



CHEMONICS INTERNATIONAL INC.

Electronic Document Submission Title Page

Contract No.: 278-C-00-02-00210-00

Contractor Name: Chemonics International, Inc.

USAID Cognizant Technical Office: Office of Economic Opportunities
USAID Jordan

Date of Product/Report: September 2004

Product/Document Title: MSE Development – Phase One, Design
Final Report

Final

Author's Name: David Lovegrove

Activity Title and Number: MSE Development – Phase One, Design 338.1

Name and Version of Application
Software Used to Create the File: MS Word 2002

Format of Graphic and/or Image File: N/A

Other Information: N/A

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

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Author's name:	David Lovegrove
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Funded by U.S Agency for International Development

This report was prepared by David Lovegrove a consultant working for The Services Group (TSG), Washington, in collaboration with Chemonics International Inc., as prime contractor to the United States Agency for International Development for the AMIR 2.0 Program

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EXECUTIVE SUMMARY

The critical economic challenges facing Jordan are modest economic growth rates, insufficient international competitiveness, persistent poverty, high unemployment, sagging per capita incomes and economic structural imbalances. All of these factors threaten Jordan's ability to generate new economic opportunities for its citizens and limit private sector trade and investment. In short, Jordan must grow its economy at sustained "real" rates above 5% per annum in order to begin to address the pressing poverty and unemployment problems. The JV 2020 exercise estimates 8.4% per annum increase in GDP as the rate necessary to achieve a doubling of GDP per capita by 2020.

One of the ways identified to assist in this process is the development of a National Linkage Program whereby small and medium sized Jordanian enterprises supply some of the demand components of the countries larger companies which are currently being imported. The concept for this Linkage Program was developed under the AMIR Program and recently approved for implementation by the Minister for Industry and Trade.

The purpose of this study is to ascertain the potential for extending the National Linkage Program to include enterprises operating at the lower end of the employment classification of "small". It is felt desirable to include these enterprises as their involvement will have a real impact on the enterprises most in need of assistance and help bring the benefits of economic growth to disadvantaged areas in the country

In the course of discussions establishing the base data for this study, the consultant identified a number of issues, each one of which would represent a reasonable argument in favour of implementing a pilot program aimed at small scale enterprise involvement in the National Linkage Program. They are as follows:

1. The fact that approximately 95% of enterprises in Jordan fall into the small/medium size category and it is necessary to provide assistance for this key sector
2. The Ministry of Industry and Trade is anxious to see the project proceed
3. There is no effective comparable service available to small scale enterprises (while JIB does run a form of business to business program, it does not offer the range and complexity of facilities that the linkage program will offer).
4. At a meeting in Zarqa Chamber of Industry, the General Manager cited a number of instances where Jordanian companies were importing components because they did not know that there were companies in Jordan making the exact products that they were importing.
5. The small scale enterprise sector is constantly complaining that the government is not doing enough to help it

The consultant is in no doubt about the logic of proceeding with the pilot program to test the mechanisms outlined in this document.

In incorporating the small scale enterprises component into the National Linkage Program it is important to ensure that it adds value to the process and is capable of being fully integrated into the overall linkage mechanisms without detracting in any way from the main focus of the National program. The pilot program is designed in such a way that its mechanisms are compatible with those of the National program and, in fact, the inclusion of the small scale component will greatly enhance the scope and range of the National program. It will also enhance the ability of the National program to achieve quick hits as well as be effective in a wider dimension within the economy.

When introducing small scale enterprises into the National Linkage Program and given that it is not normal practice to operate a linkage program in this manner, it is critically important to test, not only the concepts, but also ensure that the introduction of small scale enterprises does not negatively impact on the operation and achievements of the National Program. Accordingly, it is recommended that a pilot program be established along the lines as set out below.

Geographic Location:

The National Linkage Program will be proceeding on a country-wide basis in order to help establish the critical mass of both demand products and potential supply companies that are necessary to produce a viable program. However, in the case of small scale enterprises, it is recommended that their participation in the Linkage Program, in addition to being through a pilot program, be tested on a geographic basis. The main reason being that the number of potential participants, if run on a National basis, would greatly exceed the capacity of the program to service them. This would lead to disillusionment, negative press and the possibility of the program being cancelled. In addition, small scale enterprises do not have the ability to serve a national market. They need to focus on supplying companies located close by and as they develop, they can service more distant markets.

In selecting a suitable location for the Pilot Program, it is felt desirable to have the following constituents present:

- A QIZ
- An area that, in addition to a QIZ, has a significant number of potential purchasing companies located in the immediate vicinity.
- A critical mass of small scale enterprises with the potential to become suppliers of goods and services to larger companies.
- An organisation (preferably a Chamber of Industry) that can act as a co-sponsor to the program and provide assistance in its operation.

Having reviewed a number of locations (Amman, Zarqa and Irbid), it is recommended that Zarqa be selected as the location for the pilot program.

Co-sponsoring Organisation:

Given the location of the pilot program, it is recommended that Zarqa Chamber of Industry be the co-sponsoring organisation for the small scale enterprise component pilot program and that a memorandum of understanding be entered into with the Chamber.

The Chamber will be a very proactive and positive partner organisation in the pilot program and its participation will help make a success of the program.

Duration of Pilot Program:

It is recommended that the duration of the pilot phase be one year, after which a review be carried out to evaluate its effectiveness overall and its progress against the pilot phase targets set out in section 4.6. On the basis of this review, a decision can be made as whether the component be extended to other geographic areas, extend the pilot phase for a further period or cancel the component.

