A.I.D. EVALUATION SUMMARY - PART I

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE

IDENTIFICATION DATA

A. Reporting A.I.D. Unit:

Mission or AID/W Office Jordan
(ES#)

B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan?
Yes [X] Slipped [ ] Ad Hoc [ ]
Evaluation Plan Submission Date: FY 90 Q 4

C. Evaluation Timing
Interim [ ] Final [X] Ex Post [ ] Other [ ]

D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
278-0277	Private Enterprise Technical Resources Assistance Project (PETRA)	1986	9/94	$12,000	$11,756

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director

Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
1. Agree with Ministry of Planning on the disposition of remaining uncommitted PETRA funds and close out project NLT the PACD of 9/30/94.	Peter Delp, Project Officer	TBD
2. In future interventions involving handicraft development, project designs to focus on developing exports (in consonance with USAID/Jordan's foreign exchange strategic objective) and on handicraft production as a commercially viable enterprise.	USAID/J Project Officers	Ongoing
3. In future interventions to increase small business access to credit, project designs to focus on potential of institutions to adopt acceptable credit policies and practices.	USAID/J Project Officers	Ongoing
4. Determine feasibility/options for establishing an appropriate organization to coordinate and deliver a comprehensive range of small business advisory services.	Peter Delp, Project Officer	TBD

(Attach extra sheet if necessary)

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation: N/A (Month) (Day) (Year)

G. Approvals of Evaluation Summary And Action Decisions:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Name (Typed)	Peter Delp		Robert R. Hansen	B. Donald Reese (Acting Director)
Signature	Peter Delp		Robert R. Hansen	[signature]
Date	3/1/94		2-28-94	3-1-94

H. Evaluation Abstract (Do not exceed the space provided)

The project was designed as an umbrella project for private sector development in Jordan and implementation began in 1986. A myriad of activities were supported by this project, including project designs for other private sector projects, grants and loans for small enterprise development, support of business associations, and technical assistance in various business development areas. This evaluation was performed in early 1992 and analyzed three key activities of the project - PVO income generation activities, business development/investment promotion, and production/production enhancement. The methodology employed consisted of interviews with representatives of key institutions receiving grants or administering loans under the program, review of project documents, and interviews with a sampling of project beneficiaries. The purpose of the evaluation was to provide lessons learned for a subsequent private sector development project. The major findings and conclusions are:

- The project achieved significant results in the development of Jordanian handicraft production and marketing through the PVO element. Employment of over 2000 Jordanians, mostly women, was achieved due to the project. Domestic markets have been expanded and export markets are now being developed.
- The objective of changing the way that specialized credit institutions (development finance institutions) assess credit applications, i.e., to base decisions more on project feasibility and cash flow analysis and less on collateral, was not accomplished.
- Business association support was instrumental in establishing two new organizations, although their impact on export development and other business development was uncertain.
- The project lacked an overall focus, other than private sector development, which caused implementation problems in the first two years. After a mid-course correction, the project was focused more on the three activities evaluated and some significant gains were made.
- Future activities in this area by the U.S. Agency for International Development (USAID) in Jordan should concentrate on two or three objectives. It was suggested that support be continued for the PVO handicraft activities, particularly export development. Development of an association or support institution for small business development was also suggested. Strategies for export growth and linkages between large and small businesses were a third suggestion.

COSTS

I. Evaluation Costs

1. Evaluation Team — Name	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. $)	Source of Funds
Stephen Silcox Cary Raditz Caroline C. Ramsey,	Development Economics Group/Louis Berger International, Inc.	PDC-0095-I-00-9096-00, D.O.21	$ 94,247	Project
Samir Carmi		PO-278-0277-00-2019	$ 2,300	Project

2. Mission/Office Professional Staff Person-Days (Estimate) 40

3. Borrower/Grantee Professional Staff Person-Days (Estimate) 20

A.I.D. EVALUATION SUMMARY - PART II

SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)
Address the following items:
- Purpose of evaluation and methodology used
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office:	Date This Summary Prepared:	Title And Date Of Full Evaluation Report:
Jordan	May 1, 1992	Evaluation of the Private Enterprise Technical Resources Assistance Project - May 1, 1992

The Private Enterprise Technical Resources Assistance (PETRA) Project (Project No. 278-0277) was authorized by USAID on September 30, 1986 to provide assistance to the development of the private sector in Jordan. It was initially funded at $10 million and was subsequently increased to a total of $12 million. The goal of the PETRA Project was "to assist the Jordanian private sector to be the driving force behind increased income, export and employment growth." The purpose was "to alleviate policy, industry-wide and firm specific constraints to increasing overall productivity and effectiveness of the private sector."

The PETRA Project was the first major effort of USAID/Jordan to assist private sector development and was designed as an umbrella project which would provide funds for experimental efforts to assist businesses and business support institutions as well as to fund activities leading to the design of other, more focused private sector development projects.

A midterm evaluation conducted in 1988 noted various problems in the functioning of the PETRA Office and the PETRA Committee. At the same time, the Ministry of Planning (MOP) and USAID were beginning to jointly recognize the difficulties and problems due to the initial implementing arrangement of the project through the Committee. The Project Paper was amended on August 30, 1989 to reflect a major revision in the implementation of the project. In accordance with the wishes of the MOP and USAID, the evaluation team concentrated on the period of time after the mid-course revision of the project in 1989. But the evaluation team has also commented in this report on the factors which led up to the major project revision in 1989.

The project included a myriad of activities to be evaluated within four weeks. Therefore, the methodology used by the evaluation team included key informant interviews of the principal institutions receiving funds under the project, visits to sites of the programs employing the greatest number of persons or using particularly successful methodologies, interviews of beneficiaries during these site visits, and interviews with other individuals who could help put the PETRA Project in perspective.

Of the seven project activities identified in the 1989 Project Amendment, the evaluation team was asked to focus on the three components dealing with PVO income generation activities, business development/investment promotion, and production/production enhancement. The team was also requested to conduct the evaluation with a regard toward lessons learned for future private sector development projects.

USAID has been actively involved in assisting small enterprise development in Jordan, through the PETRA Project and others.

Efforts are now being made to examine various alternatives for small enterprise development and support in Jordan.

By and large, the most successful of the various project interventions was the PVO Income Generation element of the project. It is estimated that over 2000 individuals, mostly women, have received additional employment and income as a result of activities funded by PETRA. In addition, the handicraft industry in Jordan has received a tremendous boost from the project. The quality and the designs of Jordanian handicrafts are much better than they were when the project began. Just as importantly, the project succeeded in building the institutions to be able to produce and market handicrafts on a much larger scale through the expansion of the domestic market for handicrafts and opening of an export market. Continued support will be needed to develop that export market.

PETRA funds do not seem to have significantly changed the way the Specialized Credit Institutions have evaluated and approved the loans - one of the objectives of the PETRA funds. Although time constraints limited the evaluation team to interviews with only a few loan beneficiaries, interviews with SCI officials did not discern any movement toward the use of technical viability and cash flow analysis in evaluating loan applications. The SCIs have continued to rely largely upon collateral requirements. This is not to say that the loans have not been helpful in assisting in private sector development. The ACC loans, in particular, have gone toward many apparently worth-while projects. However, the PETRA funds have not achieved their aim of changing the way these institutions do business. Additional training to SCI officials in achieving these changes might be considered as part of a follow-on project.

The IESC activities and the support given to the various organizations to support business development appear to have been relatively successful. The technical assistance provided by IESC volunteers has, according to written evaluations by the clients, been highly valued by the private business recipients and has helped numerous businesses solve technical and management problems. The Jordan Trade Association and the Amman World Trade Center are now established and are providing many of their intended services. The Near East Foundation has recently commenced its program to train representatives of both PVOs and government agencies to provide support to small business development. The NEF appears to be on the right track, but it is too early to evaluate the effectiveness of these efforts. On the other hand, the Jordan Venture Projects Company has not yet put together one joint venture. Its only investment after one and a half years of operation is totally funded internally.

To sum up, the PETRA Project partially achieved its goal of enhancing the prospects for private sector development in Jordan. It has had limited, but significant, success in alleviating firm specific constraints to increasing overall productivity and effectiveness. This has been demonstrated in the growth of the handicraft production sector and in the establishment of on-going organizations to support private sector development.

The evaluation team suggests that the focus of any follow-on project to PETRA be limited to addressing the constraints of small business development in particular while developing the institutional infrastructure for export growth and linkages between large and small businesses. The project could also serve as a source of funds for new private sector initiatives, as the PETRA Project was designed. However, care must be taken to concentrate project focus on two or three specific objectives which will address the key problems of small business growth and export growth. Support of business associations should be concentrated on assisting these two growth poles.

The new project activities should build on the successes of the PETRA Project and should continue support to PVO income generating activities, particularly relative to handicraft exports. Continued funding of the International Executive Service Corps is also recommended based upon the evaluation team's limited review of its past performance in assisting in the growth of private sector industries. If feasible, special efforts could be made by the IESC to support small business development. In addition, the Mission should continue support to the Jordan Trade Association as long as it remains viable. The Amman World Trade Center appears to be developing well and should also be supported. Efforts should be made to try to promote the establishment of a small business trade association as well.

Support in the establishment of a private sector institution which can provide small business advisory services and training should also be given, either through an existing or new institution. It may be feasible to combine these within a small business association framework. These activities would fill an existing gap in the institutional framework for private sector development at the lower end. The potential for subcontracting arrangements between larger and small firms should be explored. In some countries, the small business association is tied to a larger association such as the Chamber of Commerce and Industry. The feasibility of this approach should be investigated. Another alternative worth exploring is the applicability of the Small Business Development Center approach which has proven quite successful in other countries.

A follow-on project to PETRA should also be tied in with existing Mission programs which are directed toward small business development and export growth. The type of small business development such as that being developed by the Near East Foundation should be encouraged as well as the Loan Guarantee Project.

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K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

Evaluation Report

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

The Mission believes this evaluation achieved its purpose of surfacing issues and lessons learned which could be applied to the design of a successor project to further develop the economic potential of the Jordanian small business sector. It should be observed that the PETRA Project was USAID/Jordan's first major effort to help the private sector identify and address the constraints limiting its productivity, effectiveness and growth. PETRA essentially was conceived as an umbrella project in which a variety of interventions could be explored and tested in order to determine what type of long-term private sector strategy should be pursued by the Mission.

The complex, multi-faceted character of the project made a comprehensive evaluation exceedingly difficult and time-consuming: three evaluators worked in-country on the report over a period of five weeks and a fourth worked on it for 3 1/2 weeks (including one week when they were hotel-bound in Amman due to snow). The project was restructured in 1989 and, at the Mission's request, the team focused its attention on the subsequent accomplishments under the three active project components. The team reached the conclusion that, while the overall Project was perhaps too ambitious an effort, it clearly was successful in introducing the role of the private sector into the Jordanian development agenda, and succeeded in alleviating specific constraints to private sector productivity and effectiveness. The Mission endorses these conclusions.

The Mission concurs as well with the discrete appraisals of the three components that were evaluated. The first component, PVO Income Generating Activities, was highly successful: key institutions involved in producing and marketing Jordanian handicrafts were established and strengthened, and about 1,600 women and their families were among the beneficiaries of income generating activities at the time of the evaluation. However, the team found less progress than hoped for in turning handicraft production into an export-oriented industry, as the time estimates to penetrate markets were too optimistic. The main constraint was the need to improve production quality before penetrating European and North American markets. Furthermore, the project grants to PVOs needed to emphasize handicraft production as a viable commercial business, not as an extension of each PVO's social welfare program. USAID/Jordan affirms that these lessons learned from the project shall be considered when planning any related follow-on activities.

The second component evaluated, Production and Production Enhancement, was comparatively less successful in obtaining its objective of changing the way specialized credit institutions (SCI) assess loan applications from small businesses. The SCIs participating in the project generally continued their practice of lending based on collateral rather than on factors such as cash flow or technical feasibility. USAID/Jordan supports the evaluation's conclusion that such institutions are not appropriate vehicles to make credit more readily available to small businesses. However, the project's support for the International Executive Service Corps (IESC) did contribute directly to production and production enhancement by assigning volunteers to help approximately eighty Jordanian businesses strengthen their operations. USAID concurs with the evaluators that a demand-driven, IESC-type direct intervention can be an effective means of improving the production of individual businesses.

The third component evaluated, Business Development and Investment Promotion, was judged to be relatively successful as it helped to establish some organizations servicing small businesses, such as the Jordan Trade Association and the Amman World Trade Center, and it also enabled the Near East Foundation to start a promising training program to increase the ranks of persons qualified to assist business development. On the other hand, the evaluation notes that there is still no appropriate organization to coordinate and deliver a comprehensive range of small business advisory services, and that such an organization would be needed to help USAID/Jordan implement a follow-on project. The evaluation correctly points out that such an entity must be oriented towards developing small businesses as commercially viable enterprises, not as instruments to deliver social services, and must be free of Government control, if it is to be successful.

EVALUATION OF THE PRIVATE ENTERPRISE TECHNICAL RESOURCES ASSISTANCE PROJECT (PETRA)

FINAL REPORT

April 1992

Prepared by:

Stephen C. Silcox, Team Leader
Small Business Development Specialist
Louis Berger International

Cary Wingfield Raditz
Financial Policy Specialist
Robert R. Nathan & Associates

Caroline Cullen Ramsay
Handicrafts Specialist
Louis Berger International

Samir Carmi
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May 1, 1992

Mr. Peter Delp
Project Development Officer
USAID/Jordan
Amman, Jordan

Subject: Jordan PETRA Evaluation IQC Contract No. PDC-0095-I-00-9096-00 D.O.# 21

Dear Mr. Delp:

Attached herewith is the Jordan Evaluation of the Private Enterprise Technical Resources Assistance Project (PETRA) Report which was performed under the subject delivery order for the Macroeconomics Indefinite Quantity Contract.

The evaluation was performed by Stephen Silcox, Cary Raditz, Caroline Cullen Ramsey and Samir Carmi.

Sincerely,

Barbara Phillips

Barbara Phillips
Institutional Analyst/IQC Manager

FORWARD

The evaluation team would like to express our appreciation to the various persons and organizations which been involved with the PETRA Project for their willingness to spend the time with us to give us a good understanding of the project. The PETRA Project has been a very complex and interesting project. It has had many facets over the years and has assisted a multitude of organizations and agencies. This meant that, within the time allowed for the evaluation, the evaluation team had to make some hard choices as to which organizations on which to concentrate. These decisions were made in the field with the assistance and cooperation of the key persons responsible for the evaluation.

We regret that we did not have the time to interview representatives of all of the organizations which received funds from the project. We also regret that we did not have the time to interview more individual beneficiaries of loans or grants provided by the project. Unfortunately, an untimely snowstorm in Jordan the first week after the team's arrival prevented travel even within Amman and eliminated one week from the five weeks allotted for the evaluation. This exacerbated the need to focus our efforts on certain key groups and institutions that reflected the main aspects of the project. On the other hand, we believe that the organizations and institutions on which we selected represented a good cross-section of the main activities funded and also have provided a good understanding of the project.

Special thanks go to Peter Delp, USAID Project Development Officer, and to Ma'en Al Nsour, USAID Desk Officer, Ministry of Planning for their close attention to the evaluation and their assistance and guidance. We would also like to thank the senior management of USAID and the Ministry of Planning for their helpful comments and sincere desire to make this evaluation a useful tool for future private sector development planning. A sincere thank you is made to the many representatives of the various institutions whose project activities were evaluated as well. They made every effort to assist the team in accomplishing a very demanding task.

Lastly, the members of the evaluation team would like to express their appreciation for being selected to evaluate this very important project. We hope that this report will be helpful in assessing future directions of private sector development and in helping to improve the economic conditions of the Jordanian people.

Stephen C. Silcox
Team Leader
April 30, 1992
Washington, DC

LIST OF ACRONYMS

ACC	Agricultural Credit Corporation
AID	Agency for International Development
ATA	Aid to Artisans
AWTC	Amman World Trade Center
BH	Bani Hamida Rug Weaving Project
CVDB	Cities and Villages Development Bank
EPC	Ex-Petra Committee
GOJ	Government of Jordan
GUVS	General Union of Voluntary Services
IDB	Industrial Development Bank
IESC	International Executive Service Corps
JCCC	Jordan Commercial Centers Corporation
JD	Jordanian Dinar
JDTC	Jordan Design and Trade Center
JRD	Jordan River Designs Project
JTA	Jordan Trade Association
JVP	Jordan Venture Products Co., Ltd.
MOP	Ministry of Planning
MSD	Ministry of Social Development
NCC	National Ceramics Center
NEF	Near East Foundation
NHDP	National Handicraft Development Project
NHF	Noor Al Hussein Foundation
PETRA	Private Enterprise Technical Resources Assistance (Project)
PIL	Project Implementation Letter
PP	Project Paper
PVO	Private Voluntary Organization
QAF	Queen Alia Fund
SBDC	Small Business Development Center
SC	Save the Children Foundation
SCI	Specialized Credit Institution
SEDO	Small Enterprise Development Foundation
SSIH	Small Scale Industries and Handicrafts Fund
USAID	United States Agency for International Development
VE	Volunteer Executive
YMWA	Young Muslim Women's Association

* Exchange rate at the time of the evaluation (March, 1992) was: US $1 = JD .678

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EXECUTIVE SUMMARY

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PETRA funds do not seem to have significantly changed the way the Specialized Credit Institutions have evaluated and approved the loans - one of the objectives of the PETRA funds. Although time constraints limited the evaluation team to interviews with only a few loan beneficiaries, interviews with SCI officials did not discern any movement toward the use of technical viability and cash flow analysis in evaluating loan applications. The SCIs have continued to rely largely upon collateral requirements. This is not to say that the loans have not been helpful in assisting in private sector development. The ACC loans, in particular, have gone toward many apparently worth-while projects. However, the PETRA funds have not achieved their aim of changing the way these institutions do business. Additional training to SCI officials in achieving these changes might be considered as part of a follow-on project.

The IESC activities and the support given to the various organizations to support business development appear to have been relatively successful. The technical assistance provided by IESC volunteers has, according to written evaluations by the clients, been highly valued by the private business recipients and has helped numerous businesses solve technical and management problems. The Jordan Trade Association and the Amman World Trade Center are now established and are providing many of their intended services. The Near East Foundation has recently commenced its program to train representatives of both PVOs and government agencies to provide support to small business development. The NEF appears to be on the right track, but it is too early to evaluate the effectiveness of these efforts. On the other hand, the Jordan Venture Projects Company has not yet put together one joint venture. Its only investment after one and a half years of operation is totally funded internally.

To sum up, the PETRA Project partially achieved its goal of enhancing the prospects for private sector development in Jordan. It has had limited, but significant, success in alleviating firm

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specific constraints to increasing overall productivity and effectiveness. This has been demonstrated in the growth of the handicraft production sector and in the establishment of on-going organizations to support private sector development.

The evaluation team suggests that the focus of any follow-on project to PETRA be limited to addressing the constraints of small business development in particular while developing the institutional infrastructure for export growth and linkages between large and small businesses. The project could also serve as a source of funds for new private sector initiatives, as the PETRA Project was designed. However, care must be taken to concentrate project focus on two or three specific objectives which will address the key problems of small business growth and export growth. Support of business associations should be concentrated on assisting these two growth poles.

The new project activities should build on the successes of the PETRA Project and should continue support to PVO income generating activities, particularly relative to handicraft exports. Continued funding of the International Executive Service Corps is also recommended based upon the evaluation team's limited review of its past performance in assisting in the growth of private sector industries. If feasible, special efforts could be made by the IESC to support small business development. In addition, the Mission should continue support to the Jordan Trade Association as long as it remains viable. The Amman World Trade Center appears to be developing well and should also be supported. Efforts should be made to try to promote the establishment of a small business trade association as well.

Support in the establishment of a private sector institution which can provide small business advisory services and training should also be given, either through an existing or new institution. It may be feasible to combine these within a small business association framework. These activities would fill an existing gap in the institutional framework for private sector development at the lower end. The potential for subcontracting arrangements between larger and small firms should be explored. In some countries, the small business association is tied to a larger association such as the Chamber of Commerce and Industry. The feasibility of this approach should be investigated. Another alternative worth exploring is the applicability of the Small Business Development Center approach which has proven quite successful in other countries.

A follow-on project to PETRA should also be tied in with existing Mission programs which are directed toward small business development and export growth. The type of small business development such as that being developed by the Near East Foundation should be encouraged as well as the Loan Guarantee Project.

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I. INTRODUCTION

A. Background/History of Project

1. Original project design

The Private Enterprise Technical Resources Assistance (PETRA) Project (Project No. 278-0277) was authorized by USAID on September 30, 1986 to provide assistance to the development of the private sector in Jordan. It was initially funded at $10 million and was subsequently increased to a total of $12 million. The project assistance completion date was recently extended to September 30, 1994.

The goal of the PETRA Project was "to assist the Jordanian private sector to be the driving force behind increased income, export and employment growth." The purpose was "to alleviate policy, industry-wide and firm specific constraints to increasing overall productivity and effectiveness of the private sector."

The PETRA Project was the first major effort of USAID/Jordan to assist private sector development and was designed as an umbrella project which would provide funds for experimental efforts to assist businesses and business support institutions as well as to fund activities leading to the design of other, more focused private sector development projects. The project targeted a broad spectrum of the private sector, including support for enterprises from micro-level with 1-3 employees all the way up to large businesses with over 100 employees. The project included a myriad of activities and outputs that seem to have been purposely left ambiguous in order to permit the Mission to support potential opportunities for the development of the private sector as they arose. A logical framework for the project was not included in the Project Paper (PP), since, as the PP stated, "the nature of the project does not lend itself to the formal specification of detailed outputs and end-of-project status."

Although this lack of focus did, in fact, permit the Mission to respond to different initiatives over the years, the lack of clarity and focus of the activities also led to some reasonable differences in perception by different parties as to what the project was actually supposed to accomplish.

A detailed working plan in Project Implementation Letter (PIL) No. 1 earmarked $7 million in General Funds for direct support to business groups, non-profit organizations, private [illegible] and individuals and a $3 million Set-Aside for project design and support. A key activity of the project in the first two years was the development of a PETRA Committee composed of representatives of the key government and parastatal institutions providing support to the private sector. The purpose of this committee was to review funding applications from groups and individuals which would receive assistance from the project. A PETRA Office was established to promote the project, receive applications and to provide assistance to groups and individuals in submitting applications. A key innovation in the Project was the attempt to base loan approval on an analysis of both the technical feasibility of the project and anticipated cash flow, rather than the highly collateralized lending approach existing in Jordan.

A midterm evaluation conducted in 1988 noted various problems in the functioning of the PETRA Office and the PETRA Committee. At the same time, the Ministry of Planning (MOP) and USAID were beginning to jointly recognize the difficulties and problems due to the initial implementing arrangement of the project through the Committee. Although both the MOP and USAID believed that the purpose of the project was valid and efforts in this direction were important in solving the problems of economic growth in Jordan, they also saw the need for change. Some of the more prominent problems cited in 1988 were:

- Understaffing and lack of experience of the PETRA Office resulted in an inability to properly prepare and review application documents.
- The PETRA Committee, composed largely of high-level government and parastatal officials lacked the time to properly evaluate project proposals. In addition, they found that they were subjected to pressure from individuals attempting to exercise influence over the project approval process.
- The implementing mechanism did not have the legal authority and institutional structure of similar types of entities in Jordan, such as the Specialized credit institutions (SCIs) to be able to effectively evaluate and monitor loans.
- The PETRA Project was initially conceived and advertised as a grant program which was funded by American money. Decisions were subsequently made to provide loans rather than grants to individuals who desired funding for business ventures. This seems to have created confusion in the mind of the general public and those receiving loans; this led to problems with loan collection.

2. <u>Major project revisions</u>

As a result of these deficiencies, the MOP and USAID decided to make a major change in the way the project was implemented. The decision to close the PETRA Office was taken. The Project Paper was amended on August 30, 1989 to reflect the following revisions:

- The PETRA Committee was disbanded.
- The existing PETRA Loans which were approved by the PETRA Committee were transferred to the Agricultural Credit Corporation (ACC), the Industrial Development Bank (IDB),

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and the Cities and Villages Development Bank (CVDB). Each of these three SCIs received the loans which corresponded to their normal loan portfolio activity.

- The ACC and IDB received funds to provide future loans in their areas of specialty, with the idea that they would utilize cash flow and technical viability analysis as the basis for loan approval decisions using PETRA funds. The CVDB, which provides grants to towns and villages, was to receive funds to promote special projects in rural areas.
- Management of the grants to non-profit organizations and business organizations providing support to private sector development would be performed by USAID staff in consultation and agreement with MOP staff.

The amendment specified seven areas of activity for the project:

1) Project design and development
2) Project management
3) Evaluation/audit
4) Production and Production Enhancement (including new loan activity by the ACC and IDB)
5) Business Development/Investment Promotion
6) Private Voluntary Organization (PVO) Income Generation Activities
7) General Uses (encompassing all the activities previously approved under the original Committee/Office structure)

The project structure and activities have remained relatively unchanged since this major revision in 1989.

B. Focus of Evaluation

In accordance with the wishes of the MOP and USAID, the evaluation team concentrated on the period of time after the mid-course revision of the project in 1989. The team did, however, also review the original project design documents, as well as the mid-term evaluation performed in 1988 and subsequent project amendment. The team has summarized and commented in the previous section on the factors which led up to the major project revision in 1989 in order to put the project within context; this should also help to explain how the original design of the project was corrected to make it better fit the existing business conditions in Jordan and to benefit from the lessons learned during the first two years of the project.

Of the seven project activities identified in the 1989 Project Amendment, USAID requested that the team focus on project activities numbers 4, 5 and 6 listed above, since the other activities had been either previously evaluated or were administrative categories which had no relevance to the evaluation. The only exception was a review of the status of the loans approved by the PETRA Committee.

The team was requested to conduct the evaluation with an eye toward the design of a follow-on project in terms of lessons learned during the PETRA Project and its successes and weaknesses. In its discussions with the various parties in the project, the team attempted to perform the evaluation in a consultative manner, in order that the institutions being evaluated might be aware of the findings of the team and comment on them during the course of the evaluation. The team strove to make this evaluation a constructive exercise to help to improve the performance of the institutions evaluated. Furthermore, in the last section of this report, the team points out potential new avenues and approaches to small enterprise development which might be explored by the GOJ and USAID in considering any future private sector development project.

The four person evaluation team was composed of Stephen C. Silcox - Team Leader and Small Business Development/Evaluation Specialist, Cary Raditz - Small Business Development/Financial Policy Specialist, Caroline Ramsay - Handicraft/Small Scale Income Generating and Marketing Specialist, and Samir Carmi, Private Sector Business Development Advisor.

Unfortunately, Jordan received a major snow storm the first week after the arrival of the team. Since travel was impossible even on the city streets of Amman, the team was only able to have two meetings during its first week in Jordan. At the suggestion of the USAID Project Officer and the Department of International Cooperation in the Ministry of Planning, the team structured its work during the remaining three weeks of information gathering to minimize unnecessary travel and meetings and interviews with beneficiaries. It must be noted that it would have been impossible for the team to interview representatives of all institutions receiving grant funds over the life of the project or to interview a sizeable sampling of project beneficiaries in the field, since the team was barely able to adequately interview those institutions selected within the time available. The approach taken was to agree with the MOP and USAID on a sample of the various institutions, individuals and beneficiaries involved in or receiving assistance from the project. The following interviews and field trips were made.

