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ICT Sector Baseline Industry Survey

AMIR II Achievement of Market-Friendly Initiatives and Results

January 2005

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JORDAN AMIR II

Achievement of Market-Friendly Initiatives and Results

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ICT Sector Baseline Industry Survey
Final Report
January 2005

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Abstract

This survey provides a clear and comprehensive understanding of the breadth and depth of the local ICT sector on which the subsequent analysis and recommendations of a three-year national export and investment promotion strategy for the sector can be firmly based.

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Executive Summary

In the third annual review of the REACH Initiative (September 2002), the Chairman of int@j admitted that this target is too ambitious. A number of factors may contribute to the shortfall.

First, a survey conducted by int@j in 2001 of domestic investors in Jordan's ICT sector provided a mixed picture of the investment climate. Issues identified included 1) excessive regulation, 2) limited skilled manpower (due largely to the brain drain to the Gulf countries), 3) lack of management and marketing skills, and 4) limited access to capital.

Second, Jordan's geographic neighbors provide competitive challenges: Israel has access to significant capital and advanced technology resources; Dubai, has vast capital resources, a more favorable tax regime, and the ability to attract almost limitless numbers of skilled workers; and Egypt has lower operating costs, a larger domestic market, and a larger pool of skilled workers.

Finally, Jordan ICT investment promote efforts have been uncoordinated and unfocused. While JIB has the legal mandate as the lead national investment promotion agency, its resources are limited and its performance has generally been poor. Entities, such as MOICT and int@j, have pursued their own initiatives to compensate. Efforts by these entities have generally been pursued on an *ad hoc* basis, in the absence of any strategy.

In the short term, Jordan's ICT sector may not become a mass employer, major source of FDI, or principal engine of economic advancement that Government envisions. It can however become an important source of investment and skills development. Development of the ICT sector can be a critical step in the country's economic evolution from low-margin, labor-intensive manufacturing toward knowledge-intensive and high value-added activities. As Jordan develops its ICT sector, it must compete against well-funded and low-cost rivals. To realize its potential, it must identify areas where it provides advantage and develop a highly-focused strategy to attract investment in those areas. This strategy must be pursued in a coordinate manner.

The AMIR Program has accordingly initiated the development such a strategy, in collaboration with the Jordan Investment Board, the Ministry of Information & Communications Technology, int@j, and the Jordan National Competitiveness Team. The lead consultants of this task have determined that a critical foundational element for the development of this strategy is a rigorous survey of the Jordanian ICT sector. It is hoped that such a survey will complement initial field work by providing a clear and comprehensive understanding of the breadth and depth of the local sector on which the subsequent analysis and recommendations of the three-year national export and investment promotion strategy for the ICT sector can be firmly based.