Pilot Program Targets:

In order to give some benchmarks against which the success of the pilot program can be evaluated, it is recommended that the following targets are adopted:

- 1. Number of seminars held = 12 seminars**
- 2. Number of training courses organised = 8**
- 3. Number of enterprises registered onto the approved supplier list = 250**
- 4. Number of business to business linkages effected = 75**
- 5. Amount of new business generated = JD 250,000**

While the achievement of these targets is important, they should not be the only basis on which the success of the program is judged at the end of the pilot program. Other issues for consideration could be: the view of the Chamber of Industry, feed-back from both small scale enterprises and purchasing companies, political reaction, the opinion of donor agencies etc.

Staffing Requirement:

The staffing requirements for the small scale enterprise component of the National Linkage Program is as follows:

Small scale enterprise linkage executive:

The job specification for this person is set out in Appendix 4. Basically, the small scale enterprise linkage executive will be on the same level as the other linkage executives operating the linkage program and report directly to the Linkage Director, but will have specific responsibility for the small scale enterprises component of the program.

Office Administrator:

This person will be responsible for providing an administrative and secretarial support to the component. The principal tasks will be:

- Managing the office
- Maintaining the data base
- Keep proper records of account relating to the expenditure of the component
- Arrange appointments
- Assist in organising promotional events
- Assist with newsletters etc

- Keep proper filing systems

Driver:

Given that there will be a lot of travelling around the Zarqa area and travel to other parts of the country, a driver will be required.

Budget Requirements:

The following is an estimate of the budget requirement for the one year pilot program:

Line Item	Budget (US\$)
Salary for SSE linkage executive	25,000
Salary for administrator	7,000
Salary for driver	3,000
Consumables	20,000
Car	25,000
Travelling expenses	10,000
Other expenses (seminars, promotions etc.)	20,000
Equipment (computers, furniture etc)	15,000
Contingency	10,000
Contribution to NLP training budget	25,000
Technical Assistance	20,000
TOTAL PILOT PROGRAM BUDGET	US\$ 180,000

In summary, the consultant is satisfied that the inclusion of the small scale enterprise component in the National Linkage Program will in no way conflict with the successful development of the latter. In fact, the contrary is the situation; it will enhance the National Linkage Program, extend its scope and give the opportunity for some early successes which can be achieved before the main program gets fully underway. It is also consistent with the business to business component of the National Linkage Program.

1. INTRODUCTION

1.1 Purpose of Study:

The critical economic challenges facing Jordan are modest economic growth rates, insufficient international competitiveness, persistent poverty, high unemployment, sagging per capita incomes and economic structural imbalances. All of these factors threaten Jordan's ability to generate new economic opportunities for its citizens and limit private sector trade and investment. In short, Jordan must grow its economy at sustained "real" rates above 5% per annum in order to begin to address the pressing poverty and unemployment problems. The JV 2020 exercise estimates 8.4% per annum increase in GDP as the rate necessary to achieve a doubling of GDP per capita by 2020.

One of the ways identified to assist in this process is the development of a National Linkage Program whereby small and medium sized Jordanian enterprises supply some of the demand components of the countries larger companies which are currently being imported.

The concept for this Linkage Program was developed under the AMIR Program and recently approved for implementation by the Minister for Industry and Trade.

The purpose of this study is to ascertain the potential for extending the National Linkage Program to include enterprises operating at the lower end of the employment classification of "small". It is felt desirable to include these enterprises as their involvement will have a real impact on the enterprises most in need of assistance and help bring the benefits of economic growth to disadvantaged areas in the country.

1.2 Definition of Small Scale Enterprises:

For the purpose of this report, the Jordanian definition of small scale enterprises of 6 – 25 employees is being used. However, it should be stressed that this component will focus on the 6 – 10 employee category, leaving the companies employing in excess of 10 persons to the NLP.

1.3 Methodology:

The strategy for including small scale enterprises in the Linkage Program is based on two key factors:

- **International best practices** in backward linkage program structures and operations. International experience provides evidence of the key factors that drive the success of linkage programs, including institutional and organizational structures, program management, and program approach and operations. This strategy builds on the experience of some of the most successful linkage programs worldwide, including Ireland's National Linkage Program. However, it should be stressed that extending linkage programs to include small scale enterprises is not normal practice. In this case, the tried and trusted mechanisms of other National programs are being adapted to suit the particular requirements of Jordan at this time.

- **A review of Jordanian industry and institutions** relevant to extending the National Linkage Program to include small scale enterprises. This included interviews with a number of people (see Appendix 1 for details), visits to factories, reviews of potential co-sponsor organizations and reviews of the main potential locations for the Pilot Program. In addition, the consultant referred to the data that was collected when designing the National Linkage Program.

1.4 Report Structure:

The remainder of this report is structured as follows:

- Chapter 2 provides an overview of the backward linkage concept and best practice in linkage program development.
- Chapter 3 provides an outline strategy for the involvement of small scale enterprises in Jordan's National Linkage Program.
- Chapter 4 provides an outline for a 12-month pilot program to test and refine the linkage mechanisms for small scale enterprises

1.5 Scope of Work for Consultant:

The Scope of Work as specified for the consultant is as specified below:

- Complete preliminary review of representative associations and some large purchasing companies within a given geographic area validating overall concept validity
- Review applications within JUMP and assess validity of joining in this approach
- Measure the soundness of the program, in addition to the interest and willingness of larger industries in participating in the proposed program through direct interviews. The possibility of using focus group(s), to further ascertain the willingness of companies to participate, be considered.
- Make modifications to the proposed project methodology based on international experiences of similar program implementations.
- Determine the feasibility of a project launch with success within the specified time frame. This should include a mini assessment of the current MSE opportunities within the selected geographic area and/or linking to JUMP.
- Draft a strategy for implementation within the timeframe of one year, taking into considerations other linkages activities in Jordan.
- Draft Scope of Work for each subsequent visit by consultant or team of consultants necessary to lead to successful implementation of the project. The SOW should follow a specified template and include detailed tasks, deliverables and timing for the successful completion of each phase.

