

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

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**Report on Phase III – Trip 1**

**Final Report**

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## Executive Summary

### **Background**

The AMIR Program provided considerable technical assistance to the Investment Committee during the first half of 2002, in developing the concepts and framework for a major reform of Jordan's investment promotion and enterprise development entities. Within this framework the creation of a Jordanian Authority for Enterprise Development (JAED) was envisaged - draft laws and regulations for which were also produced.

The tasks relating to this Consultancy (which spans a time frame from August 2002 until July 2003 and which involves seven trips by the consultant to Jordan) refer to moving forward on the implementation of this reform package. The tasks include providing technical assistance to JAED, to the Jordan Investment Board (JIB), to the Jordan Commercial Centers and Export Development Corporation (JEDCO), to the Jordan Industrial Estates Corporation (JIEC) and to the Free Zones Corporation (FZC).

### **Introduction**

An Investment Task Force (ITF), created by the Economic Consultative Council in 2001, was given the mandate to improve the environment through which more direct inward investment can be attracted to Jordan, enterprise encouraged and developed, exports increased, as a way of accelerating and widening economic growth in Jordan. The ITF recommended that Jordan should follow the 'Irish model' of development, including the setting up of a Jordanian Authority for Enterprise Development. The ITF highlighted the need for a new institutional framework and for continuous management, development and follow-up to such long-term investment initiatives in Jordan.

The Prime Minister created the smaller Investment Committee with a mandate to come up with a detailed plan to implement the recommendations in the ITF report, focusing specifically on an institutional framework based as closely as possible on the Irish model.

The AMIR Program worked intensively with the Investment Committee during the first half of 2002 and developed a full package of proposed reforms, aimed at creating a Sustainable Institutional Framework for Investment Promotion and Enterprise Development. Central to this package were the creation of a JAED, reform of the JIB, dissolution of the JEDCO and its replacement by the Jordan Enterprise Development Corporation, some modifications to the JIEC and a number of associated changes.

### **Delay in Endorsement by Cabinet of Investment Committee's Recommendations.**

The Committee's Report was presented to the Minister of Industry & Trade in July. It had been expected that the Committee's recommendations would be put to, and endorsed by, Cabinet during the summer of 2002, and to the Legislative Bureau immediately thereafter. Regrettably, this has not yet happened, up to the time of writing of this Report - October 3, 2002.

The AMIR Program stands ready to provide substantial technical assistance to the implementation of the proposed reform program, but cannot, as yet move forward in the detailed way that was envisaged.

**AMIR Program Provides Technical Assistance to Investment Entities.**

Nevertheless, there are a range of initiatives that the PSPI Component of the AMIR Program has identified, on which action can be taken immediately, which will improve and strengthen the existing investment promotion and enterprise development entities in Jordan. Such assistance will have lasting benefit to these organizations and does not conflict with the setting up of JAED or with the proposed reform of the entities.

This report describes the evolving situation and details the current initiatives that PSPI Component is leading.

These include:

1. Update of Investor Roadmap, which highlights the need for changes in
  - labor law/regulations
  - income tax law/regulations
  - accounting law/regulations
  - trade names law/regulations
  - companies law/regulations
  - civil defense law/regulations
  - Ministry of Health law/regulations
  - GCEP environmental impact brief and assessment law/regulationsAnd the need for
  - Creating a comprehensive and current investment guide.
  - A Sectoral licensing / sectoral approach to development.
  - Improvements in:
    - the local regime for permitting and licenses.
    - the regime for locating.
    - the regime for exporting.
    - site development procedures and zoning.
    - the environmental clearance regime.
    - tax assessments.
2. Review of Investment Incentives in Jordan.
3. Assistance to the Minister of Industry & Trade regarding presentation of the Investment Committee Report to Cabinet.
4. Assistance in the preparation of a National Linkages Program (envisaged to be – ultimately – a management task for JEDCO).
5. Assistance to the JIB, in development of Sectoral Marketing Strategies and regarding representation abroad. Also regarding a Web application to facilitate investors.
6. Assistance to the JIEC in carrying out an organizational review.
7. Preliminary evaluation of the proposed merger between the JIEC and the FZC.

## **Introduction**

The Investment Task Force (ITF) which was created in 2001 by the Economic Consultative Council, headed by H.M. King Abdullah 11, had been given the mandate to explore ways to improve the environment through which more direct inward investment can be attracted to Jordan, enterprise encouraged and developed, and exports increased, as a way of accelerating and widening economic growth in Jordan. The ITF followed a two-track approach for investment development:

- Track 1. Quantitative Sectional Analysis Targeting Growth, resulting in Improving Sector and National Competitiveness and Profitable Returns.
- Track 2 Bridging the Macro-Micro Gap through a Sustainable Institutional Framework, leading to improving the Process Governing the Relationship between the Involved Parties.

### **1.1 Relationship between the Work of the Investment Committee and that of the Investment Task Force.**

Among the key recommendations in the ITF report was that Jordan adopts an institutional framework and approach to enterprise development based on the successful Irish model. Following the presentation of the ITF report, **the Prime Minister created the smaller Investment Committee**, with members drawn from both the private sector and from some of the existing investment promotion and facilitation entities, with a mandate to come up with a detailed plan to implement the recommendations in the ITF report, focusing specifically on an institutional framework based as closely as possible on the Irish model.

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 1 approach, the ITF recommended the establishment of a Jordanian Authority for Enterprise Development (JAED), modeled on Ireland's Forfas. Referring to its Track 2 approach, the ITF highlighted the need for a new institutional framework and for continuous management, development and follow-up 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 investment and enterprise development. These mechanisms include “interlocking” Boards (i.e. having common directors on the Boards of the entities), linking 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 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.

The AMIR Program worked intensively with the Investment Committee during the first half of 2002 and **developed a full package of proposed reforms**, aimed at creating a Sustainable Institutional Framework for Investment Promotion and Enterprise Development. Central to this package was the creation of a Jordanian Authority for Enterprise Development (JAED), reform of the Jordan Investment Board, dissolution of the Jordanian Commercial Centers and Export Development Corporation and its replacement by the Jordan Enterprise Development Corporation, some modifications to the Jordan Industrial Estates Corporation and a number of associated changes.

## 1. 2. Phased Approach

*The Investment Committee recognized that this comprehensive process of reform in Jordan should be tackled in three phases:*

- Phase One. A new entity—dealing with enterprise strategy and policy formulation, coordination, and monitoring, as well as national competitiveness—is established. Other core entities—those dealing with promotion and facilitation of inward direct investment; promotion and facilitation of enterprise development; promotion of exports; and, provision of industrial property—are reformed.

Phase Two. Industrial property functions are further reformed, and the two major public corporations involved in provision of property for industry (JIEC and FZC) are integrated. Incentives for enterprise and investment in Jordan are reformed. Project licensing procedures are streamlined.

- Phase Three. Broad coordination is established between core entities and other entities working in relevant areas, such as the Vocational Training Corporation (VTC) and the Aqaba Special Economic Zone Authority (ASEZA).

## **Report on Progress.**

### **2.1 Final Report of Investment Committee and minor revisions.**

By the end of June 2002, the AMIR Program finalized and presented its recommendations to the Investment Committee. At the request of the Chairman of the Investment Committee, the Final Report “A New Framework for Investment Promotion and Enterprise Development in Jordan”, dated June 30<sup>th</sup> 2002, was amended slightly, and was re-titled “A Sustainable Institutional Framework for Investment Promotion and Enterprise Development in Jordan”. The revised report was dated July 21<sup>st</sup> 2002 and was submitted to the Chairman of the Investment Committee for approval.

### **2.2 Production of Revised Final Report and of CD.**

The Chairman accepted this revised Report during August, and copies of the Revised Final Report were produced for the Chairman on September 5<sup>th</sup> 2002.

At the same time, the AMIR Program produced a CD for the Investment Committee, containing all the Report Material, including the draft laws in English and in Arabic, and a copy of the full version of the (PowerPoint) Presentation slideshow in English.

The full Investment Committee met during the following week and endorsed the Revised Final Report.