ICT Sector Baseline Industry Survey

**A Presentation to
ICT Sector Stakeholders
13 January 2005**





Main Points

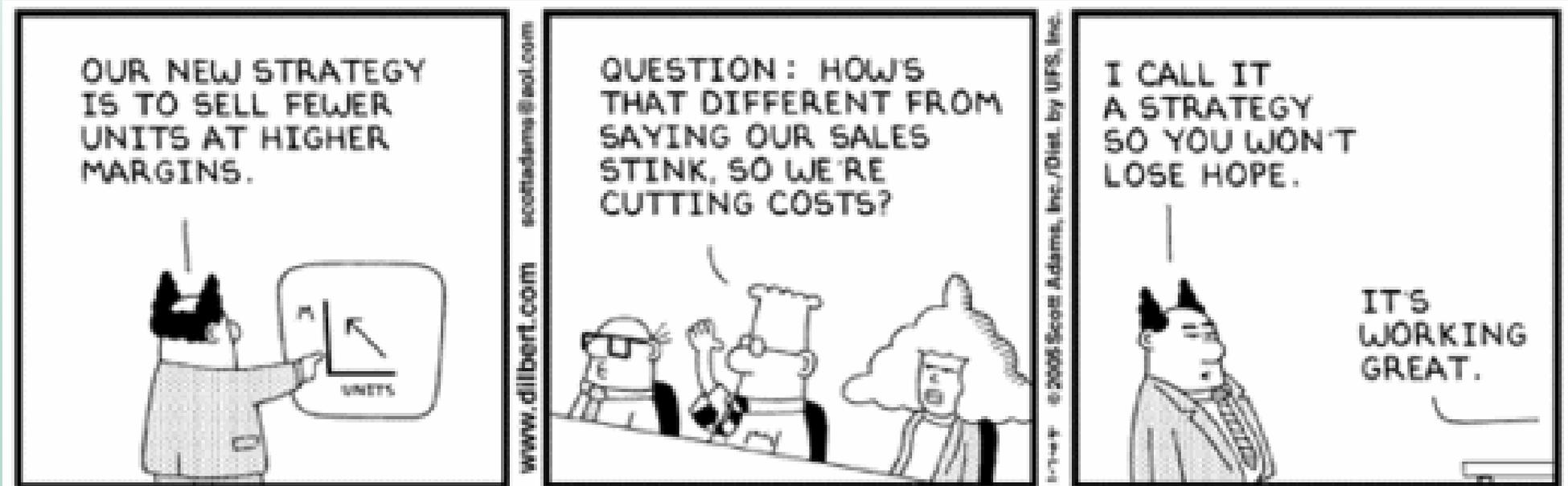
- Project background
- Objectives of the Project
- Process and Approach
- Review of Results
- SWOT



