

Achievement of Market-Friendly Initiatives and Results Program  
(AMIR 2.0 Program)

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**November to December 2003**

Final Report

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## Abstract

This trip report narrates a visit that was made to Amman, from 30<sup>th</sup> November to 13<sup>th</sup> December 2003, regarding the JAED Initiative (reform of the institutional framework for investment promotion and enterprise development) in Jordan; discussions that were held within the Ministry of Industry & Trade; with the chairman of the Investment Task Force and of the Investment Committee; with the Director General of the Jordan Investment Board; with USAID officials; with management and colleagues in the AMIR Program; with colleagues in the EJADA Program.

It describes the present situation, particularly the views expressed by the new Minister Of Industry & Trade, H.E. Dr. M. Halaiqa, regarding the new Temporary Laws for the Jordanian Authority for Economic Development (JAED), for the Jordan Investment Board (JIB), the Jordan Enterprise Development Corporation (JEDCO), the Jordan Industrial Estates Corporation (JIEC), and a new Investment law. The minister has stated that he wishes to make a number of amendments to these Temporary Laws. However, it has to be said that the Minister has not yet put forward, for discussion with the donor community, his vision of the future, or his preferences regarding institutional structures.

Progress on the establishment of the JUMP Program is reported on.

The report also summarizes the contribution that the IVP Subcomponent is making to the national investment promotion and enterprise and export development agenda.

Finally, some conclusions and recommendations for the future are set out. These views express the personal views of the consultant, based upon 26 years direct and active involvement in IDA Ireland programs, and some seven years consultancy experience in the Middle East.

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**Annex A:** Extract from the Final Report of the Investment Committee

**Annex B:** Who Benefits for Increased Investment?

## Acronyms and Abbreviations

AMIR	Access to Microfinance & Improved Implementation of Policy Reform (Program)
ASEZA	Aqaba Special Economic Zone Authority
CEO	Chief Executive Officer
DDI	Direct Domestic Investment
EJADA	Euro-Jordanian Action for Development
FDI	Foreign Direct Investment
FZC	Free Zones Corporation
GOJ	Government of Jordan
IDA Ireland	Industrial Development Authority of Ireland
ITF	Investment Task Force
ITS	Investor Targeting Strategy
JAED	Jordanian Authority for Economic Development
JEDCO	Jordan Enterprise Development Corporation
JIB	Jordan Investment Board
JIEC	Jordanian Industrial Estates Corporation
JUMP	Jordan Upgrading & Modernization Program
MIT	Ministry of Industry & Trade
MOICT	Ministry of Information & Communication Technology
NLP	National Linkage Program
PSPI	Private Sector Policy Initiative
QIZ	Qualifying Industrial Zone
USAID	United States Agency for International Development
WTO	World Trade Organization

## **Executive Summary**

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### **1. Introduction**

This Trip Report covers a short trip that was made to Jordan in the period 30 November to 13 December 2003, for the purpose of gaining insights into the thinking and policies of the new Minister of Industry & Trade (and Deputy Prime Minister) H.E. Dr. M. Halaiqa, on the JAED (Jordanian Authority for Economic Development) Initiative, and to review progress made in relation to technical assistance to the Jordan Investment Board (JIB), to the Jordan Enterprise Development Corporation (JEDCO) and to the Jordan Industrial Estates Corporation (JIEC).

### **2. Situation Review**

#### **2.1 The Recommendations of the Investment Committee in the first half of 2002.**

Following the recommendations of the Investment Task Force, that Jordan adopt the Irish model of industrial and enterprise development, the Prime Minister established the Investment Committee, with a view to putting the necessary legal and institutional framework in place.

The Investment Committee, established in late 2001, comprised senior representatives from the Ministry of Industry & Trade, the Royal Court, JIB, JEDCO, JIEC, the Free Zones Corporation and leading figures from the private sector in Jordan.

The work of the committee spanned six months, many meetings, a fact-finding mission to Ireland, and a number of presentations to and discussions with senior government ministers.

The final report of the Investment Committee set out the recommended institutional framework, draft laws and draft regulations. That report was personally signed by each of these esteemed members of the committee.

The AMIR Program provided substantial technical assistance to the Investment Committee, but it is important to note that the Final Report represents the considered and agreed views of the Jordanian members themselves.

#### **2.2 Five New Temporary Laws Passed in June 2003.**

On 16 June 2003 five new temporary laws, relating to the JAED Initiative, came into force. These are - the law creating JAED; laws reforming JIB; JEDC; JIEC and a new Investment Law.

Although the 'entity' laws allow more direct involvement by ministries, other than the Ministry of Industry & Trade, than had been envisaged on the Boards of JAED, JIB, JEDCO and JIEC, they were nevertheless substantially in line with the recommendations made by the Investment Committee. Among other things, the laws allowed for private sector representation on the Boards to be at least as strong as public sector representation.

The passing of the laws, in itself, does not bring about real change. Reflecting the new Temporary Laws, new boards have to be appointed, new CEOs put in position, new strategic plans and annual work plans developed. In addition, staffing within the entities has to be reviewed thoroughly and possible retrenchment will have to take place in some cases.



Adequate and stable, long-term funding has to be secured for the new entities.

Many regulations have to be developed and agreed by Cabinet, particularly those relating to personnel matters.

Regulations supporting the new Investment Law have to be worked out and agreed by Cabinet, especially regulations concerning the fiscal incentives that Jordan offers for investment.

### 2.3 Three Ministers of Industry & Trade within Five Months.

The first change of Minister of Industry & Trade, which occurred in July 2003, about one month following the passage of the new laws, has been followed, less than three months later, by another change of minister, and by a slowing down of the momentum on implementation of the JAED Initiative. We understand that the current Minister (H.E. Dr. M. Halaiqa) is prepared to move forward on the JAED Initiative, but in a format that appears to be substantially different to that recommended by the Investment Committee.

Regrettably, the process of consultation with the AMIR Program, in particular, is less strong than before, and this is giving rise to some concern.

Pending clarification of the 'big picture' i.e. the overall institutional framework, the IVP Subcomponent of the PSPI has continued to provide direct technical support to JIB, to JEDCO and to JIEC. The PSPI Component of the AMIR Program is also providing legal advice to the new Minister, through a local Jordanian legal expert.