- Representatives of key institutions which received funds under the project were interviewed.
- Visits to the sites of the projects employing the greatest number of persons or having particularly successful methodologies were made.
- Interviews of individual beneficiaries of project loans or technical assistance or training was limited to those conducted during visits to sites of the projects described above.
- Interviews were held with individuals who could help put the PETRA project in perspective or could offer information relevant to the current economic environment for small

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business development in Jordan. These included individuals and organizations suggested by the MOP and USAID.

Although some decisions to limit sampling had to be made to meet time constraints within the level of effort provided, care was taken to assure that those institutions selected provided a sufficient sample to adequately represent the various activities evaluated.

C. Format of Report

This report begins with this introductory section (Chapter I) which describes the history of the project and the focus of the evaluation team

The second section (Chapter II) provides a brief review of the current economic situation in Jordan and the context for small enterprise development as well as USAID's activities in private sector development in Jordan.

The next section (Chapters III, IV, and V) analyzes the performance of the institutions/organizations receiving funding under the PETRA Project and, where appropriate, presents recommendations for improving their performance. Each chapter deals with one of the three PETRA Project activities reviewed by the team and concludes with a summary of the lessons learned about that project component.

The fourth section (Chapter VI) discusses some cross-cutting issues regarding the PETRA Project.

The fifth section (Chapter VII) presents the overall conclusions of the team.

Finally, the last section (Chapter VIII) presents the recommendations of the team regarding a follow-on project.

II. THE CONTEXT OF SMALL ENTERPRISE DEVELOPMENT IN JORDAN

A. Current Economic Situation

The economy of Jordan is currently undergoing some severe strains. It had depended heavily on external sources for growth during the early 1980s. However, many of the external sources decreased significantly in the second half of the decade due to the decline in the price of oil. This included both official aid from the Gulf States and private remittances from Jordanians working in those countries. In 1985, the country had entered a period of recession following the collapse of the boom in the oil-fueled Gulf economies. Economic growth, which had reached an average of 11.7% per year in 1975-81, declined to 4.5% per year in 1981-84. This downward trend continued into the late 1980s with average growth of only 2.3% in the period 1985-89. Unemployment rose from an estimate of 3% in 1980 to official estimates of 20% in 1990 and worker remittances substantially declined with the return of many Jordanians from the Gulf.

In the mid-eighties, Jordan attempted to stand fast in the face of a declining economic situation through increased domestic and foreign borrowing to meet rising budget deficits and maintaining control of official exchange rates. However, by 1988 the debt burden and lack of export product competitiveness prompted the government to seek a rescheduling of its debts, to loosen control of exchange rates, and to develop a structural adjustment program in cooperation with the IMF and the World Bank.

The Gulf Crisis severely disrupted Jordan's adjustment program and the worst scenarios forecast in 1985 have come to be realized. The country is now cut off from its major export markets in both the Gulf and Iraq. At least three hundred thousand Jordanians and Palestinians have been forced to leave the Gulf and return to Jordan, resulting in a major loss of hard currency remittances and a substantial increase in unemployment. At the same time, Gulf aid to the country has come to a virtual standstill. Consequently, unemployment has risen to about 35% and the overal balance of payments deficit was approximately $1.14 billion in 1991.

It has become clear to most policymakers that a key requirement for economic expansion is an expansion of private sector activity, both at the higher levels and at the small business level. The GOJ is interested in improving the environment for small business creation and expansion in order to increase employment. It has established the Development Employment Fund to assist in the development of small businesses, particularly in rural areas and secondary towns.

B. USAID'S PRIVATE SECTOR APPROACH

USAID began its emphasis on private sector development in 1985. The Action Plan for FY 1990 stated that "the Mission's program and

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policy dialogue agenda continue to target three objectives:

1) Improving productivity and marketing;
2) Increasing private sector investment in productive sectors; and
3) as a result of these activities, increasing employment."

Support for private sector development has been one of the key areas of USAID activity in Jordan. Thirteen out of sixteen projects in the Mission portfolio have been directly supporting private sector development. Most of the remaining sixteen have also had private sector elements.

Key constraints to small enterprise development include the following:

- Restrictions on market entry
- High costs of land and rents
- Government ownership of commercial enterprises
- Lack of access to finance
- Shortage of management skills
- Poor product design
- Lack of business support organizations
- Lack of marketing skills

USAID has been actively involved in assisting small enterprise development. Much of the funds from the PETRA Project have gone toward small business development and the Loan Guarantee Project was designed to increase access to credit for small enterprises. In addition, the Mission is currently interested in examining various alternatives for small enterprise development for future project design.

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III. PRIVATE VOLUNTARY ORGANIZATIONS - INCOME GENERATION ACTIVITIES

A. Background and Issues

There are over 600 PVOs operating in Jordan today. They are registered as non-profit organizations with the Ministry of Social Development (MSD). The PETRA Project has provided about $2.6 million in funds to support income generation activities by PVOs. These funds have gone principally to four of the largest PVOs - The General Union of Voluntary Services (GUVS), the Noor Al Hussein Foundation (NHF), the Queen Alia Fund (QAF) and Save the Children (SC). Except for the funds to GUVS which have provided additional support for grants to small PVOs in rural areas to develop income generating projects, the assistance provided to the large PVOs has gone toward start-up costs for new income generation programs of those institutions based on handicraft production. In fact, the other PVOs are running small businesses themselves.

Key issues relative to support of PVO income generation activities are:

- Can the social development goals of these institutions be compatible with business development?
- Do the small business activities of these organizations have the capacity to develop into viable commercial enterprises in their own right?
- Will these PVO's require continual subsidies to operate or can they develop effective revenue generating activities to become self sufficient?
- What is the effectiveness of these programs in generating income and employment? Can they expand their operations to increase these factors?
- Can the handicraft industries spawned by these programs be competitive domestically and in the export market?

Because of the complexity of many of these issues and the need to go into detail on each of the activities of the principal PVOs engaged in these activities, an extensive evaluation was made of each PVO. Due to report length constraints, this chapter will present an overview of the activities of each PVO and compare them with the other PVOs engaged in these activities. For a more detailed analysis of each PVO, please refer to Annex 6.

The key aspects reviewed in this chapter are the institutional development of each organization, their financial viability, and the overriding issues relative to the development of the handicraft industry in Jordan, with particular reference to export trade. Cross comparisons will be made, when appropriate, to illustrate differences in approach or in the stage of growth of the organizations.

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B. Institutional Analysis

From an institutional standpoint, all four PVOs have viable institutions which could survive whether or not USAID funds continue to support them. There would be contractions in the level of activity by SC and QAF, and especially for NHF, relative to handicraft production and marketing. However, the institutions have other bases of support which would help them to continue their work at reduced levels. The exception is GUVS. GUVS has a relatively secure base of financial support from the national lottery which they conduct. PETRA funds have allowed them to extend their work, but it has not really helped them to move in new directions.

The legal structure of all of the PVOs is sound and they all have solid bases of support within the political arena. The legal structure of the handicraft programs conducted by the PVOs, however, is not independent of the PVOs. Any decision to set up a separate legal entity for a particular handicraft program should be based upon an analysis of the pros and cons of such an arrangement at the time. There is no self-evident reason for the handicraft activities to be separate legal entities at this time.

The rest of this analysis will concentrate on the particular activities of each PVO funded by the PETRA Project. These include the Bani Hamida (BH) and Jordan River Design (JRD) Projects of Save the Children, the Jordan Design and Trade Center (JDTC) of the Noor Al Hussein Foundation, and the National Ceramics Center (NCC) of the Queen Alia Fund. The activities funded by GUVS have utilized their normal structure and staffing so no special entity has received PETRA funds there.

The management of all the institutions is strong. All have qualified managers and staff skilled in their jobs. The staff at the entities involved in handicraft production and marketing are especially strong. All of them have staff with experience either in handicraft production, business development or related skills. Staff are selected according to qualifications, aptitude for the job and experience. However, the PVOs often select individuals with aptitude and train them on the job. This is partially a consequence of the salaries they can afford to pay. Someone with qualifications and/or experience can command a higher salary. The management style is different at GUVS since they are not directly engaged in handicraft production themselves.

Training at all the institutions is conducted on an as-needed basis and according to the resources available to the institution. BH had its marketing manager attend courses at the Jordan Institution of Management to receive training in marketing prior to assuming her duties at BH. The JDTC has sent their sales manager on a training tour in the U.S. to get experience in marketing and to learn the competition. BH, JRD and the NCC have also sent staff on trips to trade shows to gain valuable experience in marketing and to learn about their export competition.

The physical facilities and equipment of the JDTC and BH are excellent. The NCC and JRD are currently operating in cramped conditions. The NCC will be moving into a new production facility within the year and JRD is seeking funding to renovate and rent a house near the Second Circle in Amman. GUVS operates out of their own building on Jebel Weibdeh which seems to be sufficient for their needs.

C. Financial Analysis

The three most important features of the PVO income generation projects are:

- Delivery of earned income to the unemployed and poor.
- Capacity to cover costs of operations and administration through sales revenue.
- Capacity to cover all costs including investments in training, market development, equipment, and facilities.

1. Earned Income and Sales

Earned income is a function of the volume of sales and how much of each dinar in sales is returned to the producer. GUVS is considered separately due to its difference in operations compared to the other PVOs which are directly involved in handicraft production.

Total sales over the life of the project vary for a variety of reasons including years of operations. Bani Hamida expects to sell a total of JD 4,400,000 of carpets by 1998 of which 41% or JD 1,700,000 will go out to rural women in wages. JDTC expects to earn JD 3,407,500 from export sales by 1998 of which 41% or JD 1,380,900 will be paid to producers. Both Jordan River Design and National Ceramics Center each expect to produce sales of approximately JD 2,800,000 by the end of 1998. JRD will pay out 28% to producers in their centers in the amount of JD 772,700. NCC will pay out 12% to its staff of potters, artists, and assistants totalling JD 300,000. The variations are due to varying costs of goods sold and operational costs, evidencing initial start-up costs in most cases where the percentage paid to producers is lower.

Each of the four handicraft projects plans capital expansion or intensive market development investments in the next few years to build capacity and open up channels for increased sales. As the beneficiaries are paid out of sales revenues, increased sales means the socio-economic benefits of the projects will rise proportionately.

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2. Cost Coverage

Several factors are important in considering cost coverage: gross margin, fixed operating costs, and the increase in working assets of inventory and orders that is necessary to support sales. Ability to cover these costs means that the PVO will only need to seek funding for capital investment in major plant and equipment and for other large, non-recurring expenditures not covered by cash from operations.

Bani Hamida management will be striving to reduce the costs of goods sold as a percentage of sales price from 57% in 1991 in order to improve gross margins. Nonetheless, Bani Hamida covered all costs in 1990, the fourth year of its operations due to a slow down in production related to the Gulf crisis which caused inventories to be sold off. In 1991,a 26% increase in operating costs along with a build up of new inventories caused cash shortfalls. By 1992, Bani Hamida will be covering all operating costs out of cash from operations including the auto-financing of inventory expansion.

Jordan River Designs had a 31% gross margin in 1991. JRD expects to cover all operating costs and working capital expansion by the end of 1992, its fourth year. A new operations center and showroom will provide a better organized and more attractive base for local sales and export promotion. Management aims to reduce its operating expenses including training to less than 20% of sales by 1995.

Jordan Design and Trade Center will be able to cover all normal, recurring costs by the seventh year of operation, 1996. Management believes it can raise its margins as it becomes more adept at delivering export markets to Jordanian handicraft producers. To achieve this end, management has a plan of action to attend American and European trade shows to develop relationships with large volume retailers. In this way JDTC can cut middlemen out of its cost structure without sacrificing volume potential.

The National Ceramics Center has the highest gross margin among the projects mainly because NCC's management classifies other variable costs as a part of operations. Even so, the gross margin and the operating leverage together will turn a strong profit and cash flow through the third quarter of 1992, NCC's third year of operations. Because NCC is moving to a new factory in 1992, sales will fall off during the period of the transition, and operations costs will continue to soar on into 1996. Investments in new kilns and equipment will begin to produce high gains in 1995 when sales double over the previous year and continue rapid growth through 1998. NCC is counting on the high quality and low cost of its production ceramics to gain a commanding market share in Jordan.

3. Investment Coverage

Sales can not continue growing without investments in facilities, equipment, and market development. When a PVO can cover all operating costs and finance new investments from its cash from operations, it has achieved an important degree of sustainability.

According to projections, Bani Hamida will cover investments by 1995. Cash from operations will contribute JD 84,000 to investments of JD 165,000 in an export unit and market development in 1992, 1993, and 1994.

Jordan River Designs will be able to cover all investments by 1994. Cash from operations will contribute JD 27,000 to the JD 148,000 investment in the renovation and furnishing of a new showroom over 1992 and 1993.

Jordan Design and Trade Center will cover all investments by 1997. During 1996 it will contribute JD 10,200 as its share of the JD 14.,700 of R&D and training costs.

The National Ceramics Center will cover all investment costs in 1992, before taking on major investments in a new production facility and equipment. Cash from operations will begin to cover investments again in 1995.

D. Handicraft Development

The PETRA Project has been the principal source of funds behind the improvement of craft production in Jordan. It has been responsible for the formation of the JDTC and has provided significant funding and technical assistance to BH, JRD and the NCC. It is accurate to state that without the assistance of the PETRA Project, those institutions would not exist as they are today and many Jordanian craft designs would have remained lost crafts.

The grant method of assistance has been necessary in order to compensate for the start-up expenses of these different operations. Private businesses commonly finance their start-up expenses through personal savings, loans from friends and relatives, and in limited cases, when anticipated returns are very high - from banks or other financial institutions. The PVOs have no such sources of funds and thus must turn to donors for support in meeting those costs. Had they received loans rather than grants, they would not have been able to expand their operations so quickly. In all cases, the PVOs seem to have used their resources from grants judiciously and have been able to develop new designs, hire good staff, and improve production techniques as a result. Technical assistance or training by themselves would not have had the results achieved, since the PVOs needed the grants to make up for the shortfalls in cashflow.

The JDTC has achieved prominence as the first among equals in the development of handicraft industry in Jordan. It has achieved noteworthy results within the short period of time it has been operating. However, there are some significant problems in the way it is structured. For example, it is intended to be the principal marketer of Jordanian crafts overseas, yet it cannot represent all of its clients equally well. BH, JRD and QAF have the staff resources and sophistication to be able to market their own products. Placing the JDTC between them and their markets (both domestic and exports) only makes sense if the JDTC can do a better job of marketing their products. This may be true of some of the smaller, less sophisticated, local PVOs and private businesses, however. This has important consequences for the long-term financial viability of the JDTC, since one of its major income generators is supposed to be commissions on goods sold.

From the responses the team received, it appears that most have been satisfied with the quality of design assistance being provided by the JDTC. On the other hand, some complained about the quantity of assistance, i. e., they would like to have more of the consultants' time when they are in Jordan. The quality of the handicrafts being produced is very high and this reflects well on the technical assistance, both in design and production.

The Aid to Artisans (ATA) contract has produced some good results in design and production assistance. Its assistance in marketing in the U.S. does not seem to have translated into many sales. It appears that this is due to the fact that ATA represents many artisan groups around the world. There is no substitute for direct representation/promotion by the JDTC and other PVOs themselves. The way to correct this is to support visits by the PVOs to establish direct contacts with their markets. The general perception is that the ATA contract can be terminated at the end of 1992 with possible short-term assistance on an irregular basis being considered.

Another problem area with design assistance involves the issue of proprietary use of designs. This reveals another structural problem with the JDTC serving as a resource for other handicraft producers. JDTC has the ability to develop production centers that can compete with existing producers. This has lead to questions in the minds of the other PVOs producing handicrafts as to whose interests the JDTC has in mind. The JDTC contends that a certain degree of trust is needed here and that they have not placed any group in direct competition with another. However, the potential for this exists. On the other hand, handicraft product designs cannot really be patented, so copying another's designs is a reality of the business.

Regarding exports of handicrafts, there has been a substantial increase in the number of handicrafts exported from Jordan. However, although this does generate some foreign exchange, it

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would be unrealistic to believe that handicraft exports can have even a noticeable effect on balance of payments for Jordan. The point to emphasize is that these handicrafts are employing a substantial number of women and generating extra income for them. The societal limitations on movements of rural women also make these handicraft production projects a very good social investment. What is driving the need for exports is not the desire to earn foreign exchange, but the need to find markets outside Jordan in order to keep expanding production to be able to hire more women and pay them more money. Therefore, the basis for support of handicraft exports is the social good of being able to employ more low income women.

E. Conclusions

The key issues facing the MOP and USAID is whether or not to continue the support of these PVO handicraft activities. The evaluation team believes that they should for the following reasons:

- Over 2000 of low-income women have been employed and are earning additional income from this activity. This was part of the principal goal of the PETRA Project.

- Jordanian handicrafts have been substantially improved as a result of the project and thus a major constraint to the development of the handicraft sector has been removed. This was part of the purpose of the PETRA Project. In addition, these quality handicrafts are helping to project a positive image of Jordan - something which can help to both increase tourism and good will.

- The institutional infrastructure and management sophistication is now in place to expand markets and production of Jordanian handicrafts. The principal support that is now required is funding to support the shortfalls in cash flow to develop the export markets for the crafts over the next few years. (For a complete financial analysis of the causes of the shortfalls for each PVO, please refer to Annex 6.)

- Jordanian handicrafts, though higher in price than handicrafts from some other parts of the world, can be competitive if the proper export market niche is pursued. Further assistance is needed to help the PVOs find that niche and to adjust production and design to meet their competition.

IV. PRODUCTION AND PRODUCTION ENHANCEMENT ACTIVITIES

SPECIALIZED CREDIT INSTITUTIONS (SCIs)

A. Background and Issues

In 1989, the Ministry of Planning assigned the loans from the PETRA Committee to the Industrial Development Bank, the Cities and Villages Development Bank and the Agricultural Credit Corporation. Of the original loans and grants approved by the PETRA Committee, 22 loans, 1 equity participation, and 6 grants were turned over to the SCIs according to the 02 August 1989 implementation letter. The allocation was roughly along lines that corresponded to the client focus of each organization. The SCIs were charged with the servicing and collection of the Ex-PETRA Committee (EPC) loans on a best-efforts basis. The repayments on these loans, after deducting 5% for administrative costs, were supposed to be deposited into revolving funds which would be re-lent.

According to information received from the SCIs, collection on the EPC Loans has been poor. The reason given by the CVDB and ACC was that the loans were largely uncollectible due to unsatisfactory credit quality and impressions on the part of the loan recipients that these loans would be treated as grants. The IDB claimed that the documentation received from the Committee was inadequate and that this created legal impediments to collection. The ACC and CVDB disagreed with the IDB on this issue. The MOP also contends that there are no legal impediments to collection and have taken steps to collect some overdue loans themselves.

These three institutions, IDB, CVDB, and ACC also received grant funds under Sub-Grant agreements to be lent or granted to eligible small and medium projects. The analysis examines the characteristics and performance of these new loans and grants.

The SCIs chosen by the Ministry of Planning to take over the PETRA loans may have been the only convenient choices available, but as can be seen from the table below, the total combined loan portfolio of these three institutions in 1990 were less than a quarter of the loans of all the SCIs together. Of the bulk of SCI loans, 62.2% are held by the Housing Bank. Total loans of licensed banks (including commercial banks, investment banks and the Housing Bank) were JD 1,863.8 million in 1990. The credits from IDB, CVDB and ACC were only 7.2% of the total.

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Table 1: Outstanding Loans of Specialized Credit Institutions (in Millions of JDs)

INSTITUTION	1986	1987	1988	1989	1990	% TOTAL
CVDB	45.3	49.5	52.4	50.6	48.9	8.8%
IDB	39.3	40.3	42.2	46.4	49.6	8.9%
ACC	28.0	30.4	32.4	33.8	36.6	6.6%
OTHERS	328.7	381.9	408.3	413.4	419.7	75.6%
TOTAL	441.3	502.1	535.3	544.2	554.8	100.0%

Source: Central Bank of Jordan, from balance sheets of SCIs.

The three SCIs are very small players relative to the loan market as a whole. Even a very successful program with these institutions would have limited effect on lending levels in the economy, particularly since they operate so differently from commercial banks.

Key issues relative to the support of the SCIs are:

- What has been their performance in collecting the Ex-Petra Committee Loans?
- What has been their performance regarding the loan funds received from PETRA during Phase Two of the PETRA Project?
- Have their loan evaluation and approval procedures changed from collateral-based lending toward lending based on technical viability and cash flow analysis?
- What would be the role of SCIs, if any, in a follow-on project to the PETRA Project?

B. The Industrial Development Bank (IDB)

1. Background

Established in 1965, the Industrial Development Bank serves the industrial sector of Jordan with infrastructure credits. The IDB is a development bank, as the name indicates, and funds its assets through long-term deposits and refinancing provided by the Government of Jordan and through concessional foreign loans from Kreditanstalt Fur Wiederaufbau (KFW), the International Development Association of the World Bank (IDA), the European Investment Bank (EIB), and the Kuwait Fund for Arab Economic Development. According to the 1990 Annual Report, the government owns 18.5% of the outstanding shares with the remaining 81.5% held by the public. All of the foreign borrowings, however, carry a sovereign

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guarantee.

2. Ex-PETRA Committee Loans

Of the thirteen outstanding loans, which the IDB took over from the PETRA committee in 1989, totalling JD 122,000, JD 96,500 is now past due. Only one is performing. IDB has collected JD 1,891 which is the only contribution to the revolving fund.

The IDB claims that some of the loan files had incomplete documentation. Borrowers, they contend, have erected defenses to repayment based upon the alleged illegality of the assignment of loans to a third party. The IDB claims that the loans were evidenced by simple promissory notes which the borrowers contend are non-negotiable. The manager of the technical department says that his lawyers are investigating this defense and are looking for ways to strengthen IDB's position. The evaluation team finds it strange that the other two SCIs do not make the same contention regarding the loans they received from the Committee, but were unable to verify the accuracy of the IDB claim.

3. New PETRA Loans.

In a sub-grant agreement on February 6, 1990, the IDB took $500,000 from USAID under the PETRA Project to finance eligible projects including venture capital and feasibility studies. PETRA split funding 50/50 with the IDB, capping its exposure at JD 100,000 for any single loan. The basic idea was to reduce collateral requirements for good projects up to the amount of the PETRA participation. This means that if a borrower could only put up collateral for JD 100,000, he could receive a loan of JD 200,000 if the appraisal showed the project had merit. In the event of loss, the PETRA portion was to be written off.

IDB has authorized three term new loans in the amount of JD 320,000 under the subgrant.

Table 2: New IDB Loans

DATE	PURPOSE	AMOUNT JD
8/90	Tourism/Hotel: bldg & equipment	70,000
4/90	Plastic medical containers	250,000
9/91	Nuclear medicine clinic	100,000

The bank reports no production problems and no repayment delays. One loan is still in its grace period. The bank takes 50% of interest payments to cover administrative costs. Net reflows are to be placed in a separate account for a revolving fund.

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Management claims the restriction of origin to US source for construction reduced the population of possible borrowers which has resulted in low lending volume.

C. <u>The Cities and Villages Development Bank (CVDB)</u>

1. <u>Background</u>

The CVDB is a lending institution that serves municipalities such as municipal councils, rural councils and joint service councils throughout the eight governorates of the kingdom. The loans are mainly for infrastructure development for streets, water supplies, and public facilities. Of the 436 loans made in 1990 in the total amount of JD 4.7 million, 52 loans in the amount of JD 436,211 or 9.3% went to "Productive Projects". CVDB is 100% government owned: 65% by the Jordanian government, 4.4% by the Central Bank, and 30.5% by Municipalities. CVDB funds its assets through deposits from municipalities and villages, grants from the government, advances from the Central Bank, and loans from the Social Security Corporation and foreign entities. Management is considering the possibilities of converting CVDB into development bank which would analyze and lend to "projects" that would be serviced by their earnings.

During the first part of PETRA Project implementation prior to the restructuring in August 1989, CVDB held three demand deposit accounts for PETRA, one US$ and the other two JD. One of the JD accounts remains open.

2. <u>Ex-PETRA Committee Loans and Grants</u>

The PETRA Committee transferred five loans and six grants to the CVDB in August 1989. In all, only JD 1,936 plus interest of JD 374 has been collected on the loans. According to a report to USAID, dated March 3, 1992, a balance of JD 36,350 remains uncollected. CVDB also claimed that loan documentation was unsatisfactory. At the same time, the CVDB's in-house legal counsel believes that the transfer of loans to CVDB, as acknowledged by the Ministerial letter, made them a legal holder in due course of the obligations. Because the MOP also advised borrowers of the transfer, they should honor their obligations. At the same time, the CVDB is endeavoring to strengthen its recovery position by requesting sight drafts from the borrowers to replace the weaker promissory notes.

As instructed, the CVDB disbursed the grants of JD 25,207 outstanding.

3. <u>Reporting requirements</u>

Management provided the team with a set of individual loan agreements and the exchange of letters, and reports between the MOP and USAID as well as a copy of a MOP letter to a borrower notifying of the transfer to CVDB.

4. New Activities Financed under PETRA Project

New grant money has gone out to the Young Muslim Women's Association (YMWA) from a block of $150,000 which it accepted from USAID under a subgrant agreement. According to management, the original subgrant was $500,000 but CVDB opted for the smaller sum which had a pre-existing application. The JD equivalent of the YMWA expansion - about JD 90,000 - completed a JD 30,000 initial grant. The construction financed by the loan has been completed within budget, according to CVDB management, and the YMWA has proposed a new project of JD 25,000. About $15,000 of the $150,000 subgrant still remains after a grant of JD 90,000 to the YMWA for the "sheltered workshop".

D. The Agriculture Credit Corporation (ACC)

1. Background

The ACC lends to farmers and farm projects. Ownership is 100% government and ACC is funded by multinational development banks (IFAD, KFW, Arab Fund, etc.) and the Central Bank. The lending rates of 6-8% are set below government bond rates (cost of funds). ACC has not responded to liberalized policies passed last year that allow lending institutions to price credit according to risk.

Recent bad weather and the disruptions caused by the Gulf Crisis will further weaken borrower performance and the ultimate recovery of loans. As a consequence, credit quality is thought to be poor even though the ACC does not take provisions for loss nor disclose its actual loss experience (according to management). ACC deals with problem loans by rescheduling repayments. According to an EIB report, during the period 1980 to 1990, actual repayments of principal and interest ranged from between 36% to 67%. The team was told that ACC's concessional funding sources are demanding an increase in capital, a move which could be considered a warning signal.

The team visited branch offices in Salt and Shooneh and viewed projects financed by PETRA Project funds and discussed credit authorities and approval procedures with management.

2. Ex-PETRA Committee Loans

The ACC received three, fully disbursed loans from the PETRA Committee in 1989. As per the report of 13 March 1992, no change has taken place in loan status since the previous report of 31 Oct 1991. One loan is performing and ACC is seeking recovery on the other two. As per that report, of an original amount of JD 30,800, JD 26,875 was outstanding. Of this, JD 21,000 or 78% was "under processing for recovery as in-accordance to ACC laws and

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regulations." The performing loan had repaid principal of JD 3,925 and interest of JD 1,387.

3. New PETRA Loans

Table 3: New PETRA Loans (ACC) to 31 Dec 1991.

ACTIVITY	No OF LOANS	AMOUNT JD	% TOTAL	PERIOD YEARS	INT RATE
Fruit or olive plantations	73	254,490	19.3	6-15	6-7%
Livestock production	106	327,850	24.8	10	6-7%
Small animal husbandry, bees, poultry	15	66,200	5.0	10	6-7%
Irrigation	123	441,910	33.5	6-10	7-8%
Farm equipment	17	61,800	4.7	8	7%
Others	57	168,550	12.8	to 15	6-8%
Total	391	1,320,800	100.0		

The amount in JD is the equivalent of $1,936,650 at today's exchange rate ($1.00 = JD 0.68). The original subgrant agreement capped the content of PETRA funds in each loan at JD 6,000. The ACC received a total of $1 million in funds from PETRA funds in three subgrants between 1990 and 1991.