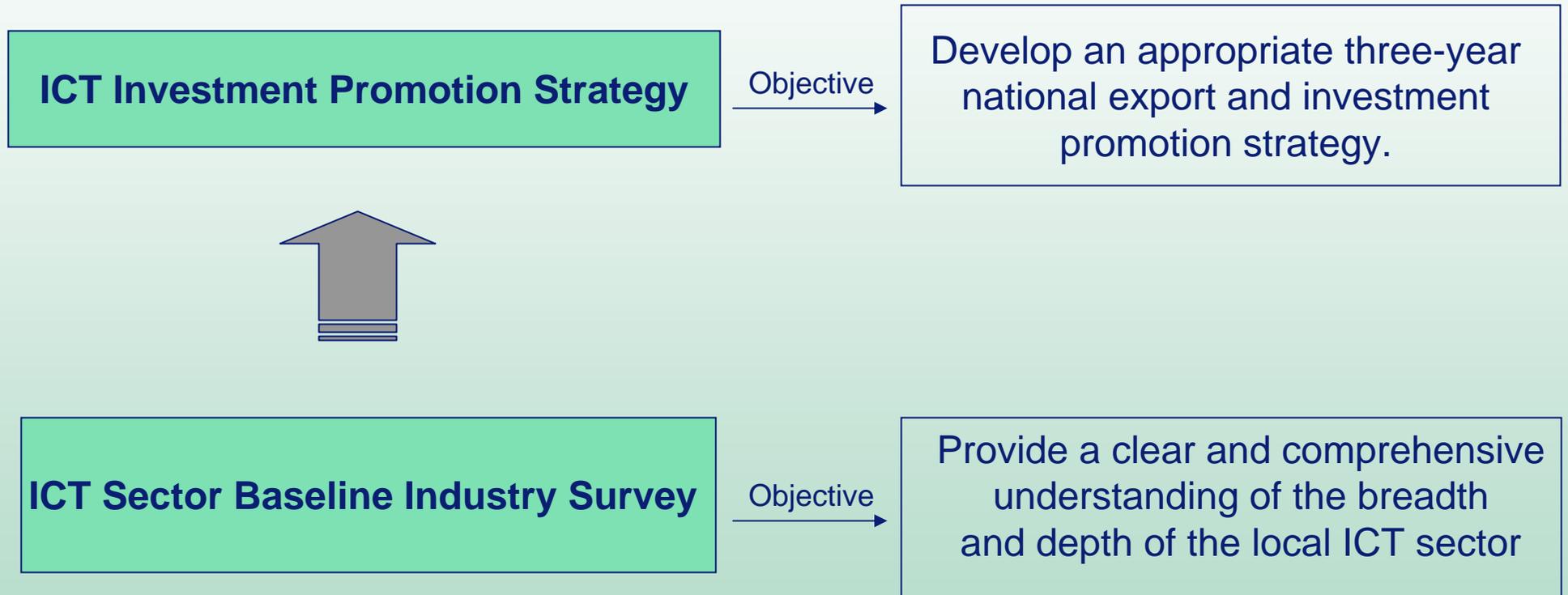
Quick Background

- ICT importance and drive in Jordan is noticeable.
- The REACH initiative have gone through several iterations.
- Ambitious targets have been set:
 - 2004 targets included: \$150 million in cumulative FDI, creation of 30,000 new jobs and \$550 million in annual sector export.
- Have these targets been achieved?

The Need for an ICT Strategy



Scope of Work in Relation to the ICT Strategy





Objectives of the Survey

- Understand markets pursued
- Assess specializations and focus
- Understand strengths and competitive advantage
- Understand challenges

Process and Approach

Create Survey Questions

Create Sample List

Schedule an Appointment

Conduct Survey

Collect and Tabulate Responses

Analyze Results

Present Findings



Survey Questions





Survey Sample List

- A Sample list of 50 companies
 - Assuming 300 companies
 - Max. allowable difference of a 0.25
 - Confidence of 95%
 - Variance estimate of 1.0
- Mainly from INT@J members
- A mix of large/small, old/new, general/specialized
- Local “major users” of ICT



Conducting Surveys

- Face to face interviews with the CEOs or their deputies
- Very positive response and participation
- Allowed freedom to express thoughts

Results



“Do you have any other hobbies besides ‘bird watching’?”