### **2.3 Developments at Government Level.**

A copy of the full Final Report had been given to the Minister of Industry & Trade during the month of July and discussed with him.

It was anticipated that the Minister would discuss and agree the full Reform Package with his Cabinet colleagues soon thereafter and that the Reform Package would be submitted to the Legislative Bureau for its review and examination.

It is apparent, however, that the process of getting the Reform Package approved by Cabinet is taking much longer than we had anticipated. The Minister of Industry & Trade has been having bilateral discussions with a number of his Cabinet colleagues, particularly those that are heavily involved in economic matters.

It is expected that the Minister will make a formal presentation to a Cabinet sub-committee (economic affairs) within the next few weeks.

During the process of producing the Final Report, an indicative time frame for action had been mapped out. That Time Frame assumed that all matters related to the Reform Program would move smoothly through the Cabinet, Legislative Bureau and Royal Court.

The expected timeframe for the **Legislative and Related Reform Process** is set out in **Annex 1**.

AMIR Program has stated that it is willing and ready to provide considerable technical assistance to this Reform Process or to a process that is consistent with the recommendations as set out by AMIR and its consultants. The anticipated full **schedule of AMIR assistance** to the creation of JAED and reform of the investment promotion and enterprise development entities is set out in **Annex 2**.

Such assistance has been included in the AMIR Work Plan for the coming few months.

Because of the fact that the full Package of Reform has not yet been submitted formally to Cabinet, the PSPI Component of the AMIR Program has identified areas in which AMIR could move ahead with technical assistance - to existing entities. Such assistance will be constructively useful to these entities, in any event, and is not totally dependent on the proposed legislative reform.

#### **2.4 Establishment of Ministerial Committee to Evaluate the Recommendations of the Investment Task Force.**

The Cabinet reviewed the recommendations of the Investment Task Force over a number of months during the first half of 2002. In June, the Prime Minister set up a sub-committee to examine in detail the non-fiscal recommendations of the ITF. This Sub-Committee is under the chairmanship of the Minister of Industry & Trade. The members are:

- Minister of Industry & Trade (Chairman of Committee).
- Secretary General of the Ministry of Finance.
- Secretary General of the Ministry of Industry & Trade.
- General Director of the Income Tax Directorate.
- General Director of the Economic Directorate./Royal Court
- General Director of the Custom Directorate.
- General Director of Jordan Investment Board.
- Mr. Nadeem Mu'asher. (Chairman of the ITF)
- Mr. Mifleh Agel (Arab Bank & the Chairman of Banks Association)
- Mr. Gassan Nuquol (Member of the ITF)
- Dr. Henry Azam (Member of the ITF)
- Mr. Omar Mo'any (Furniture Industry & member of the Amman Chamber of Industry)
- Mr. Mazen Darwazeh (Pharmaceutical Industry)

A **full list of the topics** being addressed by this Sub-Committee is contained in **Annex 3**.

Briefly, some of the key topics are:

**Factor Costs:**

- health insurance;
- exemptions for upgrade / renewal of equipment and for spare parts of machinery;
- bank guarantee costs for temporary entry of raw materials for industry; reduce costs of all raw materials to industry;
- re-evaluate the land transportation policy;
- re-evaluate charges within the (port / customs) clearance process to be in line with the WTO regulations;

**Procedures:**

- improve services and develop one-stop shop for setting-up and following-up;
- create one-stop shop for exports.
- have transparent, unambiguous, and customer-friendly government procedures;
- improve customs clearance procedures.
- accelerate the execution of the e-government project.

**Human resources:**

- reduce training costs by offering grants;
- establish or upgrade training facilities in tune with the demands of sectors;
- training allowances for investment in training and educational institutions;
- strengthen ties with universities;
- enable the use of stock option plans for employees.

**Incentives and Promotion:**

- institutionalize the promotion of Jordan – one agency, - one image;
- develop new competitive incentives focusing on the sectors which are engines of economic growth for Jordan;
- promote increased investments in broadband connectivity;
- promote increased investments in innovation, R&D, Science Parks, and emerging technologies.

**Infrastructure:**

- develop the needed physical infrastructure;
- reduce land transfer fees;
- develop a fair and transparent formula for offering (Government) land for investments, either as a grant, or against participation in the equity of the new ventures (5% to 10% max.);

**Peripheral Services**

- encourage investment in marketing companies, whether for local or export market expansion, and to enhance the image of Jordanian products;
- encourage investment in information technology and data base companies;
- create a credit rating agency to rate companies financially;
- establish mechanisms to derive data that can be used for competitiveness analysis and also be the basis for future policy formulation.

The Sub-Committee has met on a number of occasions and has identified the priority items for detailed attention.

In the coming meetings of the Sub-Committee, it is expected that responsibilities for action on each of the line items will be assigned, as well as deadlines for the achievement of the planned actions.

It has to be said that it is unfortunate that JAED has not yet been brought into existence, as it could, at least, provide the secretariat for such a Sub-Committee and it might also be able to carry out individual items of detailed research and analysis, using its own professional resources.

## **2.5 Recommendations Emerging from AMIR-Program’s Investor Roadmap Study (2002)**

The AMIR Program has been sensitive to the need for significant improvement in many laws and regulations that impact on the investment process in Jordan. An initial Investor Roadmap was produced in 1998. This set out a long and detailed list of issues that needed to be addressed. In May of this year a review of progress was carried out. A full update of the Investor Roadmap is currently being finalized.

Although the Investor Roadmap Study (2002) has not yet been completed, it is clear that a number of laws need changing. Preliminarily, these laws are the following:

- \* labor law/regulations
- \* income tax law/regulations
- \* accounting law/regulations
- \* trade names law/regulations
- \* companies law/regulations (in regard to the existence of minimum capital requirements)
- \* civil defense law/regulations (in regard to the requirements that firms must adhere to in purchasing safety equipment)
- \* Ministry of Health law/regulations
- \* GCEP environmental impact brief and assessment law/regulations

### **2.5.1 Tentative Proposals for Implementation Efforts arising from the Study.**

**Creating a comprehensive and current investment guide.** Although previous interventions with the JIB and some government agencies have greatly improved the availability of procedural information relating to regulatory guidelines, no single comprehensive procedural guide exists. Further, some investors complain that much of the public information that is readily available on government websites is out of date.

Working with the JIB and/or JEDCO, a modest implementation activity is proposed to convert the Investor Roadmap Update into a comprehensive and user-

friendly guide to business start-up and operations. This guide would specify the agencies involved in directly regulating the private sector, step-by-step procedures for complying with existing regulation, costs associated with licenses and permits, average duration's required to complete regulatory interactions, and documents required. This guide could easily be posted on a government website and updated as need be according to change in fees, laws, and procedures.

**Sectoral licensing.** Licensing in Jordan is characterized by agency overlap, too many business activities subject to licensing, a lack of transparency, conflicting approval criteria, and slow and overly bureaucratic approval processing. Previous AMIR efforts to create a master law that would limit the licensing powers of government agencies and create a streamlined licensing procedural model proved too diffuse to have a tangible impact on any individual agency, and the authority of JIB to get such legislation passed was insufficient. Yet based on the AMIR I intervention, much of the conceptual and legal work has been accomplished and will not need replication in future implementation efforts.

Accordingly, it is proposed that implementation efforts adapt a sectoral focus. A sectoral approach will allow for an intense focus on specific agencies that together control the ease of entry and operation in certain industries and enable the implementation efforts to offer strategic and training assistance to undertake process re-engineering of licensing procedures. The choice of sectors will be based on the Government of Jordan's priorities for investment promotion, political will of the implementing agencies involved, and the potential impact on the largest number of businesses and individuals. It is proposed that one outcome of this implementation effort is the creation of an internet-based guide to sectoral registration whereby a potential investor could log onto a website and by answering simple prompts create a business profile that would allow him or her to identify all of the sectoral licenses required, review the relevant legislation and guidelines, and complete licensing applications on line. Based on initial consultations with the JIB, textiles and apparel, pharmaceuticals, plastics, food processing, and tourism may be appropriate sectors on which to focus.

