as commercial and social activities. 34% of applications were requests to fund manufacturing activities, 24% for agricultural and livestock projects, 21% for commodity procurement and general services projects, 8% for projects offering technical services, 7% for training and technical assistance requirements, 4% publishing and printing and 2% for social and welfare projects.

C. Applications Processing Procedure: The processing procedure for PETRA applications is outlined in the circular issued by the Project Manager on January 27, 1988. The procedure was developed to ensure proper documentation of the applications and timely entry of project data on the computer software specially developed for PETRA operations. The procedure is summarized below:

1. The office Secretary assigns a reference number to the received application and registers the number and other related information on the PETRA log book. The application is then transferred to the project analysts for initial review (screening) to determine whether the proposed project may be considered for PETRA funding according to certain evaluation criteria. (See Application Check List, Annex 1).
2. If the project cannot be funded by PETRA, the application is sent to the Project Manager to endorse the analyst's decision. The Project Manager will also give instructions to the secretary to send one of the following pre-typed letters to the applicant:
  - a. Letter informing the applicant that the purpose of his project does not fall within the objectives of PETRA;

TABLE 12 REGIONAL DISTRIBUTION OF PETRA APPLICANTS

LOCATION	JUN 87	JUL 87	AUG 87	SEP 87	OCT 87	NOV 87	DEC 87	JAN 88	FEB 88	MAR 88	TOTAL
AMMAN	22	50	12	24	18	17	27	104	104	46	424
AJLIUN		3		1							4
AQABA									4	1	5
AMM SUBURBS	1	24	3	1	3			4	4	2	42
ZRAG	2						1				3
BADA		1							1		2
IRBID	1	26	6	2	2	1	2	1	13	1	55
JARASH	1	1		1				1	2	1	7
KARAK									2		2
MADABA	4		1						5		10
MAFRAQ									2	2	4
MAAN									2		2
NAQUR					1						1
RAMTHA		1						1	3		5
SALT	1				1			1	2		5
TAFILEH		1	1								2
VALLEY		6	4		1				1	1	13
ZARQA	2	5						7	15	6	35
	34	118	27	29	26	18	30	119	160	60	621

TABLE 13 SECTORIAL DISTRIBUTION OF REWA APPLICATIONS

LOCATION	AGRI'RE PROJECTS	LV STOCK PROJECTS	COMMODITY PROCUREMENT	ROST FOR TRAINING	MANUF'G PROJECTS	PRINTING PUBLICATION	SOCIAL WELFARE	SERVICE PROJECTS	TECH ASST REQUESTS	TECHNICAL PROJECTS	TOTAL
AMMAN	46	32	19	13	146	19	11	67	27	44	424
AJLUN		3			1						4
AQABA	1				1			3			5
AMM SUBURBS	4	21			11	1		4		1	42
AZFAG	1	2									3
BAGHA		1			1						2
IBDID	5	9	4		30			4	1	2	55
JARASH			2		3		1	1			7
KARAK		1							1		2
MADABA	2	2			4			2			10
MAFRAG			1		2			1			4
MAAN					1			1			2
NAQUR		1									1
RANT-A					3			1	1		5
SALT				1	2		1	1			5
TAFILEH	1				1						2
VALLEY	3	5						4		1	13
ZARQA	2	7	5	1	8	1		8		3	35
	65	84	31	15	214	21	13	97	30	51	421

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TABLE 14

LEADER SAMPLE OF PROJECTS REJECTED BY LEAF

PROJ NO.	PROJECT NAME	DATE SUBMITTED	DATE REJECTED	DOYS TO REJECT	REASON FOR REJECTION
11	DIE MAKING SHOP	01-Jun-87	01-Aug-87	61	WITHDRAWN APPLICATION
29	CLOTHING MFG	30-Jun-87	05-Sep-87	65	SECTOR SATURATED
36	MONIE & TV PROD	01-Jul-87	27-Dec-87	179	PROJECT NOT FEASIBLE
38	LIVESTOCK FARM	01-Jul-87	02-Jul-87	1	REF. TO ACC
41	BEE HIVES	01-Jul-87	04-Oct-87	95	NONE PETRA OBJECTIVES
57	SCHOOL SUPPLIES	05-Jul-87	31-Dec-87	179	REF. TO OTHER SOURCES
62	FERTILIZER IND	07-Jul-87	25-Jul-87	18	WITHDRAWN
87	AGRI PRODUCTION	20-Jul-87	15-Oct-87	87	NO RESPONSE
116	FILAMENT LAMPS	27-Jul-87	20-Jan-88	177	DECLINE TO SIGN CONTRACT
134	OXYGEN GAS PROD	28-Jul-87	15-Dec-87	140	FEASIBILITY NOT STUD
137	SPONGE IND	28-Jul-87	05-Sep-87	37	REF. TO IDA
144	DISP'L LIGHTERS	30-Jul-87	20-Aug-87	21	NO FEASIBILITY
174	PHARM. CONSULT'G	15-Aug-87	20-Oct-87	66	NONE PETRA OBJECTIVES
179	LEATHER IND	27-Aug-87	24-Oct-87	59	NONE PETRA OBJECTIVES
200	INFORM'N CENTER	18-Sep-87	20-Oct-87	32	PROJECT NOT FEASIBLE
218	PELLET MACHINE	13-Oct-87	29-Mar-88	169	FEASIBILITY NOT STUD
221	STONE & MARBLE	20-Oct-87	09-Mar-88	141	REF TO DAT/AID
232	INK PRODUCTION	29-Oct-87	09-Mar-88	132	NO FEASIBILITY
236	TOOTH BRUSHES	31-Oct-87	28-Nov-87	28	NONE PETRA OBJECTIVES
262	PHYSICS RESEARC	01-Dec-87	28-Dec-87	27	PUBLIC SECTOR
275	SUPPLIES FOR K'	20-Dec-87	09-Feb-88	51	CONSIDER OTHER FINANCING
357	CHILDREN SERIES	20-Jan-88	12-Mar-88	52	POOR PRESENTATION