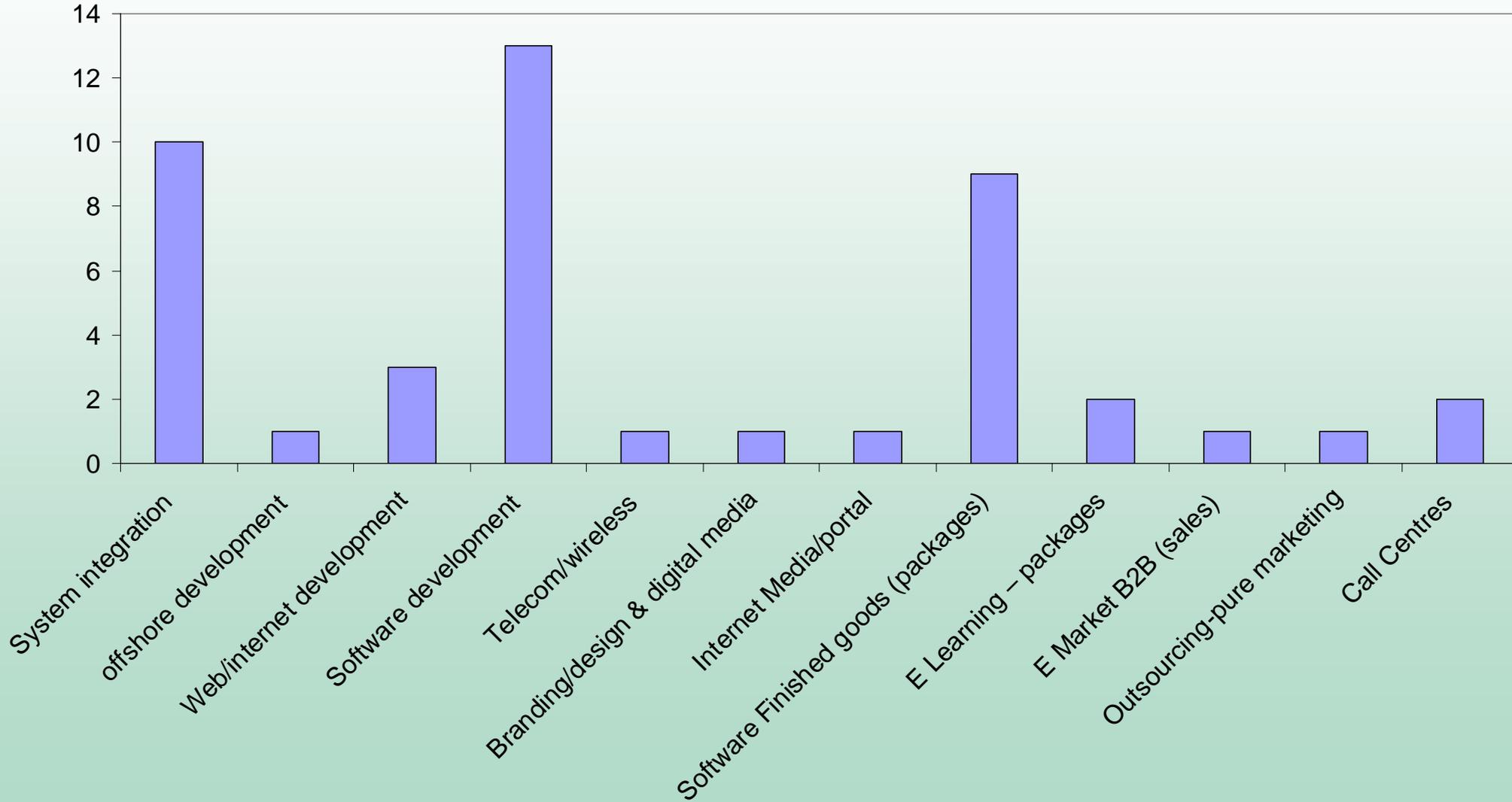


Companies Profiles

- Mostly new (3-5 Yrs), limited liability
- General software development and system integration
- Most companies in the \$500K - \$4M range
- Majority reporting high growth 25%+ per year (past and projected)
- Healthy net profit margins (half of companies 15%+)
- Projects mostly in the \$100K's. Few companies in the \$M's