**Local regime for permitting and licenses.** The Government of Jordan should be credited for making many significant strides in improving the general regime for investment in Jordan, but as is seen in many countries undergoing fundamental economic reforms, change at the local level is often slow in being realized. In Jordan's case, many of the municipalities receive little in the way of direct government and donor management support and assistance. The critical link between improved governance at the national level and the countryside has been largely overlooked. The 1998 Investor Roadmap had little to say about constraints at the municipal level, but the *Analysis* has confirmed that many bureaucratic constraints at the municipal level create significant barriers to investment and business operation.

It is proposed that the diagnostic phase of the Roadmap focus on local level regimes for regulating the private sector and implementation work might also work with municipalities to improve the conduct of local licensing and permitting.

It is recommended that work at the municipal level be designed to create a model of municipal governance and that re-engineering procedures be replicated elsewhere in Jordan. Based on the sheer size of the business community under its jurisdiction and its status as the model for other municipalities, working with the Amman municipality should be explored. The analysis and implementation work related to local licensing and permits can take advantage of the efforts to be undertaken by the Microenterprise Component, which is currently focusing on ways to help encourage small-scale entrepreneurs to enter the formal sector and cope with the associated regulatory burdens.

**Regime for Locating.** Among its most visible and tangible successes is the Government of Jordan's development of many new options for locating in Jordan. The options facing investors have increased from a handful of government industrial estates and free zones, municipal land, limited private land, and largely undeveloped treasury land. Today, an investor is offered many new options for locating, including private industrial estates and free zones, the Aqaba Special Economic Zone, and new mechanisms to purchase land outright.

With the proliferation of new locating choices offered to investors, however, comes an increase in potential confusion about what the options are, their specific benefits, and the procedures involved. The Roadmap Update will focus not only on summarizing all of the options available but also on ways to effectively disseminate procedural information related to each option and guide local and foreign investors in making an informed choice based on the incentives, ease of entry, and support services and industries located in each area. To improve the dissemination of information, an internet-based location database can be created to enable an investor to review land availability choices based on his or her particular location and factor requirements.

**Regime for exporting.** Of concern to both local and foreign investors is the significant increase in incentives for exporting from Jordan, as well as new trade rules related to WTO accession. In addition to changes in procedures related to customs clearance in accordance with Jordan's admission to the WTO, among the most significant changes since 1998 is the actualization of the QIZ regime, the Jordan-U.S. Free Trade Agreement, the Greater Arab Free Trade Agreement, European-Jordanian Association Agreement, the Europe Free Trade Agreement, and the Islamic World Preferential Free Trade Agreement.<sup>1</sup> Yet several government officials note that no meaningful assessment of the procedures related to these regimes has been conducted, and investor satisfaction with the way these opportunities are administered is largely unknown. Further, information that would benefit Jordanian companies on how to take advantage of these new opportunities is spread diffusely throughout government and private sector agencies, and there seems to be no single information point for those interested in finding out how to take advantage of potential benefits.

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<sup>1</sup> Note: Some of these agreements are not yet in force, but are expected to be within the coming months.

As part of its effort to focus more explicitly on Jordanian investors and on ways to create the required backward linkages into the local economy, this Investor Roadmap Update will explore ways to centralize and disseminate this information and make administrative and procedural changes that will enhance the effectiveness of the various trade promotion regimes. It is possible that this effort can be coordinate with the initiative to Enhance Information Management to maximally utilize AMIR program resources. It is anticipated that the support from JEDCO and export-related business associations such as the Jordan-American Business Association and Jordan Trade Association will be instrumental in forging a path to coordinate the implementation of export-related reforms.

**Site Development Procedures and Zoning.** Private sector feedback obtained during the *Analysis* clearly indicates that business expansion is problematic when under the jurisdiction of the municipalities. Although some guidelines have been published, investors and JIB officials note that implementation of written rules varies and the whole picture – including the interaction of utility providers and national level agencies – is not accurately represented. Further as a whole the process of site development remains unduly bureaucratic and restrictive.

To address these problems, implementation may focus on improving the regime for site development at the local level. As with the municipal level work on licensing and permits, it may be appropriate to work with a single municipality first as a model project and replicate results to other municipalities over time.

**Environmental clearance regime.** The regime for environmental clearance is characterized by agency overlap, a lack of procedural guidance and transparency, and poor coordination among agencies, including the General Corporation for Environmental Protection, municipalities, the Ministry of Water and Irrigation, and the Ministry of Agriculture.

Previous AMIR attempts to streamline the regime for environmental clearance met with strong resistance from the concerned agencies and although good action plans were created implementation was resisted. The Roadmap Update will need to document the current regime, noting the modest changes that have occurred since 1998, and assess the political will for re-engaging in a process improvement effort. At the very least, it is anticipated that implementation efforts can improve the Government of Jordan's ability to project accurate process information and approval criteria.

**Tax Assessments.** New legislation governing the conduct of tax assessments is in force for the 2002 tax year, and although the changes included in the law bode well it remains to be seen what qualitative impact the law will have. In particular, investors have complained about the conduct of assessments and clarifying for investors what items are deductible and what documentation is required to substantiate these deductions. Related to this is the fact that many investors have complained that tax officials are poorly trained and arbitrarily enforce the tax laws.

Although more research needs to be done to assess the impact of the new tax laws and related procedures, it is possible that an intervention to improve the transparency, training, and customer interface of the Jordanian tax authority could have tangible results on the predictability of business operations in Jordan.

### **Developments on Phase 1 of the Investment Committee’s Recommendations.**

#### **3.1 Jordanian Authority for Enterprise Development (JAED).**

As stated above, the Investment Committee, with substantial technical assistance from the AMIR Program, has developed a complete, reasoned and logical conceptual framework for JAED. The necessary laws and regulations have been drafted, in English and in Arabic. Job descriptions and organization charts have been developed. Outline Budgets have also been prepared.

All of this material is contained in the AMIR Report “A Sustainable Institutional Framework for Investment Promotion and Enterprise Development” (July 2002), which has been presented to the Minister of Industry & Trade. However, the recommendations contained in the Report have not yet been endorsed by the Cabinet, with the result that the laws and regulations have not been submitted to the Legislative Bureau.

JAED has therefore not yet come into existence. This delay is regrettable, particularly in view of the urgency to develop industry and enterprise in Jordan and in view of His Majesty’s determination to proceed with the reform of Jordan’s investment promotion and enterprise development entities, modeled on the Forfas / Irish model.

Some of the work which is currently being carried out by the Sub-Committee working on the recommendations of the ITF Report, is work which logically should be assigned to JAED – a competent, full time, national strategic planning and policy body. But, as JAED does not yet have legal status or substance, these tasks fall to a Sub-Committee of part time members.

The AMIR Program stands ready to provide technical assistance to the establishment and operation of JAED and the reform of the investment entities.

In preparation for the time when a full, formal and detailed presentation will be made to the Cabinet concerning the work of the Investment Committee, the associated PowerPoint Presentation material is being translated from English into Arabic.

#### **3.2 Jordan Enterprise Development Corporation.**

One of the recommendations of the Investment Committee was that the existing Jordan Commercial Centers and Export Development Corporation be dissolved and that a new Corporation – the Jordan Enterprise Development Corporation – be established. The new JEDCO would be empowered to have national responsibility for enterprise development. This mandate would bring JEDCO into closer contact with clusters of firms throughout Jordan and to individual firms. JEDCO would be more closely integrated with the

activities of (relevant) Donor Organizations. In addition, JEDCO would be given responsibility for a national Linkages Program.

Due to the fact that the proposed legislative changes have not yet taken place, JEDCO is not in a position to actively move forward on some of these matters.

AMIR Program, however, is committed to ongoing assistance to the Government of Jordan, in the area of research into existing Clusters of Industry, with recommendations for the future strategic direction of these Clusters. Development of such clusters and the firms therein will be a key role for JEDCO.