Support to JIB includes follow-up to the completion of a major investor targeting strategy, and the production of sectoral strategies for key sectors that JIB should be targeting for inward investment.

In addition, an FDI promotional strategy for the ICT sector is in the course of development.

A close working relationship is being maintained with JEDCO, especially on the topic of identification of export opportunities that Jordanian companies can target.

The IVP Subcomponent and the EJADA Program are maintaining close contacts concerning the new company development program [the Jordanian Upgrading and Modernization Program (JUMP)] that will be housed within JEDCO.

A re-design of a national Linkages Program has been finalized, with a view to running a pilot Linkages Program for the next year to eighteen months.

A complete organizational review of JIEC was carried out and presented to top management at that corporation earlier in the year. We understand that the management team is in the process of moving on implementation of the recommendations.

Significant legal and policy advice and assistance continues to be provided to the Ministry of Industry & Trade regarding the JAED Initiative and related matters.

## 2.4 Need for Closer Contact with New Minister

Regrettably, it has to be stated that the degree of contact and dialog with the Minister of Industry & Trade is far too low, given the importance and magnitude of the tasks in hand.

The AMIR Program has at its disposal expertise in institutional reform, investment promotion, enterprise development and export development. This expertise should be tapped into more deeply by the government of Jordan, with a view to accelerating the process of institutional reform and investment promotion.

## **3. Conclusions and Recommendations**

Overall, in order to make rapid and sustainable economic progress, particularly in the sphere of industrial development, Jordan needs:

- 3.1 visionary leadership at government level
- 3.2 the recognition of investment promotion as a key national priority
- 3.3 the provision of adequate, stable and long-term funding to the investment promotion entities
- 3.4 world-class chief executives and staff in the investment corporations
- 3.5 deep public-private partnership for immediate, intense and sustained action

At the level of the Minister of Industry & Trade, what is needed:

- 3.6 the Minister of Industry & Trade needs to champion the cause of urgently securing much increased levels of direct investment in Jordan
- 3.7 the Minister needs to develop and articulate a national three to five year industrial development vision and plan, with goals and objectives
- 3.8 from that, the Minister needs to get consensus on the institutional framework that is required to achieve these medium to long-term goals
- 3.9 the legal and operational structures of this new framework must then be put in place
- 3.10 in parallel with the above, the Minister needs to secure increased funding for JIB and ensure that such funding is largely directed towards sensible and effective international direct marketing programs by JIB
- 3.11 the Minister also needs to proceed with the setting up of JUMP. But doing so in a way that will not undermine the long term role envisaged for JEDCO
- 3.12 it would be most helpful for the Minister to engage the donor community in general, and USAID's AMIR Program in particular, in a more open, supportive and consultative manner

Other Recommendations, at AMIR / PSPI Component Level:

- 3.13 Maintain momentum of IVP Subcomponent work.  
Valuable technical assistance is being provided through the IVP Subcomponent in many areas, but especially in terms of development of national sectoral strategies for investment promotion; identification of export opportunities; development of a National Linkages Program.
- Continue with this technical assistance, whilst paying attention to the other matters referred to below.
- 3.14 Consider what effective mechanisms can be put in place in order to secure a closer working relationship between the Minister and the PSPI's IVP Subcomponent:
- be able to relate to him
  - understand his priorities / concerns
  - build credibility
  - provide assistance
- 3.15 Make a renewed effort to develop closer operational links with management at JIB.
- we need to have more extensive and deeper working relationships with JIB staff
  - need to be able to work much more closely with the staff of JIB, in order to coach them
  - use the opportunity created by the completion of the sectoral marketing strategy reports as a "bridge-building" mechanism, by holding workshops and briefing seminars, thereby building trust, credibility and friendship between executives in JIB and in AMIR
- 3.16 Search for funding to design and install better management information and tracking systems.
- need for better management information systems within MIT; JIB; JEDCO
  - also need for better Tracking Systems to record results and to monitor developments
- 3.17 Leverage the private sector goodwill and influence in favor of the JAED Initiative.
- make a determined effort to work more closely with the private sector to bring about the required changes
  - starting with the members of the Investment Committee
  - identify the key players in the Jordanian business world, and convince them to influence the government of Jordan for more rapid action
- 3.18 Build stronger contacts with relevant donor programs and selected Embassies.
- need to inform the donor programs and selected Embassies in Jordan of JAED and enlist their support for the reform process
- 3.19 Consult widely on the Review of Fiscal Incentives in Jordan.

- there is a need for the upcoming Incentives Review to be really comprehensive and world-class
  - it would be advisable to consult with the World Bank / IMF on that assignment
- 3.20 Prepare for communication with the media regarding the JAED Initiative.
- need to communicate confidently to the business media / business public in general.
- 3.21 Press for adequate, secure, long-term funding for the investment entities.
- need for commitment to long-term funding for JAED and the others.
- 3.22 Maintain close liaison between IVP Subcomponent and participants in the JV 2020 activity.
- need to build synergy between the IVP work and that parallel work that is underway on JV2020.
  - harness the energy, resources and expertise of the private sector in support of investment promotion.

## **INTRODUCTION**

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This trip report narrates a visit that was made to Amman, from 30<sup>th</sup> November to 13<sup>th</sup> December 2003, regarding the JAED Initiative (reform of the institutional framework for investment promotion and enterprise development) in Jordan; discussions that were held within the Ministry of Industry & Trade; with the chairman of the Investment Task Force and of the Investment Committee; with the Director General of the Jordan Investment Board; with USAID officials; with management and colleagues in the AMIR Program; with colleagues in the EJADA Program.

It describes the present situation, particularly the views expressed by the new Minister Of Industry & Trade, H.E. Dr. M. Halaiqa, regarding the new Temporary Laws for the Jordanian Authority for Economic Development (JAED), for the Jordan Investment Board (JIB), the Jordan Enterprise Development Corporation (JEDCO), the Jordan Industrial Estates Corporation (JIEC), and a new Investment law. The minister has stated that he wishes to make a number of amendments to these Temporary Laws. However, it has to be said that the Minister has not yet put forward, for discussion with the donor community, his vision of the future, or his preferences regarding institutional structures.

The report summarizes the present situation regarding JAED, JIB, JEDCO and JIEC, and sets out some conclusions and recommendations for further action and technical assistance through the AMIR Program.