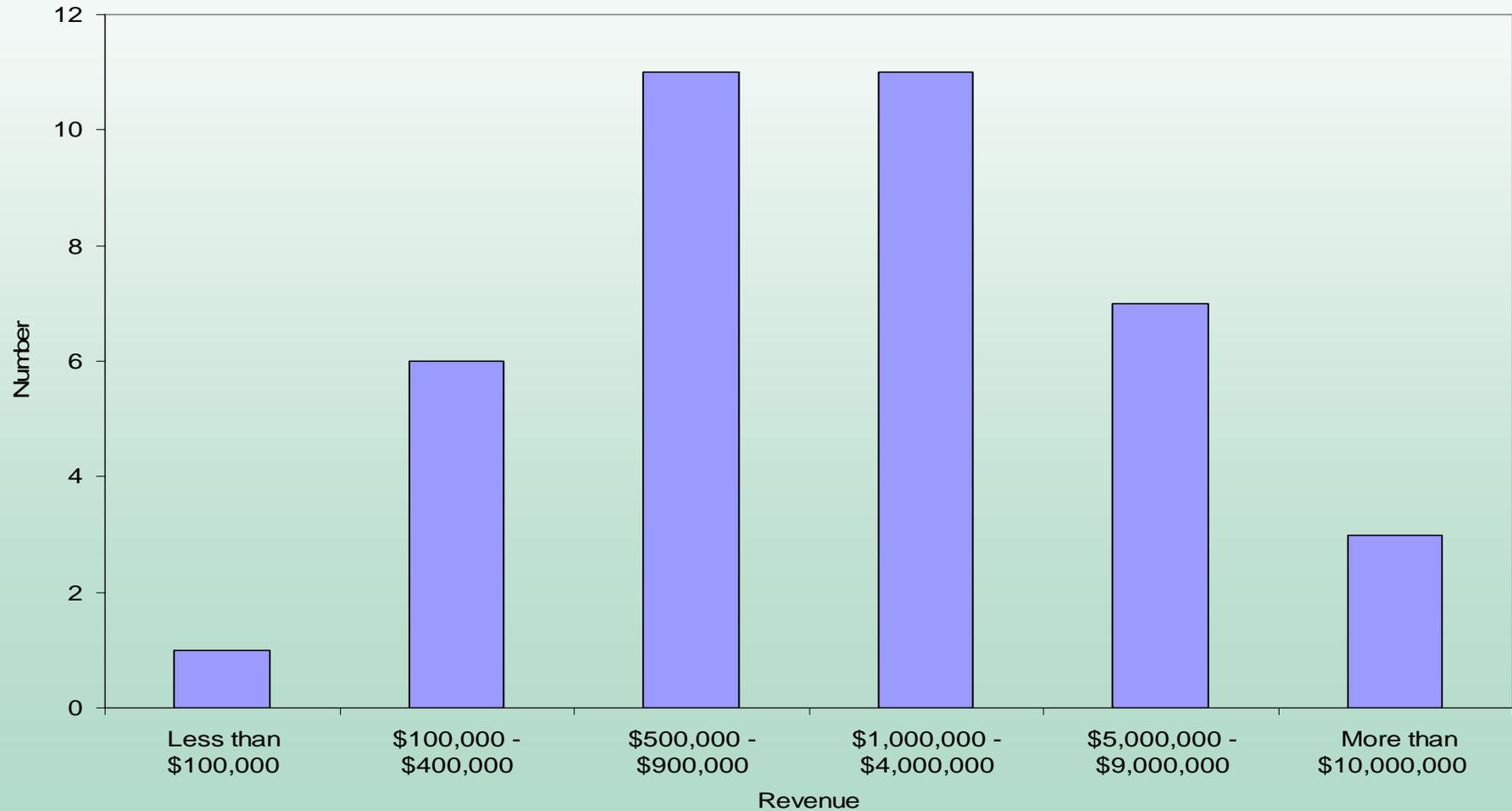
Main Activities





Companies Revenues

2003 Revenue



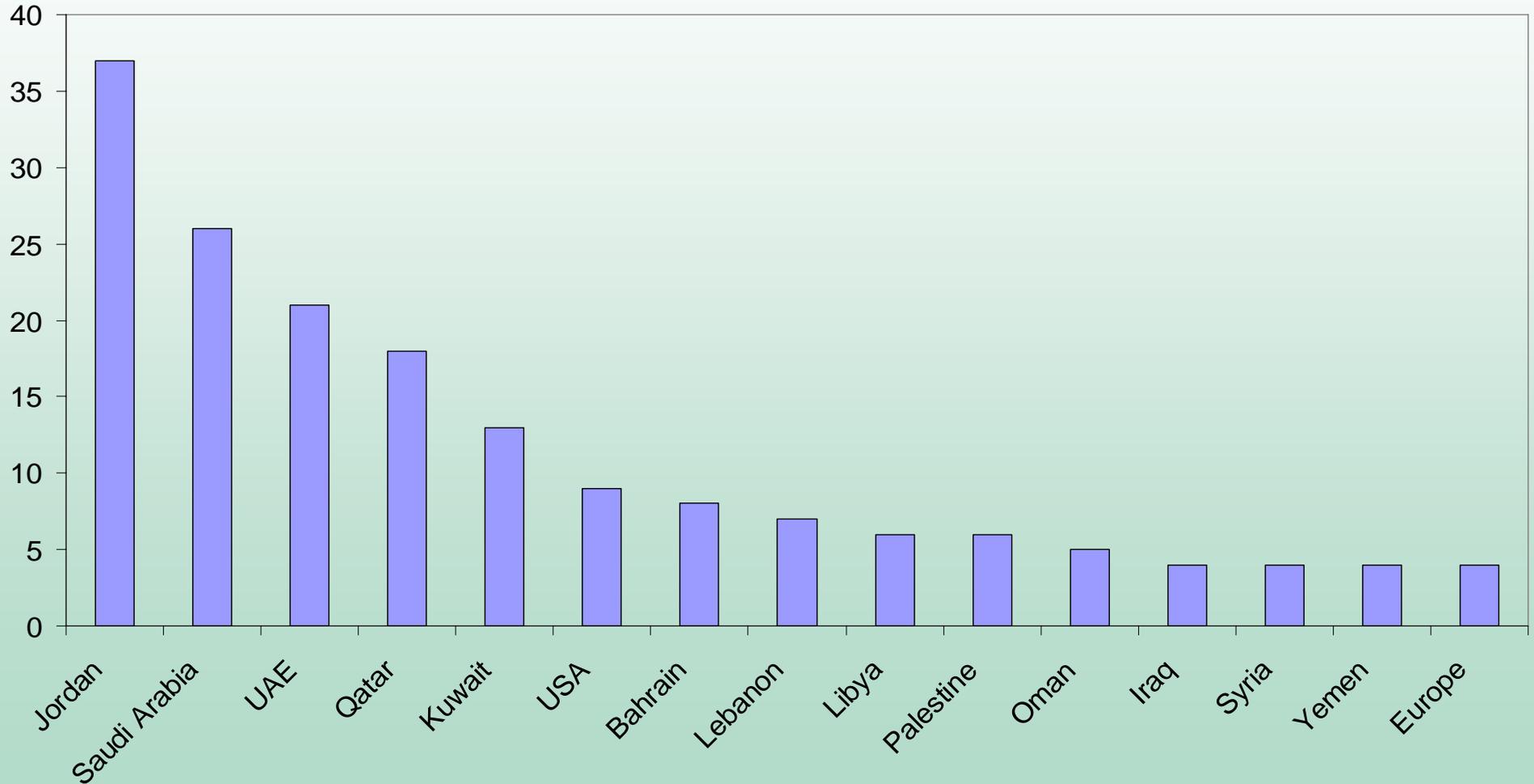


Markets Pursued

- Jordan regarded as a main market and base
- Most attention given to the Gulf
- Only few (around 10) reported the US, and 2 reported Europe
- Emerging opportunities in countries like Libya and Sudan