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TABLE 15 RANDOM SAMPLE OF PROJECTS PENDING PETRA STAFF APPROVAL

PROJECT NUMBER	PROJECT NAME	DATE SUBMITTED	R E A S O N
91	GARMENTS FACTORY	20-JAN-87	REQUESTED INF NOT YTTED
108	BEVERAGES CO.	25-JUL-87	WAITING RESPONSE OF ID.
172	SHOE REPAIR	15-AUG-87	NO RESPONSE FROM APPLICANT
186	LIGHT POSTS	08-SEP-87	COSTS/MKT INFO
189	TELEPHONE IND.	13-SEP-87	COST/MRKT STUDY
209	AL-WAHA DAIRY	10-OCT-87	FEASIBILITY
235	TOURING MUSEUM	12-OCT-87	WAITING MORE INFO
249	PROFESSIONAL MUSEUM	15-NOV-87	MARKET SURVEY/FEASIBILITY
261	TERRY TOWELS	02-DEC-87	WAITING MORE INFO
271	CHEDDER CHEESE	19-DEC-87	WAITING COMPLETE STUDY
279	BICYCLE	22-DEC-87	WAITING COMPLETE STUDY
288	SOAP INDUSTRY	05-JAN-88	LICENSE/MORE INFO
290	SCREWS FACTORY	07-JAN-88	DETAILED FEASIBILITY
304	SALT TABLETS	17-JAN-88	MACHINERY RQMNTS
339	GAS STOVES	17-JAN-88	DETAILS ON COSTS
360	BRAKE FLUID	13-DEC-87	LICENSE FROM MOI
362	MILK POWDER	02-FEB-88	WAITING FEASIBILITY
366	SWEETS CATALOG	12-DEC-87	??INSTITUTES HAVING SUCH CAT
373	PENCIL FACTORY	20-FEB-88	WAITING UPDATED INFO
515	PAGING SERVICE	30-JAN-88	WAITING TCC APPROVAL
564	PROD. COSMETICS	03-MAR-88	WAITING FEASIBILITY
610	ELBA HOUSE	21-MAR-88	WAITING MORE INFO

- b. Letter referring the applicant to the Industrial Development Bank or the Agricultural Credit Corporation or
- c. Letter referring the applicant to the USAID Commodity Import Program (CIP).

In some cases the Project Manager includes in his letter suggestions and alternative ways to approach PETRA.

- 3. Applications considered by the project analysts as having potential of being approved are discussed in a staff meeting. A Project Leader (usually one of the two analysts) is assigned to each application.
- 4. The Project Leader then calls the applicant for an interview to discuss the proposal and to provide further information needed for project assessment. Based on such information, the Project Leader makes the necessary investigations and analysis and reports his findings and recommendations to the Project Manager.
- 5. The recommendations are discussed in a staff meeting. Letters are sent to applicants whose applications are rejected. In most cases, proposals are rejected for the following reasons:
  - a. The proposal is not economically feasible;
  - b. Project financial requirements are beyond PETRA scope;
  - c. The applicant has ability to secure financing from other sources or
  - d. The applicant fails to provide the information requested by the Project Leader (recently applied).
- 6. Accepted proposals are prepared for presentation to the committee.
- 7. Projects requiring funding up to \$5,000 are approved by the staff and submitted to the Chairman of the committee directly for final approval.
- 8. Projects approved by the committee are usually conditionally approved depending on the type of the project. The Project Manager informs the applicant of the committee decision and proceeds to prepare the loan/grant agreement.

D. Proposal Presentation to the Committee

1. Status of Projects Submitted to the Committee

The projects submitted to the committee are summarized in Table 16 and listed in chronological order based on the date presented to the committee. The table also provides other information on type of beneficiary, committee decision and type of financing.

The PETRA staff presented 48 projects for committee approval since inception. In its ten meetings the committee approved financing for 29 projects, and declined financing for 10 projects. The Chairman approved funding for 8 projects. Summary of Committee decisions and type of funding is listed below:

16 projects	approved grants
3 projects	approved mixed grant/loan funding
10 projects	approved loans
8 projects	approved grants by the Committee Chairman
8 projects	rejected
1 project	pending information requested by the committee
2 projects	applicant referred for other funding arrangements

The number of projects reviewed in each meeting varies from one meeting to the other and does not seem to follow a regular pattern as indicated below:

<u>Meeting Number</u>	<u>Date convened</u>	<u>Number of Projects Reviewed (Including Resubmitted Projects)</u>
1	02-30-1987	2
2	03-15-1987	2
3	05-10-1987	1
4	07-12-1987	7
5	09-27-1987	14
6	11-22-1987	5
7	12-01-1987	8
8	01-06-1988	1
9	02-14-1988	6
10	02-17-1988	5
	TOTAL	51 (Exceeds 48 due to resubmittals)

In view of the large number of projects pending for staff approval and projects pending review by the committee, a targeted number of new projects should be assigned to each meeting in addition to the projects being resubmitted from previous meetings. The committee should have regular meetings on set dates in order to plan proposal evaluation and inform applicants on times expected to have final decision on their applications. Undefined times make planning difficult and could cause client dissatisfaction.

## 2. Content and Format of Proposals Submitted to the Committee

A sample of projects submitted to the committee was reviewed. The content of proposal analyses does not follow a standard format. However, the project analysts follow guide-lines developed within the PETRA office. These guidelines are not approved by the PETRA Committee or even documented by the office.