1.6 Compliance with Scope of Work:

In implementing this study, the consultant used a number of sources of information:

- i) Data collected in interviews with companies, organisations and individuals while on mission in Jordan
- ii) Data collected while carrying out research for the National Linkage Program
- iii) Reading the reports recommended as part of the scope of work for the assignment
- iv) Meetings with members of the AMIR program and with USAID officials in Amman.

It was deemed by the consultant that the above sources of data, in addition to his knowledge of Jordan and of linkage programs was sufficient to design the integration of the small scale enterprises component into the National Linkage Component.

In particular, comments on overall compliance with the scope of work are as follows:

- Complete preliminary review of representative associations and some large purchasing companies within a given geographic area validating overall concept validity
Comment: This was done and the results of the review are contained in the recommendations in this document.
- Review applications within JUMP and assess validity of joining in this approach
Comment: It was not possible to undertake this component as the JUMP Program, at the time of the mission was not operational. However, discussions were held with the Director of the JUMP Program in order to fully understand the proposed method of operation for the Program and the types of companies that it will work with.
- Measure the soundness of the program, in addition to the interest and willingness of larger industries in participating in the proposed program through direct interviews. The possibility of using focus group(s), to further ascertain the willingness of companies to participate, be considered.
Comment: During this and previous visits to Jordan, when designing the National Linkage Program, the consultant met with a number of large and potential purchasing companies, all of whom expressed a strong willingness to participate in the Program. This view was further strengthened in meetings with Chambers of Commerce and Industry, especially the Zarqa Chamber of Industry. Accordingly, it was felt that focus group meetings would not add to the knowledge base that had been established.
- Make modifications to the proposed project methodology based on international experiences of similar program implementations.
Comment: This was done and the recommendations contained in this document are a combination of international best practice and the consultant's opinions on what is the most appropriate program for implementation in Jordan, given the constraints that exist.

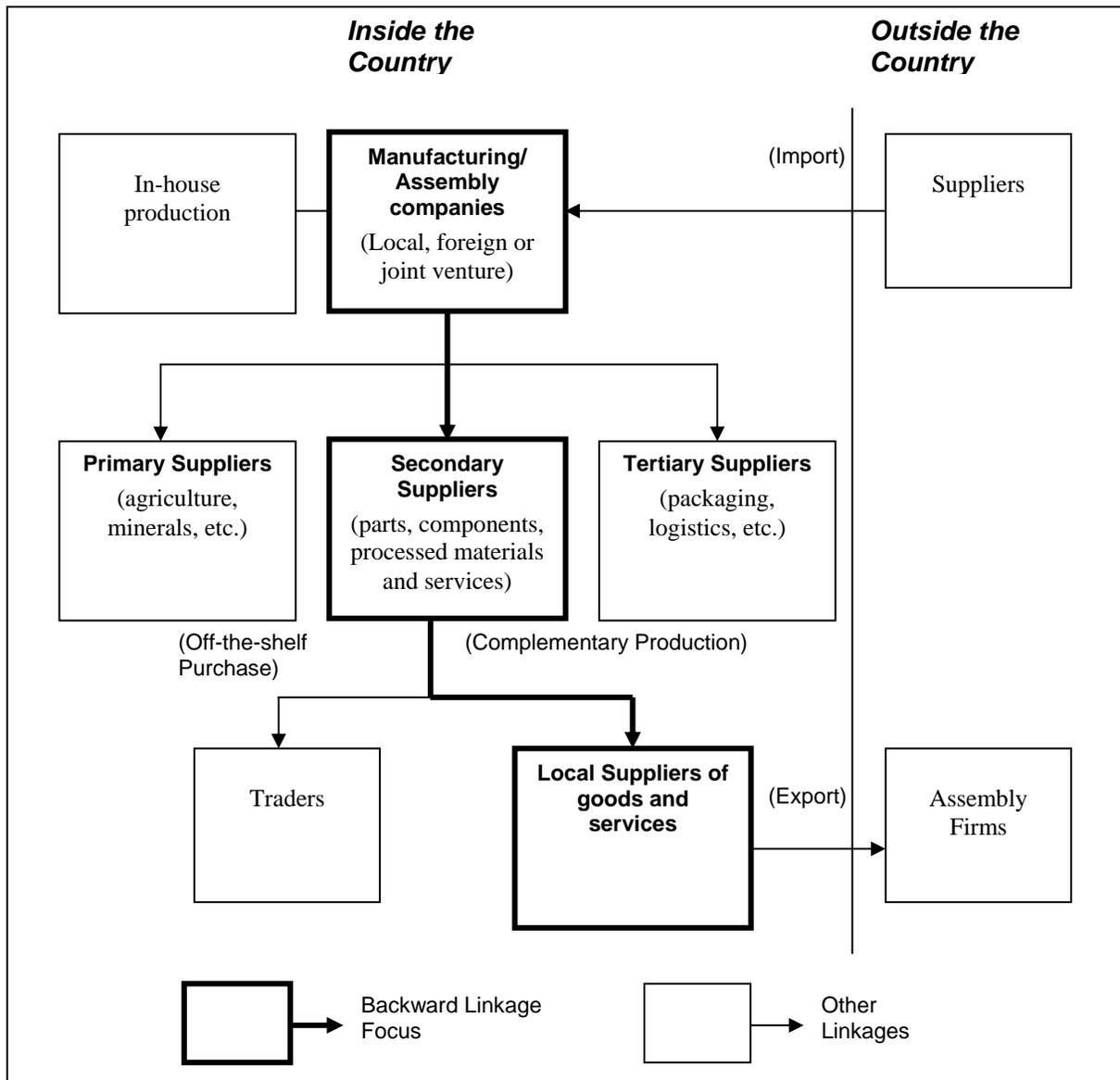
- Determine the feasibility of a project launch with success within the specified time frame. This should include a mini assessment of the current MSE opportunities within the selected geographic area and/or linking to JUMP.
Comment: This was done and the recommendations in this report take the above into consideration.
- Draft a strategy for implementation within the timeframe of one year, taking into considerations other linkages activities in Jordan.
Comment: This was done and the recommendations for implementation take into account the proposed National Linkage Program and the current “linkage” activities as performed by the Jordan Investment Board.
- Draft Scope of Work for each subsequent visit by consultant or team of consultants necessary to lead to successful implementation of the project. The SOW should follow a specified template and include detailed tasks, deliverables and timing for the successful completion of each phase.
Comment: This was done and is contained in Appendix 5