During September, an AMIR consultant (Mr. Mihir Desai) presented the findings of one Cluster Analysis that had been carried out over the previous few months. The analysis related to Jordan's indigenous pharmaceutical sector. The research had been carried out in close co-operation with the Jordanian Association of Pharmaceutical Manufacturers. The research indicated that the Jordanian pharmaceuticals industry could exceed \$1 billion in sales by the end of this decade, four times its present size. It showed that Jordanian pharmaceutical companies are only beginning to enter the \$88 billion European market for drugs, which is more than ten times the size of the MEDA (Middle East and North Africa) market – Jordan's traditional destination. The report was presented at a public-private sector seminar held in Amman. It identified various areas for improvement in the pharmaceuticals cluster – a current focus on slow growth / no growth markets, underdeveloped linkages with large pharmaceutical corporations, weak support services, and generally ineffective auditing standards by regulators.

It highlighted opportunity areas for Jordanian manufacturers and issues that need to be addressed by the Industry association, individual firms and support organizations.

Similar research is currently underway in the Medical Services Cluster. It is planned that a comprehensive Report and Workshop on that Cluster will take place later this year.

In this work, it is important that there be coordination with other organizations that are involved in similar work. In this regard, a meeting was held with Mr. Naseem M. Rahahleh, Director of the Competitiveness Unit at the Ministry of Planning. He explained the Cluster research that has been going on at the Ministry and their current activities. Competitiveness Studies have been completed (and published) in regard to:

- The Dead Sea Cosmetics Cluster
- The Mining Cluster
- The Pharmaceutical Cluster
- The Tourism Cluster
- The Banking Cluster
- The Cement Cluster
- The Construction Cluster
- The Textile Cluster
- Agriculture
- The Information and Communication Technology Cluster
- The Role of Packaging on Dead Sea Products

- The Effects of Jordan’s Accession to the WTO on the Agriculture Sector
- The Phosphate Sector
- Olive Oil Cluster and Export Strategy.

Further work and updating on a number of these Cluster Studies is underway, particularly in regard to the Packaging Sector and the Marble & Stone Sector.

#### National Linkages Program (NLP).

The AMIR Program is providing assistance to the Linkages Committee that came into existence following the TIJARA Recommendations.

It is apparent that there is a need for a comprehensive database of all industrial companies in Jordan. This database would profile all registered firms –whether Jordanian owned or foreign. Material for such a database can be drawn from a number of sources, including the Chambers of Commerce and Industry, the Ministry of Industry & Trade, JIB, JEDCO, Business Associations and others.

Ensuring that such a database is structured in the correct way is of vital importance, to ensure that the classification of, and information on, the profiled companies follows international best practice.

It still needs to be decided whether the production of such a database is a commercial activity that should be left to a private sector company (perhaps the Jordanian branch of an international information service provider) or whether the process should be partly or fully ‘pump-primed’ by a donor organization.

Such a database will be useful for many purposes, beyond its use in a National Linkages Program. It has obvious trade and commercial prospects. As a marketing tool for FDI promotion purposes it will also be invaluable.

Even with the existence of a good database, however, key decisions need to be made regarding a NLP, including:

- Need to quantify the short, medium and long-term costs and benefits to Jordan of such a Program.
- Methodology to be used in designing and implementing the Program.
- What resources are needed?
- Which organization will have responsibility to manage the Program?

Many of these issues have yet to be decided upon, at Government and at other levels, but this should not hinder the immediate attention to the issue of progress on production of a comprehensive database.

Note that in the Report “A Sustainable Institutional Framework for Investment Promotion and Enterprise Development in Jordan” the Investment Committee agreed with the AMIR recommendation that the management of such a NLP be with JEDCO. At present, however, JIB has the mandate for development of both foreign-owned and domestically owned enterprises in Jordan. Thus JEDCO’s participation in this process has been very limited, to date.

### Meeting with EJADA.

A meeting was held with senior management of the European Commission's EJADA Programme, to gain a better understanding of their activities. EJADA is the European Commission's Industrial Modernisation Programme for Jordan. It has five Components:

#### Direct Support to SME's

- Business Upgrading
- Start-up company & Incubators support
- Business Association Support
- Training and Seminars
- Information Services (incl. European Information Correspondence Service –EICC)

#### Financial Support Schemes

- Guarantee Fund
- Loan Guarantee Scheme
- Medium and Long-term Loans
- Seed & Venture capital
- Financial Sector Policy Development
- Awareness Campaign and Translations

#### Vocational Training and H.R. Development

- Assistance to Training Providers
- National Training Trainer Institute
- TVET Centres of Excellence
- International Management and Trade Institute
- Graduate Enterprise Programme

#### Policy Support and Institutional Strengthening

- Policy Support
- Institutional Strengthening
- Research Activities

#### Management and Administration.

EJADA is heavily involved with Company Development, through a process of Diagnostics followed by Implementation of specific Technical Assistance support. The recipient firms contribute between 10% and 20% of the cost of such technical assistance with EJADA funding the balance.

Overall, EJADA has a budget of approximately Euro 40 million, over the next three years.

It was agreed that we would keep in regular contact with the EJADA executives, in order to share information about our respective activities, with a view to maximizing the synergy between both programs.

### **3.3 Jordan Investment Board. Assistance to JIB.**

#### **3.3. a Development of Sectoral Marketing Strategies.**

In recent years, JIB has been active in promoting Jordan as an investment location to companies in the garments, textiles, consumer products and other sectors. Some success has been achieved, particularly in relation to attracting international garment manufacturers to locate in QIZs and thus avail of preferential market access to the U.S. market.

It is apparent, however, that JIB needs to develop a clear and prioritized marketing strategy for FDI promotion, for the future. This strategy will probably be made up of a number of component (sectoral) marketing strategies. It is likely to consist of a mix of attraction of manufacturing companies in a small number of industry sectors together with attraction of investment from overseas companies in the internationally traded services sector.

It is also apparent that JIB needs to be allocated substantially increased financial resources, to enable it to carry out the necessary international promotional efforts on a sustained and comprehensive basis. Without having any permanent representative offices abroad, JIB is at a severe disadvantage in trying to promote Jordan and to service client enquiry's and develop new business. The decision regarding the allocation of finance for JIB, however, is one that the Jordanian Government alone has to take, and is outside of AMIR's scope.

AMIR can assist JIB significantly, with regard to developing sectoral marketing strategies, and this is one of the tasks that are currently on hand. Through a process of analysis and discussion with JIB, the aim is to identify some seven to ten industrial / internationally-traded service sectors that appear to be suitable 'target' sectors and then provide technical assistance to JIB in formulating marketing strategies aimed at winning inward investment for Jordan from companies in these sectors.

The list of sectors to be targeted has yet to be finally determined, but based on initial consultations with the JIB, textiles and apparel, pharmaceuticals, plastics, food processing, and tourism may be appropriate sectors on which to focus.

A **longer list of sectors** (both manufacturing and service) that might be worth studying for their potential in included in **Annex 4**.

Over the coming months, the AMIR Program will be providing technical assistance in this task of developing sectoral marketing strategies for Jordan's FDI programs.

A number of leading world-class experts will be engaged, to analyze appropriate potential industrial and service-industry sectors, to give JIB a logical, reasoned and appropriate framework on which to focus its international marketing and promotional efforts.

The first expert is due to commence his work with the JIB before the end of October. It is planned that he will cover some potential target sectors- attraction of inward direct investment to Jordan from international companies in the pharmaceuticals / fine chemicals manufacturing sectors. The consultant will also comment on potential in the medical equipment and medical device sectors.

The **tasks** assigned to the consultant and the broad **methodology** to be used are summarized in **Annex 5**.

The initial assignment will be followed by subsequent assignments, relating to additional potential target sectors.

### **3.3. b Development of a Web Application.**

Computer Networking Services (CNS Primus) is working with the JIB, in developing a web application that caters for investor's needs in Jordan. This assignment is consistent with one of the recommendations contained in the Investor Roadmap Study.

JIB is aware that several projects can come from one or more investing companies. A certain investing company may apply for a number of services for one or more projects they run.