The type of information provided to the committee and the analysis conducted by the Project Leader varies from one project to the other depending on the type of project being assessed.

Proposals submitted to the board usually include the following information and analysis:

1. Background information on the proposal and the client;
2. Project description;
3. Labour and management analysis;
4. Cost estimates;
5. Market and demand assessment;
6. Conclusions and recommendations to the committee;
7. Concurrence with PETRA objectives and selection criteria.

The recommendations to the committee usually include amount and type of PETRA funding, applicant contribution, and prerequisites for financing. The recommendations in most cases include suggested interest rate, period of financing, and method of repayment. The presentation does not include method and plan for project monitoring and follow-up by the office.

PETRA staff are currently reviewing the contents of proposal presentation to the committee. Draft guidelines for proposal presentation have been prepared for final approval. (See Annex 2.) The future "standardized format", when revised, should facilitate easy review by the committee members and will serve as a check list for the project analyst.

The suggested new format for proposal presentation, however, does not provide for interest rate assessment and evaluation, risk analysis, and monitoring plan.

## 3. Quality of Proposals Submitted to the PETRA Committee

The information and analysis presented to the committee satisfied in most cases the requirements of the committee members. Only in five cases did the committee require further information and subsequent resubmittal. In two other cases the committee had specific requests pertaining to type of beneficiary and USAID regulations on eligibility for funding.

Five of the eight proposals rejected by the committee were disapproved on the basis of new criteria developed by committee members in addition to those indicated in the project paper. The new criteria include: 1) project eligibility for IDB or ACC financing, 2) non conformity to projects encouraged by IDB or ACC and 3) capability of the client to secure project funding from his own resources.

It is concluded that the PETRA staff generally conducts thorough investigations but that the analyses presented to the committee often contain gaps in information. In a few cases proposals were submitted to the committee without satisfactory investigations. The project analysts should be thorough and follow standardized guidelines (check list) for proposal evaluation.

#### 4. Overview of Grants and Loans Approved by the Committee

The PETRA staff has submitted a total of 48 projects to the committee. The average time for processing is approximately 75 days.

The impact of the approved projects were assessed in relation to project objectives. The following specific areas were identified. (See Table 18):

1. Development of skills;
2. Generation of employment opportunities;
3. Manufacturing import substitution products;
4. Developing Jordanian exports;
5. Encouragement of private enterprise;
6. Encouragement of competition;
7. Employment of women.

It is concluded, as demonstrated in Table 18, that projects funded so far by PETRA generally meet the project objectives. Further, projects funded by loan arrangements appear to be more in line with the criteria identified above than do grant funded projects.