The IVP Subcomponent continues to work in practical, hands-on ways, with JIB, JEDCO and JIEC and with a number of senior executives in the Ministry of Industry & Trade.

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## **CHAPTER 1**

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## SITUATION REVIEW

### Developments in the Period October to November 2003.

For detailed background briefing on the current state of play on the JAED Initiative, please refer to *Investment Promotion and Enterprise Development (May to September 2003) Final Report, dated October 2003*.

Earlier this year, the Legislative Bureau of Jordan and the Cabinet passed the five draft laws supporting the JAED reform, His Majesty King Abdullah II endorsed them, thus allowing the laws to come into force on June 16. These temporary laws were published in the *Official Gazette*.

These laws called for the establishment of JAED, the re-creation of the Jordan Enterprise Development Corporation (JEDCO) and the Jordan Investment Board (JIB), the modification of the Jordan Industrial Estates Corporation (JIEC), and laid down the framework for investment incentives and licensing. The laws came into effect on their date of publication, thus making it imperative that full support and technical assistance be allocated to this major, national, project.

Since June 2003, IVP staff members have been involved in rounds of discussion with (three) Ministers of Industry and Trade, their colleagues, USAID, and personnel at JIB, JEDCO and JIEC to prepare for the implementation of the JAED Initiative.

Regrettably, frequent changes at ministerial level have led to a loss of momentum on this effort.

Only one meeting has been held to-date with the current Minister of Industry & Trade, H.E. Dr. M. Halaiqa. He expressed many reservations about the recommendations of the Investment Committee and even went so far as to say that he intends to have some of the ‘investment laws’ repealed and changed by the introduction of new laws. He did not agree with the institutional structures proposed in the Temporary Laws of 16 June.

Unfortunately, he has not yet put forward his own version of the institutional framework he envisages.

A meeting with the minister had been scheduled, for 10 December 2003, but regrettably that meeting was canceled at short notice and no further meeting was rescheduled during the consultant’s visit to Jordan. In preparation for the meeting with the minister, some notes had been prepared. Those notes can still be used as a background ‘framework’ for discussion when the time comes to have the next meeting with the minister:

#### Points for Discussion with Minister of Industry & Trade.

1. *Request insights into the Minister’s vision regarding:*
  - *FDI promotion and facilitation*
  - *DDI promotion and facilitation – including enterprise development; encouragement and facilitation of start-up businesses*
  - *Export development.*
2. *What balance of emphasis does the Minister feel is right -between*

- *internationally-traded services*
  - *manufacturing*
  - *trading*
3. *What end-of year targets does the minister have in mind, over a five year time horizon, for:*
- a. *FDI – manufacturing*
    - *cumulative increase in actual capital investment in manufacturing in Jordan*
    - *total stock of actual capital investment in manufacturing.*
    - *cumulative new jobs actually created in manufacturing projects*
    - *total number of persons employed in manufacturing projects*
  - b. *DDI – manufacturing*
    - *cumulative increase in actual capital investment in manufacturing*
    - *total stock of actual capital investment in manufacturing*
    - *cumulative new jobs actually created in manufacturing projects*
    - *total number of persons employed in manufacturing projects*
  - c. *FDI - Internationally Traded Services*
    - *cumulative increase in actual capital investment in internationally-trading service industry.*
    - *total stock of actual capital investment in internationally-trading service industry.*
    - *cumulative new jobs actually created in foreign-owned internationally-trading service industry projects in Jordan.*
    - *total number of persons employed in foreign-owned internationally-trading service industry projects in Jordan.*
  - d. *DDI - Internationally Traded Services*
    - *cumulative increase in actual capital investment in internationally-trading service industry (domestically-owned) projects in Jordan.*
    - *total stock of actual capital investment in internationally-trading service industry (domestically-owned) projects in Jordan.*
    - *cumulative new jobs actually created in domestically-owned internationally-trading service industry projects in Jordan.*
    - *total number of persons employed in domestically-owned internationally-trading service industry projects in Jordan.*
4. *His ideas about where these achievements will come from – i.e. what will drive the achievement of these objectives / targets.*
5. *What will be the sources of these investments?*
6. *Does the Ministry currently have reliable data / statistics on the FDI and DDI situation today, regarding number of actual projects, in manufacturing and in internationally-traded services, actual (FDI and DDI) stock of investment; actual employment (total for FDI manufacturing; total for FDI internationally-traded services) (and for DDI)?*

7. *Discuss the Minister's preferred strategies*  
*e.g.*
  - *highly active international direct marketing programs by JIB?*
  - *willingness to 'buy' a handful of flagship projects*
  - *simplification of the equity rules; business registration and licensing; etc.*
  - *changes to Jordan's fiscal or other incentives for investment*
  
  - *partnership with the private sector*
  - *and with employees / unions*
  - *direct capital subsidies / training subsidies; employment grants ; loan guarantees; interest subsidies?*
8. *What Institutional Framework does the minister feel is most desirable, in the Jordanian context? It might be useful to refer the minister to a key section of the Final Report of the Investment Committee (June / July 2002). That section is repeated in Annex A.*
9. *What level of (real) government support is there for change?*
10. *Is the government really willing to make the investment in:*
  - *Establishing a new institutional framework?*
  
  - *Creating JAED and restructuring the existing investment corporations – recognizing the impact that this restructuring will have on the people within the organizations – from Director General down to drivers?*
  
  - *Appointing CEOs and senior management, through an open and transparent process, in order to get the best qualified, and not the best connected?*
  
  - *Paying private –sector oriented salaries, in order to retain good staff?*
  
  - *Appointing the CEOs and top management on clear, un-ambiguous, target driven, performance-related contracts that (1) can be terminated due to poor performance or (2) that can have bonus provisions to reward management and staff for exceptional achievement?*
  
  - *Providing adequate, stable and long-term funding for the investment corporations – both for fixed costs and for operating / promotional costs?*
11. *Clarify the current position (from the Minister's perspective) regarding;*
  - *JIB – funding; Annual Work Plan; Programs of activities*
  
  - *JEDCO – abolition of the old JEDCO; what is happening on the JUMP Program; the recent announcement that subsidies will be made available for SMEs*