Since a certain company might have several running projects with the JIB, every project will have its own financial data, yet the company information would be shared among these projects. An example of the shared information would be the contact information of that company, the location and so forth.

In order to establish this link, the company information would be entered into the system only once with the first project registration. Future project registration of that same company would necessitate entering a company registration number that maps to a certain company within the system. This requires coordination between the project owners of that company.

Three of JIB's departments will be involved with this application:

- Exemptions Department
- One Stop Shop
- Work Permits and Visas.

User Classes:

There are two access points for the web application, investing companies and JIB administrators. Investors can register with JIB; they can send applications of several types to the JIB and keep track of the status of their applications. Administrators are responsible for processing the applications submitted by the investment companies.

(a) JIB administrators:

Those would be of ultimate power at the system.

JIB administrators will be responsible for processing and updating the web application.

JIB administrators will be able to transfer Investors application data from the web database to JIB oracle database.

(b) Investment Companies Administrators:

Will be able to submit new investment projects via the web application.

Will be able to track progress of their applications.

Will be able to view information relating to their projects.

Will be notified of activities needed from their side to complete a certain application.

This assignment is due to start at the beginning of October, with a target completion date of the end of 2002.

### **3.3. c Development of a detailed Budget for JIB.**

In the Report “A Sustainable Institutional Framework for Investment Promotion and Enterprise Development in Jordan”, some outline budgets had been developed for JAED, JIB and JEDCO.

In response to a request, received mid-September from the Ministry of Industry & Trade, a more comprehensive budget projection for JIB was prepared. This detailed **Budget Projection for JIB** is contained in **Annex 6**.

Note that a number of key assumptions are made. In particular, it is assumed that JIB will have six permanent overseas offices, each staffed by two marketing and promotion executives, with administrative back up. In addition, it is assumed that JIB will be carrying out significantly increased international FDI promotion and related PR activities.

### **3.4 Jordanian Industrial Estates Corporation (JIEC).**

One of the recommendations of the Investment Committee was that there be some small, immediate, changes to JIEC. Primarily, these changes are in the area of the composition of the Board of JIEC (designed to facilitate better interlocking between the Boards of the various Enterprise Development Entities) and in the area of JIEC’s activities in marketing and promotion of new investment into its industrial estates.

As stated above, the recommended legislative amendments have not yet been formally placed before the Cabinet and the status quo remains.

AMIR Program has been requested by the management of the JIEC to provide some immediate technical assistance, however, and this is underway.

- Some I.T. facilities and equipment are being provided to JIEC.
- An organizational review of JIEC is to be carried out.

- A review of the overall situation regarding the availability of property for industry / enterprise in Jordan is to be carried out. The need for such a Review has also been referred to in the Investor Roadmap Study.
- An initial assessment of the proposed merger between the JIEC and the Free Zones Corporation is to be carried out.

**Details** on the latter three points are contained in **Annex 7**.

### **3.5 Creating Mechanisms for Effective Interaction.**

Unity among Forfás, Enterprise Ireland, and IDA Ireland is one of the biggest factors contributing to the success of the Irish model. The three entities behave as equal members of one team, pursuing the common goals articulated in the strategies made by Forfás; they coordinate their efforts with one another; and, they communicate with one another, both formally and informally. As a result, their efforts are focused and seldom duplicated, and they are constantly improving as they learn from one another's experiences.

*It is critical for the success of Jordan's investment promotion effort that JAED, JEDCO, JIB, and JIEC pursue common goals, communicate, and coordinate in this way. As mentioned in the Final Report of the Investment Committee, it is expected that sharing the same legal status as official corporations and the same regulations will contribute to this sense of unity among the entities. A number of "Mechanisms for Effective Interaction" were recommended in order to foster such unity further, including:*

#### **Interlocking Boards**

*In order to ensure communication and coordination among the core entities, JAED, JEDCO, JIB, and JIEC, it is recommended that their Boards of Directors are "interlocking." This is to say, it is recommended that the Chief Executive Officer of each entity sit not only on his or her own Board, but also on the Boards of the other three entities. In this way, all four Boards will share a common core of the four CEOs. The four CEOs will meet one another at least four times per month and will know in a timely manner exactly what is happening at their counterpart entities. It is expected that such interaction among the CEOs will contribute to a team spirit among the four entities they lead, ensure that the four entities are all working towards common goals, and minimize the duplication of their efforts.*

#### **Linked Information Systems**

*In order for Jordan's efforts relating to investment promotion to be successful, it is critical that all entities dealing with investment promotion share information with one another. In addition to the core of JAED, JEDCO, JIB, and JIEC, other entities dealing with investment promotion might include the Ministry of Industry and Trade, the Department of Statistics, the Central Bank, the Ministry of Finance and the Customs Department, the Ministry of Planning, the Ministry of Labor and the Vocational Training Corporation, the Ministry of Information and Communication Technology, private property developers, and so on.*

*It can be expected that some information will be shared through publications, required reports, and interaction between staff members of the different entities. Such occasional channels, however, are insufficient. To ensure that all entities dealing with investment promotion share information with one another in a systematic fashion, in order to provide the maximum degree of support possible for making decisions, it is recommended that they share a linked information system. This is to say, all entities dealing with investment promotion should have access through a wide area network to a common set of databases, each maintained by a particular entity or combination of entities.*

Unfortunately, as the overall Reform Package is not yet approved, there is no legal basis for making the changes regarding these proposed Mechanisms for Effective Interaction – under the Interlocking Boards approach. However, work is underway in assessing the information technology needs of a number of the investment entities, bearing in mind the ultimate goal of creating a linked information system.

### **3.6 Creation of New Investment Law.**

Study on this issue and drafting of a new Law is really a task that should be carried out by JAED, when it is established.

In the meantime, AMIR will analyze the comments and recommendations arising out of relevant consultancy assignments, such as the updated Investor Roadmap Study and the study on Investment Incentives for Jordan.

## **Developments on Phases Two and Three of the Investment Committee's Recommendations.**

### **4.1 Action on Phases Two and Three must await progress on Phase one.**

No significant action is currently being taken regarding these Phases, pending approval of the overall Reform Package as submitted by the Investment Committee.

## **Next Steps.**

- 5.1 Finalize the Investor Roadmap Study (2002).  
Set out a prioritized follow-up action plan.**
- 5.2 Finalize the Investment Incentive Review (2002).  
Disseminate the information and recommendations.  
Determine appropriate follow-up actions by AMIR Program and by others.**
- 5.3 JAED. Assist Minister of Industry & Trade in presenting the 'Reform Package' to Cabinet, and through the Legislative Bureau.**

- 5.4 JIB. Move forward on the FDI Sectoral Marketing Strategy Program.  
Agree on the Web Application project and start implementation.  
Assist JIB on strategy regarding overseas representation and regarding budget analysis for future operations.  
Assist JIB in image building, marketing messages, upgrading of promotional material.**
- 5.5 JEDCO. Build consensus on the approach to the National Linkages Program and move forward on the initial concrete steps – building the appropriate database.  
Start preparations for a Medical Services Cluster Workshop and Report.**
- 5.6 JIEC. Commence the organizational review and the evaluation of the proposed merger with FZC.**
- 5.7 Property for Industry / Enterprise. Build an initial database.**
- 5.8 Sharing Relevant Information. Continue with design of a framework, working at the individual (entity) level first and moving towards integration of a wide area information network.**
- 5.9 Overall. Stand ready to assist in the detailed implementation of the Recommendations of the Investment Committee.**

## ANNEX 1. TIME FRAME FOR IMPLEMENTATION OF THE REFORM PROGRAM.

The expected time frame for that **Legislative Process** is as follows:

|       |          |   |
|-------|----------|---|
| Week  | 1        | Minister submits package of laws and regulations to Cabinet.<br>Cabinet forwards to Legislative Bureau. |
| Weeks | 1, 2 & 3 | Legislative Bureau reviews from a legal perspective.  |
| Weeks | 4 & 5    | Cabinet Legislative Committee reviews from a policy perspective.  |
| Week  | 6        | Cabinet reviews and approves.   |
| Week  | 7 & 8    | H.M. King Abdullah endorses the Reform Package.   |
| Weeks | 8 to 14  | New laws come into effect.<br>Old laws nullified.   |