TABLE 18 ANTICIPATED BENEFITS OF APPROVED PROJECTS

PROJECT NUMBER	PROJECT NAME	AMOUNT J.O.D	FUND TYPE	PROJECT PURPOSE	BENEFICIARY	ORGZ TYPE	** ++ ** ++ ** ++ ** ++							
							DV	EM	IM	EX	EN	EN	NO	WD
706002	BANI HAMIDA RUSS	109,884	G	OPERATIONAL EXPENSES	SAVE THE CHILDREN FED.	NP	X				X	X		
706003	SALT DEV. CORP.	49,500	G	COST OF CONSULTANTS	SALT DEV. CORP.	NP	X	X				X		
706001	UNITED WAY INTR'L	2,071	G	4 TO ATTEND CONFERENCE	GUVS	NP	X	X						X
705012	BPKC	712	G	4 PARTICIPANTS/BPMC WORLD MTG	BUSINESS PROFESSIONAL WOMEN	NP	X							
706006	YWCA	1,132	G	4 PARTICIPANTS/YWCA WORLD MTG	YWCA	NP	X							
706014	JERASH FESTIVAL	18,000	G	COST OF MOBILE STAGE	JERASH FESTIVAL	NP	X							
706013	JOR. HOTEL ASS.	3,926	G	CONSULTANT TO RESTRUCTURE	JOR. HOTEL ASSOC.	NP	X							
706017	FINANCIAL TRAINING	10,000	G	FINANCIAL/SECONDARY MKT TRNG	ASSOCIATION OF BANKS	NP	X							
707114	TOURISM INFORMATION	52,300	G	IMPL TOURISM/ANTIQUITIES INFO	AL KUTBA PUBLISHERS	PS	X	X	X			X		
706060	TV/RADIO REPAIR TRG	27,500	G	ESTABLISH WORKSHOP FOR TRNG	HUSSEIN SOC-REFAB.OF H'CAP	NP	X	X				X		
707121	HYDROGEOLOGY BOOK	1,100	G	PUBLISH BOOK ON HYDROGEOLOGY	KHALIFEH DARADKEH	PS	X							
707125	ALUMINIUM WORKSHOP	3,420	G	WORKING CAPITAL FOR WORKSHOP	SAKEB VOLUNTARY SOC	PS	X	X				X	X	
708173	JUBILEE SCHOOD	3,400	G	STUDY/SCL FOR GIFTED STUDENTS	NGUR AL HUSSEIN FOUNDATION	NP	X							
709190	TRNG COURSES/GUVS	5,840	G	2 TRAINEES FOR CANCER CENTRE	GUVS	NP	X	X						X
709205	KAZOR BLADES	4,000	G	CONSULTANT TO INVESTIGATE OPRTN	MAS INDUSTRIES	PS	X	X	X	X				
712278	SCOUTING GROUP	10,420	G	EDLAR HEATERS WORKSHOP	FITIAN AL RASOUL SCOUTS	NP	X	X				X	X	
712265	BOOKS ON BIRDS	3,000	G	PUBLISH BOOK "BIRDS OF JORDAN"	ARSLAN RAMADAN BAKJ	PS	X							
709225	HANDY FOLKLORE PROD.	10,000	G	PROD. CARDS,CUSHIONS,WALL PCS	GEN. FED. OF JOR. WOMEN	NP	X			X	X	X		X
707145	REFUSE RECYCLING	7,325	G	IESC CONSULTANT FOR THE STUDY	MHAMMAD DABBAS	PS	X	X						
802264	K'GARDEN TRNG	650	G*	ORGANIZE TRAINING COURSE	AMMAN NATIONAL SCHOOD	PS	X							X
708135	COMPUTER BOOK PUB.	6,280	G*	PUB. COMPUTER TEXT BOOK	SAKEB COOPERATIVE SOC.	NP	X	X	X	X	X			
802525	SHEARING EWES	1,632	G*	EXPERT IN SHEARING EWES	JORDAN LIVESTOCK DEV. CO.	PS	X					X		
707081	BEE HIVES PROD.TRNG	463	G*	VISIT TO BEE FARMS IN THE U.S.	MR. WAJIB DADUR	PS	X					X		
712260	NEUROLOGICAL CONS.	406	G*	EXCHANGE OF EXPERIENCA WITH UAE	SOC. FOR CARE OF NEOROLG'L	NP	X							
707045	JOR. ROAD SOC.	1,175	G*	LECTUREON ROAD SAFETY	JOR. ROAD SOCIETY	NP	X							
709207	GEN. FED. OF WOMEN	795	G*	TRAVEL TO CONF/ADULT EDUCATION	GEN. FED. OF WOMEN	NP	X							
709187	JERASH WOMEN	1,690	G*	LOOMS & HANDICRAFTS	JERASH WOMEN ASSOC.	NP	X	X		X	X	X		X
706004	AZRAQ FISH FARM	25,000	L	CONSTRUCTION OF FISH PONDS	SGUTH AZRAQ COOP	NP	X	X	X		X	X		
707063	LIQUID FERTILIZERS	30,000	L	STUDIES & TECH ASSISTANCE	JOR.KUWAITI AD. CO.	PS	X	X	X	X	X	X		
706033	SHOE POLISH	5,000	L	MACHINERY-RAW MAT'LS-PACKAGING	AMARI INDUSTRIAL EST.	PS	X	X	X	X	X	X		X
707125	ALUMINIUM WORKSHOP	2,860	L	MACHINERY FOR WORKSHOP	SAKEB VOLUNTARY SOC	PS	X	X				X	X	
708167	TV PRODUCTION	18,500	L	FILMING PUPPET SHOW	MHAMMAD AZIZIEH	PS	X	X	X	X	X	X		X
707114	TOURISM INFORMATION	3,800	L	COMPUTER FOR TOURISM INFO SYS	AL KUTBA PBLISHERS	PS	X	X	X			X		
707120	TAIBEH FISH FARM	20,000	L	BUILDING ADDITIONAL FONDS	AKEF KURAAH & PARTNERS	PS	X	X				X	X	
707121	HYDROGEOLOGY BOOK	2,000	L	PUBLISH BOOK ON HYDROGEOLOGY	KHALIFEH DARADKEH	PS	X							
708176	STRAWBERRY PROD.	9,000	L	PLANT & STRAWBERRY PRODUCTS	KAWAF AHIRI-FARMER	PS	X	X	X	X	X	X		X
707074	EQPMNT & TRNG	10,000	L	TECH. ASST.& TRNG/ARAB PHARMC	ARAB PHARMACEUTICAL CENTER	PS	X	X		X				X
709197	SHAKARNEH LIVESTOCK	12,000	L	ESTABLISHING SHEEP FARM	SHARARI KASSAB-FARMER	PS	X	X				X	X	
709215	JOR. GLASS IND	17,250	L	PILOT PLANT/PROD. FELDSPAR	JOR. GLASS IND.	PS	X	X	X					
709211	SUNBULA PROJECT	8,000	L	PRODUCE EMBROIDERED GARMENTS	SUNBULA OUTREACH PROJECT	PS	X	X		X	X	X		X

\* FUND TYPE: G = GRANT L = LOAN

\*\* ORGANIZATION TYPE: NP = NON PROFIT PS = PRIVATE SECTOR

++ DV.SK. = DEVELOPMENT OF SKILLS  
 ++ EM.OP. = GENERATION OF EMPLOYMENT OPPORTUNITIES  
 ++ IM.SUB. = IMPORT SUBSTITUTION  
 ++ EX.DV. = EXPORT DEVELOPMENT

++ EN.PE. = ENCOURAGEMENT OF PRIVATE ENTERPRISE  
 ++ EN.CM. = ENCOURAGEMENT OF COMPETITION  
 ++ WD.EMP. = EMPLOYMENT OF WOMEN

**VI. Financial Evaluation:** The objective of the financial evaluation was to determine the reliability of the accounting system with special emphasis on the auditability of the organization and its cash management practices.

The system was documented and evaluated using the "walk thru" transaction approach; observation, verification and discussions with Petra Office personnel; examination of invoices and vouchers; and review of bank statements and files and other relevant documents.

**A. Findings and Recommendations:** In reviewing the accounting system the following weaknesses were noted in the data base accounting system.

1. The data base accounting system was not documented, nor was a user guide provided. Thus, it is recommended that the programmer be required to provide a source code, as it is necessary to maintain (e.g., make enhancements, access data, etc.) the system, as well as a users manual to facilitate use.
2. The integrity of the two systems (financial accounting and management information) are not enhanced with security locks, passwords and the like. At present, both systems are inputted by one employee. However, all employees have access to both systems. This adversely affects the integrity of the accounting system. It is recommended that security be introduced programmatically or that access to the two systems be limited to selected employees. (No employee should have access to both systems.)
3. The automated accounting system does not generate any of the standard financial statements. They are presently generated on a separate spread-sheet program. It is recommended that a cost/benefit analysis be done to determine if the data base program should be modified.
4. There are no procedures established to administer the automated accounting and management systems. It is recommended that procedures be promulgated addressing back-up, archiving and storage.
5. As segregation of duties is not possible due to the size of the organization, the system of internal control is dependent on a few key employees. Given the above, it is recommended that these employees be bonded.