4. Collateral Reduction

Relative to the collateral reduction intention of the subgrants, no change in reduction of collateral can be determined as a result of the PETRA Project participation. There is no evidence, however, that ACC violated the terms of the agreement in this respect.

Because preference is given **first** to loans backed by guarantees, it is impossible from the credit file documentation to see if loans under JD 6,000 which required land as collateral had been made **after all loans below JD 6,000 with guarantees had first been served.** The language in the agreement did not say or imply that the PETRA funds were to be used as **collateral substitutes.** If the fully collateralized loans under JD 6,000 which the team saw in the field were residual, then ACC appears to have been abiding by its contract.

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E. Conclusions/Recommendations Regarding the SCIs

1. Reporting and Monitoring Requirements

The agreements between the MOP, USAID and each participating SCI specify quarterly reports by the SCIs and semi-annual meetings between the SCIs, the MOP and USAID. The reports have not been issued regularly. This is probably due to the low volume of activity. The semi-annual meetings to review project status have not been held due to a lack of coordination and leadership. These reports and meetings could have been used to focus on collection problems to 1) either press the borrowers for collection or 2) write off the old loans. The evaluation team was informed by USAID that while these semi-annual meetings were not held, several meetings between the USAID Project Officer and each SCI were held. It was suggested that each SCI issue a summary report as soon as possible.

2. Closing out the PETRA Project Participation

The Ministry of Planning would lead the formal closing out of the PETRA Project. As IDB and CVDB have only several active and performing loans, these will run-off in due time. The MOP has sent letters to some of the loan recipients in default. This procedure could be followed with the rest of those loans. A reasonable time should be set for collection of these loans; if they are not repaid within that period, the bad loans should be written off. Losses as per the agreement will be shared on an equal basis with USAID.

3. Future Funding of SCIs by USAID

The IDB has its own fund for small business lending, the Small Scale Industries and Handicrafts Fund (SSIH), which provides subsidized interest loans to an average of 100 enterprises per year. Its experience with that fund has not been particularly good. Furthermore, its performance with the PETRA loans demonstrates a lack of interest in the type of loan activity envisioned by the PETRA Project.

The CVDB is not in the business of making loans and grants to small and medium sized borrowers. Its purpose is to transfer funds and make loans to municipalities. Therefore, the CVDB is an inappropriate vehicle for SME-type credit programs.

The ACC lending staff is not trained or experienced in the analysis and management of entrepreneurial loans. This is not a criticism of ACC, but an evaluation of proper fit. Even under ideal circumstances, farmers are subject to natural calamity and bad weather, pests and adverse movements in farm gate prices and cost of inputs. For these reasons, the staff have expertise in ag engineering and agronomy, not in project analysis. Understanding the underlying viability of the farm project is more important than creatively structuring an agricultural loan around cashflow analysis. This means is that lending methods are not likely to change quickly in this sector.

Based on these observations and the analysis provided in the introduction to this section regarding the small percentage of lending performed by the SCIs, it would appear more productive to utilize the approach taken by the Loan Guarantee Program and to try to encourage commercial banks to lend to small businesses using more flexible loan evaluation criteria. A recent AID Report on development finance institutions was very critical of institutions such as the SCIs. AID experience world-wide has found that these types of institutions not only distort local financial markets through the use of subsidized credit to end-users, but also often have difficulties resolving differences between political development and financial sustainability goals.

TECHNICAL AND MANAGERIAL ASSISTANCE

F. International Executive Service Corps (IESC)

1. Description of Services Provided

The IESC is an American PVO which was established in 1964 to provide the services of retired business executives to assist businesses in developing countries on a voluntary basis. It receives funding from contributors in the US, both corporate and individual, and from AID/Washington and USAID Country Missions. The businesses it assists are requested to pay for a portion of the costs of the volunteer executive, based on their ability to pay.

IESC began their program in Jordan in 1983. Over the past eight years they have completed 77 projects. This number would be higher, but five were canceled in late 1991 due to the Gulf Crisis. IESC has an office in Amman headed by a Country Director (CD), who is charged with promoting the program, receiving requests from local businesspersons for services, coordinating the placement of the volunteer executive (VE) and all related paperwork, arranging for all the local logistical needs of the VE and spouse, monitoring the work of the VE and client satisfaction, and performing all follow-up functions after the VE has completed his/her work and returned home.

At the conclusion of the work of the VE, the client, the VE and the CD complete a confidential evaluation form of the work performed and suitability of the VE for the work. This is used for country program monitoring purposes as well as to identify particularly effective VEs so that IESC headquarters may use them again.

IESC provides four basic services to business clients:

- the regular VE program which is typically for a period of two months,
- the "piggyback" program which provides a VE who is the region on another assignment and who can fulfill a need in Jordan - the period of this assignment averages about three weeks,
- the "diagnostic" program which provides a VE for about two weeks to perform a short, diagnostic evaluation of a client's business,
- the ABLE (American Business Linkage Enterprise) program which provides market research out of IESC headquarters for the client business; this service is provided for a very reasonable fee - about $2000 - $3000 - for market research which would normally cost considerably more.

IESC has provided services to both private sector and public sector businesses in Jordan. This evaluation is mainly concerned with the services to the private sector which were funded under the PETRA Project. The first grant was made in 1987 for $250,000. A second grant was made in 1990 for $250,000 and AID/W supplemented this in October 1991 by an additional $207,000 due to a change in AID/W procedures. The clients served under the PETRA grants varied in size from 4 to 2800 employees.

IESC has recently requested an additional grant of $1.2 million from USAID to cover program costs for three years following the close of the existing grant in February 1993. This amount requested is higher than previous grants due to a change is AID/Washington's procedures, i.e., AID/Washington has now requested that all local costs be funded out of the Country Mission's budget and client contributions, rather than the former practice of funding some of those costs from a central budget item.

2. Evaluation of Performance under the Grant

The evaluation team interviewed the Country Director and reviewed IESC's records, including a sample of 11 confidential evaluations of VE performance between 1989 and 1990 as well as a case study prepared for USAID on the experience of the Shalan Khadra (Medicare-Jordan) company with a VE in May 1989. Due to time constraints, the team was able to visit only one client of IESC who had received the services of two VEs - one regular and one piggyback.

The reports reviewed and client interviewed were overwhelmingly positive about IESC's services. Of the 11 cases reviewed (which were chosen on a random basis by the team), eight clients were satisfied with the work of the VE, one was dissatisfied, and two had no client report (although the CD claimed that the client was satisfied in those two cases). The case study on the Shalan Khadra company was very positive. The client in that case felt that the VE had made a significant impact on his business and expressed a

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desire for further IESC assistance.

The client interviewed by the team expressed much satisfaction for the service provided by the regular VE who worked for two months. The second VE provided under the piggyback program had proven unsatisfactory in most respects, although the client felt that some value had been received from his visit. It is important to note that IESC tried to make amends for the dissatisfaction with the second VE by providing a market research study free of charge to the client. This study was reviewed by the team, along with two others performed for other clients and the quality of the studies was very good.

The CD pointed out to the team that the contribution by the local client has increased during his tenure. The fee charged the local client seems to be a function of the discretion of the CD rather than any particular policy. It has no relationship to the size of the company. The CD felt that the companies could afford to pay the higher fees and negotiated them accordingly. He stated that he would like to be able to offer small businesses the services of a VE for nominal fees, should USAID agree. This would permit, in effect, a cross-subsidy within the program to benefit smaller businesses with less capital. This idea should be explored during consideration of the new grant request.

In conclusion, the team found the IESC program to be a well-run, market demand-driven program that is providing valuable technical assistance to private sector companies in Jordan. It appears to be very cost-effective and often results in developing long-term, informal linkages between Jordanian businesses and American businesspersons. This activity should be incorporated into any future USAID private sector development project.

V. BUSINESS DEVELOPMENT/INVESTMENT PROMOTION

A. Background and Issues

These activities grew out of the original project design, but were more fully articulated in the Project Amendment in 1989. The key aspects to be supported were the promotion of Jordanian exports and the provision of business advisory services to small and microenterprises (SMEs). The support of export development eventually resulted in assistance to create the Jordan Trade Association and the Amman World Trade Center. A proposal was received from AMIDEAST to establish a new institution to provide business advisory services to SMEs. The MOP was not satisfied with the proposal and this activity was not developed through AMIDEAST. However, the Near East Foundation (NEF) submitted a proposal to train officers in government, parastatals and PVOs to provide business support services to SMEs which was accepted.

Another activity which was supported through PETRA funds was the establishment of the Jordan Venture Projects Company. The purpose of this organization was to encourage the formation of joint ventures with either domestic or foreign investors.

The principal issues to be analyzed are:

- What new business services are being provided as a result of PETRA funding? How effective are they?
- Have any of the activities in this area created any new investments?
- Do the business advisory services found in the AMIDEAST proposal have merit in the Jordanian context? Are the services provided by the Near East Foundation which are funded by PETRA a valid approach to business development in Jordan? What is the potential for these two approaches?
- Are exporters being assisted by the mechanisms developed by the project?

B. Jordan Trade Association (JTA)

1. History and Description of Services Provided

The JTA was the idea of a small number of influential businessmen who wanted to establish a private business association which would assist their members in finding export markets and in organizing trade missions. These businessmen received a grant from PETRA funds of approximately JD77,000 to establish the organization (of which the last tranche of JD10,000 is now due). The JTA was established in 1989 with a membership of 12. It has now grown to 47 members and has a full-time staff of a director and two clerical staff. According to its director, the JTA is a non-profit organization that is promoting non-traditional exports of products

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made by the private sector. He claimed that the JTA is the only totally private sector, voluntary export trade association in Jordan at present. A key objective of the JTA is to serve as an advisory group for its members and for exporters.

The JTA has an office which contains a library with books on trade, country reports, and various trade-related topics. In addition, the JTA has access to on-line databases through a modem. It provides secretarial and translation services for a fee, both to members and nonmembers. Its trade promotion activities include organizing trade delegations, promoting joint ventures, contacting Chambers of Commerce abroad, and holding seminars. A quarterly newsletter is published and is widely circulated (2000 copies published last quarter) to members and nonmembers as well to encourage membership. It also publishes a membership profile which is for sale to interested parties. The director believes that the JTA has helped members to find importers overseas, but that it is hard to measure results since many contacts and business deals go unreported to the JTA. Last year, the JTA helped to identify potential Jordanian products which have good prospects for exports to the U.S.

The JTA charges a subscription fee of JD400 and an annual membership fees of JD600. The annual budget is approximately JD60,000 of which about half is received from membership fees (with the current membership). Some income is generated from services provided by the office and from sale of publications. The USAID grant has covered the shortfall in getting the organization established over the past three years. The director believes that the JTA will be able to survive on its membership fees in the future.

The director is a Jordanian who has a BSC in Industrial Management from England, a BSC in Marketing from the University of Arizona, and a Masters in International Management from Thunderbird University in Arizona. He is well-qualified for the job and appears to have a good understanding of international trade.

2. Evaluation of Performance under the Grant and Prospects for Growth

The PETRA Funds to establish the JTA have accomplished the purpose for which they were given. The office has a professional appearance, the director seems capable and membership has been increasing. The services being provided are appropriate and may be having some effect on increasing Jordanian exports. However, it will be difficult to actually determine whether the JTA is in and of itself, increasing Jordanian exports. The JTA does not take any commission on trade deals, so this cannot be used as a gauge of effectiveness. It does serve as an advocacy group for private sector firms involved in exporting. The JTA plans to open offices in other countries A key issue is whether the JTA can survive with competition from two other groups - the Amman World Trade Center and the Jordan Commercial Centers Corporation (JCCC). This is discussed more fully below. The evaluation team believes that the JTA has a good chance to succeed and survive as long as it maintains its support from the key companies which organized it. Their growth in membership to date shows promise for the future. The key issue revolves around its ability to generate sufficient income from its members and from services provided to non-members.

C. Amman World Trade Center (AWTC)

1. History and Description of Services Provided

The Amman World Trade Center is a franchise of the World Trade Center (WTC) located in New York. The World Trade Centers are located in most major cities around the world and offer their members convenient and prestigious offices and clubs while in other countries and cities. These offices provide various business services to members such as office space, computer usage, secretarial services, conference rooms, exclusive restaurants, etc.

USAID provided a grant of $63,000 to the Federation of Jordanian Chambers of Commerce and Industry (Federation) to establish a World Trade Center franchise in Amman. These funds went to pay the $50,000 franchise fee as the first annual fee of $5,000. The remaining $8,000 paid for computers and other equipment for the AWTC office.

The approval from the WTC headquarters was given in April 1990 and a temporary office was set up at the Federation. A director of the AWTC was hired in July 1991 and they moved into their offices at the Marriott Hotel this month. The WTC requires that the AWTC move into a freestanding structure named the AWTC within eight years. The AWTC Board of Directors will try to entice local banks to become members and to invest in the AWTC building.

There are currently seven members of the Board, consisting of the Federation, JCCC, Amman Chamber of Industry, Industrial Estates Corporation, Jordan Technology Group, Housing Bank and the Investment Bank. Each was required to pay JD7,000 to join the Board. The Board membership has now been increased to JD10,000 and they intend to increase Board membership to 15. An annual institutional membership is JD250 with a subscription fee of JD150. This entitles the managing director to the use of the AWTC and WTC facilities world-wide. Two additional membership cards can be obtained for JD75 each.

According to the director of the AWTC, they will begin their membership drive next month with a large publicity campaign. Their goal is to sell 150 memberships in the first year. The director believes that the total market for these memberships in Jordan is about 400. He believes that the AWTC will be self-sustaining through its membership fees and the free rent it will receive in the AWTC building, once it is constructed.

Trade services provided include libraries and an on-line, world-wide trading facility through a modem. They are just beginning to equip their office.

2. Evaluation of Performance under the Grant and Prospects for Growth

The purpose of the PETRA grant was to establish the AWTC. As such, the grant purpose has been fulfilled. However, it will take another year or more to determine if it will be able to survive. Its focus is different from the JTA in that the services it provides seem to be more related to convenience, status and prestige than to hard export business promotion. Use of WTC facilities while abroad seems to be the selling point for membership. The director said that they are cooperating with the JTA and hope that the JTA members will join the AWTC. The library and database services would seem to duplicate the services currently provided by the JTA.

3. Competition amongst the JTA, AWTC and JCCC

Although the JTA and AWTC are now working together, competition could later develop between the two groups. There is no way to determine at this stage which group might win that competition. On the other hand, the focus of each group is somewhat different. A more serious threat to JTA seems to be the JCCC. The JCCC is basically a public sector body with private sector representation. The Chairman of the 14 member Board of Directors of the JCCC is the Minister of Trade and Industry. The mission of the JCCC appears to be very similar to the JTA in that its principal focus is export promotion. It has commercial centers in 6 countries - principally in other arab countries and the former Soviet Union. **DELETE** [USAID is funding a technical expert through IESC to assist the JCCC to develop its export promotion services.] USAID is not directly assisting the JCCC, but is funding an IESC contract employee who is using the JCCC's offices as a base. His work should expand the JCCC's role and promote exports to countries not bound by bi-lateral trade agreements. The JTA and the JCCC cooperate as well, but because the JCCC is funded by government, it is open to anyone; whereas the JTA must develop its programs on the basis of a members-only approach if it is to be self-sustaining financially. The fact that the JCCC is a government controlled institution may cause some individuals and companies to prefer membership in the JTA. The evaluation team is firm in its belief that private sector development is best accomplished through private, voluntary organizations. USAID should seek to support those organizations in preference to government or parastatal organizations.

D. Jordan Venture Projects, Co., Ltd. (JVP)

1. Background and Description of Activities

The JVP is a private investment firm established under Jordanian law in 1990. It is owned by the IDB, Bank of Jordan, Housing Bank, Bank of Jordan, the Pension Fund, Union Bank and two private shareholders. PETRA funds paid in JD 100,000 of IDB's share under a Subgrant agreement with IDB in February 1990. Current total capitalization is JD 900,00, although not all is paid in. The JVP seeks joint venture partners for:

- Technology licensing to acquire rights to foreign patents products or processes. The JVP is looking for minority participation in the range of JD 100,000-300,000.
- Final stage preparation of R&D to launch commercially.
- Opening Middle East marketing channels for new products sold elsewhere in the world with favorable royalty terms.
- Other joint venture projects. The general profile would be projects to expand technological horizons and diversify markets. Eligible ventures would cash out at 3 times investment in 5-7 years.

During its year and a half of operations, the JVP has appraised a number of likely ventures and made contact with US venture capital firms and technology companies. The JVP took a JD 50,000 position in a contract-growing asparagus project in the Jordan Valley which would sell in Europe during off-seasons of other major producers. This is the JVP's sole investment to date. The JVP has a limited capability to provide equity financing which rules out large industrial projects. The director expressed interest in buying distressed local companies at a discount and turning them around by supplying the missing managerial, marketing and technical ingredients along with infusions of equity and debt.

2. Evaluation of Performance and Recommendations

In the brief time the team had to examine the business, they could not clearly isolate the key bottlenecks. Possible constraints include:

Country risk - Investors may be unwilling to commit themselves to an uncertain political and economic arena.

Hesitant marketing - Financing turnarounds can be extremely profitable in a down market but management did not disclose to the team the strategy for acquisition, management and eventual liquidation.

Risk adverse board - Banks are generally not in the business of venture capital except for capital expansions of valued customers. The screening and approval process may be too stringent.

USAID and the MOP should not reject the concept of venture capital even if the experience has so far been less than hopeful. The notion of turnarounds has practical appeal along with contract farming investments where the buyer guarantees the market. In many cases, however, shareholding by government and quasi-government entities signals a warning sign to potential investors that decision making will be cumbersome. Venture capital as a vehicle for private sector promotion should be abandoned if it cannot be implemented without government involvement and oversight.

E. Near East Foundation (NEF)

1. History and Description of Project Activities

The NEF is an International PVO. It began working in Jordan in 1956. Its activities over the years have been largely community development oriented. It received a $500,000 grant in August 1991 to develop a program to provide support to both public sector agencies and PVOs in the promotion of small enterprise development and income generation activities. This support takes the form of training to individuals from those agencies and PVOs in the following skills:

- field-based, practice-oriented studies to determine the needs of and potential for business development in targeted areas;
- needs assessment, contingency-based planning and implementation strategies of income generating activity promotional ventures;
- assessment and evaluation of local interventions in partnership with cooperating agencies; and
- organizational development and policy studies related to income generation activity promotion.

NEF staff provide this training through both classroom training and fieldwork. NEF also has a small enterprise credit program which it has funded from other sources. Credit funds have been established in two communities in the past few weeks in the amount of JD15,000 each. NEF co-manages the funds with the communities and loans range between JD200 and JD700. Loan terms are set by the communities and are given to members of the community for various projects. This is an adaptation of a program that was set up in Egypt.

NEF is also preparing to submit another project proposal to USAID for funding which would concentrate on small business development. It is not yet fully developed, but would use an approach which would first study the conditions for small business development in Jordan and base its interventions upon the findings from that

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research.

NEF is currently working in two rural areas with GUVS, in Amman with the Urban Development Department (UDD) and in a peri-urban community with a church group near Amman. NEF staff train the staff of those organizations to promote small business development.

NEF staff consists of a small business development team of seven persons with four administrative and resource persons. Numbers of trainees to date include 15 from UDD, 9 from GUVS, 11 from the church group near Amman. In addition, NEF had a special training session near Aqaba for a group of 20 persons who work for the QAF, UNICEF and the MOSD. A "participatory rapid appraisal" technique on how to determine the needs of a community was used in the training of these groups.

2. Evaluation of Performance

It is really too early to evaluate NEF's performance since it only commenced its activities since last August. Although NEF is a PVO, the approach taken is different from the other PVO activities supported by the PETRA Project. This is why its activities are funded under the Business Development/Investment Promotion part of the project rather than the Income Generation part. Rather than operating a small business itself, as the other groups are doing in the handicrafts field, it is trying to train individuals from other local PVOs and government agencies in how to provide technical assistance to small businesses in their communities. This advantage of this program is that it designed to reach large numbers of small and microenterprises through the training of others. The main concern of the team is that the NEF seems to be employing a modified community development approach and does not really convey a clear methodology on how they will promote small business development. Groups can be employed in delivering services to businesses, but care must be taken to assure that individual businesspersons are allowed to make business decisions based on profitability and not on social or development concerns.

The NEF is has a good knowledge of current literature on small business development. How that will translate into actual program results remains to be seen. If they submit another proposal for funding of small business development, USAID should make sure that the methodology to be used is sufficiently clear and consistent with lessons learned elsewhere in small business development, particularly relative to the need to employ private sector rather than government oriented mechanisms. A means of evaluating the success of the services to small businesses is critical to determining the feasibility of the NEF approach.

F. AMIDEAST Proposal for a Business Advisory Services Program

Although this proposal was not accepted by the GOJ, the evaluation team was asked to review the proposal and comment on its merits. The primary concern of the GOJ was with the experience of the lead party in the proposal in small business development. It is felt that the technical proposal might be valid even though there was concern with the institutions implementing the proposed activities.

The evaluation team has the following comments on the proposal:

- The overall design of the program is good and consistent with current thinking in small and microenterprise development.
- There is concern with using a 6 month "pilot phase" approach. Either the idea is a good one or not. Since this is basically an institution-building exercise, it is doubtful that there would be sufficient results within the first 6 months to ascertain if the project is succeeding.
- The attempt to link the Small Enterprise Development Organization (SEDO) with large businesses is good. This would help to forge linkages between large and small businesses and also help to increase the chances for financial viability.
- The content and methodology of the training and technical assistance proposed is good. It emphasizes the need for "clustering" of businesses to reduce training costs.
- The suggestion of providing free courses during the first six months causes some concern. Business training should be perceived as valuable enough by the recipients to be worth paying for. The actual costs of the training need not be recovered, but some fees should be charged to validate the importance of the training.
- The need to concentrate on urban areas is consistent with successful programs elsewhere. Although there may be a need for development in rural areas, they usually lack the infrastructure and markets to be able to successfully develop small businesses. Working in rural areas also works against financial sustainability of the program as well, since rural outreach programs end up being a drain on resources. It is better to work in urban areas first and get a program up and running before forcing it to address the financial and logistical difficulties of rural outreach.
- Gearing services toward existing businesses also ties in with the need to develop a good functioning program first before working with the more difficult cases, i. e., start-up businesses
- The projected fees from the course to be offered appears somewhat optimistic.
- Although AMIDEAST may have limited experience with these types of programs, Technoserve has been engaged in this business for many years now, particularly with community-based enterprises.

Please note the team's comments in Chapters VI and VIII in regard to possible support of this type of activity in the future.

G. Conclusions Regarding the Business Development Organizations Surveyed in this Chapter

It is difficult to generalize on the activities of these organizations since the focus of each one is different from the next. All in all, most of the efforts of the PETRA Project in this area are just now beginning to get started. It is too early to determine the long-term viability of the organizations or their activities. These activities are clearly needed in Jordan, however, and the key will be to find the proper institutional arrangements to make them work. It is essential that private sector institutions with a business orientation be leading the drive toward the development of support services for the private sector. To sum up, the activities of the PETRA Project in this area have achieved as much as was anticipated when the grants were given. The establishment and growth of new institutions is always one of the most difficult areas in development. Viewed in that light, the project has probably succeeded as much as was possible, given the relative low level of funding for these efforts.

VI. CROSS-CUTTING ISSUES

A. Utilization of Private Sector vs. Public Sector Institutions to implement Private Sector Development

One of the principal lessons learned by development institutions and governments of developing countries over the past ten years is the need to utilize private sector institutions as the lead institutions in developing the private sector. Jordan has been moving in this direction over the past six years, as was exemplified in the five year plan of 1986-1990 and in the a number of its projects and policy reforms carried out in participation with both the World Bank and USAID. Nevertheless, the GOJ still often continues to play a major role in the structure and operations of various institutions which are supposed to be private sector-run. For example, membership in the Chambers of Trade and Commerce and the Chamber of Industry is required by law for all businesses registered in Jordan. Another example is the Jordan Commercial Centers Corporation. The Board of Directors is headed by the Minister of Trade and Industry and has representation from both government agencies concerned with exports as well as representation from the Chamber of Trade and Commerce and the Chamber of Industry and other private sector members. The team was informed that there were debates in Parliament recently over the composition of the Board of the JCCC and that a decision was made to maintain a greater number of private sector representatives over public sector representatives. This is a positive development.

On the other hand, one meets former ministers working for various private and public sector institutions on a regular basis. Jordan's system of government encourages movement back and forth between the private sector and government service. This can be beneficial in some ways, but detrimental in others. Undoubtedly, this derives from a past history of limited management talent at the top. But Jordan has changed into a modern society over the past twenty years and it may have to change its way of promoting the private sector in the future. The numbers of well-educated, young Jordanians who have worked for businesses in the West or the Gulf and who are now living in Jordan are testimony to the changes in society which Jordan is experiencing. The team was impressed by the young management and business talent exhibited by various young Jordanians we met during our visit here. Older Jordanian managers and government officials also made this observation. This is the most likely group to push for changes in the way business is done and to broaden the opportunities for business creation in Jordan. Ways should be sought to tap their talents and to utilize new approaches to business development which this group can champion.

A key element to recognize is that only the private sector can represent private sector interests effectively. The only way by which government policies and private sector ways of doing business can change is through the advocacy of change by interested parties. The only means by which this has occurred in other countries has been through business associations which are private and voluntary and represent the interests of their members. The voluntary aspect is crucial since it allows individuals to decide on membership

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based upon the services provided and viewpoints of the association. When membership is mandatory, the association has a limited interest in providing services. Recent positive developments in Jordan, which USAID has supported, include the formation of the Jordan Trade Association and the Amman World Trade Center. More efforts are required to bring the opportunities provided by associations down to the level of small, less capitalized businesses as well. This is a current gap in association development in the private sector and should be addressed.

B. Lessons in Self-Sustainability and Effectiveness of Small Business Development Programs in Other Countries

USAID has been a leader in developing programs around the world for small business development that provide effective services and which strive toward self-sustainability. Two particular areas in which lessons have been learned are in the delivery of credit to small and microenterprises and in the structure of and delivery of small business training.

In addition, USAID has learned that assistance to small and microenterprises must be tied to an approach that addresses the private sector as a whole and which makes linkages between large and small businesses. Unless backward and forward linkages are developed, small businesses will continue to operate on the periphery of the economy, providing services or products only to the end-users at a retail level. An effective small business development strategy borrows from Western and Oriental models which emphasize the integration of small businesses into the mainstream of economic life through subcontracting arrangements with larger producers to provide components which are cheaper for the small businesses to make. When commonality of interests are recognized by parties at both the upper and lower end of the spectrum, the possibilities for cooperation and financial and technical assistance from larger businesses to small businesses increase. These linkages must ultimately rest on the economic benefit of both types of business to work together rather than on a charitable approach.

C. PVO-Run Small Business Projects vs. Support for Small Business Development Projects

It is important to point out that the activities of the three major PVOs (SC, NHF and QAF) which are supported by USAID are projects where the PVOs themselves are engaged in a small business. The JDTC does assist private entrepreneurs in the development of their handicraft businesses, but most of its work is assisting small PVOs to establish and run small businesses. This is considerably different from mainstream small business development projects. Most programs elsewhere try to develop programs which assist small, private businesses to expand operations and grow. This is an important distinction which has consequences for overall small business development in Jordan. If the Jordanian economy is to grow, it must spawn and develop large numbers of small businesses. This is not to take any credit away from the PVOs actually operating handicraft businesses in Jordan. They are doing a remarkable job and we note their success in other parts of this report. However, USAID and the MOP would do well to look closely at other types of small business support programs such as those in operation at the Near East Foundation and the one proposed by AMIDEAST/Technoserve to provide an alternative, and more mainstream, approach to the type of project currently supported under the PVO Income Generation element of the PETRA Project.