**Establishment of JAED**, certain activities proceed in parallel to the above:

|       |             |  |
|-------|-------------|--|
| Weeks | 1 to 7      | Potential Board members identified.                  |
| Weeks | 1 to 10     | CEO position advertised.                             |
| Week  | 9           | Board appointed according to new legislation.        |
| Week  | 10          | Board determines process to select CEO.              |
| Weeks | 11 to 17    | Board identifies and appoints CEO                    |
| Weeks | 18 to 23    | CEO prioritizes key positions. Key positions filled. |
| Weeks | 24 to 32    | Other positions filled.                              |
| Weeks | 24 –ongoing | Organization fully operational.                      |

In relation to **Rebuilding JEDCO**, the time frame calls for the following:

|       |            |   |
|-------|------------|---|
| Weeks | 1 to 8     | Potential Board Members identified                              |
| Weeks | 1 to 10    | CEO position advertised   |
| Weeks | 9 to 20    | Change the ownership of JEDCO                                   |
| Week  | 9          | Board of JEDCO reconstituted according to the new law.          |
| Week  | 10         | Board determines the process to select the new CEO              |
| Weeks | 16 to 20   | CEO identified and appointed.                                   |
| Weeks | 16 to 20   | CEO prioritizes key positions. Key positions filled.            |
| Weeks | 21 to 25   | Current JEDCO staff screened (some relocated).                  |
| Weeks | 26 to 30.  | Vacant positions and positions created by new functions filled. |
| Weeks | 21 onwards | New organization fully operational.                             |

Finally, in relation to **Rebuilding JIB**, the following time frame was set out:

|       |            |   |
|-------|------------|---|
| Weeks | 1 to 8     | Potential Board Members identified.                             |
| Weeks | 1 to 10    | CEO position advertised.  |
| Week  | 9          | Board reconstituted according to new law.                       |
| Week  | 10         | Board determines process to select CEO.                         |
| Weeks | 11 to 15   | CEO identified and appointed.                                   |
| Weeks | 16 to 20   | CEO prioritizes key positions. Key positions filled.            |
| Weeks | 21 to 25   | Current JIB staff screened (some relocated).                    |
| Weeks | 26 to 30   | Vacant positions and positions created by new functions filled. |
| Week  | 21 onwards | New organization fully operational.                             |

**ANNEX 2. FULL SCHEDULE OF PLANNED AMIR ASSISTANCE.**Extracts from the Work Plan for the IVP Sub-Component of the PSPI Component:

*Note – those items that are being acted upon immediately are highlighted in Italics below.*

**Assistance regarding the Legislative Process.**

## AMIR Work Plan Reference 511.1

- Make a Presentation on the ‘JAED Project’ to H.M. King Abdullah. *Material in Arabic is being prepared for this.*
- Assist Minister, as may be needed, in moving the proposed Legislation through the Legislative Bureau.

**Assistance regarding the Establishment of JAED.**

## AMIR Work Plan Reference 511.2

- Provide Guidance to the Minister of Industry and Trade regarding the Composition of the Board of JAED.
- Provide Guidance to the Minister / Board of JAED regarding the Search for a CEO for JAED -including production of a Guidebook to be used by the Selection Committee.
- Provide Guidance to the Board of JAED in developing / finalizing the Personnel Regulations for JAED.
- Guidance to the CEO / Board of JAED in drawing up a Strategic Plan for JAED – including A long-term Strategic Plan, Medium-Term and short-term Action Plans, Work Plans and Budgets.
- Guidance to the CEO / Board of JAED in drawing up detailed Organizational Structures and Management Systems -including Information Systems (IT).
- Provide technical assistance to the CEO of JAED regarding the Recruitment of Key Personnel for the Organization.

**Assistance regarding Rebuilding JEDCO**

## AMIR Work Plan reference 513.2

- Provide Guidance to the Minister regarding the Dissolution of the present JEDCO, taking into account JEDCO’s current shareholders; JEDCO’s investments; JEDCO’s role regarding Bi-Lateral Trade Agreements; the implications / mechanics of dismantling the current funding mechanism for JEDCO.
- Provide Guidance to the Minister regarding the Composition of the (new) Board of JEDCO.
- *Provide Guidance to the Minister / Board of JEDCO regarding the search for a new CEO for JEDCO.*
- Guidance to the Board of JEDCO in developing / finalizing the Personnel Regulations for the new JEDCO.

- Technical Assistance to the Board in designing procedures to deal with screening / recruiting personnel for the new JEDCO and for dealing with current employees who will be screened out.
- Guidance to the CEO / Board of JEDCO in drawing up a long-term Strategic Plan; Medium-Term and short-term Action Plans; Work Plans; Review of Location of Overseas Offices and their related Targets, Work Plans and Budgets.
- Guidance to the CEO / Board of JEDCO in drawing up related, detailed Organizational Structures and Management Systems including Information Systems (IT) and Investor Tracking Systems.
- Assist the CEO / senior staff in building relationships with relevant Donor Organizations in Jordan.

#### Assistance regarding **Rebuilding JIB.**

##### AMIR Work Plan Reference 513.1.

- Provide Guidance to the Minister regarding the Composition of the (new) Board of JIB.
- Provide Guidance to the Minister / Board of JIB in the Search for a new CEO for JIB.
- Guidance to the Board of JIB in developing / finalizing the Personnel Regulations for the new JIB.
- Tech. Assistance to the Board of JIB in designing procedures to deal with screening / recruiting personnel for the new JIB and for dealing with current employees who will be screened out.

##### *Developing Sectoral Strategies*

*Bring in leading World-Class experts in a number of potential industrial and service-industry sectors, to give JIB a logical / reasoned and appropriate framework on which to focus its international marketing / promotional efforts.*

- *Guidance to the CEO / Board of JIB in drawing up a long-term Strategic Plan; Medium and short-term Action Plans; Work Plans and / Budgets; decisions regarding location of Overseas Offices and their related Targets / Work Plans.*

- *Guidance to the CEO / Board of JIB in drawing up detailed Organizational Structures and Management Systems, including Information Systems (IT) and Investor Tracking Systems.*
- *Guidance in developing “Marketing Material / Marketing Messages” and supporting / detailed Cost information / facts sheets; Testimonial statements; Web-site material; Lists of Companies and Services in Jordan.*

#### Assistance regarding **Rebuilding JIEC.**

##### AMIR Work Plan Reference 513.3

- Guidance to the Minister in re-composing the Board of JIEC.
- *Commission a Comprehensive Review of the Property for Industry / Property for Enterprise situation in Jordan, with recommendations for the future roles of JIEC and of FZC (including analysis of the proposed merger between JIEC and FZC).*
- Guidance to the CEO / Board of JIEC in drawing up a long-term Strategic Plan; Medium-Term and short-term Action Plans; Work Plans and Budgets.

- *Carry out an assessment of JIEC (and of FZC) and put forward recommendations for improvements in Strategies / Organizational Structures and Management Systems, including Information systems (IT); Investor tracking systems; Property availability and demand information; Cost information and fact sheets. Material for the JIEC Web-site.*

#### Assistance regarding a **National Backward Linkages Program.**

AMIR Work Plan Reference 514.

It is envisaged that JEDCO (when clearly and exclusively empowered as the national entity with responsibility for enterprise development / development of indigenous industry) will manage a National Linkage Program. Such a Program will constantly aim to maximize the value added within the Jordanian economy by foreign owned companies located here. JEDCO will work closely with the purchasing managers of such foreign-owned firms, to quantify their (local) purchasing requirements – particularly in regard to raw materials, component parts, and services – and will work, even more closely, with Jordanian suppliers or potential suppliers, to get them accredited as suitable suppliers, winning new business.

- *Guidance to the Board / CEO of JEDCO in designing, setting up and managing a National Linkages Program.*

#### Assistance regarding a **Wide Area Information Network**

AMIR Work Plan Reference 515.