- *JIEC – is the reorganization going ahead?*
  - *Does the Minister agree that a merger with FZC should be seriously looked at?*
12. *Discuss possible amendments to the five new Temporary Laws, based on the Minister's views.  
In addition, discuss the draft (unified) Personnel, Finance and Procurement Regulations that have been drawn up, upon the request of a former Minister, by the AMIR Program.*
13. *Discuss our contacts with JIB regarding:*
- *development of sectoral strategies for FDI promotion*
  - *workshops – some of which the Minister himself might like to participate in*
  - *provision of adequate and dedicated funds for direct marketing missions in line with these strategies*
  - *build-up of the numbers of staff in JIB's promotional department*
  - *build-up of skills / training / capacity building within JIB*
  - *Can we get sight of JIB's Annual Work Plan and Targets for 2004?*
  - *and sight of JIB's budget request?*
14. *Discuss our work, about to get underway, on development of a sectoral strategy for the ICT sector.  
There will be a need for clarification about who ( JIB / MIT or MoICT) has clear responsibility and authority for international marketing in this sector.*
15. *Discuss JEDCO and our desire to be fully involved in the re-shaping of JEDCO – including participation in the Working Group for the establishment of JUMP.  
Describe our current work on export opportunity identification, and what follow-up will be required.*
16. *Clarify what is happening within JIEC.  
Is the recommended restructuring taking place?*
17. *Discuss the forthcoming technical assistance assignment – Review of Fiscal Investment Incentives in Jordan.*
18. *Communications.  
Discuss the idea of the AMIR Program arranging a series of Briefing Sessions for the minister and staff at the ministry of industry and trade on:*
- *investment promotion*
  - *enterprise development*
  - *export development*
  - *also on the JAED Initiative.*
  - *sharing the information contained in:*
    - *the Investor Targeting Strategy Report of mid-2003.*
    - *the information contained in 2002 Information Systems Review*

- *The 2002 Investor Roadmap – and what is happening on business registration and licensing*

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## **CHAPTER 2**

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## **Jordanian Authority for Economic Development (JAED).**

### 2.1 JAED's Roles and Responsibilities.

In 2001 the Investment Task Force highlighted the lack of a coherent system for setting, coordinating, and implementing investment promotion strategies in Jordan. It commented that strategy-making is fragmented due to weak linkages and insufficient communication channels between strategy entities and first-tier entities.

As proposed by the Investment Committee, the creation of JAED is designed to address these issues.

JAED's functions are defined, by law, as:

- Advise the Minister on matters relating to developing enterprises and improving the investment climate in the Kingdom through carrying out studies and proposing strategies, policies and implementing programs.
- Evaluating and coordinating the performance of the Investment Corporations and the mechanisms with which they conduct their activities according to the provisions of the enacted legislation, and submit reports concerning such to the Minister.
- Advising and assisting the Investment Corporations and any other corporations or entities designated by the Minister in enabling them to implement the investment and trade strategies and achieve their goals and objectives.
- Carrying out research on trade, investment and enterprise development topics at the instruction of the Minister (which might be in response to requests from other government and non-government entities).

The key to this set of functions is JAED's role as an advisory body and its absence of executive authority or implementation responsibilities. The overriding objective is to build JAED into the pre-eminent policy advisory body in the country for all matters touching on enterprise development.

The law establishing JAED was passed, along with a number of other temporary laws, on 16<sup>th</sup> June 2003. Regrettably, since that time, little has happened on the implementation of the JAED Initiative. Due to the fact that H.E. Dr. Halaiqa is the third Minister of Industry & Trade since that date a lot of time has been lost and the momentum on the JAED Initiative appears currently to have stalled.

### 2.2 Meeting with Chairman of Investment Committee.

The consultant met with Mr. Nadeen Muasher, who had been Chairman of the Investment Task Force and also Chairman of the Investment Committee.

Ideally, he would like to see the Minister of Industry & Trade being the chairman of only JAED, and not also the chairman of JIB, JEDCO, and JIEC, as set out in the Temporary Laws.

He would like to see the current Secretary Generals of JIB, JEDCO and JIEC being made CEOs and Chairmen of the new JIB, JEDCO and JIEC.

Each of these latter organizations having full Boards (as proposed in the Investment Committee's recommendations).

JAED would also have its own Board, with “interlocking boards”, again as had been proposed.

JAED not to be involved in implementation, but to be a consultative, policy formulation, monitoring and evaluation body.

Dr. Halaiqa had expressed an intention to go back to Parliament and have the JAED Laws changed. Mr. Muasher had recommended against that to the Minister, suggesting instead that the Minister engage the Parliament in the whole process.

Mr. Muasher’s idea is that a series of Briefing Sessions would be organized for the members of Parliament (open to all parliamentarians, but knowing that only those with strong interests in this area will participate).

From these Briefings, and also from a Fact Finding / Study Mission to Ireland by a number of parliamentarians, the political mood (for changes to the legislation) could be created.

The up-side would be that the parliament itself would share in the ownership of the new legal environment, and there would be better consensus and commitment.

Appointing the current Director General of JIB, JEDCO and JIEC to the CEO / Chairman ‘slots’ would ensure that the benefit of the long expertise that these people have, would be retained within the new organizations.

In addition, elevating the current Directors General to these higher profile and more accountable positions would mean that their performance would be more transparent (particularly in view of the fact that there could be a majority of private sector members on the Board of JIB, JEDCO and JIEC).

Overall, Mr. Muasher feels that the importance of getting new investment into Jordan cannot be over-emphasized.

The ability to attracting new investment will be influenced by the competitiveness of the environment in Jordan. He specifically mentioned interest rates (too high at 8% in Jordan); corporate tax rates; problems at Aqaba Port.

To succeed in getting new FDI will require significantly increased expenditure on direct marketing and promotion internationally.

Regarding funding for the entities – JAED, JIB, JEDCO and JIEC, Mr. Muasher feels that the Government of Jordan should continue to seek to get funding from international donor agencies.

### 2.3 What is the Irish Model?

The recommendations of the Investment Task Force were that Jordan should adopt an institutional framework resembling the Irish Model.

In doing so, the ITF referred to the current institutional structure in Ireland, involving Forfas, IDA Ireland and Enterprise Ireland as the main “players”.

Full details are contained in the ITF Report.

The Investment Committee built upon the recommendations of the ITF, upon the request of the Prime Minister, and put forward the detailed plans for the creation of JAED and the restructuring of JIB, JEDCO and JIEC – “The JAED Initiative”. The process by which the detailed recommendations of the Investment Committee were arrived at is contained in the body of the Investment Committee Report.