D. <u>Sustainability of PVO-Run Small Business Projects</u>

This is an issue which is woven through most development projects, but often takes on a special meaning when business development is the goal of a project. It is particularly a thorny problem when PVOs are involved, since it is perceived that their social goals could limit their ability to make hard, business decisions. However, this need not always be the case. More and more PVOs in the development field are running their small business development programs on a business-like basis. Their fact that their clientele is generally the poor, makes cost recovery harder to achieve and often impossible. Nevertheless, many programs around the world have achieved a remarkable degree of cost recovery.

The key issue to keep is mind is not whether these programs achieve complete cost-recovery, but whether they can achieve self-sustainability utilizing long-term sources of support in addition to revenues generated through the business programs. Many programs exist in developed countries which are subsidized because it is recognized that benefits can accrue to society through programs which are not fully cost-recoverable. The sources of long-term support for cash flow shortfalls must be identified and a determination made as to the likelihood and reliability of those sources of funding. International PVOs and foundations are one source of funding. Governments are another. Finally, local charitable organizations can also serve in this capacity.

The social welfare activities of a PVO-run small business project as they affect profitability are no more worrisome than pension plans, health care, human resource development programs and social security deductions that tax workers and corporations in the OECD. PVOs may accurately justify social welfare activities on business grounds as investments in the training, development and well-being of the work force. Human resource development investment shows up in the quality of the product, goodwill of the project, expandability of workforce, and reliability of delivery - all valuable intangible assets. Daycare facilities or allowances and maternity leave have become a recent benefit for female workers in many business in the United States. These are good examples of a cost of business which recognizes the value of female participation in the workforce.

VII. OVERALL CONCLUSIONS

To reiterate, the goal of the PETRA Project was "to assist the Jordanian private sector to be the driving force behind increased income, export and employment growth." The project objectives were "to alleviate policy, industry-wide and firm specific constraints to increasing overall productivity and effectiveness of the private sector."

This project was composed of a myriad of activities, including support for the project designs of a number of other private sector projects. Since the evaluation team concentrated on three elements of the project after the major revision in 1989, it did not evaluate the effectiveness of these other projects designed with PETRA funds or the studies conducted under the project. Therefore, it is difficult to completely assess overall project success in achieving project goals and objectives. It seems fair to say, however, that the project goal and objectives were very ambitious. Thus, it would have been very difficult to achieve complete success in reaching these objectives even under the best of circumstances.

It is the opinion of the evaluation team that this project did succeed in placing the issue of private sector development "on the table" and in creating an on-going dialogue with the government on how to accomplish economic development using private sector initiatives. This dialogue does not appear to have necessarily changed many minds. The Project Amendment in 1989 apparently recognized the problems inherent in the process and dropped policy dialogue as a discrete activity. It stated that "most policy dialogue support work under PETRA will be tied to the new design initiatives."

It is clear that the project had a painful beginning which might have been avoided had the design of the initial interventions and the implementing mechanism been more carefully analyzed and developed. But it is also true that USAID and the MOP recognized that the project was not achieving its aims and took effective action to resolve the problems of the first two years. This was reflected in the Project Amendment in 1989. The material successes that have been achieved by the PETRA Project have largely been accomplished over the past three years and have been more directly focused on assisting specific institutions to develop their business support activities.

By and large, the most successful of the various interventions is the support given to the PVO Income Generation element of the project - particularly to Save the Children, the Noor El Hussein Foundation and the Queen Alia Fund. The General Union of Voluntary Societies activities have had a broader focus and have been more in the nature of community development activities for rural areas. However, many of the projects supported by the GUVS grant appear to have also increased income for beneficiaries. It is estimated that over 2000 individuals, mostly women, have received additional employment and income as a result of activities in this sector funded by PETRA. In addition, the handicraft industry in Jordan has received a tremendous boost from the project. The quality and

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the designs of Jordanian handicrafts are much better than they were when the project began. More importantly, the project succeeded in building the institutional infrastructure to be able to produce and market Jordanian handicrafts on a much larger scale. This includes the expansion of the domestic market for handicrafts and the opening of an export market. Continued support will be needed to develop that export market, but the chance for its success remains high.

Regarding the activity of the Specialized Credit Institutions, the team has found no noticeable changes in the way these institutions have evaluated and approved the loans made using PETRA funds compared to their normal loan procedures. There does not appear to have been any movement toward the use of technical viability and cash flow analysis in evaluating loan applications. The SCIs have continued to rely largely upon collateral requirements. This is not to say that the loans have not been helpful in assisting in private sector development. The ACC loans, in particular, have gone toward many apparently worth-while projects. However, the PETRA funds have not achieved their aim of changing the way these institutions do business.

The IESC activities and the support given to the various organizations to support business development appear to have been relatively successful, for the most part. The technical assistance provided by IESC volunteers has, by and large, been highly valued by the private business recipients and has helped numerous businesses solve technical and management problems. The Jordan Trade Association and the Amman World Trade Center are now established and are moving towards providing the services that they were supposed to provide. The Near East Foundation has recently commenced its program to train representatives of both PVOs and government agencies to provide support to small business development. Their methodology appears to be sound, but it is too early to evaluate the effectiveness of the these efforts. On the other hand, the Jordan Venture Projects Company has not yet put together one joint venture. Its only investment after one and a half years of operation is totally funded internally.

To sum up, the PETRA Project partially achieved its goal of enhancing the prospects for private sector development in Jordan. It has had limited, but significant, success in alleviating firm specific constraints to increasing overall productivity and effectiveness. This has been demonstrated in the growth of the handicraft production sector and in the establishment of on-going organizations to support private sector development.

VIII. RECOMMENDATIONS FOR A FOLLOW-ON PROJECT

A. Suggested Project Focus

The evaluation team suggests that the focus of the follow-on project to PETRA be limited to addressing the constraints of small business development in particular while developing the institutional infrastructure (through business associations) for export growth and linkages between large and small businesses. The project could also serve as a source of funds for new private sector initiatives, as the PETRA Project was. However, care must be taken to concentrate project focus on two or three specific objectives which will address the key problems of small business growth and export growth. Support of business associations should be concentrated on assisting these two growth poles.

B. Suggested Project Activities

The activities should build on the successes of the PETRA Project and should continue support to PVO income generating activities, particularly relative to handicraft exports. Funding to the International Executive Service Corps is also recommended based upon its past performance of assisting in the growth of private sector industries. If feasible, special efforts could be made by the IESC to support small business development. In addition, the Mission should continue support to the Jordan Trade Association as long as it remains viable. The Amman World Trade Center appears to be developing well and should also be supported. Efforts should be made to try to promote the establishment of a small business trade association as well. Support in the establishment of a private sector institution which can provide small business advisory services and training should also be given. It may be feasible to combine these within a small business association framework. These activities would fill an existing gap in the institutional framework for private sector development at the lower end. The potential for subcontracting arrangements between larger and small firms should be studied and, if feasible, activities to encourage these should be supported.

C. Relationship to other Mission Activities

The follow-on project to PETRA should also be tied in with existing Mission programs which are directed toward small business development and export growth. This include the Loan Guarantee Project which was designed to encourage banks to lend to small businesses using technical feasibility and cash flow analysis rather than collateral for loan approvals. Should a small business association and/or an institution to provide business advisory services be established, they could assist in the promotion of the LGP amongst small businesses. The feasibility of this approach could be analyzed during the upcoming evaluation of the LGP. The evaluation team did not have the time to look at the details of other specific projects which support private sector development. However, some of them might also have some complementarity with the focus of a follow-on project to PETRA and, where feasible, support might be given to small business and export development.

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D. Institutional Framework

In many ways, this is the most difficult part of project design. The gaps in services needed for the targeted beneficiaries of projects are generally apparent; but the decision on which is the proper institution to provide those services almost always leads to controversy.

The team was unable to identify a specific existing institution which could provide the services to small businesses envisioned in section B above. The proposal by AMIDEAST/Technoserve was found to be lacking by the MOP, although it has some good ideas. The Near East Foundation might be a possible home for that activity, but it would be better to wait to see how they handle their current activities before making that decision. The criteria for evaluating them should be based on impact of the training on the enterprises being served by the persons the NEF is training. The bias of the evaluation team is toward the establishment of a new institution, since the existing institutions either focus on a higher level of business services or are government-run. Again, it might be possible to combine these activities with a business association for small businesses. In some countries, the small business association is tied to a larger association such as the Chamber of Commerce and Industry. This has advantages in providing for linkages between small and large businesses as well as helping to garner financial support of small business initiatives from larger businesses. It can also be negative if the attitude of the larger businesses is condescending. Another alternative worth exploring is the applicability of the Small Business Development Center approach which has proven quite successful in other countries. These are usually tied in with a university which gives them access to both young talented people as well as to the business and other technical faculties of the university. Another advantage of this approach is that SBDCs don't have the tendency to imbue business programs with social goals as most PVOs do. The feasibility of either of these approaches would require further study.

In terms of USAID management concerns, the PETRA Project has been management intensive with the USAID Project Officer and the MOP approving all individual grants. Unfortunately, no existing institution comes to mind which could either perform those functions or which would be viewed as objective in making the determinations as to who receives the grants. This issue should be explored further either during the preparation of the Project Identification Document or the Project Paper for the follow-on project.

ANNEXES

S.1

ANNEX 1
SCOPE OF WORK

ANNEX 1

EVALUATION OF THE PETRA PROJECT
278-0277

SCOPE OF WORK

I. Activity to be Evaluated: The Private Enterprise Technical Resources Assistance (PETRA) Project - 278-0277 - was authorized on September 30, 1986 for $10,000,000. The funding was increased to $11,000,000 on August 19, 1989 and an additional $1,000,000 on September 19, 1991. The project assistance completion date recently was extended by the AA/ENE to September 30, 1994.

II. Purpose of the Evaluation: The PETRA Project was first evaluated in early 1989. That evaluation produced a series of recommendations to restructure the Project. The restructuring was executed between February and September 1989. The Project has now been functioning in its new format for two years. It is now time to determine if the new format is achieving the purpose of the Project and what, if any, impact the Project has had. In addition, a follow-on project is being considered for FY 1992. The results of this evaluation will be instrumental in designing the structure of the new activity.

III. Background: The PETRA Project was approved to alleviate industry-wide and firm specific policy constraints to increasing overall productivity and effectiveness of the private sector. An administrative unit, called the PETRA Secretariat, was created to implement the Project under the supervision of the PETRA Committee - a ministerial level group including three ministries and three banks. The Secretariat awarded small loans and/or grants to local PVOs, businesses and entrepreneurs and was responsible for monitoring the use and repayment of funds.

During the first two years the administrative structure proved to be weak. It was inadequate to cope with the full range of activities which resulted from implementation of the project and had no firm institutional base.

During 1989, the Ministry of Planning (MOP) and the Mission developed a new structure whereby all existing loans and grants (except grants to the four major PVOs) were turned over to three intermediate credit institutions for administration: The Agricultural Credit Corporation (ACC) for agricultural related activities, the Industrial Development Bank (IDB) for industrial activities, and the Cities and Villages Development Bank (CVDB) for all others. AID took over administration of a series of grants to Save the Children, the Noor Al Hussein Foundation (NHF), and the General Union of Voluntary Societies (GUVS), and the planned grant to the Queen Alia Fund (QAF). All other project activities were to be decided upon and administered jointly by AID and the MOP.

The current structure has seven categories of project activities:

1. Project Design and Support: which provides up to $1.1 million for the design of new private sector activities. To date four have been completed and two others are in process.

2. Project Management: provided $480,000 for the operation and closing of the Secretariat. This component is completed.

3. Evaluation/Audit: $175,000 has been programmed for this area, of which $7,000 has been used to evaluate the GUVS grant.

4. Production & Production Enhancement: this component provides $2.1 million to (a) the IDB and ACC to develop and/or expand small enterprises while encouraging policy change concerning the amount of collateral required for small productive loans, (b) support ongoing Secretariat activities administered by the CVDB, and (c) provide IESC volunteer technical assistance to interested private sector producers.

5. Business Development/Investment/Promotion: this component provides $1.4 million to assist exporters through the Jordan Trade Association (JTA) and the Amman affiliate of the World Trade Center (AWTC) and develop two complementary small business advisory services (one for the private sector and one to train public sector and PVO business promoters via the Near East Foundation).

6. PVO/Income Generation Activities: Up to $3.2 million is set aside for PVOs to support the development of income generating activities; (a) GUVS provides grant to local member PVOs and community organizations for income generating activities, (b) Save the Children developed the Bani Hamida Women's Rug Weaving Project which currently employs over 600 rural women, (c) the QAF is expanding a ceramics production facility to train disadvantaged young people with an artistic aptitude and to create additional jobs, and (d) NHF has created a Center for the design, marketing, provision of technical assistance, and coordination of handicraft production in Jordan. Other assistance for income-generating activities is planned with Jordan River Designs (a Palestinian refugee cottage industry of Save the Children), the Royal Society for the Conservation of Nature, the Holyland Institute for the Deaf, and the Development and Employment Fund.

7. General Uses: $2.4 million was set aside for subprojects approved by the Secretariat prior to the administrative reorganization of the Project. This component is nearly completed.

IV. Statement of Work.

1. Handicraft/Small Scale Income Generating and Marketing Specialist:

The PETRA Project provides support for the development of small scale income generating activities (primarily Jordanian handicrafts). The primary focus is through the Jordan Design and Trade Center, but some producers have been assisted directly, including Save the Children and the Queen Alia Fund.

The Specialist will conduct the following:

In the United States:
- Prior to departing the US the Specialist will meet with Clare Smith, Docey Lewis, and other relevant staff of Aid to Artisans (AtA) in Stamford, Connecticut, to discuss AtA's activities to develop markets in the US for Jordanian handicrafts.

In Jordan:
- review the structure and operations of the Jordan Design & Trade Center (JDTC), the Queen Alia ceramics production facility, and the Save the Children handicraft production activities,
- review the assistance provided to handicraft producers by the JDTC,
- review production development activities of the JDTC,
- review the market development program of the JDTC and Save the Children (Bani Hamida and Jordan River Designs) in Jordan and internationally, and those relevant activities of Aid to Artisans in the US,
- review other small scale income generating activities supported by the PETRA Project,
- review project files at USAID,
- meet with project related personnel at USAID and the Ministry of Planning.

In assessing the handicraft development activities of the PETRA Project, the Specialist will address the following questions:

- overall effectiveness of PETRA assistance to small scale income generating enterprises?
- has the current grant method of providing support been effective? If not, why not?
- are there other methods of support which could be used more effectively?
- are there major groups of potential beneficiaries who are not being reached?
- should support for such activities be continued?
- Is the objective of the JDTC correct and beneficial to Jordan and Jordanians? Does it need to be reoriented? expanded? focused?
- Is the structure and organization of JDTC compatible with its objective?
- Do contracted producers know what they need in technical assistance? Are they getting it in their opinion? in JDTC's opinion? in your opinion? What can be done to improve the provision of TA?

- Are contracted distributors getting what they need- TA? products? other? How can distribution be improved?
- Describe the relationships between: JDTC and producers, JDTC and distributors, producers and distributors, producers and producers, distributors and distributors. Make recommendations to improve these relationships.
- Is the US marketing program producing results (i.e., increased sales)? Make recommendations for the improvement of this program.
- Are producers being directed towards the correct markets?
- Some producers have chosen to handle their own local marketing. Is this effective? If so, how can it be improved?
- Based on the pricing and marketing structure, can the JDTC become financially self-sustaining? In what period of time? Make recommendations to achieve this goal.
- Discuss the cost/benefit of these activities.

2. Small Business Development/Financial Policy Specialist:

The PETRA Project initially provided loans and grants to entrepreneurs to start up small businesses. These loans/grants were later transferred to three banks to administer. More recently PETRA has granted funds to two of the same three banks (ACC and IDB) to help foster small business development. A primary target of this program is to encourage banking policy change to reduce collateral requirements, sometimes up to 300% of the loan value, by better assessing the potential of prospective borrowers to succeed.

The Specialist will conduct the following:

A. Concerning the old loan/grant program:

- review the agreements between AID and MOP and the IDB, CVDB, and ACC,
- meet with the relevant staff at each bank and the MOP, and
- review old PETRA Secretariat loan and grant files to respond to the following questions.

- What is the status of the original loans/grants?
- Have the banks carried out their responsibilities as defined by the agreements, concerning these loans/grants?
- Have A.I.D. and the MOP properly carried out their oversight and implementation duties?
- Have the beneficiaries carried out their responsibilities?
- Make recommendations to close out this program.

B. Concerning the collateral reduction program with IDB and ACC:

- review the subgrant agreements between MOP and each bank,
- review the current loan portfolio of each bank under the program,
- meet with the relevant bank and MOP staff,
- meet with the three IDB borrowers,
- select a representative sample of the nearly 100 ACC borrowers under the program and visit those farms.

- What is the status of the loan performances to date?
- Are the intended beneficiaries participating? Why? Why not?
- Are the loans being used as anticipated in the subgrant agreements?
- Did the banks conduct effective analyses of the proposed activities prior to making the loans?
- Is there any indication of policy change at the banks concerning their collateral requirements? Is the policy change beneficial for both parties? Make recommendations to strengthen the program.
- Are the loans being repaid?
- Are the parties fulfilling their reporting and monitoring requirements? How can this be improved?
- Should assistance of this nature be continued? through whom? how?

C. Concerning other income generating activities sponsored by the Project:

- The specialist will work with the other members of the team to assess the financial structure and operations of the other income generating activities sponsored by the PETRA Project, including JTDC, handicraft production, GUVS, the Young Muslim Women's Association (YMWA), and the export development associations.
- Are these organizations financially viable? in the short term? in the long term?
- Make recommendations, in coordination with the other relevant team member(s), to improve the financial operations and viability of these organizations.

3. Small Business Development Specialist/Evaluation Specialist/ Team Leader:

A primary focus of the PETRA Project has been the development and growth of micro and small businesses. The Project has provided a grant to: NEF to train Jordanian business promoters/ trainers to better teach the business skills needed to run a productive enterprise; IESC to provide volunteers to work directly with Jordanian producers; AWTC and JTA to encourage Jordanian exports; GUVS to support community level activities which create jobs and income throughout the Kingdom; and PVOs which are developing income generating activities (primarily handicrafts).

The Specialist will conduct the following:

A. As the Small Business Development Specialist:

- review the NEF and the Small Business Advisory Service (SBAS - a proposal complementary to the NEF, but not yet approved by the GOJ) proposals and agreements,
- review the IESC, JTC, and AWTC proposals and activities,
- meet with the relevant staff of each organization and of MOP,
- select a representative sample of the IESC assisted activities and visit those companies.

- Although the NEP activity is new and the SBAS program has not yet started, assess the potential for the two, individually or together, to promote business development. If problems are foreseen, make recommendations to prevent them.
- Has the assistance provided by IESC been responsive to the request of the beneficiary companies? to their needs? Has the assistance been timely? Have the volunteers been effective? Why or why not?
- Has the Project developed mechanisms (e.g., JTA, AWTC, JDTC,) to assist exporters effectively? If not, why not? Make recommendations to improve export sector support through these organizations or by other means within the scope of the Project.
- Assess the business side (i.e., non-technical operations) of Bani Hamida, Jordan River Designs, Jerash Women's Benevolent Society, Queen Alia ceramics production, and the JDTC. How have these operations been improved? Are they or can they become self-sustaining? If so, when? If not, make recommendations to achieve self-sustainability. Assess management and staff training, as well.

B. As the Evaluation Specialist:

- The Specialist is responsible for producing the final approved Evaluation Report (see Reporting Requirements, below). He/she is also responsible for leading the team debriefing for the Mission and the MOP prior to the departure of the team from Jordan, for incorporating comments into the final draft, and for producing and distributing the final report. He/she must also complete the abstract and narrative sections of the AID Evaluation Summary form.

- He/she is responsible for the final evaluation product and, by putting the specific reports together to develop the overall analysis of the Project. The following project-wide topics must be addressed:

  - has the project achieved its goals and objectives?
  - what was not done which was originally anticipated?
  - are there other implementation models/modes which could have improved performance?
  - make recommendations on what a future umbrella project like PETRA should include and how it should function.
  - what is the proper role of the successor project given the current level of activity in the USAID private sector portfolio.
  - has the Project had unanticipated effects?
  - what is the level of participation by women in the Project and the impact on them?

C. As the Team Leader:

- The Specialist will give direction and coordination to the evaluation team and is responsible to ensure that each member completes his/her part in a timely manner.
- He/she will be the liaison between the team and the AID Project Officer responsible for the PETRA Project and the evaluation.
- He/she is responsible for arranging the logistics for the evaluation exercise.

V. Methods and Procedures. The evaluation will be conducted by reviewing the relevant documentation of the PETRA Project, including the Project Paper, the Project Grant Agreement and Amendments, the Project Implementation Letters, the individual subgrant and loan agreements, and communications relevant to the Project. Individual activity files from the PETRA Secretariat and the current program must also be reviewed.

The major part of the evaluation will be conducted through interviews with project implementing organizations, including the MOP, AID, and the intermediary banks (ACC, IDB, CVDB), those individuals and organizations receiving loans and/or grants, and the final beneficiaries. As suggested in the scope of work, the evaluators will select representative samples of beneficiaries with whom to meet and discuss the Project.

Some out-of-Amman site visits will be required to selected beneficiaries of the ACC subgrant, of some PETRA Secretariat-approved activities, and of some handicraft activities.

In addition, prior to coming to Jordan the Handicraft Marketing Specialist will meet with Clare Smith and, if possible, Docey Lewis of Aid to Artisans (AtA) in Stamford, CT to assess the value and success of the assistance provided by AtA in developing markets for Jordanian handicrafts in the US.

A total of 6 calendar weeks are allotted to complete the final draft evaluation report: the Handicrafts expert will spend 4 days in the US reviewing documents on handicraft marketing activities and meeting with Aid to Artisans; once in Amman the full team will have 3 weeks to establish logistics, review documentation, meet the main players, and conduct interviews and site visits, and 1 week to complete the draft report. The team leader will remain an additional 10 days to receive mission comments on the report and complete the final draft. The team will be expected to work 6 day weeks - Saturday through Thursday.

The contractor will be required to provide full logistical support for the team, including transportation, lodgings, office space, secretarial support and materials.

VI. Evaluation Team Composition: The team will be composed of three Americans (and one Jordanian to be contracted separately to provide interpretation, logistical, and local technical support to the team) to be contracted after approval by A.I.D. and the MOP. The following specialities are required:

1. Team Leader/Small Business Management Specialist/Evaluation Specialist:

This individual must have not less than 5-10 years demonstrable experience in small business development and the development of income-generating activities. A suitable business degree, preferably MBA, is required. In addition, the person must have experience in project evaluations and actually writing final evaluation reports. Experience in developing countries is essential and in the Arab world desirable. Arabic language skills are also a plus.

This individual will be responsible for producing the final evaluation report, coordinating and directing the activities of the other team members, and assessing all project activities in relation to progress in developing/strengthening viable small businesses and income-generating activities.

The position will require 4 days international travel, 21 days on the evaluation, 5 days on the draft report, and an additional 10 days in Jordan to receive comments and draft the final report; a total of 40 calendar days and 36 working days.

2. Small Business Development/Financial Policy Specialist:

This individual must have at least 5-10 years experience in small enterprise financing and credit programs at a major US or multinational bank. He/she must be able to show experience in developing credit policy for small and micro enterprises, including but not limited to collateral, business plans, cash flow analysis, etc. which are used to determine credit worthiness. A suitable business degree (Banking/Credit Policy), preferably MBA, is required. In addition, the person should have experience in project evaluations. Experience in developing countries is essential and in the Arab world desirable. Arabic language skills are also a plus.

This team member will be responsible to the team leader. He/she will assess not only the financial policies of the reduced collateral programs at the IDB and ACC, but will also work with the other team members to assess the financial policies and audit functions of other selected income generating activities established under the PETRA Project.

This position will require 4 days international travel, 21 days for the evaluation, and 5 days for report preparation; for a total of 30 calendar days or 26 working days.

3. Handicraft/Small Scale Income Generating and Marketing Specialist:

This individual must have at least 5-10 years of experience in developing small scale income generating activities (emphasizing handicraft enterprises), including product development, quality control, and local and international marketing. While an advanced degree in a relevant field (e.g., MBA in Marketing) is highly desirable experience, in the developing world is essential. Experience with flat woven rugs and embroidery is also a big plus. In addition, the person should have experience in project evaluations. Experience in the Arab world is desirable and Arabic language skills will be helpful.

The handicraft specialist will also be responsible to the team leader and will work closely with the other members of the team to develop an accurate assessment of the state of the handicraft industry being developed in Jordan.

This position will require 4 days in the US for interviews, 4 days for international travel, 21 days for the evaluation in Jordan; and 5 days writing; for a total of 34 calendar days or 30 work days.

VII. Reporting Requirements: The team will be required to submit a draft evaluation report to the Chief of the PEPD Division of the Mission and to the MOP not less than 1 day prior to departure of the team, minus the team leader, from Jordan. Initial comments will be provided to the team leader not less than 5 working days later. A final draft report will be submitted to USAID and the MOP not less than 1 day prior to the departure of the team leader. Final comments by the Mission and the MOP will be faxed to the team leader within 2 weeks to finalize the evaluation report, which will be sent by DHL to the Chief of the PEPD Division. The contractor will send 15 copies of the Final Evaluation Report to the Chief/PEPD by APO within 15 days of the approval of the final report.

A.I.D.'s required format for evaluation reports is as follows:

- Executive Summary
- Project Identification Data Sheet
- Table of Contents
- Body of the Report
- Appendixes.

The Executive Summary states the development objectives of the activity evaluated; purpose of the evaluation; study method; findings, conclusions, and recommendations; and lessons learned about the design and implementation of the PETRA Project.

The Body of the Report should include discussion of (1) the purpose and study questions of the evaluation; (2) the economic, political, and social context of the project; (3) team composition and study methods (one page maximum); (4) evidence/findings of the study concerning the evaluation questions; (5) conclusions drawn from the findings, stated in succinct language; and (6) recommendations based on the study findings and conclusions, stated as actions to be taken to improve project performance. The body of the report must not exceed 40 pages; more detailed discussions of methodological or technical issues should be placed in appendixes.

Appendixes should include a copy of the evaluation scope of work, a list of documents consulted, and individuals and agencies contacted. Additional appendixes may include a brief discussion of study methodology and technical topics as necessary.

ANNEX 2
WORKPLAN

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ANNEX 2

WORKPLAN

PETRA EVALUATION TEAM

Focus of Evaluation

In accordance with the wishes of the Government of Jordan and the USAID/Jordan Mission, the team will concentrate on the period of time after the mid-course revision of the project in 1989. The team will, however, also review the original project design documents, e.g., the Project Paper, as well as the mid-term evaluation performed in 1988 and subsequent project amendment, and comment on the factors which led up to the mid-course revision. This will help to put the project within context and will help to explain how the original design of the project was corrected to make it better fit the existing business conditions in Jordan and to benefit from the lessons learned during the first two years of the project.

Seven project activities were identified in the Project Amendment which detailed the mid-course project revision; these included a) project design and development, b) project management, c) evaluation/audit, d) general uses, e) PVO income generation activities, f) business development/investment promotion, and g) production and production enhancement. This evaluation will focus on the last three project activities listed above.