There is a real need for improved exchange of data, statistics and other information between government Ministries and numerous government Entities, as well as with some private organizations. Ultimately, it is envisaged that some form of Wide Area Network will be created, linking the relevant organizations. However, each individual entity must be screened, first, as it is apparent that their capability to participate in such a network is currently far from adequate.

- *Design a Wide Area Network, linking JAED; JIB; JEDCO; JIEC; FZC; MIT; MOP; Department of Statistics; Private Sector Property Developers; others, as appropriate.*

#### Assistance regarding Investment and Export Development Research and Policy

AMIR Work Plan Reference 512.

AMIR has already been involved in study of a number of critical policy matters, vital to promotion of direct investment and enterprise development. Appropriate work on these studies will be continued, and the findings of these studies will be made available to JAED, for further action under its own strategic planning.

- *Establish a Research Agenda. Possibly including further development of the Investor Roadmap; further development of the Incentives Analysis; further development of the Cluster Analysis; research on Reform of Income Tax in Jordan; Research on Reform of Sales Tax in Jordan.*

- *Analysis of Competitors. Detailed research on Jordan’s Comparative Advantages / Competitive Position / Study of key Competitors –including analysis of their strategies, resources, activities and results.*

### **ANNEX 3. TOPICS BEING ADDRESSED BY THE MINISTERIAL SUB-COMMITTEE TO FOLLOW ON THE INVESTMENT TASK FORCE RECOMMENDATIONS.**

#### **Factor Costs:**

- Reduce financial costs on operations.
- Standardize health insurance policy to reduce total cost
- Allow upgrade / renewal of equipment at any time with full exemptions
- Exempt spare parts of machinery from custom duties
- Eliminate bank guarantees for temporary entry of raw materials for industry
- Reduce costs of all raw materials to industry (exempt from custom duties)
- Re-evaluate the land transportation policy to improve cost & efficiency
- Implement standards to improve management within the private sector.
- Re-evaluate charges within the clearance process whether port fees or customs fees to be in line with the WTO regulations and to be classified and communicated with the private sector in a transparent way.

#### **Procedures:**

- Improve services and develop one-stop shop for setting-up, and following-up on the needs of the investor.
- Create a one-stop shop for exports.
- Update and adopt FIAS recommendations for the roadmaps of various activities in order to have transparent, unambiguous, and customer-friendly government procedures.
- Improve customs clearance procedures.
- Accelerate the execution of the e-government project.

#### **Human resources:**

- Reduce training costs by offering grants. The amount is subject to how many job opportunities the government can afford to create with such a procedure. (To be done in line with the Social Economic Reform Program and the Administrative Reform Committee recommendations.)
- Establish or upgrade training facilities that are linked to the demands of sectors, and instill in them efficiency and job loyalty.
- Use training allowances for investment in training and educational institutions.
- Strengthen ties with universities.
- Enable the use of stock option plans for employees.
- Encourage management studies in order to increase the pool of middle managers.

#### **Incentives and Promotion:**

- Institutionalize the promotion of Jordan such that one image is reflected to the investor, and only one agency promotes Jordan.
- Develop a new set of competitive incentives focusing on the sectors which are engines of economic growth for Jordan, and that will attract FDI. (Including focusing on existing ‘clusters’.)
- Develop a detailed package of incentives – for DDI and for FDI.

- Promote increased investments in broadband connectivity.
- Promote increased investments in innovation, R&D, Science Parks, and emerging technologies.

**Infrastructure:**

- Develop the physical infrastructure – adopt a strategic analysis that would include all the needed infrastructure ‘utilities’ electricity, industrial zones, water, communication, fuel, etc. and assure the proper assessment of the granted exclusivity given to the providers and the effects on the quality and the cost of the delivered products.
- Reduce land transfer fees to 3% in total to avoid inflationary effects from repeated sales.
- Develop a fair and transparent formula for offering land for investments, either as a grant, or against participation in the equity of the new ventures –5% to 10% at most (Government land forms the great majority of available land for investments outside Amman).
- Facilitate the grouping of land to improve capital costs and productivity of the sectors.
- Create the Private Holding Company with special incentives and that allows self-incorporation.

**Peripheral Services**

- Put in place an action plan to encourage investment in marketing companies, whether for local or export market expansion, and to enhance the image of Jordanian products.
- Put in place an action plan to encourage investment in information technology and data base companies.
- Create a credit rating agency to rate companies financially.
- Establish mechanisms to derive data that can be used for competitiveness analysis and also be the basis for future policy formulation.

**ANNEX 4. MANUFACTURING AND SERVICE INDUSTRY SECTORS THAT MIGHT OFFER POTENTIAL FOR JORDAN. (THESE WILL NEED RESEARCHING).**

Manufacturing Sectors:

Information and Communication Technology, component design and fabrication, peripherals, communications, networks, software.

Engineering - automotive components, electronics, aerospace, process technology, automation, materials handling, farm machinery, irrigation systems, and environmental equipment.

Pharmaceuticals, fine chemicals, medical equipment, instruments, medical devices.

Consumer Products – white goods, soft goods, household or office furniture, kitchen equipment, lamps, lighting, audio-video equipment. Cosmetics.

Plastics; Packaging material; Paper, print and publishing.

Textiles, carpets, rugs, accessories; Garments.

Food processing, drink, tobacco.

Marble and stone; Other natural resources.

International Traded Services:

|                                     |   |
|-------------------------------------|---|
| Software development;               | Data processing and e-commerce;           |
| Technical and consulting services;  | Commercial laboratory services;           |
| Administrative centers;             | Co-ordination and headquarters services;  |
| Research and development services;  | Media, multi-media and recording services |
| Entertainment and leisure services; | Training services; Publishing services;   |
| International financial services;   | Healthcare services;                      |
| Construction related services;      | Environmental services;                   |
| Logistics management services.      |   |

Also activities such as business software development, semiconductor design, shared services, technical support and customer care.

## **ANNEX 5. DEVELOPING SECTORAL MARKETING STRATEGIES FOR PROMOTION OF FOREIGN DIRECT INVESTMENT INTO JORDAN.**

### **TASKS AND METHODOLOGY (for one Pilot assignment).**

- Prepare comprehensive detailed, practical and informative material regarding the attraction of foreign direct investment in the international pharmaceutical production and medical equipment production sectors.
- Explain (perhaps using a matrix format), the dynamics / production / marketing / processes involved in the selected sectors. Also, the competitive aspects.
- What criteria do these companies use in evaluating a potential location?
- Who are the players
- How to identify them
- How to approach them / build credibility / get projects.
- How does Jordan stack up against these criteria?
- Make recommendations regarding appropriate locations for overseas representative offices. And on the back up promotional and information material that should be available.
- Define the personal skills and attributes that are desirable for the project executives (at home and abroad) in any world class investment promotional agency.
- Outline the Contact Reporting and Investor Tracking Systems that should be developed and utilized.
- Assist management and staff within the Jordan Investment Board in better understanding Jordan's competitive position for attracting FDI in these two sectors.
- The consultant(s) must address operational matters such as JIB's ability to research FDI flows, current sectoral strategies and promotional activities internationally, support (in Jordan) for overseas offices (i.e. marketing services support), support and facilitation for potential clients and for client-investors who invest in Jordan, JIB's company development activities, investor tracking systems.
- Prepare an Investment Promotion and Facilitation Guidebook, specifically related to the two target sectors, for use by Jordan's investment promotion agencies.
- Organize and run a Workshop in Jordan to present and discuss this material. This workshop would be primarily for JIB management and staff, and may include representatives from JAED (if established), from JEDCO, from the Ministry of Industry & Trade and others.

Finally, the consultant(s) should draw up outline Scopes of Work for appropriate subsequent AMIR technical assistance to JIB.