It should be borne in mind that “The Irish Model” has never been a fixed or static model. One of its greatest strengths has been that it is an extremely flexible and adaptable model.

It has changed on countless occasions during the period from 1969 -the time at which IDA Ireland first came into existence – to the present time. Neither Forfas nor Enterprise Ireland existed before 1994.

From the one brief meeting that took place with H.E. Dr. Halaiqa in October, and from comments made by Mr. Muasher, it appears that the minister is considering an institutional structure which in many ways resembles the initial IDA structure.

The first ‘version’ of the structure for IDA Ireland (in the early 1970s) comprised of two bodies – an IDA Ireland Authority and an IDA Ireland Board.

The IDA Ireland Board had an executive Chairman, (who was also Managing Director of that organization), three executive directors and a small number of non-executive directors. The executive directors had responsibility for:

- FDI – a large division engaged in attracting FDI into Ireland; facilitating such investment and subsequent expansions
- DDI – another large division dealing with indigenous Irish industry (micro, SME and large size)
- Industrial estates and property

The executive directors reported directly to the Managing Director / Chairman of IDA Ireland.

Also reporting directly to the Managing Director was the manager of the Planning Division and the Secretary of IDA Ireland.

- The Planning Division was responsible for policy development, regional planning, monitoring and evaluation of IDA Ireland’s performance, etc.
- The Secretariat handled all secretarial matters and all matters relating to human resources and to information systems.

A senior official from the Ministry of Industry & Trade (known in Ireland, at the time, as the Department of Industry & Commerce) was on the board of IDA Ireland as a non-executive director.

Note that at that time, and for two decades afterwards, the Irish Export / Trade Board remained a separate ‘sister’ organization of IDA Ireland, reporting directly to the Department of Industry & Commerce. However, the Chairman of the IDA Ireland Board was a non-executive director of the Irish Trade Board.

The IDA Ireland Authority operated like an Advisory or Steering Committee. It had a (private-sector) Chairman and a number of non-executive authority members. The majority of these members were from the private sector. The Chairman of the IDA Ireland Board was a member of the Authority. The Authority reported directly to the Minister of Industry & Commerce.

This basic structure survived (with some modifications), in Ireland, for some twenty four years, until the creation of Forfas and Enterprise Ireland, and the subsequent merging of the Irish Trade Board with Enterprise Ireland.

H.E. Dr. Halaiqa may have in mind a structure that is similar to the original IDA Ireland model. It is felt that a series of discussions and debates with Dr. Halaiqa would help substantially to clarify the question of ‘What is the Irish Model?’ and would provide many practical and valuable insights into the design of the appropriate framework for Jordan.

The AMIR Program stands ready to provide guidance, advice and insights to the minister on the operation of the former IDA Ireland model.

## **CHAPTER 3**

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## **Jordan Investment Board (JIB)**

### 3.1 Meeting with Director General of JIB.

A meeting was held with the Director General of JIB, Mrs. Reem Badran.

At this meeting, it was noted that:

- project approvals for 2003 are ahead of 2002.
- investment from domestic sources is buoyant.
- JIB is being allowed to tap into the JD 1 million fund that has been reserved within the Social and Economic Transformation Program. The draw-down of money under that fund is on a case by case or project by project basis.

### 3.2 Sectoral Strategies for FDI Promotion

A discussion took place regarding the sectoral strategy work (development of sectoral strategies for FDI promotion and facilitation) that the AMIR Program has commissioned. JIB is the beneficiary.

The sectors being covered are:

- Garments
- Electronics assembly
- Precision engineering
- Medical services
- An update of the pharmaceutical strategy

These sectoral strategy reports build upon the report produced earlier this year on Jordan's competitive position for the attraction of FDI (compared to competitor countries Egypt, Tunisia, Dubai and Israel), in which a number of potential target sectors for FDI were recommended.

### 3.3 Workshops / Briefing Sessions

The above reports provide very extensive informative, and would be informative, not only for the staff in JIB's promotions department, but for many of the staff in JIB. We suggested the holding of Workshops, at which Al-Jidara (the Jordanian consultancy firm which was commissioned by the AMIR Program to produce the sectoral strategy reports) would present the reports, findings, conclusions and recommendations, and have full discussion with JIB staff.

In addition, there is great value in a wide spectrum of JIB staff acquiring this knowledge, thereby building up an even stronger 'team-spirit' and greater sectoral expertise within the organization.

As these sectoral strategy reports are finalized, over the next few months, there is also an opportunity to inform key Jordanian players and business leaders about the findings and recommendations. By sharing this information with key players in the Jordanian business world, the JIB should be able to win increased support for its international promotional and marketing activities.

Mrs. Badran agreed that holding such workshops or briefing sessions is a good idea, and suggested that the 'audience' be broadened to include others from outside JIB, possibly including people from government ministries, and from the private sector. Increased success in attracting more foreign direct investment into Jordan will lead to employment creation, additional exports, development of technology and skills. Arrangements are now underway to hold a series of such workshops.

We discussed the fact that the world's leading investment promotion agencies are heavily 'target driven'. They adopt and encourage a culture of aggressive, target-oriented, marketing, promotion and facilitation activity, leading to success in the battle to attract increased FDI and DDI. JIB needs to do the same. However, the final decisions regarding the targets that JIB should set for itself rest with the Board of JIB and with the government of Jordan.

The challenge for JIB, with support through the AMIR Program, is to claw back the performance from the current low position, over the next few years, and achieve outstanding success, bringing the figures to points that are at least 10% above the (extrapolated) Trend Lines.

### 3.4 Meeting at EJADA regarding JIB

At a separate meeting at EJADA, Mrs. Nesreen Barakat of EJADA informed us that EJADA has received a request from JIB to have two more sectoral strategy studies carried out:

- automotive component parts
- insulated electrical cable

It does not appear that EJADA has commissioned these studies yet. At a meeting at EJADA, Mrs. Barakat of EJADA informed us that EJADA has received a request from JIB to have two more sectoral strategy studies carried out:

- Automotive component parts
- Insulated electrical cable

It does not appear that EJADA has commissioned these studies yet.