The team has been instructed to conduct the evaluation with an eye toward the design of a follow-on project. Therefore, the team will concentrate on lessons learned during the PETRA Project and examine the successes and weaknesses of the project. In its discussions with the various parties in the project, the team will attempt to perform the evaluation in a consultative manner, in order that the institutions being evaluated might be aware of the findings of the team and comment on them during the course of the evaluation. The team shall strive to make this evaluation a constructive exercise in helping to improve the performance of the institutions evaluated. Furthermore, the team shall point out potential new avenues and approaches to small enterprise development which might be explored by the GOJ and USAID during the project design phase of the follow-on project.

In order to assure that the team is obtaining a complete understanding of the project, the team leader will consult with the USAID Project Officer and the MOP AID Liaison Officer on a regular basis (daily, if possible) to assure that all sources of information are being exhausted and appropriate contacts are being made within the time allowed for the evaluation.

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Institutions to be Evaluated

A number of local institutions have been funded under this project. It is important to note that the team will select a representative sample of institutions to interview which have received grants under the project. This will be done due to time constraints and since some organizations received only small grants. The following institutions represent a preliminary list of contacts to be interviewed by the team. Other individuals and institutions to be contacted will be identified during the course of the team's interviews. These will include government officials who have had close contact with the project or who have information on other programs similar to those funded under this project.

- Agricultural Credit Corporation (ACC)
- Industrial Development Bank (IDB)
- Cities and Villages Development Bank (CVDB)
- General Union of Voluntary Services (GUVS)
- Save The Children Foundation (STCF)
  - Bani Hamida Weaving Project
  - Jordan River Design Project
- Noor Al Hussein Foundation (NHF)
  - Jordan Design and Trade Center (JDTC)
- Queen Alia Jordan Social Welfare Fund (QAF)
- Near East Foundation (NEF)
- International Executive Service Corps (IESC)
- Federation of Jordanian Chambers of Commerce
  - Amman World Trade Center
- Jordan Trade Association
- Jordan Venture Projects Company
- Development Employment Fund

Responsibilities of the Evaluation Team Members

The team is composed of three Americans and one Jordanian. The Scope of Work sets forth various and specific issues for which each team member will be responsible; to accomplish their tasks, the team members will divide their responsibilities along the following general lines:

The Team Leader/Small Business Development Specialist will be responsible for

- the direction and supervision of the team,
- coordination amongst the various institutions involved to accomplish the evaluation, and
- completion of the team's draft and final report.

Substantively, he will focus on

- institutional development and project management issues,

- achievement of overall project purposes, and
- potential new small business development initiatives.

The Financial Policy Specialist will be responsible for

- analysis of the activities of the intermediary credit institutions from the point of view of the effectiveness of the credit supported by the project, especially in respect to movement of the institutions from a heavy emphasis upon collateralized lending toward greater reliance upon technical feasibility, cash flow analysis and secondary collateral as a basis for lending,
- analysis of the financial structure and long-term sustainability of the various PVOs supported by the project, and
- review of credit programs undertaken by PVOs with suggested modifications to improve those programs.

The Handicrafts Specialist will focus upon

- review and analysis of the production and marketing aspects of the institutions receiving assistance and funds under the project to promote handicraft production,
- the effectiveness and potential for complimentarity among the various programs in the handicraft sector and to the relationship between supply and demand for the handicrafts,
- an assessment of the viability of the enterprises with recommendations regarding ways to improve production, technical assistance and marketing of the products, and
- an in-depth examination of alternative marketing strategies for handicrafts.

The Private Sector Business Development Advisor shall

- provide advice to the team on the general environment for small business development in Jordan, with special attention to cultural, political and economic factors which impact upon business development in Jordan,
- assist the team in logistical arrangements and in arranging for meetings and field trips to various project sites, and
- serve as a sounding board for findings of the team and provide guidance on the potential receptivity of Jordanian small businesses and institutions toward suggested new business development approaches.

Sampling Criteria

As a result of the time lost due to the snow storm and suggestions of the USAID Project Officer and the Department of

International Cooperation in the Ministry of Planning, the team has structured its work to minimize unnecessary travel, meetings and interviews with beneficiaries. The approach to be taken will involve the choice of a sample of the various institutions, individuals and beneficiaries involved in or receiving assistance from the project. For example,

- Key institutions which have received funds under the project will be contacted. This means that institutions receiving relatively small grants will not be interviewed.
- Visits to the sites of the projects employing the greatest number of persons or having particularly successful methodologies will be scheduled and smaller projects with less success will not be visited.
- Interviews of individual beneficiaries of project loans or technical assistance or training will be limited to those conducted during visits to sites of the projects described above.

Indicators for achievement of project purposes

The team will meet with the USAID Project Officer and the MOP AID Liaison Officer early on to discuss appropriate indicators of the achievement of project purposes to agree on the indicators to be used and the means and feasibility of obtaining data on those indicators. These will be based on the indicators set forth in the project design documents and in the scope of work for the evaluation.

Schedule:

Meetings and work performed prior to arrival in Jordan

- The team leader met with AID representatives in Washington - namely, Don Masters, Jordan Desk Officer, and James Dempsey, former Project Officer for PETRA, to discuss the history of the project and issues to address during the evaluation, such as the lessons learned about small business development in Jordan and the success of the institutions utilized during the project.
- The team leader, financial specialist and handicrafts specialist had a team meeting in Washington with the Project Manager from Louis Berger, Inc. to determine strategy on approaching the evaluation and the how the PETRA Project fits within the Jordanian context.
- The handicrafts specialist met with Aid to Artisans in their home office and also visited a trade fair in New York to meet with Michael Foster and two representatives of Save the Children in Jordan to discuss their crafts products and various marketing aspects.

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Week of Saturday, Feb. 22 - Thursday, Feb. 27

- Unfortunately, the snow storm during the first week after the team's arrival in Jordan prevented them from conducting any interviews during that time. Although the team leader met with the USAID Project Officer on the day after his arrival, the snow storm prevented the first full team briefing with senior management of USAID from occurring until Thursday, February 27. The team will have to work doubly hard to make up the lost time during the first week in order to finish the evaluation on schedule.

- In spite of the snowstorm, the team accomplished the following during the first week in country:

  - team leader meeting with the USAID Project Officer,
  - team meeting with USAID senior management,
  - review of project documents,
  - meeting with representatives of IESC, and
  - team discussion of key issues to be resolved and division of responsibilities.

Week of Saturday, Feb.29 - Thursday, Mar. 5

- Meetings with the Ministry of Planning and USAID for guidance and direction on the evaluation,
- Approval of the team workplan by the MOP and USAID.
- Complete logistical arrangements for team,
- Preparation of informal questionnaires to guide team members in their data collection and analysis,
- Initial team meetings with the sampling of institutions to be evaluated,
- Review of additional documents and materials received from the various institutions, the MOP and USAID, and
- Identification of key issues to be investigated and/or resolved during the evaluation - including indicators of project effectiveness, data required to verify those indicators, and the means and feasibility of data collection.

Week of Saturday, Mar. 7 - Thursday, Mar. 12

- Further in-depth interviews with representatives of the institutions to be evaluated as well as other individuals who have relevant information on the project or who have been involved with the project over the years,
- Visits to various project sites to view their operations and interview a sampling of beneficiaries of project activities,
- Initial analysis of the effectiveness of the programs and sustainability of the institutions supported by the project,

- Discussion of initial findings with the institutions being evaluated,
- Agreement on the outline of the evaluation report and commencement of the preparation of the draft evaluation report, and
- Midcourse meetings with the MOP and USAID senior officials on team progress and initial findings.

Week of Saturday, Mar. 14 - Thursday, Mar. 19

- Completion of the relevant sections of the draft report by the Handicrafts Specialist,
- Departure of the Handicrafts Specialist on March 16,
- Determination of any further information needed to complete the analysis for the evaluation and collection of same, and
- Preparation of the draft evaluation report.

Week of Saturday, Mar. 21 - Thursday, Mar. 26

- Completion and submission of the draft evaluation report,
- Debriefing of the team with the MOP and USAID on the draft evaluation report, and
- Departure of the Team Leader and Financial Specialist on March 25.

April 6 - Receipt of comments by the GOJ and USAID on the draft report by the Team Leader in Washington.

April 6 - April 20 Preparation of Final Report by Team Leader in Washington.

April 24 - Receipt of Final Report by the GOJ and USAID.

Submitted by Stephen C. Silcox, Team Leader 5 March 1992

ANNEX 3
SCHEDULE/PERSONS CONTACTED

ANNEX 3

SCHEDULE AND LIST OF CONTACTS/MEETINGS/FIELD VISITS

PETRA EVALUATION TEAM

SCS = Steve Silcox
CWR = Cary Raditz
CCR = Caroline Ramsay
SAC = Samir Carmi

Monday, February 3

- Meetings with Don Masters, USAID/Jordan Desk Officer, and James Dempsey, former USAID/Jordan PETRA Project Officer - SCS

Wednesday, February 5

- Team meeting in Washington, DC - SCS, CWR, CCR & Barbara Phillips of LBI/DEG

Thursday, February 13

- Meeting with Clare Brett Smith & Maurie Harrington - Aid to Artisans - CCR

Sunday, February 23

- Meetings at New York Trade Fair with Michael Foster, former USAID/Jordan PETRA Project Officer, and with Hana Rihani and Nuha Mansour, JDTC, and with Docey Lewis, Consultant - CCR

Monday, February 24

- Peter Delp, Project Officer - USAID - SCS

Tuesday, February 25

- Richard Spear & Spencer King - IESC - SCS, CWR

Wednesday, February 26

- No Meetings - Snowstorm

Thursday, February 27

- USAID senior management briefing - SCS, CWR, CCR, SAC

Friday, February 28

- No Meetings - Day Off

Saturday, February 29

- Ma'an Nsour - Senior AID Liaison Officer, Ministry of Planning (MOP) - SCS, CWR, CCR, SAC
- David O'Connor, Fitna Kalaji, Rula Kumai - Noor Al-Hussein Foundation (NHF), Jordan Design and Trade Center (JDTC) - SCS, CWR, CCR, SAC
- Rebecca Salti, Hana Mitri Shahin - Save the Children Foundation (SCF) - SCS, CWR, CCR, SAC

Sunday, March 1

- Ma'an Nsour, MOP - SAC
- Abdallah Al Khatib, General Union of Voluntary Societies (GUVS) - SCS, CWR, CCR, SAC
- Peter Delp, USAID - SCS

Monday, March 2

- Salah Rifaee,Tayser Wahbeh - Industrial Development Bank (IDB) - SCS, CWR, SAC
- Zuhair Kalifeh, Ahmed El Rifai, Kamal Orani - Cities and Villages Development Bank - SCS, CWR, SAC
- Salem Ghawi - Queen Alia Jordan Social Welfare Fund (QAF) - SCS, CWR, CCR, SAC
- David O'Connor, Fitna Kalaji - JDTC - CCR
- Field Visit to Al-Nuzha Project of JDTC - CCR

Tuesday, March 3

- Bin Tareef Mansur, Reem Quran - Agricultural Credit Corporation (ACC) - SCS, CWR, SAC
- Curtis Rhodes - Near East Foundation (NEF) - SCS, CWR, SAC
- Khalid Al-Naif - USAID - SCS, CWR, SAC
- Field Visit to Al-Hussaniyeh Project & Al-Hashimeya Project of JDTC - CCR

Wednesday, March 4

- Field Visit to Jordan River Designs Project Sites & Bani Hamida Project Sites of SCF - SCS, CWR, CCR, SAC

Thursday, March 5

- Abdul Illah Abu Ayash - Development Employment Fund (DEF) - SCS, CWR, SAC
- Rajai Mouasher - Business Bank - SCS, CWR, SAC

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- Field Visit to GUVS Income Generation Projects - CCR
- Field Visit to QAF Ceramics Project - CCR
- Hana Shahin, Samir Baseso, Kamal Abdel Fattah - SCF - CWR, CCR
- Michael Foster, Peter Delp - USAID - SCS, SAC, CWR

Friday, March 6

- Taghrid Tubbeh - CCR

Saturday, March 7

- Field Visit to JDTC Projects in Jerash Area - SCS, CWR, CCR, SAC

Sunday, March 8

- Follow-up Visits to IDB, CVDB & ACC - CWR
- Mohammed Asfour - Federation of Jordan Chambers of Commerce - SCS, SAC
- Sami Sunna - ESCWA - SCS, SAC
- Follow-up Visit to JDTC - CCR
- Her Royal Highness Princess Basma - QAF - SCS, CCR & Michael Foster
- Ma'an Nsour - MOP - SCS & Peter Delp

Monday, March 9

- Mohammed Horani - Central Bank of Jordan - SCS, CWR, SAC & Peter Delp
- Ghada Habash - SCF Bani Hamida Project - CCR
- Ziad Ifram - Joint Venture Projects Co. - SCS, CWR, SAC
- QAF Ceramics Project - CCR

Tuesday, March 10

- Field Visits to ACC Projects in Salt and Shooneh - SCS, CWR, SAC
- Follow-up Visit to JDTC - CCR

Wednesday, March 11

- Samir Baseso, Kamal Abdel Fattah - SCF - CWR
- Her Excellency Mrs. In'am Mufti, David O'Connor, Wael Al Assad - NHF - SCS, CCR, SAC
- Peter Delp & Bob Hanson - USAID - SCS, CWR, SAC
- Richard Spear - IESC - SCS

Thursday, March 12

- Khaled Al Naif - USAID - CWR
- Midcourse meeting with USAID senior management - SCS, CWR, CCR, SAC

- Michael Foster - USAID - SCS, CWR, SAC

Friday, March 13

- No Meetings - Day Off

Saturday, March 14

- Ghada Habash, Helena Sayegh - SC - SCS, SAC
- Rebecca Salti - SC - SCS
- Curt Rhodes - NEF - CWR, SAC

Sunday, March 15

- Ma'an Nsour - MOP - SCS
- Bassam Saket - Jordan Cement Co. - SCS, SAC
- Richard Spear - IESC - SCS
- Peter Delp - USAID - SCS

Monday, March 16

- David O'Connor, Fitna Kalaji - NHF - SCS, CWR, SAC
- Ziad Fariz, Safwan Toukan, Yousef Batshon, Nabil Suweis, Tom Oliver, Peter Delp - SCS, CWR, CCR, SAC
- Mr. Qattoum - GUVS - SCS, CWR, SAC
- Curt Rhodes - NEF - SCS
- Peter Delp - USAID - SCS

Tuesday, March 17

- Monther Khammash, Maha Farraj Otaqui - QAF - SCS, SAC
- Samir Baseso, Kamal Abdel Fattah, Hana Shahin, Ghada Habash, Rebecca Salti - SC - CWR
- Mohamed Al Khatib, Khaldoun Hayary - IDB/SSIH - SCS, SAC
- Halim Abu-Rahmeh - Jordan Trade Association - SCS, SAC
- Richard Spear - IESC - SCS
- Nayef Stetieh - Jordan Commercial Centers Corporation - SCS

Wednesday, March 18

- Hana Shahin, Kamal Abdel Fattah, Rebecca Salti - SC - SCS
- Yusri Zaru - Loan Guarantee Program - SCS, CWR, SAC
- Ousama Ghannoum - Amman World Trade Center - SCS, SAC
- David O'Connor, Fitna Kilaji - NHF - SCS

Thursday, March 19

- Monther Khammash, - CWR, SAC
- Ghada Habash, Hana Shahin, Samir Baseso, Kamal Abdel Fattah - SC - CWR, SAC

Friday, March 20 - Sunday, March 22

- Write draft report

Monday, March 23

- Submit draft report to USAID

Tuesday, March 24

- Debriefing with USAID and discussion of draft report

Wednesday, March 25

- Steve Silcox and Cary Raditz depart Jordan

ANNEX 4
BIBLIOGRAPHY

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ANNEX 4

BIBLIOGRAPHY

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ANNEX 5
PVO PROJECT FINANCIAL ANALYSIS MODEL

ANNEX 5

DESCRIPTION OF THE FINANCIAL ANALYSIS MODEL

FOR PRIVATE VOLUNTARY ORGANIZATIONS (PVOs)

The financial goals of Private Voluntary Organizations (PVOs) are to generate social welfare benefits and to assure the continuing viability of their projects. PVO income generating projects are designed to create sources of cash, by means of wages, for low-income individuals who would otherwise not have employment opportunities.
Due to the broader objectives of PVOs, financial performance is measured differently than for-profit businesses. Analysis of PVO sustainability focuses on their ability to deliver as many benefits to a targeted group with as little external (donor) funding as possible. While both private sector and PVO projects seek to operate as efficiently as possible, the analysis of a PVO project evaluates social impact in addition to the standard business issues of operational efficiencies and marketing. Alternatively, a for-profit firm focuses principally on wealth created for the firm, or profit-maximization.

Each of the various handicraft projects funded under PETRA are somewhat different in style, management, and objectives. Nonetheless, one may focus the analysis in three standard areas: 1) income generating potential, 2) industry and market development, and 3) delivery of social welfare benefits. Each PVO project has all of these aspects though, perhaps, in different proportions and emphasis.

Due to the typically low levels of capitalization and social objectives, the PVO handicraft projects behave economically and financially as new business ventures - in some cases despite many years in operation. These projects seek their market niches to optimize growth opportunities and expand social benefits.

Cash Flow Model

The cash flow model on which the financial analysis centers (with both historical and projected figures), identifies each key business activity: 1) buying raw materials, 2) using labor, 3) spending cash for operating expenses, 4) spending or receiving cash for changes in net working assets (inventory, receivables and accounts payable) and 5) spending cash for new program/product development and/or capital expenditures (buying more equipment or space) to expand the size of the business. The model permits one to see if any cash is left to be saved for future needs after each of these steps has been taken.

At each one of these points in the cash flow, the project may spend sufficient money to cause the project to run out of cash. The cash flow analysis, based on historical data and projecting future years, identifies where the costs of the process of making goods and/or providing services exceeds revenue.

While accounting practices vary within each of the projects, the evaluation team has attempted to standardize the historical financial information as much as possible. Discussions with management emphasized the benefit to be gained from analyzing historical performance insofar as it allows for useful expectations of financial needs and sales capabilities. The management teams of the various projects were enthusiastic about their ability to better manage operations on a day-to-day basis based on this type of analytical technique.

The cash flow format used throughout the cases follows the one below. The right column gives brief descriptions of each line entry:

TOTAL SALES:	Total cash earned from sales.
COST OF GOODS SOLD:	Total cost of all materials, energy, labor, etc. That go directly into the making of items sold.
DEPRECIATION EXPENSE:	Assets used by the projects have a stated useful life. Each year a portion of the cost of the asset is expensed against revenue. Since this is not a real use of cash, it is added back to the cash flow.
OPERATING EXPENSE:	those expenses incurred in the course of ordinary activities of the project - i.e., selling, general and administrative expenses.
FUNDS FROM OPERATIONS (FFO):	Cash left after making and selling a product. This is the first "cash point" to see if all costs exceed, equal or are less than cash from sales.
CHANGE OF (NET WORKING ASSETS) NWA:	Cash is used to buy more inventory (raw materials), carry receivables (sales for which cash collections have not been realized), payables, etc. These changes in net working assets (nwa) uses or receives cash. These are short-term

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assets - inventory, receivables and payables, which relate directly to production and sales.

CASH FROM OPERATIONS (CFO):	Cash left after subtracting the use or adding the receipt of cash from changes in net working assets (NWA), depending on whether the project acquired more assets or reduced them. This figure shows whether NWA's have grown faster than funds from operations will cover.
NON-RECURRING EXPENSES:	Assets acquired or costs incurred which are not a part of the costs of goods sold or operating expenses - usually equipment, space, etc. to expand overall production capacity.
FINANCING REQUIREMENTS:	If non-recurring expenses are greater than cash from operations (CFO) this will indicate the amount of cash savings the project will use or how much cash from other sources is needed. If cash from operations is sufficient to pay for non-recurring expenses, no additional financing requirements would be required.
FUNDING SOURCES:	If donor sources have provided funding, they are entered here. If no funding source is available, then any needed cash would have to be covered by cash savings (accumulation).
CASH AFTER FINANCE:	The amount of cash left after cash from operations (CFO) less cash used for any non-recurring expenses plus any donor funding.
CASH ACCUMULATION:	The amount of cash left on an accumulated basis - year to year - i.e., savings.

Additional Comments on the Cash Flow Model -

FUNDS FROM OPERATIONS - This is the first opportunity to look at the overall cash producing capacity of the project. One could break this down into the components of sales and costs of goods or sales and operating expenses - which is a valid technique to identify where the process is efficient or not. But this is also the first opportunity to view the complete process. Is the project generating positive cash flow? Does the project sell the product,

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pay for raw materials, pay for labor, rent space, pay for sales and general operations support and still have cash left over?

CASH FROM OPERATIONS - This is an important check-point. If the volume of production remained the same over time, running a business would be much simpler. However, successful business operations tend to grow. The growth of a firm or project necessarily entails the growth of (short-term) assets to support bigger production output - i.e., to produce more, a project tends to increase the size of accounts receivable due to increasing sales, increase inventory in expectation of larger output and, hopefully, increase accounts payable to off-set the other cash uses. If the growth of these assets (which generally uses larger amounts of cash) is not carefully monitored, they can exceed the increase in cash from actual sales and, consequently, from funds from operations. If this occurs, the firm/project may lose liquidity and run out of cash. This is an area to scrutinize when analyzing any project.

CASH AFTER FINANCE - Once a project is running soundly in its basic operations and producing a steady positive cash from operations, it may wish to expand the size of operations in response to market demands and social needs of the program. Cash after Finance indicates how much new long-term assets (e.g., buildings, equipment, new programs, etc.) can be purchased with: 1) cash from operations, 2) donor funds, 3) new capital and 4) savings. This is a planning stage for management. A project or firm will generally not plan a large capital expense without a strong degree of certainty that the cash will be available to pay for it. Also, it is important for management to know that the use of cash for capital expenditures will not hinder the basic production process in any way - i.e., there will still be enough cash to pay for inventory, cover accounts receivable, pay wages and rents, etc.

Projections

Sales projections are derived from historical sales results, information concerning market opportunities/probabilities and management's estimations of reasonable growth based on its hands-on experience in managing the projects. Based on this information, Best and Worst Case growth scenarios are projected. From this range of possible sales targets an expected value was calculated as the sum of the Best Case, Worst Case, and four times the Reasonable estimates, then divided by 6. Discussions with the PVO project management staffs clarified and substantiated the assumptions and evaluated the risks behind the marketing strategies.

Rates of Return

NET PRESENT VALUE (NPV)

This rate of return indicates whether or not a project will continue to generate enough cash to satisfy the conventional financial tests that calculate whether or not the monies earned would satisfy a typical investor. The assumption used in this first ratio analysis is that an investor would expect to earn at least 12% each year on an investment. The values shown on the cash flow sheets demonstrate whether or not the expected cash earned is positive (exceeding the minimum return expected of 12%) or negative (falling short of the minimum expected return of 12%). This ratio is applied at each point in the cash flow model where checks are normally made - i.e., funds from operations, cash from operations and cash from operations plus non-recurring expenses (CFO + INV). (Note: INV is an abbreviation for "investments", which is used on the cash flow statement to represent non-recurring expenses).

INTERNAL RATE OF RETURN (IRR)

This rate of return calculates the rate which would make the present value of the stream of cash equal to zero if the cash earned were to be reinvested at the calculated rate.

Both the NPV and IRR provide relevant information concerning future cash flows. However, the NPV assumes a constant rate of reinvestment (12%) while the internal rate of return assumes a reinvestment rate at the calculated internal rate of return (IRR). Since PVOs do not generally raise capital on financial markets, the NPV calculation with its constant assumption concerning reinvestment is more practical to their situation. However, both ratios provide identical statements concerning sustainability.

The 12% discount rate is used to calculate the net present value (NPV) and internal rate of return (IRR) on funds from operations (FFO), cash from operations (CFO) and cash from operations plus non-recurring expenses (CFO + INV, or CFO + non-recurring expenses). As mentioned above, this is the current long-term rate an investor would expect to receive for his/her investment. Since the government's cost of raising funds for socially-oriented uses is lower, a discount rate of 8.0% is used to calculate the Social NPV or the combined Business and Social Benefits. 8% is the long-term government bond rate which the MOP indicated would be similar to the government's average weighted cost of funds.

Social Benefits

WAGES (Direct)

The cash flow model indicates the amount of wages generated by each project. The wage amount was indicated by project management as a percentage of cost of goods sold historically. Discussion with management guided the evaluation team in determining the percentage of future costs of goods sold. That amount is indicated after the cash accumulation line on the cash flow. These are direct benefits to the community of workers engaged in the various projects. The higher the labor component of cost of goods sold, the higher the direct social impact.

SOCIAL IMPACT OF WAGES (Indirect)

A calculation is made of the effect of wage earnings being spent by the artisans for housing, food, clothing, transportation, etc., and re-spent by those selling goods and services to the artisans, who in turn spend their earnings on other goods and services. This is referred to as the multiplier effect. The multiplier used in this model is 1.5X, as per the AID Evaluation Special Study No. 28, "Searching for Benefits." It is important to remember that this multiplier and the values of social (indirect) impact which it generates is a variable reference point. Subsequent studies of social impact may warrant modifying the multiplier value.

The multiplier effect is coupled with the weighted effect of income to low-income communities (1.5X). The weighted effect is a technique used by economists at the World Bank to capture the enhanced value of income circulation in a lower-income community compared to a median-income community. Again this weighting is a point of reference and may be adjusted to reflect new information at a later stage.

The final result of these two calculations is displayed below the wages (direct) line on the cash flow model. It is labeled Social Impact of Wages (Indirect).

SOCIAL BENEFITS

The combination of direct wager and social impact of wages provides a total JD calculation of social benefits, displayed near the bottom of the cash flow model, of the economic activity of the project to the targeted community.

Finally, the NPV of the Social Benefits is calculated (as mentioned above) using the government cost of funds of 8%. This will indicate a rate of return from each project on cash streams with direct and indirect social impact.

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Often the question is raised as to whether or not the social welfare benefits, health programs for women and community credit programs detract from the profitability of the handicraft enterprises - These welfare benefits, technically a non-productive transfer, are not any different than the standard "welfare" components of total compensation, such as pension plans, health care, human resource development program, day-care centers and social security deductions, that workers receive in OECD countries. PVO management might accurately justify social welfare activities on business grounds as investments in the training, development and well-being of the work force. Human resource development investment shows up in the quality of the product, goodwill of the project, expansion of the work force and reliability of delivery. These are all valuable intangible assets.

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ANNEX 6
DETAILED PVO ANALYSIS

ANNEX 6

INSTITUTIONAL ANALYSES OF PVO/INCOME GENERATION PROJECTS

A. Save the Children

Save the Children (SC) is an American-based PVO which has been operating in Jordan since 1985. Its social programs are directed principally toward women in both urban and rural areas. Income generating activities are the principal focus of its programs supplemented by programs in microenterprise credit, agriculture, health, child development and emergency aid (particularly during the Gulf Crisis). Its two existing income generation projects are the Bani Hamida Weaving Project which is rural-based and the Jordan River Designs Project which is urban-based. Bani Hamida is the predecessor of the two and is more developed, although Jordan River Designs has many of the same elements and exhibits the same orientation toward market-based product development. Although some services, principally administrative, are shared through Save the Children, the management structure of each project is distinct and separate accounts are kept for each project. When administrative support from Save the Children is used, the projects pay for the services from their separate budgets.