2. BACKWARD LINKAGE PROGRAMS;

2.1 Backward Linkages: Concept and Benefits

The term “backward linkages” refers to inter-firm relationships in which a company purchases intermediate goods and services as its production inputs on a regular basis from one or more local companies in the production chain. Figure 1 provides a schematic diagram of the backward linkage relationship in the manufacturing sector.

Figure 1: The Backward Linkage Relationship¹



¹ Adapted from Joseph Battat et al, *Suppliers to Multinationals*, FIAS.

The development of backward linkages benefits a country's infrastructure base by strengthening local suppliers of goods and services who in turn make the country more attractive for foreign investment. Backward linkages have the potential to:

- **Generate additional economic activity** through increased demand for locally supplied goods and services which translates into additional income as well as employment generation.
- **Stimulate improvements in the products and services of local suppliers** through technology transfer and skills upgrading.
- **Help overcome inertia in disadvantaged areas** by extending the range of the linkage program to include the provision of services and goods that can be supplied by small scale enterprises.
- **Give local suppliers a foothold in export markets** by exposing local suppliers to international production and quality standards.
- **Attract foreign investment** by offering the advantage of a local supplier base capable of offering quicker delivery times and reduced transportation and inventory costs.

However, it is difficult to get large companies to change from their traditional purchasing patterns especially FDI companies who are reluctant to purchase goods from a company in the new host country as they have little or no knowledge of their capability. In these cases it is necessary to have an official program in place to facilitate linkages between purchasing and potential supplier companies.

The most frequently quoted reasons for purchasing companies not purchasing goods and services from local suppliers are:

- Concerns that the goods and services offered by local suppliers do not meet their requirements in terms of quality, price, and/or delivery schedules
- Local suppliers are often unresponsive to requests that they improve the quality, delivery and prices of their goods and services.
- Inertia in that it is easier to continue with existing supply chain providers.
- Concerns by purchasing managers that locally produced in-put goods will fail, thereby putting the quality of the finished product in doubt and causing problems for the purchasing manager if there is a product failure.

2.2 Key Components of Backward Linkage Programs

The basic concept behind a linkage program is to encourage medium and large companies to maximize the purchase of their inputs (goods and services) locally rather than importing them. In order for this to work effectively, it is necessary to have:

- A critical mass of companies whose inputs constitute a real opportunity for domestic supply – these constitute the demand-side of the linkage equation.
- A pool of domestic companies capable of supplying the goods and services as required by the demand companies to their standards and specifications – these constitute the supply-side of the linkage equation.
- A series of mechanisms to bring about the effective “linking” together of the demand- and supply- sides of the equation.
- A series of support and/or developmental mechanisms to assist the potential domestic companies to achieve the standards required to become suppliers to multinational, other large companies and ultimately to move into export markets.

Each of these components, which relate to a “classical” linkage program, is detailed below. However, for the involvement of small scale enterprises, it will be necessary to introduce some different mechanisms and these are outlined in this document.

- **Critical Mass of Purchasing Companies.** It is most unusual to have a situation where the purchasing requirements of one company constitute sufficient demand for a supply company. It is normally an aggregate of the inputs or purchasing requirements of a number of companies that constitutes the critical mass necessary for backward linkages to occur. Apart from the pure economics of requiring a critical mass of inputs, it is also desirable, from the supply companies’ perspective, to have a number of companies making up their market rather than rely on one or two companies who can dictate terms and conditions in an unfair manner.

Experience suggests that the potential for backward linkage is greatest with those industries that require a large number of materials, parts and components, such as:

- the automobile industry (requiring parts and components constituting 70 percent or more of final sale value),
- machinery and precision instruments involving primarily assembly activities (50 percent or more),
- the consumer engineering electrical and electronics industry (40 to 50 percent),
- construction,
- hotel services.
- the consumables of large capital-intensive projects.

■ **Pool of Domestic Supply Companies.** In most developing countries that attract FDI, it is the quality and competence of the domestic supply companies that limits the potential of any linkage program. The domestic companies that participate in a linkage program should be selected on their ability to supply the goods and services required by the purchasing companies only when they demonstrate the qualities necessary to satisfy the stringent demands of these companies. It must be stressed that purchasing companies have demands of quality and performance placed on them by their customers. The purchasing companies in turn must ensure that companies who supply them with inputs meet the same requirements. In effect, domestic companies in Jordan, by supplying to companies locating in Jordan, will have to meet international standards for quality, performance, delivery and standards compliance.

■ **Mechanisms to Effect Linkages.** Experience has shown that purchasing companies are reluctant to participate in linkage programs unless they have some control over the selection of the supply companies. They will not accept the recommendation of government officials that a certain company is world class and can meet all required specifications. Because of this it is necessary to put in place a series of mechanisms that will allow the purchasing company to participate and have confidence in the process that selects potential supplier companies for inclusion in the linkage program.

It is normal practice for the linkage team – usually government employees – to work closely with the purchasing companies. An effective manner is to operate in conjunction with private sector organizations (trade associations, industry federations, Chambers of Industry etc.).

The selection process typically includes the following steps:

- Aggregated demand statistics are drawn up to identify areas of opportunity;
- Linkage team establishes list of potential supply companies;
- An audit of capability is carried out on the potential supply companies by the linkage team. Only those companies that meet the re or demonstrate a willingness to develop are selected to participate in the linkage program.