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## **CHAPTER 4**

### **Jordan Enterprise Development Corporation (JEDCO).**



#### 4.1 New Roles for JEDCO

The Report of the Investment Committee recommended that JEDCO be recast in the mold of Enterprise Ireland, making it responsible for company / enterprise development and for the development and promotion of exports.

In the area of enterprise development, JEDCO should support its clients in a variety of ways. JEDCO should ensure that large companies receive the help they need to become internationally competitive and that small- and medium-sized companies receive the help they need to grow. Such help might include technical assistance in international best-practices for business management and market research. JEDCO should also encourage entrepreneurship by identifying potential entrepreneurs and working closely with them to ensure that they receive the assistance they need to undertake their projects successfully. Such assistance might include, for example, support in identifying a potential project, studying its feasibility, writing a business plan, seeking finance for it, and managing it.

Through a National Linkages Program, JEDCO should endeavor to connect local demand for inputs with local supply of those inputs. Through this program, JEDCO will track both the needs and capacities of firms, in order to match those firms that may need assistance to provide an input to a particular standard that the customer demands. Such assistance might include working with both the customer and supplier to facilitate the transfer of any technology that might be necessary for the supplier to provide the input in the way demanded by the customer.

In the area of export promotion, JEDCO should focus its current efforts, based on the vision articulated by JAED. For example, JEDCO should open overseas offices in those countries which are appropriate targets for the goods and services that Jordan aims to export, while closing its existing overseas offices in those countries which are inappropriate targets. It should continue its role in servicing Jordan's trade agreements and facilitating export financing. It should also continue undertaking research, providing information, and offering technical expertise to support existing operations.

#### 4.2 JEDCO's new Role in Enterprise Development

In relation to the Enterprise / Company Development activity, it was envisaged that the Jordan Enterprise Development Corporation would gradually take over the company development activities of the various donor programs in Jordan (JUSBP, EJADA, etc.).

The European Commission has offered significant financial and technical assistance to the government of Jordan to establish a company development program within JEDCO. This program is called the Jordan Upgrading and Modernization Program (JUMP). We are informed that the Jordanian government has allocated JD 5 million for JUMP in 2003 and the same amount again in 2004. This fund of JD10 million is to be allocated from the Social and Economic Transformation Program.

Based on this indication of commitment from the Jordanian side, the European Commission has indicated that it will allocate a total of Euro 5 million to provide reciprocal assistance to JUMP.

Euro 2.5 million will go directly to the JUMP Program fund, and the other Euro 2.5 million will be allocated to cover the cost of technical assistance (through the EJADA Program) to build capacity within JEDCO to manage such a major program.

A Working Group, comprising representatives from the Ministry of Industry & Trade and from EJADA, has been established to move forward on this significant and positive initiative.

Recruitment of a Chief Executive for the Jump Program is underway.

#### 4.3 Meeting at EJADA on JUMP

A meeting was held with Mrs. Nesreen Barakat of the EJADA Program regarding developments on JUMP.

She confirmed that EJADA is keen to move forward on the JUMP Program. EJADA recognizes that there are, primarily, two core activities for JEDCO (1) enterprise / company development and (2) export promotion. The JUMP Program relates to (1).

EJADA is aware of the work that the IVP Subcomponent of the AMIR Program is doing for JEDCO regarding (2).

It is important that the government of Jordan move quickly on implementing JUMP, as the funding for JUMP comes jointly from the government of Jordan and from the European Commission (JD 5 m. from the government of Jordan and Euro 5 m. from the European Commission). The E.C. could become disillusioned if there is no progress on JUMP, resulting in a possible withdrawal of the offer of Euro 5 m. from Brussels.

An advert was placed in the Jordanian newspapers recently for a Chief Executive for JUMP. No salary scale was announced in the ad. The deadline for receipt of applications was mid-December. The advert did not appear in newspapers outside of Jordan, as it was felt that Jordanians living abroad read the Jordanian papers (job applications) regularly.

The Minister of Industry & Trade has in mind a salary of JD 1,000 to possibly JD 1,500 per month, but EJADA feels this would not be high enough. It had been decided to wait until all the applications are received, and initially screened, before making a judgment on what salary to offer.

It will take some time for the Chief Executive to be appointed and to take up his/her post.

Possibly until end of January or some time in February. Only then can the process of recruiting for local Jordanian staff for the JUMP Program commence. In parallel with this, EJADA will mobilize a number of international experts, to 'shadow and coach' the JUMP employees over a period of a year or so.

The process, however, it likely to take some considerable time overall.

It was noted that a new Board for JEDCO has been in place for some little time, and two board meetings have already taken place.

The original design of the JUMP Program envisaged that an Advisory Board for JUMP would be put in place. It is felt now that a sub-committee of the JEDCO Board could adequately fulfill that role.

#### 4.4 AMIR / JUSBP should be Involved in the Implementation of JUMP

Given the heavy support that the AMIR Program has provided to this national effort of improvement of Jordan's institution framework for investment promotion and enterprise development, it is strongly recommended that the PSPI Component of AMIR be party to the activities of the above Working Group.

In addition, it is highly desirable that JUSBP be fully involved.

The decision of these matters, however, rest with the Minister of Industry & Trade.

#### 4.5 Identification of Export Opportunities.

The IVP Subcomponent has been working closely with, and continues to lead, a working group, including both AMIR Program and JEDCO staff, to develop JEDCO's first comprehensive export promotion strategy, while building JEDCO's capacity to continue such work in the future without assistance.

#### 4.6 National Linkages Program.

A further role for JEDCO in the future is the management of a National Linkages Program. JEDCO, as the national agency charged with responsibility for enterprise development, will be uniquely placed to fulfill this role.

Before the establishment of such a National Linkages Program, however, a previous Program Design had to be updated. The above 'design update' assignment has recently been completed.

Now, it is intended that a pilot national program will be run, for a year and a half or so, before it is transferred to JEDCO for long-term management. Plans are being made to utilize a Grant, through the AMIR Program, to support the funding of the Pilot National Linkages Program, commencing early in 2004.

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## **CHAPTER 5**

### **Jordan Industrial Estates Corporation (JIEC)**

#### 5.1 Organizational Review Completed.

Following a request from the Director General of the JIEC, the AMIR Program provided assistance to JIEC and developed a plan for restructuring the organization to help it meet the challenges of strong local competition and a difficult political environment.

A comprehensive, detailed, restructuring Plan was developed and presented to senior management at JIEC.