1. Bani Hamida

a. History and Description of Activities

The Bani Hamida Weaving Project (BH) was initiated in 1985 in the villages of the Bani Hamida tribe near Madaba. Women there had been making rugs using a traditional ground loom for generations, but the rugs made were given as wedding presents from mothers to daughters, rather than made for sale in commercial markets. Save the Children decided to undertake a project to increase the incomes of the women by increasing the numbers of rugs produced and their marketability. Most of the economic activity of the women at that time was agriculture-based with some part-time economic activities to bring in nominal additional income.

Save the Children's initial efforts to improve production and sales of the Bani Hamida rugs were somewhat haphazard and limited by lack of funds. In May 1987, Save the Children received a grant from USAID from PETRA funds for $326,000 to develop and expand the Bani Hamida Project. Since that time, Bani Hamida has grown into a professionally-run small business. Based on its success, USAID provided an additional grant of $102,000 in 1990. Gross sales in 1991 amounted to JD200,438 with a total of JD78,504 paid to the women of Bani Hamida. There are a total of 777 women in Bani Hamida receiving income from the project, of which 74 are supervisors and work nearly full-time. The remaining 703 work part-time, on an average of four to five hours per day, when it is their turn. Since women are paid on the basis of the type of work they do and by the piece and the quality of their work, the income received varies from JD120 (for the dyers) to JD10 (for spinners) per month. This can be significant additional income, since average family income in the area is JD80/month.

b. <u>Handicraft analysis</u>

1) <u>Production</u>

The women rug weavers are like job-shop contractors who are paid on a delivery basis. The central organization produces designs, researches the technology of weaving and dying, delivers designs and materials to the producers, controls quality, accounts for and pays the weavers, and markets the products through domestic and international channels. It is unlikely that these weavers could undertake these activities without outside assistance. The project has a savings and loan program which is administered at the community level for project participants who want to buy animals, make home improvements, support educational needs, and to serve other general personal needs.

Production planning is appropriately based on marketing strategy which is, in turn, based on past records, seasonal trends, current economic and political conditions, and forecasts for local and export markets. Locally produced wool is purchased according to the production plan. A bi-annual inventory of raw materials and finished products are taken. The level of ready goods inventory is monitored daily and computerized.

The evaluation team found that the methodology used for production has been improved as much as is possible under the constraint of the work being performed in or near the homes of the women. For example, spinning is done by hand. The introduction of more modern methods of spinning, such as the use of a spinning wheel, does not appear to be feasible since spinning is usually done while performing other household duties.

Plans are now underway to set up an export production center in the BH area in order to be able to increase production and quality for exports. This could also assist in modernizing the methods currently used for production. There would be many advantages to locating export-designated production in one place. This would allow for some economies of scale to operate as well as increase production control. A building in which to locate the center would be ideal. However, that will pose other costs which will have to be addressed, such as transportation to the center for the women and utility costs. The cultural feasibility of this alternative will also have to be addressed.

BH seems to have benefitted from technical assistance provided by Aid to Artisans (ATA) under its contract with the Jordan Design and Trade Center (JDTC) of the Noor Al-Hussein Foundation, particularly in respect to dyeing and design assistance. Although BH feels that the quality of the assistance it has received under that contract is good, it is disappointed with the quantity of assistance. Regular design assistance is provided both by the more experienced production staff and a former SC employee living in Jordan. It follows market demands and trends. Standards are set for colors, thickness, and texture of yarns and designs for both local, including tourist, and export markets.

The payments to the weavers are appropriately based on the quality of the piece produced and calculated by weight of the rug. Skills and design excellence are rewarded with bonus payments.

Delivery is made usually three months from the placement of an order. The production staff are trained in the importance and mechanics of prompt delivery. As the training processes mature, the field supervisors themselves are assuming responsibility for reliable delivery times.

The Bani Hamida labelling process follows international export requirements with country of origin, material, size, price, and design number listed. Additional information documenting authenticity and name of weaver is on the tag, as well. These interesting "legends" undoubtedly increase sales and make for good public relations.

2) <u>Marketing</u>

BH appears to have an effective local marketing strategy and has increased its sales dramatically over the past few years. Part of its success has come from the opening of Bani Hamida House in Amman. The importance of having an outlet where the products can be properly displayed and sales staff can effectively market the product cannot be overemphasized.

BH promotes its products locally through an aggressive marketing campaign. This includes frequent advertising and articles in local newspapers and magazines, word of mouth, exhibitions, brochures, flyers, calendars, posters, and both picture albums and portfolios for local and export orders. Domestic outlets include Bani Hamida House (the main outlet), the Kan Zaman tourist village which caters to Jordanians and tourists, the Marriott gift shop, and two major annual exhibitions.

BH began its international marketing activities in earnest in 1990. It will require financial support to develop this market. BH currently has agents in Lebanon and Saudi Arabia who cater to the regional market. It also has a number of informal agents in Europe and the U.S. which were obtained through informal contacts and as

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a result of individuals coming to Bani Hamida House. However, if BH is to develop a solid export market, it must develop relationships with buyers directly. The importance of contact with the buyers and knowledge of competitors cannot be overestimated.

As a result of its recent export marketing efforts, exports have increased from under 5% of total sales in the years up to 1989 to 26% in 1991. This demonstrates that BH's current strategy is achieving results. More will need to be done, however, to develop a strong and reliable export market. Management stated that the export markets identified for Bani Hamida products are a result of market research based on the design, quality and price of the item. Much more market research is needed, however, and increased contacts with buyers will provide this.

BH has participated in a number of trade shows in the past two years. These have included shows in Finland, Germany, and the United States. BH staff usually try to combine some marketing trips in the country of the trade shows to maximize impact while they are there. Some assistance has been received from ATA in marketing in the U. S., although management stated that their assistance has not resulted in any significant sales. Her Majesty Queen Noor has also been a supporter of BH and her influence has helped them to receive invitations and financial support for trade shows.

The principal markets identified by BH are the high end retail shops, interior designers, and resort and country home furnishing establishments. The evaluation team agrees that this is the market on which BH should concentrate due to the high price of the carpets. The Bani Hamida carpets average between JD 80 and 160, depending on weight. These prices are competitive in the high-end export market where similar quality rugs from other countries sell for around JD 120. Although several people have felt the rugs were high, especially with commercial agents who would double the landed costs, BH has researched prices on the export market. BH believes, and the evaluation team concurs, that the prices are competitive provided that direct sales to wholesalers or retailers can be achieved.

c. Management

BH management is directed by a project manager who worked in the United States for five years for two major clothing retailers on both coasts. She was the regional manager for New Jersey and the Washington, DC markets before she returned to Jordan. The evaluation team believes that she has the knowledge, experience and commercial orientation which should help to develop BH into an on-going small business which can provide employment and incomes for greater numbers of women.

BH management is composed of three departments - Production,

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Marketing and Administration. There are six professional staff and three clerical staff in Amman at Bani Hamida House which serves as an administrative center as well as a sales outlet. The field production supervision is led by a Mountain Supervisor who has two Assistant Field Supervisors, one in each of the two field offices. They are assisted by nine administrative, quality control, dye mixers, and wool distributors. There are thirty weaving supervisors and thirty spinning supervisors.

The evaluation team visited the site in Bani Hamida and were impressed with the operations there. The field staff appeared to have considerable management strength as well as a good appreciation of the market for their carpets. The field offices were clean and orderly - an indication of the quality of management.

d. Financial Analysis

(Please refer to the chart on the next page for the following financial analysis. This chart was designed to measure the financial sustainability of the project and was based on historical financial data. Projections for future years was based on informed assumptions regarding sales and costs in consultation with project management. An explanation of the financial analysis model used is found in Annex 5.)

1) Historical

Bani Hamida's total sales grew steadily over the past four years, even increasing 31.3% in 1991, during the Gulf Crisis. Management further demonstrated its operational capability by reducing both the cost of goods sold as a percentage of total sales - 77% in 1987 to 54.9% in 1990 and 56.7% in 1991, as well as operating expenses as a percentage of total sales - 100% in 1987 to 52.1% in 1991.

Cash from operations (CFO) in the past five years has been negative due principally to the spending of more cash for net working assets caused by an increase in inventories. However, cash losses from operations tapered off over the last three years with the project showing a small cash gain in 1990. Management indicated that this gain was due to the reduction of inventories. An increase in the use of cash for the purchase of goods to run the business (inventory) and larger accounts receivable is customary in the growth cycle of a business. While it is customary to see a growth of net working assets when sales are growing, the management of Bani Hamida indicated that it would like to improve is inventory control process as well as its accounts receivable and accounts payable systems to help improve cash flow.

Bani Hamida spent relatively small amounts of cash for non-recurring expenses in years 1987 to 1989 . Those expenses are

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BANI HAMIDA RUG WEAVING: PROJECTED CASH FLOW

ASSUMPTIONS: 25APR92

DISCOUNT RATE	8%	Development rate
COST OF CAPITAL	12%	Long term bond + risk premium
MULTIPLIER	1.50	RIPPLE EFFECT OF WAGE EARNING IN THE COMMUNITY
WEIGHTING	1.50	WEIGHTED VALUE OF INCOME IN A LOW INCOME COMMUNITY

AMOUNTS IN JD 000 — HISTORICAL VALUES (1987–1991) — PROJECTIONS (1992–1998)

SALES:	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
BEST CASE	0.0	0.0	0.0	0.0	0.0	300.0	360.0	432.0	583.2	787.3	1,062.9	1,541.2
WORST CASE	0.0	0.0	0.0	0.0	0.0	180.0	216.0	259.2	349.9	472.4	637.7	924.7
REASONABLE	0.0	0.0	0.0	0.0	0.0	225.0	270.0	324.0	437.4	590.5	797.2	1,165.9
PROBABLE CASE	13.7	54.1	99.3	151.0	188.3	230.0	276.0	331.2	447.1	603.6	814.9	1,181.6
% CHANGE YR TO YR		294.8%	83.6%	52.2%	24.7%	22.1%	20.0%	20.0%	35.0%	35.0%	35.0%	45.0%

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	
TOTAL SALES	13.7	57.9	104.0	152.6	200.4	236.8	276.0	331.2	447.1	603.6	814.9	1,181.6	4,410.7
COST OF GOODS SOLD	(10.6)	(40.1)	(57.9)	(83.3)	(113.8)	(132.8)	(162.8)	(192.1)	(254.9)	(338.0)	(440.2)	(661.7)	
DEPRECICATION EXP.	0.0	2.0	3.2	13.6	6.4	1.2	1.2	1.2	1.2	1.2	1.2	1.2	
OPERATING COSTS	(14.1)	(47.4)	(61.7)	(62.5)	(104.5)	(74.4)	(82.8)	(99.4)	(134.1)	(181.1)	(244.5)	(354.5)	
FUNDS FROM OPER	(11.0)	(27.6)	(12.4)	0.4	(11.5)	30.9	31.6	40.9	59.3	85.7	123.4	166.6	
CHANGE NWA	(7.2)	(3.2)	(63.7)	15.2	(38.1)	(5.5)	(5.9)	(8.3)	(17.4)	(23.5)	(31.7)	(55.0)	
CASH FR OPERATIONS	(18.2)	(30.9)	(76.1)	15.6	(49.6)	25.4	25.7	32.7	41.9	62.2	91.7	111.6	232.1
NON-RECURRING EXP.													
EXPORT PROGRAMS	0.0	0.0	0.0	0.0	0.0	(17.8)	(17.8)	(17.8)	0.0	0.0	0.0	0.0	
CAPITAL EXPENDITURE	(6.6)	(4.8)	(5.8)	(42.1)	(1.4)	(25.6)	(41.8)	(44.2)	0.0	0.0	0.0	0.0	
FINANCING REQUIREMENTS	(24.8)	(35.7)	(81.9)	(26.5)	(51.0)	(18.0)	(33.9)	(29.3)	41.9	62.2	91.7	111.6	
FUNDING SOURCES:													
USAID	30.2	28.7	61.9	44.1	24.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	189.0
STC EQUITY & DONNATIONS	6.4	8.4	21.8	31.3	[illegible]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	103.2
TOTAL FUNDING	33.6	37.1	83.7	75.[illegible]	59.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	292.2

	HISTORICAL VALUES					PROJECTIONS							
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	
CASH AFTER FINANCE	11.8	1.4	1.9	48.9	8.4	(18.0)	(33.9)	(29.3)	41.9	62.2	91.7	111.6	
CASH ACCUMULATION	11.8	13.2	15.1	64.0	72.4	54.3	20.4	(8.9)	33.0	95.3	187.0	298.6	
WAGES (DIRECT)	7.3	27.7	40.0	57.4	78.5	91.6	112.4	132.5	175.9	233.2	309.2	456.6	1,722.3
SOCIAL IMPACT OF WAGES (INDIRECT)	5.5	20.8	30.0	43.1	58.9	68.7	84.3	99.4	131.9	174.9	231.9	342.4	1,291.7
SOCIAL BENEFITS	12.7	48.4	70.0	100.5	137.4	160.3	196.6	232.0	307.7	408.2	541.2	799.0	3,014.0
CFO + SOCIAL BENEFITS	(5.5)	17.6	(6.1)	116.2	87.8	185.7	222.3	264.6	349.7	470.4	632.9	910.6	3,246.1

RATIOS: (BASED ON YEARS 1987–1998)			
	FFO NPV	126.7	RETURNS CALCULATED ON CASH FLOW AFTER OPERATIONS
	FFO IRR	34.49%	
	CFO NPV	14.6	RETURNS CALCULATED AFTER ADJUSTMENTS (CASH IN OR OUT) FOR NET WORKING ASSETS
	CFO IRR	14.03%	
	CFO + INV NPV	(100.8)	RETURNS AFTER USING CASH FOR NEW OR EXPANDED PROGRAMS AND/OR CAPITAL INVESTMEENTS
	CFO + INV IRR	0.32%	
	SOCIAL NPV	1,565.6	RETURNS CALCUALTED ON MULTIPLIER EFFECT, OR SOCIAL BENEFITS,

NOTE: FFO=FUNDS FROM OPERATIONS; CFO=CASH FROM OPERATIONS;
NPV=NET PRESENT VALUE; AND IRR=INTERNAL RATE OF RETURN

discretionary expenditures determined by management such as new equipment and more production space.

2) Projections

Total sales for the first three projected years (1992-94) are fairly modest growth targets of 20-21% per year. Investments in capital equipment in 1990, and subsequent planned expenditures in 1992-94, will take some time to translate into new production and total sales growth. Impact from these expenditures is projected to take hold in 1995, when total sales are projected to grow more rapidly at 35% for three years and climb to 45% in 1998. Investments in trade fairs and promotion, setting up a special export unit and other intensive efforts to penetrate international markets will take time to produce sales results.

Bani Hamida is projected to generate positive funds from operations (FFO) and cash from operations (CFO) in 1990 and again in 1992 and thereafter. This assumption is predicated on management's ability to hold the cost of goods sold to approximately 55% of total sales and to efficiently source the needed materials for production. The projected positive operational cash flow requires management to achieve operating costs of approximately 30% ot total sales. It is expected that after 1991, ongoing training and improved operational experience will be combined to lower operating expenses, thus raising the net operating margin and increasing cash from operations. By 1995 the project is expected to sustain a growth of working assets to be covered by internally generated funds. Internally generated funds will also allow Bani Hamida to build cash accumulation during six of the seven projected years.

Non-recurring expenses in 1992-94, are JD 53,600 for the establishment of an export unit. JD 111,500 is budgeted for capital expenditures related to intensive export marketing. Save the Children seeks grant assistance to cover these investments. In 1996-97 the project could begin "repayment of investments" from its cash from operations - projected to be JD 62,200 in 1996, increasing to JD 111,6000 in 1998.

3) Rate of Return

The net present value (NPV) of funds from operations (FFO) for the twelve years shown (historical and projected) on the attached cash flow projection, is JD 126,700 discounted at 12%. Any positive amount indicates satisfaction with the financial performance. Funds from operations for the same period has a projected internal rate of return (IRR) of 34.5%.

The net present value (NPV) of the cash from operations (CFO) for the twelve year period, is JD 14,600. Again, any positive indication after paying for any increases in NWA indicates a satisfactory return to the investor. Projected cash from operations would generate an internal rate of return (IRR) of 14%.

Management has projected capital expenses in years 1992 through 1994 (a cash usage) that exceeds cash generated from operations. Management hopes to generate funds from donor sources to cover the costs of non-recurring expenses (capital and new program expenses). Accordingly, when the net present value (NPV) of cash from operations (CFO) plus any cash outlays for non-recurring expenses (see "CFO+INV" ratio) is calculated, it results in a negative JD 100,800 with an internal rate of return (IRR) of .32%. It is important to remember that the project's cash accumulation can provide significant funding until some additional donor funding is in place.

e. Social Benefits

The Bani Hamida Project is a labor-intensive operation. Hence, the successful business performance of the project - i.e., its continued growth and efficiency, will dramatically impact the communities in which the program resides. Direct wages to the workers, calculated at 69% of the cost of goods sold, will be in excess of JD 1,722,300 for the past five and projected seven years. The social benefit for the same period is expected to be JD 3,014,000.

Bani Hamida generated a social benefit (direct wages plus the social impact of wages [indirect]) of JD 137,400 for 1991, or a combined social benefit for years 1987 to 1991 of JD 369,000. Projected total sales for the project for the next seven years would generate a social impact (direct wages plus multiplier effects) of JD 2,645,000.

The comparison of the projected JD 2,645,000 for the next seven years to the total projected social benefit for all twelve years of JD 3,014,000 demonstrates that the Bani Hamida Project is just beginning to contribute significant benefits to the community's social and economic well-being.

f. Conclusions/Recommendations

- BH should continue to develop the concept of an export production center to increase production capacity. Increased production is essential if a strong export market is identified and developed.

- BH should develop its own export market through visits to potential clients and through trade shows. This is especially important since the price of the carpets are not competitive if an agent is used. The use of JDTC for this function does not appear to be an appropriate vehicle for BH since BH has the sophistication to develop its own export market and using JDTC will only increase its export costs.

- BH should try to penetrate the high-end market for carpets to compensate for the relative high price required to offset costs.

- Management should continue to examine its operations and develop action plans to:

    - Continue to invest in intensive marketing applications,
    - Reduce the cost of goods sold as a percentage of sales,
    - Control management salaries but stimulate motivation by considering bonus programs based on achievement of results,
    - Use technology (such as bar code scanning) to efficiently feed back information to management on accounting for inventories and product line performance, and
    - Develop longer credit terms with buyers to brake expansion of net working assets/sales (the cash efficiency ratio).

2. <u>Jordan River Designs (also known as Jordan River Enterprises)</u>

a. <u>History and Description of Activities</u>

The origins of Jordan River Designs are found in the efforts of Save the Children to start a community income generation and training program for women in 1987 in the squatter settlements of Natheef and Mahatta in Amman. AID/Washington, through the PVO office, provided a five year, $373,100 grant in 1987 to SC to develop the project. These funds were depleted by 31 July 1991 and PETRA funds provided an additional one year grant of $100,000 in December 1991.

As of December 1991, over 900 women had received additional income and training through the production of various handicraft items including quilts, cushions, leather and canvas bags, picture frames, and dolls. Food items and olive oil soap are also produced and sold on the local market. Total sales in 1991 were JD166,484, of which JD13,350 (8%) were exports - mainly from potential agents in various countries.

b. <u>Handicraft Analysis</u>

1) <u>Production</u>

The various items are produced in two squatter areas in Amman. The evaluation team visited three different centers to view production. There is a great variety of items produced - over 115 items and

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designs. A key constraint on production and costs is the fact that most of the raw materials, except for olive oil for soap and leather for handbags, are imported. In order to compensate for this, JRD orders in larger volumes. It consequently keeps a large inventory of stock; another rationale, however, was to keep competitors from duplicating the materials used in JRD's crafts. Another constraint is the primitive technology used, as exemplified by the process for the production of olive oil soap. The quilts are by far the principal source of sales and most of the design work and production improvements have gone into this item.

JRD benefitted from assistance from both ATA and from IESC. ATA provided two consultants to assist JRD with designs. IESC provided a retired owner of a quilt factory in the U.S. for two months in 1989. He assisted JRD in improving production techniques, marketing, costing, and pricing and also provided insights on the U.S. market.

Most of JRD designs are of Jordanian or Palestinian origin. The Jordanian production coordinators design some items and elaborate upon those designs conceived by the ATA consultants and Kelly Miller, an SC designer. JRD management would like to receive further assistance from ATA. Most of JRD's production involves the making of a prototype, producing a few items, and then testing them in the local market. These tests results in modifications to the design. Higher levels of production are based on market demand.

Production of the leather bags has been problematic in that most of Jordan's premium leather is exported to Syria and Turkey. Since the orders from JRD are relatively small, it has limited leverage in negotiating with the leather production company. JRD is also looking for someone to assist in the design and production of leather items. JRD lost its leather trainer, who used to assist in cutting patterns and production, to a large local leather workshop. For the last six months, only a cobbler was available to assist in the training and production of leather handbags. Competitors receive assistance from large producers of leather goods in Egypt.

JRD buys most of its materials from local importers. It engaged the services of JDTC to import materials at one point, but found that the prices charged were not always competitive with similar products found on the local market.

Production is planned at the beginning of each month and is based on past orders, special orders by individuals and companies, inventory needs and special occasions (such as gift shows and exhibitions or other promotions). Inventory of all raw materials and finished products is taken every quarter. Although some products are made at the centers in Natheef and Mahatta, most are made in the homes. The women producers receive the raw materials from the centers and then make them at home. The products are then brought back to the centers for inspection and quality control.

Payment is based on the numbers and quality of pieces produced. Finished products are warehoused at JRD's main office, which is located at SC headquarters in Amman. The quarters there are very cramped and JRD and SC administration hope to rent a larger building near Second Circle which would provide more space for both inventory and sales.

2) <u>Marketing</u>

A clear strength of JRD's marketing strategy is its responsiveness to the market. For example, the volunteer executive from IESC had invented the "snug sack," a quilted wrap-around for the body. JRD produced this item, but found that sales were disappointing. During the Gulf Crisis, JRD was able to sell its inventory and take new orders from the relief agencies to use as sleeping bags for refugees on the border with Iraq. UNICEF has also purchased large quantities of the olive oil soap for evacuees.

The prototypes developed for marketing purposes are based on informal market research in Jordan. Project staff are constantly on the lookout for market niches, i.e., craft products which are not being produced locally. Once they have an idea, they develop the concept and designs until they have a prototype. A small quantity of this prototype is then test marketed and, if sales warrant, greater quantities are produced. The flexibility in expansion and contraction of the number of workers producing a particular item is a big plus in the implementation of this marketing strategy.

Domestic market outlets include the Kan Zaman Tourist complex, the duty free shop at the airport, the Marriott Hotel gift shop and JRD's headquarters in Jebel Weibdeh. 70% of sales are made from JRD headquarters, 15% from Kan Zaman and the remaining 15% from other shops and exhibitions. As mentioned JRD is currently hoping to rent a new larger building that will have more space for presenting its products. Substantial funds are needed to renovate the building, however, and SC management is currently seeking sources of funds for this purpose. It was observed that Bani Hamida sales doubled when it moved into Bani Hamida House near First Circle. JRD anticipates a similar increase. Clearly, product presentation is an important aspect of marketing. The evaluation team agrees that a larger space is needed to provide a better sales environment.

As previously stated, most of JRD's production is sold on the local market. It is trying to enter the export market, but is in the early stages of penetration. To date, it has relied principally on informal agents overseas - generally, Jordanians or expatriates who have expressed their wish to test the market in their country. Although this approach can result in some sales, if one gets lucky, it does not substitute for a more sustained, reliable buyer of products. JRD management recognize the limitations of these informal agents and is starting to implement a more effective export marketing strategy.

The project manager participated in an international tourism show in Berlin during the course of this evaluation. Her experience there was positive. She felt that the products were well received and that a hotel manager from Florida expressed interest in purchasing quilts and matching cushions and lampshades from JRD. She is following up on that contact. In addition, she was interviewed by a news crew from a German television station. This resulted in an offer to make a five-minute documentary in Amman in May on the socio-economic impact of JRD's program on Palestinian refugees. This could be an important source of publicity and sales in Germany. A number of other contacts were made during the show. The total cost to JRD for participating in the show was only about $4,500 due to assistance from the Jordan Tourism Authority and Royal Jordanian Airlines. She stated that the Jordan Tourism Authority was impressed with JRD's presentation in Berlin and has requested JRD to participate in the London Tourism Show in November 1992. Jordanian hoteliers and travel agents attending the show were also impressed with the interest shown in JRD products and offered to assist JRD in arranging for special events to coincide with tourist inflows to Jordan.

In general, JRD products are competitive price-wise in the international market. The leather items cost far less that those sold in international gift shows. Likewise the quilts undercut U.S. craft quilt sales prices. The principal issue is one of design. The handicraft specialist on the evaluation team believes that the designs of most of the products are not sufficiently unique to attract much interest for exports, except for the quilts. JRD management claims, however, that initial marketing feedback on a number of items has been positive. JRD tried, at the suggestion of the IESC consultant, to market the quilt covers without the stuffing in order to save on shipping costs, but had poor results. It is felt that the stuffing gives the designs a fuller, more effective presentation. A key constraint however, is the washability of the quilt. More market research and testing may be necessary to determine if this is a critical limitation on sales.

c. <u>Management</u>

JRD project management is broken into three departments - production, marketing and administration - supervised by a project manager. The marketing department has one staffperson and the administration department two. The production department has four divisions - quilts and dolls; bags and embroidery; soap, food and frames; and loans and centers. The loans and centers division administers a microenterprise loan program to project beneficiaries as well as the general administration of the project centers. Each division has one coordinator. Total production staff is 13, mostly supervisors to assure product quality. High priority is given to

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on-the-job training.

The project manager is well qualified for the job. She has a degree in business administration from a university in England and previously worked in public relations for Royal Jordanian Airlines and as project manager for a hospital support services company which had a subcontract with Marriott Hotels catering division in Jordan.

JRD's management is similar to Bani Hamida in many respects, but BH seems to be a year or two ahead or JRD in export development. JRD could benefit from taking the time to work up and write down a clear export marketing strategy/plan of action that capitalizes on its experience in the domestic market, but makes a hard analysis of which products can compete internationally. JRD management states that this type of analysis has been beyond its financial capability to date. JRD is currently using a market testing approach that works well domestically, but may prove too expensive for export marketing. BH has really only one product to sell and can concentrate on developing the market for that product. Import buyers tend not to take small exporters selling a variety of craft products seriously. JRD might request the services of a consultant from ATA or IESC for assistance on this.

d. Financial Analysis

(Please refer to the chart on the next page for the following financial analysis. This chart was designed to measure the financial sustainability of the project and was based on historical financial data. Projections for future years was based on informed assumptions regarding sales and costs in consultation with project management. An explanation of the financial analysis model used is found in Annex 5.)

1) Historical

Jordan River Designs (JRD), established in 1987, began significant sales in 1989 through 1991. In that period sales grew from JD 18,600 in 1989, to JD 153,00 in 1991. This period of gearing up production and primarily domestic sales paralleled management's learning curve on sales, design, production. As a result, the cost of goods and operating expenses have declined as a percentage of total sales. As management learns more refined accounting systems it will be able to reliably break-down costs of goods from operating expenses. The historical operating expenses may include costs unique to start-up operations which will not be expected to reoccur in future years.

Cash from operations (CFO) reflected management's ability to reduce the costs of goods sold and operating expenses. While cash from operations was negative for all three years, it tapered off from 1989, to negative cash of JD 11,700 in 1991.