Markets Pursued



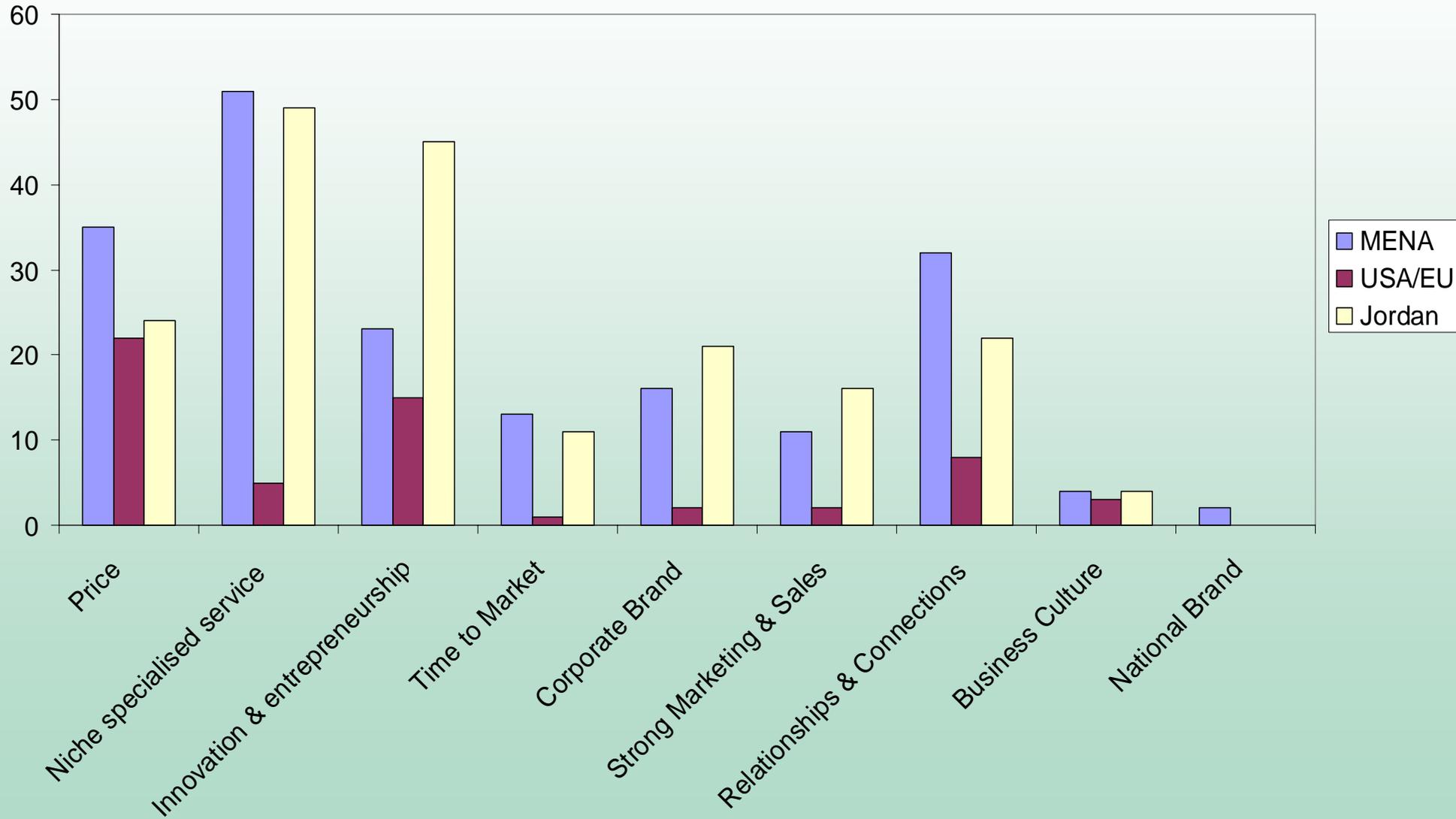


Competitive Selling Factors

- Three geographic areas: Jordan, MENA, and US/Europe
- Jordan – Niche, innovation, then price
- MENA – Niche, price, then relationships
- US/Europe – Price, innovation, then relationships