The establishment of a system that allows for the careful selection of potential supply companies is essential to gaining the confidence and participation of the purchasing companies.

■ **Support Mechanisms to Assist Potential Sub-Supply Companies.** Reviews of linkage programs that have not been successful usually identify the lack of support mechanisms to assist potential supply companies to achieve the necessary standards of the purchasing companies as the prime reason for failure. The main pillars of support required to bring domestic supply companies up to international standards includes:

- Technology upgrading to improve production processes and product standards;
- Manpower development and training to work with new technologies and to develop the skills necessary to move into international markets; and
- Access to financing to enable these companies to acquire new capital equipment and training to meet the demands of supplying new customers.

In most economies there is a group of companies whose standards of production set them apart from the rest. These companies have no difficulty in becoming suppliers to large companies and in most instances, in addition to supplying purchasing requirements within their own market, will also be supplying the global requirements of the purchasing company's group. These are generally not the companies at which a linkage program is aimed. The primary focus is to assist companies below this level to acquire the skills, knowledge, technology, machinery, marketing and market identification etc. to enable them to become accredited suppliers. By assisting such companies, the pool of good domestic companies increases with the following results:

- A drop in imports as more goods are manufactured domestically;
- The country becomes more attractive to FDI due to the increased pool of good quality supply companies;
- The supply companies, in turn, have demands for increased goods and services, and so a multiplier effect is created;
- The domestic companies, by achieving the required standards to become supply companies, can then move into exports, thus assisting the balance of payments.

In order to assist domestic companies to become qualified supply companies it is necessary to put into place mechanisms to facilitate the process. These normally include:

- An audit of the potential supply company's capability so as to identify areas of deficiency. This includes a review of the following:
 - Existing machinery
 - Technical ability of management/owner and staff
 - General level of technology applied and ability to meet purchasing company standards
 - Production processes
 - Quality of production and ability to produce to set standards
 - Finance available for investment
 - General administrative practices

- A detailed review involving the management of the company as to what needs to be done to address the identified deficiencies.
- An agreed program of activity to help the company overcome its deficiencies. This may include:
 - Funding to acquire new technology and/or machinery
 - Technical assistance provided by the linkage team, purchasing managers or technical staff in the purchasing companies
 - Technical and administrative training provided by the government or private training institutes. In the case of small scale enterprises, the provision for extra and specialised training will be a requirement
 - Visits to sectoral trade fairs in other countries, etc.

In summary, a linkage program, whether it is focusing on high level manufacturing linkages or at services to be provided by small scale enterprises, offers great potential for domestic suppliers and the economy as a whole. The issue is putting in place the systems and mechanisms that will allow effective linkages to take place.

3. OUTLINE STRATEGY FOR SMALL SCALE ENTERPRISE INVOLVEMENT:

3.1 Rationale:

In the course of discussions establishing the base data for this study, the consultant identified a number of issues, each one of which would represent a reasonable argument in favour of implementing a pilot program aimed at small scale enterprise involvement in the National Linkage Program. They are as follows:

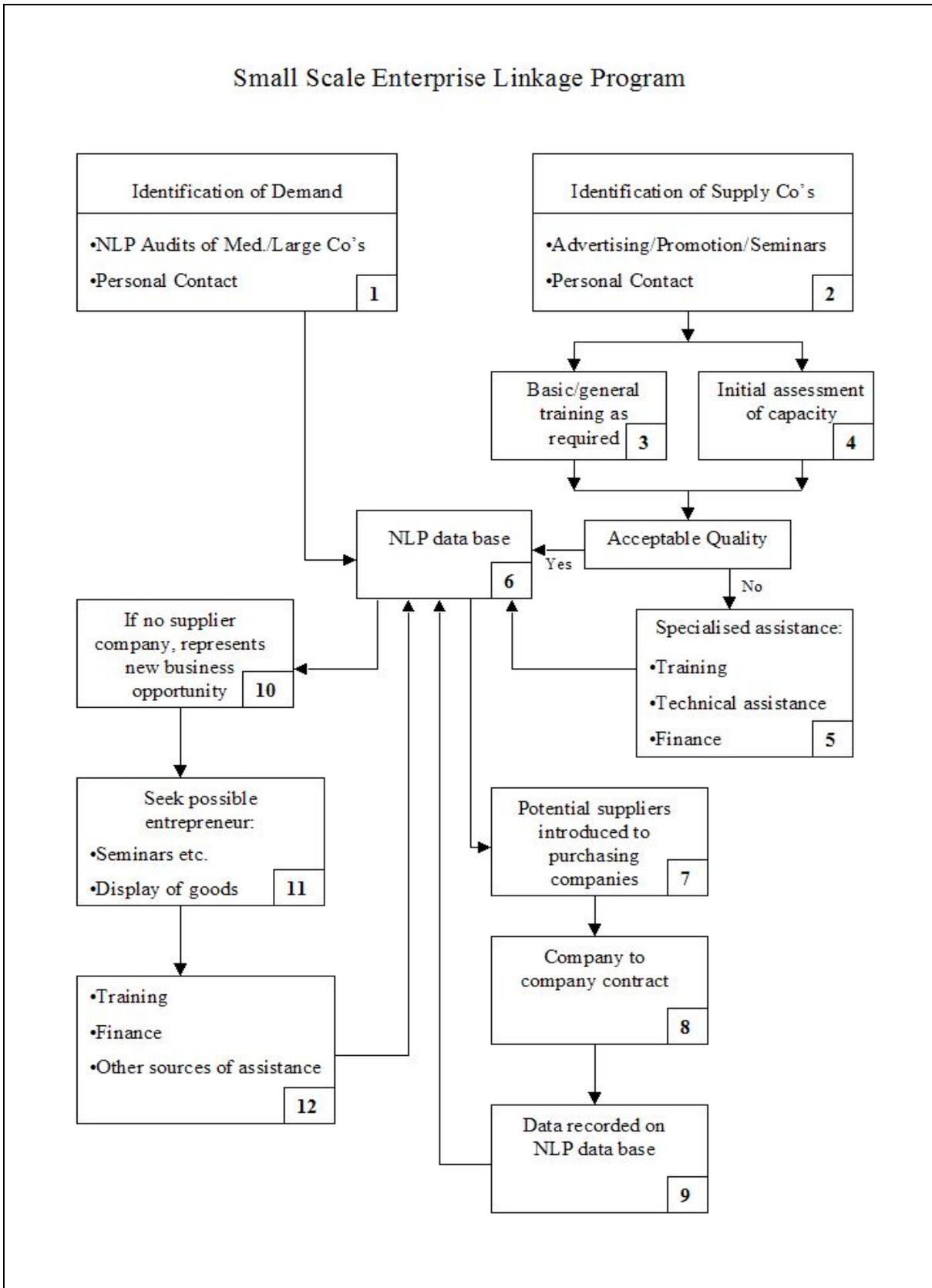
6. The fact that approximately 95% of enterprises in Jordan fall into the small/medium size category and it is necessary to provide assistance for this key sector
7. The Ministry of Industry and Trade is anxious to see the project proceed
8. There is no effective comparable service available to small scale enterprises (while JIB does run a form of business to business program, it does not offer the range and complexity of facilities that the linkage program will offer).
9. At a meeting in Zarqa Chamber of Industry, the General Manager cited a number of instances where Jordanian companies were importing components because they did not know that there were companies in Jordan making the exact products that they were importing.
10. The small scale enterprise sector is constantly complaining that the government is not doing enough to help it