6. Two significant transactions, USAID's \$7.0 million commitment and PETRA commitment approval of projects, are not given recognition in the accounting system. These are essential for the proper presentation of financial statements and funds control. It is recommended that they be recorded in the books of accounts. A set of sample entries are provided in Section C below.
7. A review of sub-projects expenditures indicated that advances provided grantees were reported as expenditures to USAID. It is recommended that they not be recognized as expenditures until appropriately liquidated by the grantee.
8. There are no procedures for the recording of principal and interest to be collected on loans to sub-grantees. It is recommended that procedures be established with special emphasis given to the calculation and treatment of grace period interest.
9. The bank reconciliation is performed manually. We recommend that the automated system be used, that the date the check was made and name of payee be identified and that the bank reconciliation be approved by the Director.
10. Legal Entity: Six above also brings into question the legal status of the PETRA Office. We recommend that action be taken to establish the PETRA Office as a legal entity within Jordan.

B. Financial and Management Accounting System Profile: The PETRA Office Financial Accounting and Management Information System was designed by USAID staff in coordination with PETRA Office staff. This system was automated by an outside consultant using a D-Base software program. In the automation process the Financial Accounting and the Management Information Systems were established as two separate independent systems. A basic description of the two systems follows, as well as a transacting flow chart which follows:

1. Financial Accounting System: The financial accounting system under the D-Base program is menu driven. The menu consists of:
  - a. Ledger Maintenance
  - b. Voucher Issue
  - c. Show Ledger
  - d. Cleared Voucher
  - e. Statement of Account
  - f. Ledger Trial Balance
  - g. List of Un-cleared Vouchers
  - h. Bank Reconciliation

This system also provides for sector assignment, staff coding by project and a utility function for month and year-end closing.

2. Management Information System: This section deals with the different stages of any proposal to finance a project. The project administration menu is divided into 8 sub menus, each of them handles one stage of the project process. The 8 sub menus are:

- a. Project Submission: Record and account for any proposal submitted to PETRA Office.
- b. Project Status Change: Account for any changes in the project status.
- c. Budget Definition: Definite budget for approved projects.
- d. Activities Definition: Definition of specific project activities.
- e. Open Project Account: Maintenance of project ledger accounts
- f. Amount Requested/Received: Handle funds requested and received from AID for project.
- g. Liquidation of amount requested.

C. Accounting Entries: At present the accounting system entries for PETRA activities can be summarized as follows:

1. Upon approval of projects (loan or grant) no entry is made.
2. Upon receiving funds from USAID, as advance to PETRA for projects, the following entry is made:  
DR     Cash  
       CR     Advance from AID
3. Upon disbursing funds to recipient the following entry is made:  
DR     Project (Loan or Grant)  
       CR     Cash

The general fund of \$7,000,000 has been assigned for projects to be financed by the PETRA Office. Based upon USAID Controller's and Project Officer approval, AID earmarked and committed \$7,000,000. In other words, USAID made a commitment to PETRA for the total amount of \$7,000,000. This fact should be accounted for in both USAID and the PETRA Office. USAID has accounted for the \$7,000,000 based on an anticipated PIL. The PETRA Office has not. Therefore, the following entry should be made in the PETRA Office books:

DR       Accounts Receivable - AID  
           CR       AID Contribution Account

Also when the PETRA Office approves any project (loans or grant), it should recognize the liability of such commitment as a contingent liability on the PETRA Project. The accounting entries for loans and grants should be as follows:

1. Upon approval of a project (loan or grant), the following entry should be made:

DR       AID Contribution  
           CR       AID Contribution Loans  
           CR       AID Contribution Grants

2. Upon receiving the advance, the following entry should be made:

DR       Cash  
           CR       Advance

3. Upon disbursing to clients, the following entry should be made:

DR       Loans  
           DR       Grants  
           CR       Cash

At the end of the project the PETRA Office balance sheet should show the following:

**ASSETS:**

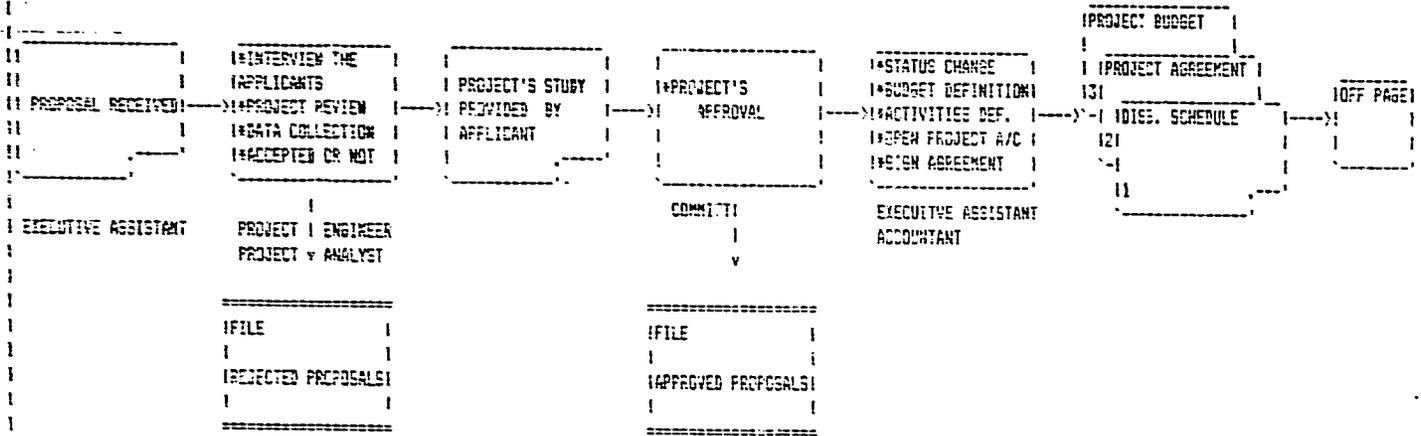
A/R - USAID	\$ 7,000,000
Project-Loans	
Grants	<u>\$ 7,000,000</u>
Total	\$14,000,000