Selling Factors





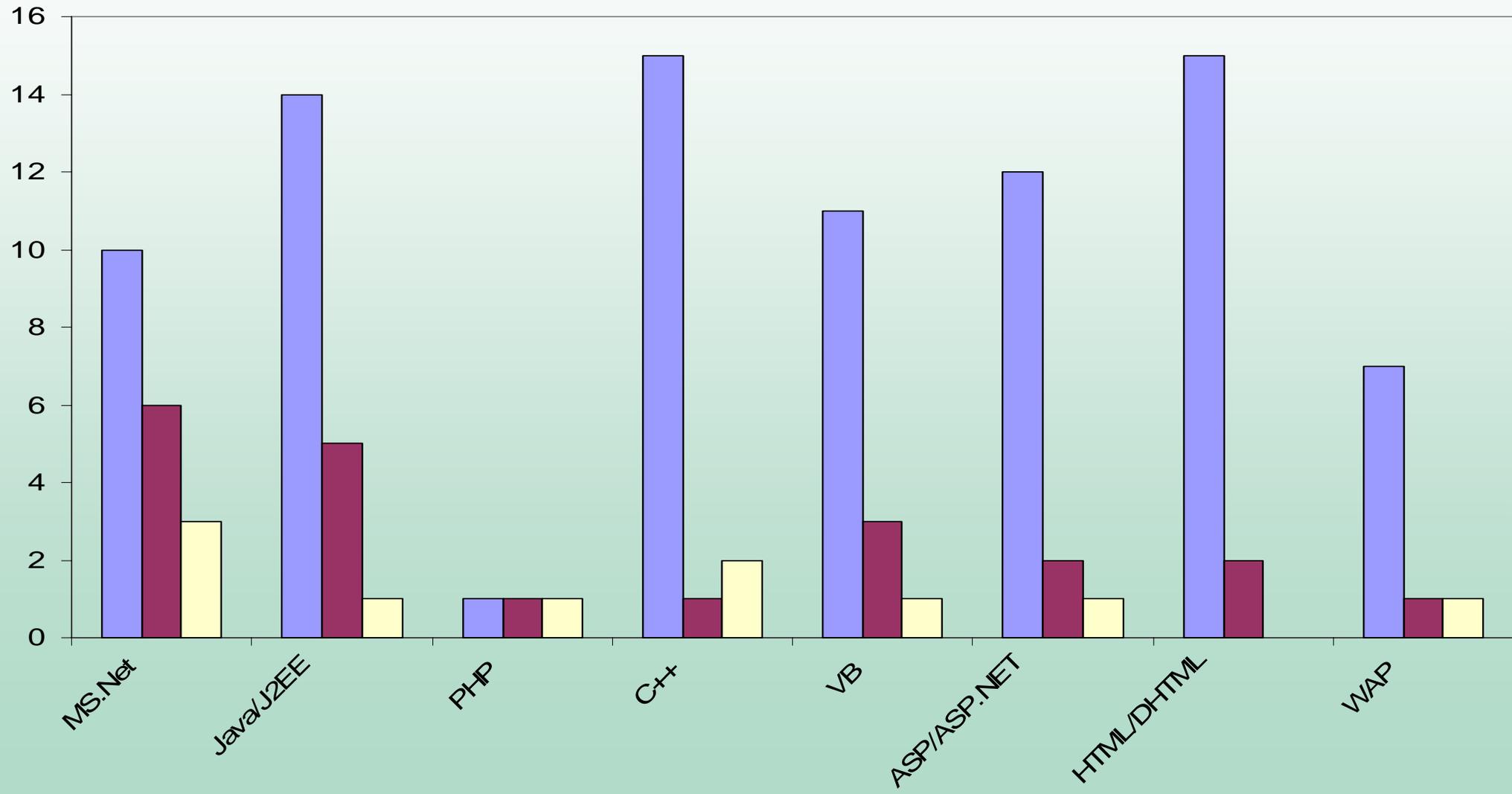
Technical Skills and Competencies

- Mostly in “main stream” technologies such as Microsoft, JAVA, and Oracle
- Emerging in Open Source
- More on the development end
- Gaps in some technologies such as IBM, or fields such as CRM
- Gaps in leadership roles such as project managers or architects
- Process maturity is still developing



Technical Skills - Applications

Experienced Capable Starting





Challenges

- People
 - High turn over
 - Scarce leadership roles
 - University grads
- Government
 - Regulations not translated to reality
 - Bureaucracy in procurement
 - Customs and taxes
- Financial Institutions
 - Smaller/newer companies reported difficulties in tapping into facilities

S W O T Analysis

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> ● Leadership support ● Entrepreneurship ● Positive image ● Location 	<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> ● Emerging markets ● Products development ● Building specializations
<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> ● Fragmented market ● Local competition high ● Seniority and expertise ● Investment 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> ● Regional volatility ● Competition (e.g. India) ● Reliance on foreign aid ● Brain drain

Thank You!