The consultant is in no doubt about the logic of proceeding with the pilot program to test the mechanisms outlined in this document.

3.2 Elements of the strategy and linkage mechanisms:

In incorporating the small scale enterprises component into the National Linkage Program it is important to ensure that it adds value to the process and is capable of being fully integrated into the overall linkage mechanisms.

The following diagram, figure 2. sets out how this can be achieved:



The main elements of the proposed pilot program are (with regard to the numbering in the boxes):

1. The audit teams, of which the small scale enterprise linkage executive will be a member, are the main generator of business opportunities for the SSE component. In the process of working with the purchasing companies, areas of opportunity for small scale enterprises will be identified. These will be recorded on the linkage program data base and will be accessed by the small scale enterprise executive in order to identify opportunities for local sourcing. In addition, personal contacts and contacts through the co-sponsoring organisation within the pilot area will help identify sourcing requirements
2. Advertising, promotional events, contact through the co sponsoring organisation, personal contact etc are used to build up the data base of small scale enterprises with potential to become suppliers to purchasing companies.
3. The component will undertake some basic/general training aimed at improving the capability and capacity of small scale enterprises in order to benefit from business to business opportunities identified by the linkage team. The training programs will focus on the less capable enterprises. Typical types of training programs are:
 - Costing and pricing
 - How to submit a tender
 - Basic accountancy
 - Basic management practices

In addition to training, it is also likely that these enterprises will require capital investment and general capacity improvement

4. The linkage team will undertake an initial assessment of the capability of the potential supplier companies. Those that are deemed to be of an acceptable standard will be logged onto the linkage program data base.
5. Those small scale enterprises that are deemed not to be of acceptable standard are given specialised training to help overcome the identified area of deficiency.
6. The data on small scale enterprises to be stored on the linkage program data base. This data base will be the main source of identifying potential opportunities and suppliers.
Only those enterprises that are capable of competing for new business will be put on the listing of approved enterprises. It is from this list that the SSE linkage executive will identify enterprises suitable for nomination to a purchaser company.
7. Having identified a business opportunity, the SSE linkage executive supplies the purchaser company with the names and details of at least 3 – 5 potential supply enterprises (or the full list if less than 5).
8. Following the introduction by the small scale linkage executive, it is then up to the companies concerned to come to a commercial arrangement between themselves.
9. The SSE linkage executive to be notified of the outcome for two reasons:
 - Record keeping
 - Provide feed back to the unsuccessful enterprises and assist them for future tendering procedures.
10. If there is no existing small scale enterprise capable of providing the goods or service required, the small scale linkage executive should use the demand data to attract a new enterprise into the market. This being the case, the component to make entrepreneur development training courses available to assist start-up enterprises

11. The component to use various promotional programs, displays of identified products etc to promote the products available for local sourcing with the objective of attracting a local entrepreneur into business.
12. In order to assist new entrepreneurs into business it will be necessary to have specialised training covering items such as business plan development, feasibility study preparation, running a business etc.

The above mechanisms, while maintaining an independence for the small scale linkage component, do allow for it to be fully integrated into the National Linkage Program, use its facilities and add value to the overall linkage process. It is also consistent with the “business to business” element of the linkage program.

3.3 Private sector Organisation participation:

Experience has shown that the involvement of a private sector organisation is very important to the success of a linkage initiative. Using a trade or industry association gives a local credibility to the linkage program and assists in communicating with the target audience. In the case of the small scale enterprise component, the involvement of a local Chamber of Industry will be desirable.

There are mutual benefits from a joint collaboration of this nature:

1. For the linkage initiative:
 - It gives a local presence (office, support staff, meeting facilities etc) in the pilot program area
 - The Chamber can assist (through its newsletters, circulars etc) in publicising the program
 - The involvement of a prestigious body , such as Chamber of Industry gives credibility to the program
 - The local knowledge of the Chamber about enterprises in its area can be of major assistance to the small scale linkage executive in making decisions on the capability, or otherwise, of companies.
 - It is likely that the Chamber will, as part of its education program, run a series of training programs that will be of assistance to the linkage program in up-skilling participating enterprises.
2. For the Chamber of Industry:
 - It is seen by its members as being progressive
 - The existence of the linkage initiative is seen by members as an added service
 - It is likely that non-members will become involved in the linkage program and that they will ultimately become members of the Chamber.
 - Its members will be able to avail of the training programs to be run by the linkage program.