**LIABILITIES:**

AID Contribution	\$ 7,000,000
Advance	<u>\$ 7,000,000</u>
Total	\$14,000,000

Table 19

COMPANY NAME: <u>FETRA OFFICE</u>		PREPARED BY: <u>MOHAMMED YASSIEN</u>
DIVISION/BRANCH: <u>PROJECTS' ADMIN.</u>	CYCLE: <u>N/A</u>	DATE PREPARED: <u>APRIL 17, 1988</u>
AUDIT DATE: <u>N/A</u>	PAGE: <u>1/2</u>	
FUNCTION: <u>OVERALL</u>		



COMPANY NAME: PETRA OFFICE

DIVISION/BRANCH: FINANCIAL ACCOUNTING CYCLE: W/A

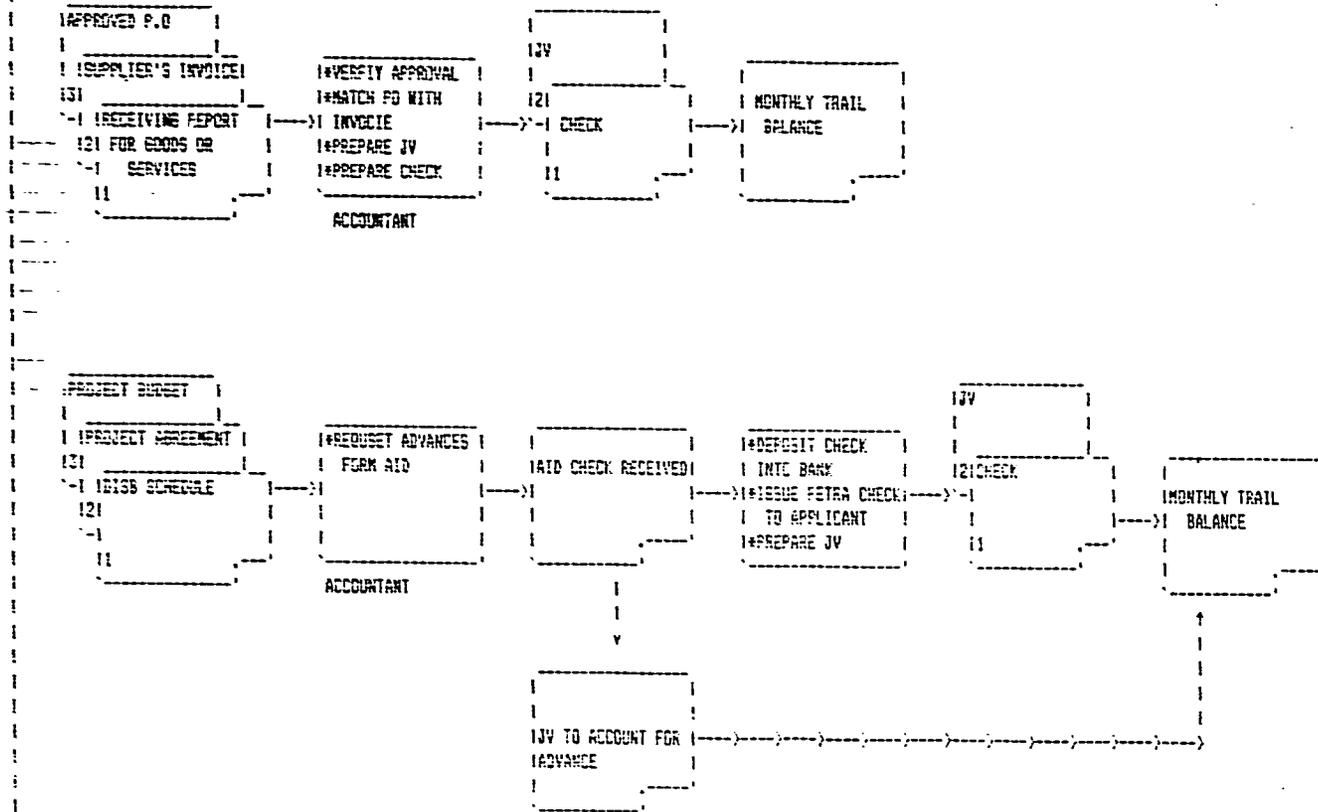
AUDIT DATE: W/A

PAGE: 2/2

PREPARED BY: MOHAMMED YASSIEN

DATE PREPARED: APRIL 17, 1968

FUNCTION: OVERALL



Accounts receivable - USAID of \$7,000,000 will be closed with advance from USAID of \$7,000,000 and project grants total can be closed with USAID contribution A/C, while the project loans total will be outstanding together with equal amount in the USAID Contribution Account and can be used in PETRA 2 (IF ANY).

D. Hiring of Consultants: The PETRA Office has no procedures for selecting consultants. Statements of work, budgets, etc. are not prepared, positions are not advertised and rates are not negotiated based on prior salary history.