The improvements recommended will need to be installed gradually and are likely to occupy up to a year of JIEC executive time before they are fully implemented. The involvement of the Minister of Industry & Trade will be a necessary prerequisite.

It is understood that top management at JIEC is now actively engaged in moving forward on the restructuring.

## 5.2 Proposed Merger of JIEC with the Free Zones Corporation

A merger between the two organizations has long been under consideration, although no formal evaluation of this has taken place. There are clearly strong similarities between the two. Both perform a property sale and leasing service for commercial and industrial clients. However, they differ in the type of incentives offered, as well as in the sense that the FZC performs certain Customs-related functions that the JIEC does not. The JAED proposal correctly recognizes that a more detailed review of the functions and structure of a merged organization must take place before any merger can take place.

A study is scheduled to be carried out at a later date.

## **CHAPTER 6**

### **Influencing the Private Sector to Push for Accelerated Investment in Jordan.**

#### 6.1 The key role of the private sector.

Given the national objective of doubling per-capita income in Jordan by the year 2020, there clearly is an urgent need to secure accelerated investment. This investment should preferably be *direct* investment, from both domestic and foreign sources, in key productive, competitive and wealth creating areas, across the economy.

Parallel to government efforts in this regard the private sector can and should play a major role.

The private sector can work in partnership with government, can support and influence government, and can play a very significant direct role.

It is recommended that the resources, energy, expertise, contacts and dynamism of Jordan's private sector be enlisted, to encourage and influence the government of Jordan to move rapidly on implementation of the JAED Initiative and through this, to achieving much higher levels of investment in the Jordanian economy.

The private sector, itself, can show confidence in the future of the Jordanian economy, by making direct investments of its own, by actively seeking international partnership agreements, technology-transfer arrangements and licensing opportunities. It can seek to participate in international consortia. It should capitalize on the opportunities presented by Jordan's international trade agreements.

Appropriate elements of the private sector should be empowered by sharing in the information contained in key AMIR Program reports, such as the FDI promotion sectoral strategy reports, export opportunity research and competitor analysis.

Jordanian businesspeople, traveling abroad, can tune into investment opportunities, network, act as commercial ambassadors for their country and provide valuable feedback to the government and to its institutions.

## 6.2 Who benefits from increased investment in Jordan?

In seeking to mobilize private sector support for the JAED Initiative we must consider, broadly, who benefits from accelerated investment and who therefore has a moral obligation to participate in the effort.

Ultimately, increased investment will lead to wealth-creation through increased employment, higher wages and salaries, increased purchases of Jordanian raw materials, component parts, supplies such as packaging, services such as transport, energy, banking, insurance, travel, profits and tax payments.

An indicative list of 'beneficiaries' is set out in Annex B.

Broadly, all of these entities and firms should be approached for their support. Such support does not necessarily have to be in the form of financial aid. There are, for example, many 'networking' opportunities that have no real cost, but which can benefit Jordan in its drive to attract more investment in to the country.

## 6.3 Develop a Program of Private-Sector Involvement

It will be necessary to develop a (flexible) Action Plan.

Direct contact with business associations is an obvious route, and should be pursued vigorously.

In addition, contact should be made with individual business leaders, who are, after all, those who have already provided the vision, leadership, initiative and business acumen that the country badly needs.

Consider mechanisms such as:

- briefing seminars – making presentations at regular (monthly?) meetings of business associations, chambers, etc.
- stimulating interest through the press, magazines, Jordanian trade journals
- Sending out flyers
- Cooperation with other relevant donor-programs e.g. JUSBP; EJADA; UNIDO; others
- Cooperation with some of the foreign Embassies here in Jordan
- Production and dissemination of briefing material
- Organization of fact-finding missions to Ireland, or to other ‘role-model’ countries

## **CHAPTER 7**

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### **Conclusions and Recommendations**

Overall, in order to make rapid and sustainable economic progress, particularly in the sphere of industrial development, Jordan needs:

#### 7.1 visionary leadership at government level

- 7.2 to allocate to investment promotion the national priority that it urgently requires
- 7.3 provision of adequate, stable and long-term funding to the investment promotion entities
- 7.4 world-class chief executives and staff in the investment corporations
- 7.5 deep public-private partnership for immediate, intense and sustained action

At the level of the Minister of Industry & Trade, what is needed:

- 7.6 the Minister of Industry & Trade needs to champion the cause of urgently securing much increased levels of direct investment in Jordan
- 7.7 the Minister needs to develop and articulate a national three-to-five year industrial development vision and plan, with goals and objectives
- 7.8 from that, the Minister needs to get consensus on the institutional framework that is required to achieve these medium to long-term goals
- 7.9 the legal and operational structures of this new framework must then be put in place
- 7.10 in parallel with the above, the Minister needs to secure increased funding for JIB and ensure that such funding is largely directed towards sensible and effective international direct marketing programs by JIB
- 7.11 the Minister also needs to proceed with the setting up of JUMP. But doing so in a way that will not undermine the long term role envisaged for JEDCO
- 7.12 it would be most helpful for the Minister to engage the donor community in general, and USAID's AMIR Program in particular, in a more open, supportive and consultative manner

Other Recommendations, at AMIR / PSPI Component Level:

- 7.13 Maintain momentum of IVP Subcomponent work.  
Valuable technical assistance is being provided through the IVP Subcomponent in many areas, but especially in terms of development of national sectoral strategies for investment promotion; identification of export opportunities; development of a National Linkages Program.

Continue with this technical assistance, whilst paying attention to the other matters referred to below.