On the basis of the above, it is recommended that the pilot program is based on an area with an active and progressive Chamber of Industry, who can work alongside the linkage program to provide a package of assistance to small scale enterprises in the pilot area.

Following a review of the options, it is recommended that the Zarqa Chamber of Industry be selected as the private sector organisation to co-sponsor the small scale enterprises component of the National Linkage Program.

The consultant met with the General Manager of the Zarqa Chamber of Industry, outlined the scope of the pilot project and the general working mechanisms that will be used in developing the project. He was enthusiastic about working with the project and committed the Chamber and its resources to the project. The issue of accommodation was discussed and he stated that the Chamber would make accommodation available for the SSE component staff.

However, there is one issue that remains to be resolved and that is the fact that the Jordan Investment Board (JIB) has an office in the Chamber building and operates a type of business to business linkage operation from it. While the concept of JIB's program and the proposed small scale enterprise component of the linkage program are roughly similar, the small scale enterprise component will be better structured, have greater resources, offer a wider range of services and have the back of the NLP. It is recommended that JIB be approached and offered either:

- i) the opportunity to participate in the SSE component as long as it complies with the components working mechanisms, or
- ii) to withdraw its program in order to allow the National Linkage Program (including the small scale enterprise component) establish itself as the National program for Jordan

4. PILOT PROGRAM:

4.1 Concept of a Pilot Program:

It is normal practice when introducing a new program to test out the concepts and working procedures through a pilot program in order to ensure that the underlying principles are well grounded and will produce the expected results.

When introducing small scale enterprises into the National Linkage Program and given that it is not normal practice to operate a linkage program in this manner, it is critically important to test, not only the concepts, but also ensure that the introduction of small scale enterprises does not negatively impact on the operation and achievements of the National Program. Accordingly, it is recommended that a pilot program be established along the lines as set out below.

4.2 Geographic Location:

The National Linkage Program will be proceeding on a country-wide basis in order to help establish the critical mass of both demand products and potential supply companies that are necessary to produce a viable program. However, in the case of small scale enterprises, it is recommended that their participation in the Linkage Program, in addition to being through a pilot program, be tested on a geographic basis. The main reason being that the number of potential participants, if run on a National basis, would greatly exceed the capacity of the program to service them. This would lead to disillusionment, negative press and the possibility of the program being cancelled. In addition, small scale enterprises do not have the ability to serve a

national market. They need to focus on supplying companies located close by and as they develop, they can service more distant markets.

In selecting a suitable location for the Pilot Program, it is felt desirable to have the following constituents present:

- A QIZ , for two main reasons:
 1. As can be seen from the data in Appendix 2, the new inflows of investment into the QIZ's has been most impressive. In addition, the companies setting up on the QIZ's offer good opportunities for small scale enterprises to maximise their ability to supply goods and services.
 2. The recent decision by the Government of Jordan to exempt companies, outside a QIZ who supply goods and services to companies on a QIZ, from the 16% sales tax. This will give an added impetus to small scale enterprises to establish themselves with companies on a QIZ.
- An area that, in addition to a QIZ, has a significant number of potential purchasing companies located in the immediate vicinity. This is important as it broadens the sectoral base of opportunity as most of the companies on QIZ's are textile/garment based.
- A critical mass of small scale enterprises with the potential to become suppliers of goods and services to larger companies.
- An organisation (preferably a Chamber of Industry) that can act as a co-sponsor to the program and provide assistance in its operation.

Three areas were selected for consideration as the location for the Pilot Program:

- Amman
- Irbid
- Zarqa

The consultant's assessment of the three locations is as follows:

- i) **Amman:** While there are QIZ's close to Amman and there is the natural draw of the capital city with a large Chamber of Industry, it is felt that Amman is not the best location for the pilot program, for the following reasons:
 - It may not be regarded as a priority by the Chamber, which is the host to number of initiatives at this time.
 - The proximity of Amman, while an advantage, is also a disadvantage in that it will be difficult to focus on small scale enterprises and give them the attention they need given the available resources and the sheer scale of the city.
 - While the management of Al Tajanouat City Industrial City QIZ were most enthusiastic about participating, the opportunities offered by companies on the Zone and the general lack of other opportunities in the vicinity limits the potential of the small scale enterprise component.
- ii) **Irbid:** A visit was scheduled by AMIR for the consultant to visit the government owned QIZ at Irbid and to view the surrounding area. However, despite sending an official letter requesting the meeting (the only QIZ to make such a request) the visit could not be facilitated. In the opinion of the consultant this clearly indicates a lack of interest by the

QIZ management and should be regarded as an indicator of the manner in which a joint program would proceed. Accordingly, Irbid was not considered.

iii) **Zarqa:** In the opinion of the consultant Zarqa represents the best option as the location for the pilot program, for the following reasons:

- It has both a QIZ and a Free Zone. The Chairman (owner) of the Al Dulayl Industrial Park (QIZ) is an exceptional man who has created a community based industrial hinterland around his QIZ and is very enthusiastic about the program. His participation would be most helpful.
- Zarqa, having the largest concentration of industrial enterprises in the country offers a good range of opportunities for small scale enterprise linkage. A breakdown of the number of companies per sector registered with the Chamber of Industry is:

Packing and packaging	12
Textile	144
Mining industry	3
Leather industry	15
Paper and stationary	60
Pharmaceutical	6
Food and food supply	350
Engineering	1796
Farm and agricultural products	25
Plastic and rubber	27
Wood	594
Cosmetics and perfume	8
Chemicals	36
Others	16