VII. PETRA Office: The PETRA Office is an independent office staffed by a Manager, Engineer, Analyst, Accountant, Executive Secretary and Secretary. Project Implementation Letter No. 1 calls for staff specializations in finance, marketing, business operations, engineering, etc. The Manager and all staff are selected by the PETRA Committee, which is also responsible for developing the yearly office administrative budget which is approved by the Ministry of Planning and USAID. The Manager reports directly to the PETRA Committee Chairman and is responsible for supervising the routine and daily duties of the staff. The PETRA Office is responsible for receiving clients, investigating proposals and presenting high quality proposals from the business community to the committee for decision. Overall it is envisioned as a dynamic, independent body capable of culling good proposal ideas from bad, negotiating cost sharing, monitoring and evaluating projects, assisting grantees with proposal preparation and management systems for proposed projects, maintaining documentation and processing proposals within four weeks.

Specific areas investigated included the following:

- A. Is the PETRA Office becoming too bureaucratic? With limited staff the office nevertheless attempts to work with clients to submit quality applications meeting project criteria. There is a problem with criteria, however, and the imposition of new criteria as certain types of applications are submitted. To remedy this situation the PETRA Office, working with the committee, should devise set criteria for selection and evaluation of the various categories of applications received by the office. The criteria should be formally approved by the committee so that each committee member will be apprised of the types of information that will be provided for a given application category. This will also insure that only necessary information is submitted by applicants.
- B. Does the office require more professional staff? It is the opinion of the evaluation team that project monitoring and evaluation are critical to the long term success and sustainability of the project. In this light the project should consider additional staff to undertake these functions as well as assisting in the receipt and review of applications and in providing technical assistance to applicants. A qualified person could be hired or a contract with a qualified firm could be executed to undertake PETRA monitoring.

- C. Should the Executive Assistant be changed to a data management slot to operate the project's data base and indicator reporting system? The evaluation team concurs with the findings detailed in the Herman study on the need for an individual to carry out the above job. In light of the need for detailed data on all aspects of project operations and the need to monitor achievement of project goals, the change of the Executive Assistant position to fulfill this need should be considered.
- D. What effect does the absence of an office vehicle have on staff performance? Interviews with the office indicates clearly the need to procure an office vehicle, especially to fulfill the outreach requirements that are vital to the success of the project. Project staff should not be required to undertake outreach in their own vehicles. This matter should be taken up by the committee for resolution and a vehicle procured.
- E. Are office hours appropriate? In Jordan the private sector work day is divided into two segments: 0900 - 1400 and 1600-1900 hours, six days per week. PETRA Office hours are currently from 0800-1400 hours, Saturday through Thursday. It is the opinion of the evaluation team that these hours should conform more to private sector hours. This would more closely identify PETRA with the business community and also allow time in the afternoon for business persons to visit and interact with the PETRA Office.
- F. Is the office over-or understaffed? In light of B and C above there is a need for more professional staff. It is recommended that the committee take a look at the long term staffing needs of the office especially in light of the inclusion of applicant loans and anticipated future project growth.
- G. Training recommendations: In light of B, C and F above consideration should also be given to development of a long range training plan for office staff to further develop and adapt skills to the needs of the program. Any such plan should be authorized and approved by the committee.

VIII. PETRA Committee: The PETRA Committee oversees implementation of the PETRA Project. The committee is supposed to meet on a monthly basis to review specific funding proposals submitted by applicants through the PETRA Office. The PETRA Committee includes the following members:

Secretary General of the Ministry of Planning  
Undersecretary of the Ministry of Industry and Trade  
Undersecretary of the Ministry of Finance  
Deputy Governor of the Central Bank  
General Manager of the Industrial Development Bank  
Director General of the Agricultural Credit Corporation  
Director General of the Cities and Villages Development Bank  
Director of the U.S. Agency for International Development  
One representative from the private sector nominated in coordination by the Ministry of Planning and the President of the Amman Chamber of Industry.

The evaluation found that the committee does not exactly adhere to a monthly meeting schedule as provided for by project guidelines. Scheduled monthly meetings will sometimes "slip" because of the extra time needed to prepare projects for a given agenda. However, if necessary the committee will convene for extra sessions to make final disposition of projects before it. The committee is viewed to be composed of well-qualified, capable members. One problem cited, however, is that often these members do not regularly attend, electing instead to send alternates who are not as adept at reviewing and passing on the merits of individual project proposals and who do not have an overall understanding of the PETRA concept. The committee currently reviews approximately 5-6 project applications per meeting.

Overall, the committee should ensure that it not only is giving proper attention and review to project applications but also to the long range direction of the project and to the giving of proper guidance to the PETRA Office. The committee should undertake strategic project planning in order to develop long range project goals. The committee should also translate these into operational guidance for the project office. The committee should take up immediately such items as securing a project office vehicle, staffing, training, revision in office hours, and establishment with the office of an agreed set of subproject selection and evaluation criteria to alleviate any misunderstanding among committee members, office staff and clients as to what is exactly required for submission and review of subproject applications. Major concerns of the committee at present are project activity monitoring and outside audit.

IX. USAID ROLE: It was originally envisioned that neither USAID nor the Industrial Development Bank (IDB) would invest much time in office functions. Instead USAID and IDB were to be involved at certain points in the process to monitor progress and identify potential problems. However, twelve months into the project, USAID continues to have a significant level of input into the daily functioning of the PETRA Office. In addition to Project Officer, Controller, and Voucher Examiner time, Mr. Fred Jeroy, USAID Senior Private Sector Advisor, spends close to 20 hours/week working with the PETRA staff.