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ASSUMPTIONS:		25APR92
DISCOUNT RATE	0.08	development rate
COST OF CAPITAL	0.12	long term lending rate
MULTIPLIER	1.50	ripple effect of earnings
WEIGHTING	1.50	value of income to the poor

AMOUNTS IN JD 000 — HISTORICAL — PROJECTIONS

SALES:	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
BEST CASE	0.0	0.0	0.0	214.2	299.9	404.8	526.3	657.9	822.3	1,027.9
WORST CASE	0.0	0.0	0.0	122.4	140.8	157.7	173.4	190.8	208.0	222.5
REASONABLE	0.0	0.0	0.0	191.3	239.1	298.8	358.6	412.4	474.2	545.4
PROBABLE CASE	18.6	90.0	153.0	183.6	232.9	293.0	355.7	416.4	487.5	572.0
% CHANGE		388.7%	68.3%	20.0%	26.8%	25.8%	21.4%	17.1%	17.1%	17.3%

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	
TOTAL SALES	18.6	90.9	153.0	183.6	232.9	293.0	355.7	416.4	487.5	572.0	2,803.5
COST OF GOODS SOLD	(13.0)	(75.1)	(105.6)	(110.2)	(139.7)	(175.8)	(213.4)	(249.8)	(292.5)	(343.2)	
DEPRECIATION EXP.	0.0	0.0	4.1	1.0	1.2	1.3	1.5	1.2	1.2	1.2	
TRAINING EXP.	(9.7)	(0.5)	(3.5)	(4.0)	(5.1)	(6.4)	(5.3)	(6.2)	(7.3)	(8.6)	
OPERATING EXP.	(30.5)	(55.2)	(59.7)	(58.9)	(61.7)	(64.7)	(67.8)	(72.4)	(77.4)	(82.6)	
FUNDS FROM OPER	(34.6)	(39.9)	(11.7)	11.5	27.6	47.4	70.7	89.2	111.5	138.8	
CHANGE NWA	(40.1)	(12.4)	(82.2)	(4.6)	(7.4)	(9.0)	(9.4)	(9.1)	(10.7)	(12.7)	
CASH FR OPERATIONS	(74.7)	(52.3)	(93.9)	6.9	20.2	38.4	61.3	80.0	100.8	126.1	
NON-RECURRING EXP.											
CAPITAL EXPENDITURES	(9.4)	(1.2)	(12.2)	(2.0)	(65.6)	(2.0)	(2.0)	0.0	0.0	0.0	
RENOVATION	0.0	0.0	0.0	(20.0)	(60.0)	0.0	0.0	0.0	0.0	0.0	
FINANCING REQUIREMENTS	(84.1)	(53.5)	(106.1)	(15.1)	(105.4)	36.4	59.3	80.0	100.8	126.1	

	HISTORICAL				PROJECTIONS						
FUNDING SOURCES:	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	
USAID	83.6	47.7	41.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
PETRA	0.0	0.0	0.0	35.3	15.3	0.0	0.0	0.0	0.0	0.0	
STC	8.1	6.9	54.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
OTHER	2.4	4.0	2.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	
CANADIAN GRANT	0.0	0.0	22.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
TOTAL FUNDING	94.1	58.6	121.4	37.3	17.3	2.0	2.0	2.0	2.0	2.0	338.7
CASH AFTER FINANCE	10.0	5.1	15.3	22.2	(88.1)	38.4	61.3	82.0	102.8	128.1	
CASH ACCUMULATION	10.0	15.1	30.4	52.6	(35.5)	2.9	64.1	146.2	249.0	377.1	
WAGES(DIRECT)	9.1	33.9	43.5	49.6	62.9	79.1	96.0	112.4	131.6	154.4	772.7
SOCIAL IMPACT OF WAGES(INDIRECT)	6.8	25.4	32.6	37.2	47.1	59.3	72.0	84.3	98.7	115.8	579.5
SOCIAL BENEFITS:	16.0	59.4	76.2	86.8	110.0	138.4	168.0	196.7	230.4	270.3	1,352.1
CFO+SOCIAL BENEFIT	(68.1)	5.9	(29.9)	71.7	4.6	174.8	227.3	276.8	331.2	396.4	

RATIOS: (BASED ON YEARS 1987–1998)	FFO NPV	128.8	RETURNS CALCULATED ON CASH FLOW AFTER OPERATIONS
	FFO IRR	33.27%	
	CFO NPV	(2.9)	RETURNS CALCULATED AFTER ADJUSTMENTS (CASH IN OR OUT) FOR NET WORKING ASSETS
	CFO IRR	11.69%	
	CFO + INV NPV	(108.1)	RETURNS AFTER USING CASH FOR NEW OR EXPANDED PROGRAMS AND/OR CAPITAL INVESTMENTS
	CFO + INV IRR	1.83%	
	SOCIAL NPV	715.6	RETURN CALCULATED ON SOCIAL BENEFITS--I.E., CASH FROM WAGES, MULTIPLIER EFFECT AND WEIGHTING

NOTE: FFO=FUNDS FROM OPERATIONS; CFO=CASH FROM OPERATIONS
NPV=NET PRESENT VALUE AND IDRR=INTERNAL RATE OF RETURN

Net working assets grew substantially in 1991, as JRD began to gear up for significantly increased sales volumes. The relatively small size of the operation at present and the need to purchase imported raw materials forces management to buy in larger lots that it would normally, to realize relative cost savings. This resulted in an increase in inventory, and hence an increase in cash for larger net working assets. Projected reductions in net working assets are expected to use significantly less cash for inventory in absolute terms and as a percentage of total sales, down to JD 4,600 in 1992, as sales volume grows.

Non-recurring expenses have been relatively modest for a start-up operation, fluctuating between JD 9,400 and JD 12,200 per year over the past three years. Historical funding from donor agencies has been more than sufficient to cover non-recurring expenditures. Also, these funding sources have been sufficient to cover operating losses in the first three years as well as allow JRD to accumulate up to JD 30,400 in 1991.

2) Projections

JRD will begin to gear up its sales for the domestic market min the projected years. At present, exports constitute only 8% of total sales. Given the difficulty of breaking into new, international markets and increasing sales in a competitive domestic market, management has selected relatively conservative total sales growth targets--20.7% each year on average. With the relocation and improvement of show room facilities in 1992, management anticipates a slightly larger growth of total sales in 1993 and 1994--to a high of 26.8%, dropping off for the last three years of projections to 17.3%.

Even with a relatively modest growth of sales, JRD should be able to begin showing cash profits in 1992 and thereafter. Internally generated funds will finance the projected growth in net working assets. By 1994 cash from operations will cover small additional investments.

However, cash from operations in 1992 and 1993, will not be sufficient to cover the planned non-recurring expenditure to relocate showroom facilities. Internally generated funding and a small amount of projected donor financing in 1992 will cover the JD 20,000 non-recurring expenditure. In 1993 the combination of cash from operations, PETRA funding of JD 15,300, and savings (cash accumulation-1992) will not be sufficient to cover the planned non-recurring expenditure of JD 65,600. Management seeks external donor funding to assist it in developing its new sales center. Cash after financing is negative in 1993. It is projected to be positive in all other future years.

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3) Rate of Return

The net present value (NPV) of funds from operations (FFO) for the twelve years shown (historical and projected) on the attached cash flow projection, is JD 128,800, discounted at 12%. Given the assumed cost of capital of 12%, this indicates a satisfactory rate of return. The internal rate of return (IRR) of the funds from operations reiterates the acceptable level of returns with a calculated reinvestment rate of 33.3%.

Cash from operations reflects a large outlay for growing inventories--particularly notable in 1991. Accordingly, the net present value drops off, to a small negative value of JD 2,900. The internal rate of returns demonstrates, in a percentage format (reinvestment rate), that cash from operations (CFO) is fairly close to the target rate of 12%--with an IRR of 11.69% The rate of return for CFO is skewed by the unusually large change in net working assets in 1991. If that year's change in net working assets were similar to projected years, the net present value would be positive.

Reflecting the heavy investment in premises and equipment (non-recurring expenditures) over 1992-93, the internal rate of return of cash after finance (CFO & INV) is positive at only 1.8%. Once funding for this program is arranged, the project will generate a large internal rate of return as well as a positive net present value.

Projected cash from operations would be able to repay donor funds needed in 1992-93. Subsequent years cash after finance is positive with a projected cash accumulation off JD 377,100 by 1997. This is a strong evidence of project sustainability.

e. Social Benefits

Direct wages by women are 28% of sales, or 45% of the cost of goods sold. This ratio is the basis for the projected rates as well. Direct wages have grown from JD 9,100 in 1989 to JD 43,500 in 1991. With conservative sales growth assumptions, direct wages to women over the ten years will be JD 772,700. Of that total amount, JD 686,200 will be generated in the projected seven years.

The social benefit, calculated as the combination of direct wages and the social impact of wages (indirect) for the combined ten years of the cash flow projection is JD 1,352,100. This includes the impact from wages being respent in the wage-earners' communities--the multiplier of 1.5X, and the impact of wages in a low-income community--the weighting of 1.5X. In the first three years of operations social benefits were JD 151,00. Projected social benefits are expected to be a significantly large portion of the combined figure (social benefits + CFO), or JD 1,200,000, demonstrating that the JRD project is just beginning to develop not

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only its marketing/production capability, but a significant social impact as well. This impact is underscored by the calculated net present value of the social benefit cash flow--JD 715,600, well over the 12% minimum return expected.

f. Conclusions/Recommendations

- Contingent upon funding, JRD should move into the new building where it can present its products more attractively to its customers. This building will also permit more space for administrative functions and warehousing products.

- JRD is currently examining the profitability of each line to judge consistency with its objectives: to sell quality goods in local upscale markets. Eventually it will narrow its product lines to items which will sell widely, which will complement each other within the new center, and which can defend good margins in upscale markets. To control occupancy costs in an inflating real estate market, management should analyze a rent-versus-purchase decision on the new premises.

- A marketing strategy/plan of action should be formulated and written down which clearly states JRD's approach toward both the domestic and export markets and which determines which products should be sold in each market. This is particularly crucial for the export market. JRD should consult with JDTC on this issue in order to assess the possible assistance which they might be able to provide for this task.

- Technical assistance is sorely needed on both the soap-making and the leatherwork activities. Experts from the region should be obtained if possible.

B. Noor Al Hussein Foundation

The Noor Al Hussein Foundation (NHF) was established in 1985, under the patronage of Her Majesty Queen Noor and with the assistance of Mrs. In'am Mufti, the former Minister of Social Development, to promote a better quality of life in Jordan. It has been active in various social and cultural causes over the years to accomplish that goal. The various types of programs it is engaged in include integrated rural development, village development funds, health communication program using social marketing, and programs to empower women. In 1985, the NHF brought a marketing consultant from Save the Children in the U.S. to research the causes of decline in handicraft production in Jordan. The consultant's initial study confirmed that various marketing issues, including lack of product diversity, high prices, and poor design impacted upon on the production and marketability of Jordanian handicrafts. This study prompted the NHF to initiate a national effort to stimulate demand through a comprehensive marketing program.

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1. National Handicraft Development Project/Jordan Design and Trade Center

a. History and Description of Activities

The National Handicraft Development Project (NHDP) began under the auspices of the NHF in July 1988. Its major goals were the following:

- To create employment and increase income among low-income communities, particularly among women;
- To contribute toward the development of women as wage-earners and decision-makers;
- To preserve traditional craft techniques and stimulate appreciation for them among Jordanian people; and
- To increase foreign exchange earnings for the kingdom.

A PETRA grant to the NHF in the amount of $255,159 and JD43,859 was approved in 1988 to assist in the development of the NHDP.

In April 1990, the Jordan Design and Trade Center (JDTC) was established in Amman to serve as the focus of the NHDP. This center now serves as a wholesale showroom, sample production facility, and as an administrative office for the NHDP. The services of the JDTC were to be available to all interested individuals and organizations, including private voluntary organizations as well as private businesses. As part of the PETRA grant, funds were provided to permit the JDTC to contract with Aid to Artisans (ATA) in the U.S. for both design and production assistance as well as marketing assistance in the U.S. In 1990, the PETRA grant was amended to provide a total of $604,552 and JD26,011 in funds to the NHF. Total funds currently allocated to the NHF by the PETRA Project are $1,125,000, including a pending amendment for $375,000. The NHDP has also received funding from the DEF and UNIFEM and small grants from the Netherlands, Canadian and Australian embassies.

b. Handicraft Analysis

1) Production

The JDTC uses an approach of developing marketable products and then creating small production models which can be replicated to meet increased demand. This market-based approach has proved to be both flexible and effective in improving the design, production and marketability of Jordanian handicrafts. It has permitted the JDTC to reach nearly 2000 beneficiaries, mostly women, throughout the kingdom, including all crafts groups that it has assisted.

The principal JDTC approach is to identify community groups which contain members with basic handicraft skills and then to assist

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those groups to develop their designs and production to meet a targeted market. The thrust of this effort is to develop handicrafts which are export-oriented, although the domestic market has also benefitted from these activities. An essential element of this approach is the provision of training to improve management and production at the grass-roots level and to transform subsidized, charitable production groups into viable businesses. The JDTC has full-time training staff as well as access to part-time consultants, both Jordanian and expatriate, to provide assistance in design and production techniques. Two well-known, Jordanians have provided design assistance, although their time has been limited since they operate businesses themselves. The ATA has provided valuable assistance to various groups, particularly in the modification of designs to meet export markets and in the development of more modern production methods. Particular success has been achieved in improved dyeing procedures and in developing better looms for carpet production.

The JDTC also works with private businesses which produce handicrafts. Currently, its clients include 5 private businesses and 15 community-based production centers. It anticipates the number of the latter to grow to 20 - 25 by the end of 1992. The staff expressed a bias toward working with community groups, since they tend to reach more beneficiaries through those groups. They said that most private businesses only employ one or two individuals. The JDTC has trained about 900 persons - 70 in management and other business skills and the others in dyeing, embroidery, weaving and sewing.

Overall production is based on orders received by the JDTC, special events, and forecasts of future demand. All work is done either in the home or in the production centers and wages are paid based on the quality of the piece produced. The JDTC encourages full-time employment of the women producing the crafts at the centers. The average monthly wage is JD50. Quality checks are performed by supervisors in the field as well as at JDTC headquarters when items are brought there for sale. Raw materials, are provided by the JDTC to the production centers. Since many of them are imported (fabric from Egypt and Syria, thread from France), the JDTC serves a valuable function in this area. It has developed a spinning center in the Gaza UNRWA camp near Jerash to provide wool thread. The evaluation team visited the Jerash Center which is housed in a community center built by the Ministry of Social Development. Jerash sales and employment increased sixfold between 1989, when JDTC first started marketing their products, and 1990. This is one of the centers which produces the embroidered cushions and other items using a Jordanian stitch. The evaluation team was impressed with the quality of the items produced.

2) Marketing

The JDTC's approach to production is dependent upon the effectiveness of its approach to marketing. As such, it has attempted to find a means to not only increase domestic sales of handicrafts, but to increase exports as well. This strategy is based on a recognition that the domestic market can only expand so far, and that the long-term viability of Jordanian handicraft production is based on the development of a strong export market.

Of its total sales of JD114,700 in 1991, 40% were to the export market. The JDTC's current goal is to increase that percentage to, at least, 60%. To accomplish that goal, the JDTC seeks to develop long-term relationships with foreign buyers. It is still learning which outlets and markets have the best potential. Its means of finding those market niches include trade fairs in Europe and the U.S., contacts with wholesalers in the region, marketing visits to potential buyers (often coupled with trade fair participation to save travel costs), visits from mail order and retail buyers and exploration of the production of a mail order catalog, and sales of samples to informal agents resulting from personal contacts or interested parties visiting the JDTC showroom in Amman.

The approach taken by the JDTC is reasonable, with the most effort being put in its participation in trade shows. Although these are relatively expensive, these are the most effective means of determining the desires and requirements of buyers who can boost production levels through large purchases. JDTC staff believe that the "handicrafts" market, per se, is too confining and views the home furnishings, floor coverings and gifts markets as the three areas in which to concentrate its export marketing efforts. The JDTC has had assistance from ATA in marketing in the U.S. Although staff believe that assistance has been helpful, it has not resulted in substantial orders to date.

The JDTC believes that the creation of name recognition for Jordanian handicrafts is important in developing an export market. This is where its perceived role as coordinator for all of Jordanian handicrafts production and marketing is most logical. The JDTC continues to need assistance to conduct its export marketing efforts and would need considerable additional assistance to develop a program for name recognition. Name recognition is generally built up over years; it is doubtful that it could succeed through any kind of publicity campaign. Brochures, literature and strategically-placed news articles can help; but the buying public usually requires experience with products such as the Jordanian handicrafts before a promotion campaign can really substantially affect sales.

In regard to the marketability of the products being offered by the JDTC, the quality factor will be no problem - most of the products are of good quality and can compete internationally on that basis. The high cost of labor in Jordan and the desire by the PVOs engaged in handicraft production to pay a reasonable wage to the producer limits the competitiveness of Jordanian handicrafts, however, on a price basis. This cost factor requires that the JDTC aim at the higher priced markets and try to eliminate middlemen. The products can compete if this strategy is maintained. More efforts to lower the costs of goods sold - through greater worker productivity, more efficient operations (centralized spinning and dyeing, specialized cutting and assembly centers), economies of scale factors, etc. - are clearly needed. JDTC is cognizant of this issue and has been working hard to reduce these costs.

The JDTC sees itself as the predominant marketer of Jordanian handicrafts abroad. This is an accurate viewpoint, for the most part. However, there is concern on the part of the other major PVOs that the JDTC should not serve as the exclusive outlet for their goods (although JDTC management did not perceive JDTC as an exclusive outlet). The evaluation team believes that this issue should be resolved by market forces, i. e., if other groups can sell their products more effectively than the JDTC, they should be given that opportunity. JDTC's efforts in this area will only be effective if they are perceived as providing additionality to the efforts of production groups (or private businesses, for that matter). On the other hand, it is doubtful that most of the community-based groups currently served by the JDTC will ever be able to effectively market their products overseas. They operate on too small a scale and do not have the sophistication or contacts of the other large PVOs. The JDTC can effectively serve as a wholesaler for their products.

On the other hand, the marketing efforts of the JDTC are also viewed as its chief income-generating activity. It collects a commission (currently 10-15%) on all goods sold. The other major PVOs represent a substantial source of income for the JDTC through commissions on sales of their products. If those are not forthcoming, the JDTC will have a harder time to achieve breakeven. This point is discussed in further detail in the section on financial sustainability below.

c. <u>Management</u>

Management of the JDTC appears strong. The NHF Director General, Mrs. Mufti, is responsible for overall policy of the JDTC. The organization is currently jointly managed by a Jordanian and an expatriate. The Jordanian manages most of the day-to-day administrative, staffing and financial operations of the JDTC and the expatriate handles most of the reporting, proposal-writing and relationships with donors. Both work on design and production and on overall policy issues. It is anticipated that the Jordanian co-manager will take over full responsibility when the expatriate's contract is concluded.

The JDTC has three departments - training, design and administrative (including sales). The training department is composed of a training manager, technical trainer, dyeing

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assistant, two producer liaisons, and a driver. The design department is led by a design coordinator and assisted by three workshop supervisors for embroidery, sewing and weaving. The administrative department is composed of an officer manager, a sales manager, accountant, secretary, driver and office boy.

It is interesting to note that there is no marketing department in the organizational chart. This reflects, perhaps, the fact that the co-managers and design coordinator have been actively involved in the JDTC's marketing activities. JDTC management stated that a marketing division would increase overhead costs. However, one would think that the development of a marketing division would be an important part of a long-range organizational plan.

Staff are qualified for their positions, for the most part. Staff training is mainly on-the-job, although staffmembers are sent for training in specific areas of need when the opportunity presents itself. For example, the Design Coordinator and the Weaving Trainer were in the U.S. while the evaluation team was in Jordan. They had attended the gift show in New York in February and had stayed on in the U.S. for technical training in design and weaving and for marketing visits.

d. Financial Analysis

(Please refer to the chart on the next page for the following financial analysis. This chart was designed to measure the financial sustainability of the project and was based on historical financial data. Projections for future years was based on informed assumptions regarding sales and costs in consultation with project management. An explanation of the financial analysis model used is found in Annex 5.)

1) Historical

The Jordan Design and Trade Center (JDTC), established in 1990, provides design, production and marketing services to the Jordanian handicraft producers. The JDTC advises PVOs and private firms on product design and development and trains its clients in production, management and marketing techniques. It earns its revenues from selling Jordanian handicraft products. Currently it charges a 10% markup on handicrafts sold.

JDTC's objective is to support the growth of handicraft production in Jordan. The majority of consulting clients are not able to pay for the services they receive--certainly not at market rates. Since commissions of handicraft sales currently provide the only real source of revenue, JDTC will not be expected to earn and retain cash from profits until their export marketing strategy succeeds. At that time JDTC will be able to successfully represent and export a larger volume of goods, providing it with more income from total sales. Meanwhile, JDTC may be able to begin charging

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JORDAN DESIGN AND TRADE CENTER

25APR92

ASSUMPTIONS:	
DISCOUNT RATE	8% Development Rate
COST OF CAPITAL	12% Long-Term Loan Rate
MULTIPLIER	1.50 Ripple Effect of Earnings
WEIGHTING	1.50 Value of Income to the Poor

AMOUNT IN JD '000	HIST. VALUES		PROJECTIONS							
SALES:	1990	1991	1992	1993	1994	1995	1996	1997	1998	
BEST CASE	0.0	0.0	180.0	300.0	500.0	750.0	1,000.0	1,250.0	1,500.0	
WORST CASE	0.0	0.0	125.0	150.0	180.0	216.0	259.2	325.0	390.0	
REASONABLE	0.0	0.0	140.0	200.0	280.0	392.0	540.0	675.0	810.0	
PROBABLE CASE	80.6	114.7	144.2	208.3	300.0	422.3	569.9	712.5	855.0	
% CHANGE	NA	42.3%	25.7%	44.5%	44.0%	40.8%	34.9%	25.0%	20.0%	
	1990	1991	1992	1993	1994	1995	1996	1997	1998	
TOTAL SALES	80.6	114.7	144.2	208.3	300.0	422.3	569.9	712.5	855.0	3,407.5
COST OF GOODS SOLD	(71.7)	(101.5)	(122.5)	(177.1)	(255.0)	(348.4)	(455.9)	(570.0)	(684.0)	
DEPRECIATION EXP.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
OPERATING EXP.	(75.0)	(95.6)	(129.2)	(129.2)	(81.6)	(81.6)	(81.6)	(81.6)	(81.6)	
FUNDS FROM OPER	(66.0)	(82.4)	(107.6)	(98.0)	(36.6)	(7.7)	32.4	60.9	89.4	
CHANGE NWA	(33.2)	(13.6)	(17.0)	(9.6)	(13.8)	(18.4)	(22.1)	(21.4)	(21.4)	
CASH FR OPERATIONS	(99.2)	(96.1)	(124.6)	(107.6)	(50.4)	(26.0)	10.2	39.5	68.0	
NON-RECURRING EXP.										
TRAINING	0.0	0.0	(28.8)	(28.8)	(28.8)	(9.6)	(9.6)	(9.6)	(9.6)	
CAP. EXPEND. & R&D	0.0	0.0	(97.9)	(71.9)	(15.4)	(5.1)	(5.1)	0.0	0.0	
TOTAL INVESTMENTS	0.0	0.0	(126.7)	(100.7)	(44.2)	(14.7)	(14.7)	(9.6)	(9.6)	
FINANCING REQUIREMENTS	(99.2)	(96.1)	(251.3)	(208.3)	(94.6)	(40.7)	(4.5)	29.9	58.4	
	HIST. VALUES		PROJECTIONS							
FUNDING SOURCES:	1990	1991	1992	1993	1994	1995	1996	1997	1998	
USAID	0.0	0.0	112.0	76.5	43.5	17.9	0.0	0.0	0.0	
DEF	0.0	0.0	84.9	56.1	0.0	0.0	0.0	0.0	0.0	
UNIFEM	0.0	0.0	33.0	33.0	33.0	0.0	0.0	0.0	0.0	
OTHERS	0.0	0.0	4.3	4.3	4.3	4.3	0.0	0.0	0.0	
TOTAL FUNDING	0.0	0.0	234.2	169.9	80.8	22.2	0.0	0.0	0.0	507.1
CASH AFTER FINANCE	(99.2)	(96.1)	(17.1)	(38.4)	(13.8)	(18.5)	(4.5)	29.9	58.4	
CASH ACCUMULATION	(99.2)	(195.3)	(21[illegible].3)	(250.7)	(264.5)	(283.0)	(287.4)	(257.5)	(199.1)	
WAGES(DIRECT)	30.8	43.6	61.3	88.5	127.5	174.2	227.9	285.0	342.0	1,380.9
SOCIAL IMPACT OF WAGES (INDIRECT)	23.1	32.7	46.0	66.4	95.6	130.7	171.0	213.8	256.5	1,035.7
SOCIAL BENEFITS:	53.9	76.4	107.2	154.9	223.1	304.9	398.9	498.8	598.5	2,416.6
CFO+SOCIAL BENEFITS	(45.3)	(19.7)	(144.1)	(53.3)	128.6	264.1	394.5	528.7	656.9	1,710.4

RATIOS: (BASED ON YEARS 1990-1998)			
	FFO NPV	(216.7)	RETURNS CALCULATED ON CASH FLOW AFTER OPERATIONS
	FFO IRR	-14%	
	CFO NPV	(318.8)	RETURNS CALCULATED AFTER ADJUSTMENTS (CASH IN OR OUT) FOR NET WORKING ASSETS
	CFO IRR	-24%	
	CFO + INV NPV	(519.5)	RETURNS AFTER USING CASH FOR NEW OR EXPANDED PROGRAMS AND/OR CAPITAL INVESTMENTS
	CFO + INV IRR	-219%	
	SOCIAL NPV	886.0	RETURNS CALCULATED SOCIAL BENEFITS--I.E., CASH FROM WAGE MULTIPLIER EFFECT AND WEIGHTING

NOTE: FFO=FUNDS FROM OPERATIONS; CFO=CASH FROM OPERATIONS
NPV=NET PRESENT VALUE AND IRR=INTERNAL RATE OF RETURN

and receiving some cash from clients for consulting services, especially the larger PVOs with the ability to pay.

This type of export business normally requires a high volume of sales to justify the small profit margins. In addition to the standard constraints, JDTC currently is experiencing not only the costs associated with setting up a new operation, but also the cost of providing services to an industry that is not yet able to supply an adequate supply of high quality products to export. Also, JDTC is suppressing its export prices in an effort to penetrate new markets. Hence the current combination of costs of goods sold and operating expenses exceed cash earned from sales.

Costs of goods sold as a percentage of total sales were 88% for both 1990 and 1991, the first two years of operations. Management indicated that it will be able to reduce the cost of goods sold as a percentage of total sales by eliminating "middlemen" in the marketing process. As management gears up for larger export volumes it should be able to reduce cost of goods sold to 80% of total sales.

Operating expenses were 93% of total sales in the first year of operation and 83% in the second year (1991). This is a drop of 10%. Operating expenses for the first three to five years are expected to run higher than a mature exporting business. This factor is compounded by the amount of clients who are not able to pay for services received. To the extent that JDTC uses its donor funding to start up handicraft production units, it will have a slower realization of a return on investment from its own start-up capital. Management is aware of this timing issue as well as the need to reduce operating costs as quickly as possible. Management will need several more years of operations to establish a sound handicraft production infrastructure prior to achieving sufficient revenues from exports to break even.

Cash used for changes in net working assets (inventory, accounts receivable and accounts payable) dropped significantly in the second year of operation, down from JD 33,200 in 1990 to JD 13,600 in 1991. It is expected to become a much smaller percentage of cash from total sales as the project evolves, which is typical of a service organization.