- 7.14 Consider what effective mechanisms can be put in place in order to secure a closer working relationship between the Minister and the PSPI's IVP Subcomponent:
  - be able to relate to him

- understand his priorities / concerns
  - build credibility
  - provide assistance
- 7.15 Make a renewed effort to develop closer operational links with management at JIB.
- we need to have more extensive and deeper working relationships with JIB staff
  - need to be able to work much more closely with the staff of JIB, in order to coach them
  - use the opportunity created by the completion of the sectoral marketing strategy reports as a “bridge-building” mechanism, by holding workshops and briefing seminars, thereby building trust, credibility and friendship between executives in JIB and in AMIR
- 7.16 Search for funding to design and install better management information and tracking systems.
- need for better management information systems within MIT; JIB; JEDCO
  - also need for better Tracking Systems to record results and to monitor developments
- 7.17 Leverage the private sector goodwill and influence in favor of the JAED Initiative.
- make a determined effort to work more closely with the private sector to bring about the required changes
  - starting with the members of the Investment Committee
  - identify the key players in the Jordanian business world, and convince them to influence the government of Jordan for more rapid action
- 7.18 Build stronger contacts with relevant donor programs and selected Embassies.
- need to inform the donor programs and selected Embassies in Jordan of JAED and enlist their support for the reform process
- 7.19 Consult widely on the Review of Fiscal Incentives in Jordan.
- there is a need for the upcoming Incentives Review to be really comprehensive and world-class
  - it would be advisable to consult with the World Bank / IMF on that assignment
- 7.20 Prepare for communication with the media regarding the JAED Initiative.
- need to communicate confidently to the business media / business public in general.
- 7.21 Press for adequate, secure, long-term funding for the investment entities.
- need for commitment to long-term funding for JAED and the other entities.
- 7.22 Maintain close liaison between IVP Subcomponent and participants in the JV 2020 activity.
- need to build synergy between the IVP work and that parallel work that is underway on JV2020.
  - harness the energy, resources and expertise of the private sector in support of investment promotion.



## ANNEX A

### **Extract from the Final Report of the Investment Committee.**

*To achieve the growth that Jordan needs requires Jordan to identify and improve its global competitiveness in key industries, both existing and emerging, and to adopt and implement a focused strategy to promote that competitiveness worldwide. A new institutional framework is needed, in order to accommodate the new strategic direction of economic policy. This new approach to competitiveness and investment promotion in turn requires a new set of skills within the new institutional framework; in short, a comprehensive reform of institutions, policies, strategies and skills.*

#### *The Irish Model, Why it Works.*

*In Ireland, Forfas is the national advisory body for enterprise strategy and policy; IDA Ireland is the national agency responsible for promotion and facilitation of foreign direct investment; Enterprise Ireland has national responsibility for enterprise development and linkages between foreign-owned industry and indigenous industry.*

*The success of the Irish model is based on a number of factors, including:*

- *The presence of a universal enterprise policy,*
- *Exclusive division of functions between Forfas, IDA Ireland, and Enterprise Ireland,*
- *Private-sector orientation and leadership within these three organizations,*
- *Non-authoritative government participation in the running of the organizations,*
- *Earned credibility with both the Irish public and private sectors,*
- *Administrative flexibility, leading to effective staff and systems,*
- *Similar structures, contributing to a sense of ‘unity’ among the entities (in relation to coordination, equality, and other matters),*
- *A strong and sustained funding commitment by the Irish government to these organizations.*

### *The Current Situation in Jordan*

*Analysis of the situation in Jordan, as seen by the Economic Consultative Council, requires the development of national strategies and policies for enterprise development; improved coordination between government Ministries involved in such policy formulation; tighter coordination between key public corporations involved in promoting and facilitating investment; closer monitoring of the performance of these corporations; and greater attention to be paid to Jordan’s international competitiveness.*

### *Bridging the Gap through a New and Sustainable Institutional Framework.*

*The ITF concluded that there is a need to put in place a sustainable institutional framework to bridge the macro-micro gap. International benchmarks, with relevance to Jordan, should be used in this process. In line with its Track One approach, the ITF recommended the establishment of a Jordanian Authority for Economic Development (JAED), modeled on Ireland’s Forfas. Referring to its Track Two approach, the ITF highlighted the need for a new institutional framework and for continuous management, development and follow-on to such long-term investment initiatives in Jordan.*

*The Investment Committee recognized that the fundamentals of success in Jordan would be to design international best-practice structures for the relevant corporate entities, establish sound mechanisms for effective interaction between these entities, and reform and modernize the regulatory situation relating to the investment and enterprise development. These mechanisms include “interlocking” Boards (i.e. having common directors on the Boards of the entities), linked information systems, and a funding flow mechanism that would be effective.*

*These entities, responsible for the development of enterprise strategy recommendations and responsible for implementing national enterprise strategies, should also all have official public corporation status, guided by progressive regulations, particularly regarding personnel issues. One of the keys to the success of these entities will be their ability to recruit, develop and retain talented and highly-motivated, private-sector oriented individuals.*

*Government needs to recognize the national importance of providing adequate funding to the new entities and must have confidence that the entities will function effectively and deliver the national*

*economic improvements that are desired. The entities themselves need a strong, highly influential, and appropriately empowered “Champion” at the Cabinet level, in order to command the full support and cooperation of all relevant government bodies and to ensure the sustained resource allocations that are required.*

## **ANNEX B**

### **Who Benefits from Investment in Jordan?**

#### **A. What forms of Investment?**

Consider Investment in:

1. Manufacturing
2. Internationally-trade services
3. Locally-traded services
4. Service Providers

#### **B. Who Benefits?**

##### **B.1 Beneficiaries, suppliers of capital equipment / fixed assets -**

Providers of buildings – industrial estate developers; builders; suppliers of electricity distribution equipment, control panels, circuit boards, plugs and sockets; water – supply pipelines, storage tanks,

pipng, plumbing; energy – oil tanks, piping, boilers, suppliers of gas and gas installations; telecommunications;

Providers of capital equipment, machinery; fittings and fixtures; office equipment; office supplies  
And of spare parts  
And maintenance of same  
Suppliers of cars and trucks, busses

Providers of consumables – paints; oils; welding gasses; industrial gasses; welding rods; tools; moulds and dies; cutting tools; hand tools; light fittings; packaging materials; office stationery; printing inks; canteen crockery, cutlery, pots and pans, storage / hygiene fittings; cleaning materials; cleaning services.

## B.2 Beneficiaries, on an ongoing basis -

Electricity supply company

Oil supply company

Gas supply company

Water supply company

Sewage disposal company

Industrial waste service company

Transportation companies

Telephone company

Servicing of office computers, other office equipment

Accounting services

Tax advisory services

Insurance services

Auditing services

Banks

Travel agencies

Providers of accommodation and entertainment – hotels; estate agents; owners of apartment accommodation; restaurants; taxi services

Chambers of Commerce and of Industry

Business Associations

Research & Development institutions

Specialized laboratories

Industrial training schools

Management schools and universities

Technical schools

Providers of consultancy services

Head-hunters

Recruitment agencies

Legal firms