**ANNEX 6. DEVELOPMENT OF DETAILED BUDGET PROJECTIONS  
FOR THE JORDAN INVESTMENT BOARD  
FOR 2003 AND 2004.**

|  | One Time | Year One<br>Monthly | Year One<br>Annual | Ongoing<br>Monthly | Ongoing<br>Annual |
|--|----------|---------------------|--------------------|--------------------|-------------------|
| <i>Personnel</i>                                   |          |                     |                    |                    |                   |
| <i>Payroll &amp; Benefits</i>                      |          | 39,749              | 496,712            | 54,956             | 686,750           |
| <i>Annual Merit Increase</i>                       |          |                     | 19,730             |                    | 27,278            |
| <u><i>Headquarters</i></u>                         |          |                     |                    |                    |                   |
| <i>Overhead</i>                                    |          |                     |                    |                    |                   |
| <i>Office Rent</i>                                 |          | 5,000               | 60,000             | 5,000              | 60,000            |
| <i>Office Utilities (e.g., electricity, water)</i> |          | 826                 | 10,738             | 826                | 10,738            |
| <i>Office Insurance</i>                            |          | 400                 | 4,800              | 400                | 4,800             |
| <i>Office Maintenance</i>                          |          | 944                 | 10,856             | 944                | 10,856            |
| <i>Office Equipment</i>                            |          | 708                 | 8,142              | 708                | 8,142             |
| <i>Office Equipment Maintenance</i>                |          | 2,065               | 23,748             | 2,065              | 23,748            |
| <i>Computer Equipment</i>                          | 15,000   | 5,900               | 67,850             | 5,900              | 67,850            |
| <i>Vehicle Maintenance &amp; Fuel</i>              |          | 1,000               | 11,500             | 1,000              | 11,500            |
| <i>Telecommunications &amp; Postage</i>            |          | 4,600               | 52,900             | 4,600              | 52,900            |
| <i>Expendable Supplies</i>                         |          | 4,720               | 54,280             | 4,720              | 54,280            |
| <i>Program</i>                                     |          |                     |                    |                    |                   |
| <i>Information Purchase</i>                        |          | 3,000               | 36,000             | 3,000              | 36,000            |
| <i>PR/Promotion/Publication/Advertising</i>        |          | 63,489              | 761,866            | 63,489             | 761,866           |
| <i>Training Materials</i>                          |          | 1,770               | 20,355             | 1,770              | 20,355            |
| <u><i>Overseas Network</i></u>                     |          |                     |                    |                    |                   |
| <i>Personnel</i>                                   |          |                     |                    |                    |                   |
| <i>Cost of Living Differential</i>                 |          | 9,601               | 115,211            | 22,436             | 269,231           |
| <i>Housing Allowance</i>                           |          | 15,000              | 180,000            | 30,000             | 360,000           |
| <i>Overhead</i>                                    |          |                     |                    |                    |                   |
| <i>Office Rent</i>                                 |          | 60,000              | 720,000            | 60,000             | 720,000           |
| <i>Office Utilities (e.g., electricity, water)</i> |          |                     |                    |                    |                   |
| <i>Office Insurance</i>                            |          |                     |                    |                    |                   |
| <i>Office Maintenance</i>                          |          |                     |                    |                    |                   |
| <i>Office Equipment</i>                            | 25,000   | 236                 | 2,832              | 236                | 2,832             |
| <i>Office Equipment Maintenance</i>                |          | 344                 | 4,130              | 688                | 8,260             |
| <i>Computer Equipment</i>                          | 24,000   | 983                 | 11,800             | 1,967              | 23,600            |
| <i>Telecommunications &amp; Postage</i>            |          | 1,150               | 13,800             | 2,300              | 27,600            |
| <i>Expendable Supplies</i>                         |          | 787                 | 9,440              | 1,573              | 18,880            |
| <i>Program</i>                                     |          |                     |                    |                    |                   |
| <i>PR/Promotion/Publication/Advertising</i>        |          | 21,896              | 262,746            | 21,896             | 262,746           |
|  |          | 244,167             | 3,023,435          | 290,474            | 3,530,211         |

*Cost of Living Index*

|   |              |             |             |            |            |
|---|--------------|-------------|-------------|------------|------------|
| <i>Jordan</i>                                   | <i>0.00</i>  | <i>96</i>   | <i>1.00</i> | <i>185</i> | <i>131</i> |
| <i>New York (Consulate)</i>                     | <i>0.34</i>  | <i>129</i>  | <i>1.34</i> | <i>249</i> | <i>176</i> |
| <i>San Francisco (Consulate)</i>                | <i>0.24</i>  | <i>119</i>  | <i>1.24</i> | <i>229</i> | <i>163</i> |
| <i>London (Embassy)</i>                         | <i>0.36</i>  | <i>131</i>  | <i>1.36</i> | <i>252</i> | <i>179</i> |
| <i>Munich (Consulate)</i>                       | <i>0.36</i>  | <i>131</i>  | <i>1.36</i> | <i>252</i> | <i>179</i> |
| <i>Kuala Lumpur (Embassy)</i>                   | <i>-0.02</i> | <i>94</i>   | <i>0.98</i> | <i>181</i> | <i>128</i> |
| <i>Abu Dhabi (Consulate)</i>                    | <i>0.22</i>  | <i>117</i>  | <i>1.22</i> | <i>225</i> | <i>160</i> |
|   |              |             |             |            | <i>164</i> |
| <i>Berlin (Embassy)</i>                         | <i>0.28</i>  | <i>123</i>  |             |            |            |
| <i>Tokyo (Embassy)</i>                          | <i>0.48</i>  | <i>142</i>  |             |            |            |
| <i>Beijing (Consulate)</i>                      | <i>0.14</i>  | <i>109</i>  |             |            |            |
| <i>Hong Kong (Consulate)</i>                    | <i>0.32</i>  | <i>127</i>  |             |            |            |
| <i>Jakarta (Embassy)</i>                        | <i>0.03</i>  | <i>99</i>   |             |            |            |
| <i>Dusseldorf (Consulate)</i>                   |              |             |             |            |            |
| <i>Notes:</i>                                   |              |             |             |            |            |
| <i>Headquarters cost factor over/under JAED</i> |              | <i>1.18</i> |             |            |            |
| <i>Office insurance factor over/under JAED</i>  |              | <i>0.29</i> |             |            |            |

**ANNEX 7. TASKS AND METHODOLOGY OF ASSIGNMENTS RELATED TO:**

- 1. REVIEW OF JIEC ORGANIZATION.**
- 2. REVIEW OF PROPERTY FOR INDUSTRY / ENTERPRISE IN JORDAN.**
- 3. ASSESSMENT OF PROPOSED MERGER BETWEEN JIEC AND FZC.**

**1. REVIEW OF JIEC ORGANIZATION.**

- Review the JIEC Organization chart and job descriptions and redraft in accordance with its future mission and objectives. Take into account the planned creation of JAED and reform of the investment entities.
- Prepare a revised set of internal regulations / Instructions (which may be adopted by the Board) with respect to personnel, pay and conditions, bonuses, etc. with a view to recruiting and retaining the most professional and efficient cadre of staff possible.
- Design a performance based reward system to allow the attraction of new employees, to facilitate the required organizational changes.
- Design an Implementation Plan and Support Framework to ensure that the new plans are implemented effectively.
- Based on the above, carrying out of a Training Needs Assessment and design of appropriate (first-year) training programs, including drawing up Scopes of Work for the delivery of the required training.

**2. REVIEW OF PROPERTY FOR INDUSTRY / ENTERPRISE IN JORDAN.**

- Update and expand on the information contained in the Report – JIEC Market Demand Study for Serviced Industrial Estates (April 2002) concerning non-JIEC owned land and buildings for industry / enterprise, including details on facilities available, terms for sales or rental, service charges, contact information to the developers and initial suggestions on how information on all industrial sites and buildings in the Kingdom can be made available to potential investors in a convenient and user-friendly way.

**3. ASSESSMENT OF PROPOSED MERGER BETWEEN JIEC AND FZC.**

Carry out an assessment of the proposed merger between JIEC and FZC, including reviewing and commenting on the draft Law put forward by these two organizations and making recommendations regarding the proposed merger, timing, implications, issues to be addressed and drafting up appropriate Scopes of Work for further technical assistance that may be required.