Cash from operations (CFO) is expected to be negative until 1995 as a result of high operating expenses in the set-up phase, [illegible] high cost of goods sold and a large cash usage for net working [illegible]ts. However, CFO will improve significantly in 1993 and 19[illegible] [illegible]s revenues increase.

2) <u>Projections</u>

The assumptions utilized in the analysis of projected cash flow are based upon audited historical financial statements and discussions with JDTC management.

The Best Case projection is predicated upon a resumption of tourism to Jordan and a high degree of success in marketing to American and European buyers. The Worst Case projections assume a continuation of low-level tourism in Jordan and delays in discovering the right niche to aid export expansion.

The Probable Case projects total sales growing moderately at a rate of 25.7% in 1992 and between 35% and 44% for the following four years. In the final two projected years, 1997-98, sales are projected to grow more modestly at 25% and 20% respectively.

A central assumption is that if sales grow, the project's cost of goods sold as a percentage of total sales will decline. Management anticipates that the percentage will decrease to 83% in 1995 and 80% in 1996. This cost reduction is possible due to elimination of middlemen, the efficiency of larger volumes and to price increases as product recognition grows and the export products gain a foothold in foreign markets.

With sales increases, better margins and controlled operations costs, JDTC projects a profit in mid-1995. From mid-1995 forward cash generation will strengthen and begin covering the cash usage for net working assets (NWA). Cash from operations is projected to triple in 1997, increasing from JD 10,200 in 1996, to JD 32,400 in 1997, and doubling again in 1998, increasing to JD 89,400.

Non-recurring expenditures for start-up activities, training and overseas marketing are imperative in order to penetrate OECD markets and expand exports. Significant non-recurring expenditures are projected for the next three years, at JD 126,700 in 1992 and tapering off to JD 44,200 in 1994. Thereafter, non-recurring expenditures assume a more modest cash outlay, between JD 14,700 and JD 9,600 through 1998.

Donor funding will provide substantial support to JDTC over the next few years, covering operating losses through 1992-94. This support is critical to the program as JDTC's operating losses decline through 1995 with a positive cash flow from operations achieved in 1996. However, JDTC's current plan for capital expenditures will use slightly more cash than will be provided by operations and donor sources. The amount of cash shortfall after financing from donor sources also declines over the years 1992-96, attaining total sustainability in 1997.

3) Rates of Return

The internal rate of return for the two historical years and the seven projected years for funds from operations (FFO), cash from operations (CFO) and cash from operations plus non-recurring

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expenses (CFO+INV) are all negative due to the current high cost of goods sold, high operating expenses and lower sales volumes expected in the start-up phase of JDTC.

At present and through the next four years of operation JDTC is not self-sustainable unless it can improve its margins, raise volume, and/or increase donor funding. This is a funding decision to be made on the basis of JDTC's improving performance over time and a continuing evaluation of the value provided to the individual producers and their communities.

e. Social Benefits

The value of social benefits directly attributable to JDTC and the wages it pays employees and contractors is calculated at 43% for the years 1990-91 and 50% for the years 1992-98 of the cost of good sold. These benefits offset the internally generated negative cash flows of the first seven years of operations (two historical and five projected). Net present value of the cash stream of social benefits for the nine years of the projections is positive--JD 886,000-- indicating a satisfactory return above the minimum expected rate of return of 8%.

Wage earnings of JD 1,400,000 for the nine years will be passed to handicraft producers based on the projected sales of JD 3,400,000 by 1998. The social benefit, calculated as the combination of direct wages and the social impact of wages (indirect) for the combined nine years of the cash flow projection is JD 2,416,600. This includes the impact from wages being respent in the wage-earners' communities--the multiplier of 1.5X, and the impact of wages in a low-income community--the weighting of 1.5X. In the first two years of operations social benefits were JD 130,300. Projected social benefits are expected to be a significantly large portion of the combined figure, or JD 2,286,300. This demonstrates that JDTC is just beginning to develop its marketing and technical consulting services as well as to provide significant directly attributable social impact.

In addition to directly attributable social impact, JDTC is fulfilling a needed role, working to create export markets for Jordanian handicrafts. The fulfillment of this vision in the handicraft sector has wide significance to the targeted communities in terms of employment. Successful efforts by the JDTC can also include positive public relations for Jordan through product-led image advertising.

f. Conclusions/Recommendations

- The NHDP/JDTC is serving a valuable function as the key institution focusing on the dual functions of international marketing and the improvement in design and production of Jordanian handicrafts. It has accomplished a great deal during its 3 1/2 year existence. It now has a well-staffed institution with the capability to design marketable products and to organize community-based groups to produce the handicrafts.

- The JDTC has succeeded in accomplishing its goals of increased employment and income among low-income communities, particularly among women as well as contributing toward the development of women as wage-earners and decision-makers. It has also made a significant start in preserving traditional craft techniques and stimulating appreciation for them among Jordanian people. As the market expands, production and employment will increase as well, thus achieving greater gains in the achievement of these goals.

- The JDTC will need further assistance in developing its export markets. This will require the variety of activities mentioned above in the section on marketing. Participation in a minimum of two and maximum of four trade shows per year should be budgeted for the next two years to sound out the market for Jordanian handicrafts and to develop long-term relationships with buyers.

- JDTC is working to create export markets for Jordanian handicrafts. The fulfillment of this vision in the handicraft sector has wide significance but the effects on foreign exchange would be negligible. The principal focus of the JDTC is to increase employment through the production of handicrafts. The development of handicraft exports is a factor in achieving that goal.

- The long-term sustainability of the JDTC should be closely examined during future efforts to assist it. The evaluation team suggests that JDTC staff be given technical assistance to focus on this issue as part of any future technical assistance package. The recurring training costs caused by the development of new production centers will be a constant drain on income received from marketing commissions. It may be necessary to look for other sources of funds, such as fees for design and production assistance to groups which can afford them. Other local sources of long-term assistance for non-marketing activities such as training may also be necessary.

C. Queen Alia Jordan Social Welfare Fund

The Queen Alia Jordan Social Welfare Fund (also known as the Queen Alia Fund - QAF) was established in 1977 as a non-profit organization with the purpose, as its name implies, of improving the social welfare of the people of Jordan and meeting the basic needs of the less fortunate members of society. The Chairperson is Her Royal Highness, Princess Basma Bint Talal. Her Highness takes an active role in the operation of the QAF and the evaluation team was fortunate to have the opportunity to meet with her during the course of the evaluation to discuss the role of the QAF in the development of income generation activities in Jordan.

According to the 1989 Annual Report of the QAF and from interviews, the QAF has a number of activities focused on social development. These include the following:

- Social Service Centers (8 main centers and 16 branches dispersed throughout the Kingdom)
- Child Welfare Programs
- Women's Welfare and Rehabilitation Programs
- Productive Industries
- Rural Development Programs
- Special Education Programs
- Seminars, Meetings and Workshops on Various Development Topics
- Participation in the Formation and Hosting of Meetings of National and International Organizations Devoted to Development

The 1989 Annual Report states that "the Fund's work for the nineties will emphasize setting up and expanding productive industries, to help provide new job opportunities, especially for women, enabling them to contribute to their family's income and to help to assure a better future for their country."

1. <u>National Ceramics Center</u>

a. <u>History and Description of Activities</u>

The National Ceramics Center (NCC) is a project of the QAF and falls under the productive industries category of activities supported by the QAF. Begun in 1989, the objective of the program was to train underprivileged Jordanians in the art of pottery manufacturing and to turn that skill into commercial opportunities. The program was to create jobs at the center itself and to provide the opportunity for trained potters and artists to start small manufacturing operations in rural areas. The NCC is currently producing one-of-a-kind, traditional-design pieces and mass-produced tableware. It currently employs approximately 30 people.

The PETRA Project provided NCC with a $450,000 grant in 1990 for technical assistance, training, administration and equipment. The majority of the funds ($308,700) will go towards the purchase of equipment to be installed in a new production facility currently under construction and funded through the IDB, with land donated by the Amman municipality. Operational costs of the center are covered by the QAF.

The new center will continue both types of production, but will

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increase production of the mass-produced items in order to help to achieve financial sustainability. The new facility and equipment will help to improve the quality of the mass-produced items in quantities that will permit sales to the local market at a lower price. With the new facility, management plans on an initial increase in commercial production employment to 50 workers and, eventually, due to increased production and sales, to 80.

b. Handicraft Analysis

1) Production

About 60% of current production is now mass-produced with molds. It is anticipated that 80% of production in the new facility will be mass-produced commercial ceramics and 20% artistic ceramics. The cramped quarters in the current facility and the existing equipment limits production. The commercial pieces inspected by the evaluation team were of limited quality, but serve a utilitarian need for tableware in the local market. The NCC also responds to a custom market in that they will cast replicas of pieces brought in by clients. The number of casted pieces per day is currently about 92.

On the other hand, the artistic pieces have high quality designs and require extensive handwork. This is substantially responsible for their high costs. The NCC has one master potter and 23 workers of whom about 7 work in the artistic section and the others in the commercial section. Designs derive from traditional Jordanian designs and include Palestinian, Bedouin and Islamic patterns.

The NCC was assisted by two consultants from UNIDO specializing in ceramics last year. He provided valuable advice on the improvement of production methods and other technical aspects.

A current constraint on costs is the need to import clay from Italy. Management hopes to gradually replace imported clay with local materials, if it can solve the benefication problems due to the high iron content of the local clay.

2) Marketing

Sales in 1991 were JD56,500, as compared to JD13,000 in 1989-90. Sales of commercial to artistic products were about 50/50.

The mass-produced ceramics compete favorably in the local market with popular, imported interior design and serving pieces. NCC claims that they can deliver to retailers essentially the same product that can be sold profitably for one third the price of an Italian item. Lower price generates volume among middle income customers who appreciate the savings. The devaluation of the dinar has also helped NCC to compete with imported products. NCC markets directly from its show room in the center and through local wholesalers and retailers.

The biggest local competitor with the mass-produced ceramics is Jordan Ceramics which is a joint-venture with the Chinese. It was estimated that Jordan Ceramics now controls about 60-70% of the domestic market. NCC expects their market share to go from less than 5% to 10% as a result of the increased production made possible by the new factory.

It is questionable that the mass-produced items would ever be able to compete with items from other countries with lower labor costs.

NCC markets its artistic work locally through its showroom at the center and through outlets in major hotels. These hotels often ask the NCC to design special logo pieces as well. Chief competitors of artistic ceramics are imports from Morocco, Tunisia and Turkey. Because of the high labor content, the hand-thrown and hand-crafted artistic pieces have had to drop prices to contend with local demand.

Current exports are minimal and rely mainly on a handful of agents who purchase items and ship them to regional markets in North Africa and the Gulf. In comparison with other high-quality artistic pieces from other regional competitors, the Jordanian pieces are considerably over-priced. The prospects for exports are dim unless prices can be lowered considerably. NCC management contends that the new facility will allow their products to compete price-wise.

The design coordinator has attended the Berlin tourist fair for the past two years with funding from GTZ. This does not appear to have resulted in any sales of any volume, however.

c. <u>Management</u>

The director of NCC is an industrial engineer and the head designer, a well-known Jordanian artist. Other staff include a registered public accountant and a salesperson. Twenty-six full-time workers comprise the production force of potters, kiln tenders, glazers and others.

NCC has sent an employee to the U.S with PETRA funds to be trained in marketing. Another was also sent for training in mold-making. Normal training in production is on-the-job.

Current management staff are capable, but is thin at the top. If the NCC is to grow, it will need to develop greater staffing depth. The two staffpersons who were training in the U.S. during the evaluation team's visit are technical staff. The Manager stated that he needs an assistant. An assistant would help to solve the management depth problem. The NCC should also be able to make good use of the remaining funds for technical assistance and training.

d. Financial Analysis

(Please refer to the chart on the next page for the following financial analysis. This chart was designed to measure the financial sustainability of the project and was based on historical financial data. Projections for future years was based on informed assumptions regarding sales and costs in consultation with project management. An explanation of the financial analysis model used is found in Annex 5.)

1) Historical

The National Ceramics Center (NCC) was established in 1989 and began its first full year of operations in 1990. It produces ceramics primarily for domestic sales. The majority of production is mass-produced, though a smaller percentage of output is artistic and competes with high quality imports. The bulk of output is designed to compete with imports and hence is fundamentally an import-substitution program. Accordingly, NCC's success at replacing import sales will generate local jobs and save foreign exchange.

NCC's first two years of operations are typical of a start-up venture, i.e., it generated cash losses from funds from operations. In both years the cost of goods produced and operating expenses exceeded total sales. Given management's inexperience with this type of financial analysis, they included operating costs in the costs of goods sold. Undoubtedly, they also included start-up costs in both categories, thus overstating operating expenses and costs of goods sold. Once volume increases and proper accounting practices are established, NCC should generate margins reflecting core operations that are used in the cash flow projections for future years--i.e., 30-40% for cost of goods sold and 20% for operating expenses.

The initial capitalization of JD 450,000 from USAID has allowed NCC to cover growth in net working assets and leave significant cash accumulation for future years' needs. Cash accumulation at year-end 1991 of JD 371,000 will allow management to cover cash deficits, net working asset growth and non-recurring expenses through the projected years. If additional capitalization is required it would be needed in 1994-95, when cash accumulation reaches its lowest level of JD 33,000.

2) Projections

NCC management projects total sales to increase over 100% in 1992 and more modestly in 1993 at 24%, as operations begin to run at fuller capacity. It will be important to verify management's ability to reduce true cost of goods sold during this period. Operating expenses will tend to run at a high level until the second phase of production expansion, planned for 1993-94, is

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NATIONAL CERAMICS CENTER (NCC)

25APR92

ASSUMPTIONS:	
DISCOUNT RATE	6% Development Rate
COST OF CAPITAL	12% Long Term Landing Rate
MULTIPLIER	1.50 Ripple Effect of Earnings
WEIGHTING	1.50 Value of Income to the Poor

AMOUNTS IN JD '000 — HIST. VALUES — PROJECTIONS

SALES:	1990	1991	1992	1993	1994	1995	1996	1997	1998
BEST CASE	0.0	0.0	150.0	180.0	240.0	472.5	710.7	923.9	1,000.0
WORST CASE	0.0	0.0	100.0	130.0	150.0	300.0	450.0	585.0	760.5
REASONABLE	0.0	0.0	120.0	150.0	157.9	315.8	473.8	615.9	800.7
PROBABLE CASE	13.0	56.5	121.7	151.7	170.3	339.3	509.3	662.1	827.2
% CHANGE		334.6%	115.3%	24.7%	12.3%	99.3%	50.1%	30.0%	24.9%

	1990	1991	1992	1993	1994	1995	1996	1997	1998	
TOTAL SALES	13.0	56.5	121.7	151.7	170.3	339.3	509.3	662.1	827.2	2,851.0
COST OF GOODS SOLD	(24.9)	(83.0)	(44.4)	(54.6)	(61.3)	(122.2)	(183.3)	(238.3)	(297.8)	
DEPRECIATION EXP.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
OPERATING EXP.	(7.6)	(25.2)	(24.0)	(43.4)	(145.2)	(186.9)	(221.2)	(221.2)	(165.4)	
FUNDS FR OPERATION	(19.5)	(51.7)	53.3	53.7	(36.2)	30.3	104.7	202.5	364.0	
CHANGE NWA	(1.3)	(6.5)	(9.8)	(4.5)	(2.8)	(25.4)	(25.5)	(22.9)	(24.8)	
CASH FR OPERATIONS	(20.8)	(58.2)	43.5	49.2	(39.0)	4.9	79.2	179.6	339.2	
NON-RECURRING EXP.										
CAPITAL EXPENDITURES	0.0	0.0	(7.0)	(274.4)	(204.2)	0.0	0.0	0.0	0.0	(485.6)
FINANCING REQUIREMENTS	(20.8)	(58.2)	36.5	(225.3)	(243.2)	4.9	79.2	179.6	339.2	

HIST. VALUES — PROJECTIONS

FUNDING SOURCES:	1990	1991	1992	1993	1994	1995	1996	1997	1998	
USAID	450.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
UND	0.0	0.0	0.0	43.5	43.5	0.0	0.0	0.0	0.0	
CID	0.0	0.0	0.0	3.5	3.5	0.0	0.0	0.0	0.0	
TOTAL FUNDING	450.0	0.0	0.0	47.0	47.0	0.0	0.0	0.0	0.0	544.0
CASH AFTER FINANCE	429.2	(58.2)	36.5	(178.3)	(196.2)	4.9	79.2	179.6	339.2	
CASH ACCUMULATION	429.2	371.0	407.5	229.2	33.0	37.9	117.1	296.8	635.9	
WAGES(DIRECT)	7.5	24.9	13.3	16.4	18.4	36.6	55.0	71.5	89.3	333.0
SOCIAL IMPACT OF WAGES(INDIRECT)	5.6	18.7	10.0	12.3	13.8	27.5	41.3	53.6	67.0	249.7
SOCIAL BENEFITS:	13.1	43.6	23.3	28.7	32.2	64.1	96.3	125.1	156.3	582.7
CASH AFTER NRE & SOCIAL BENEFITS	(7.7)	(14.7)	59.8	(196.6)	(211.0)	69.0	175.5	304.7	495.5	674.6

RATIOS: (BASED ON YEARS 1990-1998)			
FFO NPV	268.6		RETURNS CALCULATED ON CASH FLOW
FFO IRR	61%		AFTER OPERATIONS
CFO NPV	208.3		RETURNS CALCULATED AFTER ADJUSTMENTS
CFO IRR	48.74%		(CASH IN OR OUT) FOR NET WORKG ASSETS
CFO + INV NPV		(87.0)	RETURNS AFTER USING CASH FOR NEW OR EXPANDED
CFO + INV NPV		3.99%	PROGRAMS AND/OR CAPITAL INVESTSMENTS
SOCIAL NPV		298.1	RTURNS CALCULATED ON SOCIAL BEANEFITS--I.E., CASH FROM WAGE MULTIPLIER AND WEIGHTING

NOTE: FFO=FUNDS FROM OPERATIONS; CFO=CASH FROM OPERATIONS;
NPV=NET PRESENT VALUE; IRR=INTERNAL RATE OF RETURN AND NRE=NON-RECURRING EXPENSE

completed.

The acquisition and installation of a new kiln and related processing facilities in 1993 will produce considerable financial changes for NCC. Non-recurring expense will increase substantially in 1993, to JD 274,400, and 1994, to JD 204,000, as a result of this major installation. Capital expenditures are budgeted to drop back to near zero in the subsequent years, 1995-98.

Total sales will be significantly disrupted in 1994, as the kiln installation will take several months to complete--disrupting production output. Once the installation is completed and new staff is properly trained, total sales will increase 99% in 1995, and resume a more modest pattern of growth of 50% in 1996, 30% in 1997 and 25% in 1998.

Operating expenses will continue to be a large percentage of total sales through years 1992 to 1996, as management gears up expanded production facilities. This will entail training programs for new production staff, more support administration, and general set-up costs. Once the newly installed capacity is operational in 1994, operating expenses are expected to drop from a high of 85% of total sales (JD 145,200) in 1994, to an average of 20% of total sales by 1998.

Net working assets are projected to be a stable percentage of total sales throughout years 1992-1998. However, internally generated funds from operations will cover these costs for all projected years except 1994, when funds from operations drops, relative to continuing growth in net working assets. This is due to the kiln installation.

In summary, the initial donor funding from USAID will cover operating deficits, cash costs from growth in net working assets and capital expenditures (non-recurring expenses) through 1993. Internally generated cash from operations will cover operating costs until for all projected years except 1994, when newly installed facilities and operations are geared up.

3) Rate of Return

Projections developed with management of NCC indicate that for the combined nine years (two historical and seven projected), it will generate a net present value (NPV) for funds from operations (FFO) of JD 268,600. This indicates a satisfactory rate of return in excess of the minimum 12% assumed cost of capital. The internal rate of return (IRR) also shows an acceptable rate of return with a reinvestment rate of 61%.

Cash from operations for the nine years also generate a positive net present value (NPV),indicating overall cash capacity to cover growing short-term assets growth (net working assets). The net

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present value of cash from operations (CFO) is JD 208,300 with an internal rate of return of 48.7%.

Projected net present value (NPV) for cash after operations and nonrecurring expenses is slightly negative due to the squeeze on operating cash in 1994-95. However, the net present value is relatively close to zero, indicating a discount of only slightly less than 12%. NCC will require additional funding to be able to generate a positive net present value.

e. Social Benefits

Direct wages to employees is 30% of the cost of goods sold. This ratio is the basis for the projected rates as well. Direct wages grew from a modest JD 7,500 in the first full year of operations (1990) to JD 24,900 in 1991. With conservative sales growth assumptions, direct wages to employees over the nine years, will be JD 333,000. Of that total amount, JD 305,100 will be generated in the projected seven years.

The social benefit, calculated as the combination of direct wages and the social impact of wages (indirect) for the combined nine years of the cash flow projection is JD 582,700. This includes the impact from wages being respent in the wage-earners' communities--the multiplier of 1.5X, and the impact of wages in a low-income community--the weighting of 1.5X. In the first two years of operations social benefits were JD 56,700. Projected social benefits are expected to be JD 526,000, indicating that NCC is just beginning to develop both its production capacity and its ability to provide social benefits to the targeted communities.

f. Conclusions/Recommendations.

- It is clear that the NCC is still very much in the start-up phase of business. Sales are still relatively low and the NCC has not yet developed the marketing sophistication and business acumen observed in the SC or JDTC projects. It is on the right track, however, and the new plant and equipment will help it to mover faster toward its business goals.

- Although NCC has already demonstrated good business instincts, it needs to take a more disciplined approach to the organizational aspects of enterprise and how it all fits into a coherent whole. A thorough analysis would simulate alternative scenarios for determining the effects on margins and cashflow of various combinations of hiring, and personnel, purchasing and supplier relations, product life-cycle pricing, scheduling and manufacture, inventory policy, promotion, marketing and distribution, and client relations. Further technical assistance on business planning and market strategy would be helpful. Assistance from the JDTC might be appropriate to accomplish these tasks.

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- Production costs for the artistic pieces need to be lowered, either through reduction in quality of the pieces or through the implementation of cost-cutting measures to lower production costs. The move to the new facility should help.

- Data collection should be improved. To be able to analyze information and make decisions based on reliable facts, NCC should make sure that its upgrading from manual to computerized accounting be the first priority after the new computer is installed. The Director stated that he intends to install a new system when NCC moves into the new production facility.

D. General Union of Voluntary Societies (GUVS)

1. PETRA Project Activities

a. History and Description of Activities

The General Union of Voluntary Societies has been operating in Jordan since 1958. GUVS is a social development organization which is designed to address many social development issues in the country. Where the other major PVOs funded by PETRA have concentrated on running businesses to achieve their social welfare goals, GUVS operates as an apex organization to channel money and training out to some 600 community organizations and local PVOs all over the country. An annual subsidy of JD 600 - 10,000 is provided to each local voluntary society, according to agreed-upon criteria reflecting the magnitude of services rendered to the community by each society. It also supports up to 60% of any project upon the approval of GUVS. GUVS is organized into 7 major departments, one of which, the National Lottery, provides its primary source of revenue. 1991 operating revenues were JD 1.77 million. Of those revenues, slightly over JD .5 million was paid in direct subsidies to local societies and about JD 1 million funded social projects.

In general, GUVS funnels its funds to other organizations. Although GUVS may initiate and direct specific projects, it turns these over to local societies to run, when they are operational. As an umbrella organization it provides training for the staff and volunteers of these organizations, most of which are community-based.

b. Handicraft Analysis

Types of handicraft production (see table below) include cottage industries such as making traditional clothes, woven rugs, carved wooden objects, knitting, household utensils and ornaments. As found in many traditional, charity-oriented PVO's, integration of production with marketing has not been effectively developed. Design, production technology and marketing need to be available to

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GUVS and to the voluntary societies which work at the grass-roots level.

c. Management

An executive council of fourteen elected members from the Union's General Assembly represent the member organizations. The Administrative Board comprised of the President, the Vice-President, the Secretary and the Treasurer make the day to day decisions. A paid staff of forty-seven run the seven departments which include: finance and administration, social cooperation campaign, charitable piaster, the charitable lottery, social studies & research, central information, and engineering. The lottery, charitable piaster, and social cooperation are all innovative, fundraising strategies.

According to management, GUVS' executive council recently introduced an amendment to its bylaws to enable GUVS to execute small profit-making projects directly or through local voluntary societies. This action was taken in response to the government's decision to give NGOs an active role in efforts to increase employment and will come into force in April upon the approval of the General Conference of GUVS. The nature of a few of the sub-projects as described by management, such as the purchase of a cow, do not fall under the enterprise development concept as originally envisioned by PETRA designers. On the other hand, GUVS has been widely acclaimed for its efforts to deal with broad social development issues in Jordan. According to its President, GUVS recently won the "Partners in Development Award for 1991", an international award for projects to aid the handicapped.

d. Financial Analysis

The accounting information received by the evaluation team from GUVS in reference to PETRA funds was limited. The principal document received from management when the team visited GUVS to review financial data was a three page sheet entitled "USAID Projects 1989-1991." This document listed 46 projects. The table below analyzes that data and can be considered a sample.

Types of GUVS sub-projects: 1989-1991.

Type	Number	Amount JD	% Total
Textiles; sewing; knitting; embroid.	17	36.9	33.1
Agriculture; irrigation; agric other	10	15.7	14.1
Handicrafts; product. centers; etc.	5	13.5	12.1
Animal husbandry	4	4.5	4.0

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Health; care for needy	7	26.0	23.3
Beauty salon; furniture; heating sys	3	15.0	13.4
Total	46	111.6	100.0

If the evaluation team had had more time, a return visit to GUVS might have produced more complete information. However, a mid-term evaluation of GUVS was performed by consultants to USAID in 1990 which reviewed GUVS program in detail, including their record-keeping system, and this evaluation team relied on that document. That document should be reviewed by persons seeking more information on GUVS accounting procedures.

The evaluation team was informed that GUVS has funded about 74 sub-projects with PETRA funds to date. Of those, 46 were classified as small, income-generating projects. The rest were projects to establish or upgrade kindergartens and workshops for training of women.

GUVS revenues declined slightly over 1990 and 1991 due to the Gulf Crisis. GUVS has stable sources of revenue apart from donor aid. Furthermore, the President stated that GUVS operates with an outstandingly low administrative ratio (4%) due to a high level of volunteer participation. As a traditional PVO, then, compared to its peers, GUVS operates very efficiently. This strengthens its financial flexibility and sustainability.

e. Social benefits

The social benefits of GUVS are equal to the money it puts in the field (96% of its budget) times the combined multiplier-weighting used to estimate indirect and intangible benefits for PVOs in this evaluation. For the USAID grant to GUVS, then, it would be:

JD 100,000 x 1.75 = JD 180,000,

assuming the beneficiaries spent all the project monies in the local communities. For GUVS as a whole, in 1991's budget alone:

JD 1,34m x 1.75 = JD 2.35 million.

f. Conclusions/Recommendations

- GUVS has tremendous outreach through its member societies and can respond to the needs of traditional charitable organizations in communities around the country. Based upon limited observation and the mid-term evaluation comments, there is no reason to believe that GUVS does not do its job well. It would therefore be in GUVS interest to disclose and present its financial data in a clearer way so that outsiders

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could appreciate their good work more fully. For example, the collection of sub-project data as specified by the mid-term evaluation was not evident in the files the team examined. This data would assist analysts to measure outcomes and impact.

- Management assistance to GUVS might be considered to help them better organize and implement their income generation programs and related financial data systems.

- GUVS is a likely candidate for JDTC assistance in design and marketing of handicrafts produced by their income generating projects. With its resources, it should be able to help JDTC offset the costs of training and marketing.

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