In light of this, the USAID relationship with the PETRA Office requires clarification and a more definitive relationship established. Specific USAID concerns should be worked out with the office so that USAID can begin to act in a more advisory role at some point and the number of hours per week spent by USAID personnel working with PETRA staff reduced to a minimum.

One particular problem area cited was that USAID staff will make contacts/commitments to potential clients without prior knowledge of the office or the committee. Further, USAID staff will at times order a piece of work from one of the office staff without first clearing such request with the manager.

In order for USAID to assume a more advisory position, however, requires adequate staffing, proper training and guidance from the PETRA Committee.

ANNEXES

ANNEX 1

APPLICATION CHECKLIST

No :  
Name :  
Prepared By :

<u>No.</u>	<u>CRITERIA</u>	<u>WEIGHT</u>	<u>RATING</u>
1	Increase Employment	20	
2	Foster Export or Import Substitution	18	
3	Use Local Raw Materials	16	
4	Encourage Competition	12	
5	Has Previous Experience But Needs Training and Technical Assistance	9	
6	New Product	7	
7	Minority Investor	6	
8	High / Group or Low Priority	5	
9	Improvement of Jordanian Quality	4	
10	Alleviates Constraints	3	
	<b>TOTAL SCORE</b>	<u><u>100</u></u>	

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ANNEX 2

PROPOSAL PRESENTATION TO THE COMMITTEE

PRIVATE ENTERPRISE TECHNICAL RESOURCES ASSISTANCE

PROJECT SUMMARY

-----  
PROJECT NO. :  
PROJECT TITLE :  
APPLICANT :  
PROJECT LEADER :

PROPOSED ACTIVITY :  
**BOARD STATUS** :  
TOTAL COST(JD) :  
PETRA % :  
PROPOSER % :

LOAN AMOUNT :  
GRANT AMOUNT :

TERMS :  
INTEREST :  
GRACE PERIOD :  
REPAY PERIOD :

COLLATERAL :

**TYPE OF GUARANTEE** :

///

I. INTRODUCTION

BACKGROUND  
PURPOSE AND NEEDS  
TYPE OF COMPANY  
CAPITAL  
YEAR ESTABLISHED  
TECHNOLOGY INVOLVED  
APPLICANT BACKGROUND

II. THE PROJECT

DESCRIPTION  
LOCATION  
AREA  
BUILDING  
MANAGEMENT  
LABOR  
EQUIPMENT  
RAW MATERIALS  
TECHNOLOGY & KNOWHOW  
IMPLEMENTATION PLAN

III. MARKET

COMPETITION  
VOLUME (IMPORTS, EXPORTS, LOCAL PRODUCTION)  
POSSIBLE MARKET SHARE  
MARKETING PLAN

IV. FINANCIAL SUMMARY

CASH FLOW ANALYSIS (ANNEX I)  
PRO-FORMA PROFIT AND LOSS STATEMENT (ANNEX II)  
PRO-FORMA BALANCE SHEET (ANNEX III)  
COST ESTIMATES  
STATEMENT OF FINANCIAL RESOURCES  
RATIO ANALYSIS  
REPAYMENT ~~OF LOAN~~  
PROFIT / LOSS  
~~PENDING LOANS~~ EXISTING LOANS & OBLIGATIONS

V. JUSTIFICATION

PETRA OBJECTIVES  
~~GENERAL~~ BENEFITS  
CHECKLIST SCORE

1 CRITERIA

مشروع ريادة الأعمال وتقنية الإنتاج والتمويل  
Private Enterprise Technical Resources Assistance

QUESTIONNAIRE

Date: \_\_\_\_\_ التاريخ

Ref. \_\_\_\_\_ الإصدار

Name :  
Address :  
Telephone :  
Company Name, Address and Telephone:

Company(s) Location and Business Activity :

Product Description and how Assistance to be Used :

Estimate of Assistance (JD) needed :

Actual / Estimate Yearly Net Sales:      Local                      Export

Loans Outstanding :

References in IDB, USAID, PETRA and/or Personal :

How Did You Hear of PETRA?

(Use Additional Sheets and Attach Pertinent Information if Needed).

\_\_\_\_\_  
Signature

مشروع المساعدة الفنية لتقوية القطاع الخاص  
Private Enterprise Technical Resources Assistance

استبيان

Date: \_\_\_\_\_ التاريخ

Ref. \_\_\_\_\_ الرقم

الإسم :

المنشأة :

الهاتف :

هاتف

ص.ب.:

اسم الشركة او المؤسسة وعنوانها

موقع الشركة:

نوع العمل :

وصف المنتج:

كيفية استعمال المساعدة المطلوبة :

تقدير المساعدة المطلوبة (د.أ):

تقدير

الكمية التقديرية / الحقيقية للمبيعات السنوية : محليا

القروض المستحقة (ان وجدت) : المصدر  
القيمة (د.أ)

المراجع المعرفه لدى : بنك الاممء الصناعي - بترا - وكالة الاممء الدولي

كيف علمت عن مشروع بترا ؟

التوقيع

(يرجى استعمال صفحات اضافيه لاية معلومات اخرى)

تلفون: ٦٤٧٦٠٠، ٦٤٧٦٠٢ ص.ب. ١٩٨٢ عمان - الاردن  
TEL. 647601- 674602 P.O. BOX 1982 AMMAN - JORDAN

~~WARRANTY~~

VI. CREDIT-WORTHINESS AND PETRA QUALIFICATION

~~STATEMENT OF C/W FROM BANKS~~ ~~STATEMENT OF NO RECOURSE TO OTHER LENDING AGENCIES~~ *S. AUTH* AUTHORIZATION FOR CREDIT CHECK

VII. RECOMMENDATIONS

~~HISTORY WITH OTHER~~  
~~LENDING~~  
PREVIOUS PROJECT  
BORROWING  
HISTORY.

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