- The Zarqa Chamber of Industry is a well organised and managed organisation with a professional staff of 13 people. It is in the process of creating an industrial library and has a most impressive conference room capable of accommodating several hundred people. Most importantly, the Chamber is most anxious to participate and would be a most acceptable location in which to locate the pilot program
- It is a discreet geographic area.
- It offers the best prospects for success

4.3 Co-sponsoring Organisation:

With particular reference to section 4.2 above, it is recommended that Zarqa Chamber of Industry be the co-sponsoring organisation for the small scale enterprise component pilot program and that a memorandum of understanding be entered into with the Chamber covering such topics as:

- Accommodation to be made available for the small scale enterprise component and the rental terms
- The use of the conference room
- The services that the Chamber will make available to the small scale component
- The services that the linkage program will make available to the Chamber
- The use of Chamber staff

The Chamber will be a very proactive and positive partner organisation in the pilot program and its participation will help make a success of the program.

4.4 Duration of Pilot Program:

While the National Linkage Program will be proceeding on a country wide basis it is being recommended that the small scale enterprise component start by testing itself through a pilot phase, operated in a limited geographic area.

It is recommended that the duration of the pilot phase be one year, after which a review be carried out to evaluate its effectiveness overall and its progress against the pilot phase targets set out in section 4.6. On the basis of this review, a decision can be made as whether the component be extended to other geographic areas, extend the pilot phase for a further period or cancel the component.

4.5 Relationship with National Linkage Program:

The recommendations for the integration of a small scale enterprise component within the National Linkage Program have been developed taking into account the agreed mechanisms that the linkage program will use. There will not be any conflict between the two components, in fact, the small scale enterprise component will enhance the linkage program in a number of ways:

- It will enhance the range of activities available through the program
- It will add additional staff and financial resources to the program
- It will extend the scope of the program to include smaller companies, on the supply side, than the Linkage Program intend to handle thereby making it relevant to an element of the enterprise sector that the government regards as very important
- It will not duplicate in any way the activities of the National Linkage Program, instead it will draw its demand data from the Program's data base.
- In selecting a specific geographic area for the pilot phase, it will be distinctive in its development and, subject to the agreement of the Zarqa Chamber of Industry, will be physically based in Zarqa rather than Amman where the Linkage Program will be located.

In summary, the consultant is satisfied that the inclusion of the small scale enterprise component in the National Linkage Program will in no way conflict with the successful development of the latter. In fact, the contrary is the situation; it will enhance the National Linkage Program, extend

its scope and give the opportunity for some early successes which can be achieved before the main program gets fully underway. It is also consistent with the business to business component of the National Linkage Program.

4.6 Pilot Program Targets:

In order to give some benchmarks against which the success of the pilot program can be evaluated, it is recommended that the following targets are adopted:

2. Number of seminars held = 12 seminars

These are seminars held in the Zarqa/Al Dulayl area and fall into two categories:

- i) Aimed at small scale companies, explaining the concept of the program and inviting them to contact the component in order to participate in the program (8 seminars)
- ii) Aimed at the larger purchasing companies, requesting them to consider sourcing some of their goods and services from local small scale enterprises. These seminars to run in conjunction with the linkage program to ensure that there is no overlap or conflicting messages given that would cause confusion (4 seminars)

3. Number of training courses organised = 8

These training courses are organised for small scale enterprises and fall into three categories:

- i) General training courses for small scale enterprises to assist them acquire basic knowledge of supplying goods to local purchasing companies
- ii) Specific training courses aimed at assisting small scale enterprises overcome deficiencies identified as part of the screening process to become approved suppliers
- iii) Training courses aimed at how to start your own business. These courses to be run as part of the general entrepreneurship element aimed at increasing the general level of business in the pilot area.

4. Number of enterprises registered onto the approved supplier list = 250

This target refers to the number of companies that are accepted onto the approved supplier list having passed the initial screening process, either on first application or having successfully completed a training course.

5. Number of business to business linkages effected = 75

This target is important in that it records the number of business to business linkages affected as a result of the component's work.

6. Amount of new business generated = JD 250,000

This target is the most important of all in that it represents the amount of new business generated as a result of the components work. It represents a return on the input investment of 1:2 which is deemed an acceptable return for a pilot program.

While the achievement of these targets is important, they should not be the only basis on which the success of the program is judged at the end of the pilot program. Other issues for consideration could be: the view of the Chamber of Industry, feed-back from small scale enterprises and purchasing companies, political reaction, the opinion of donor agencies etc.

4.7 Staffing Requirement:

The staffing requirements for the small scale enterprise component of the National Linkage Program is as follows:

Small scale enterprise linkage executive:

The job specification for this person is set out in Appendix 4. Basically, the small scale enterprise linkage executive will be on the same level as the other linkage executives operating the linkage program and report directly to the Linkage Director, but will have specific responsibility for the small scale enterprises component of the program.

Should JIB decide to allocate their staff member operating out of the Zarqa Chamber of Industry, then this person will report to the SSE linkage executive and assist in delivering the program facilities.

Office Administrator:

This person will be responsible for providing an administrative and secretarial support to the component. The principal tasks will be:

- Managing the office
- Maintaining the data base
- Keep proper records of account relating to the expenditure of the component
- Arrange appointments
- Assist in organising promotional events
- Assist with newsletters etc
- Keep proper filing systems

Driver:

Given that there will be a lot of travelling around the Zarqa area and travel to other parts of the country, a driver will be required.

4.8 Budget Requirements:

The following is an estimate of the budget requirement for the one year pilot program:

Line Item	Budget (US\$)
Salary for SSE linkage executive	25,000
Salary for administrator	7,000
Salary for driver	3,000
Consumables	20,000
Car	25,000
Traveling expenses	10,000
Other expenses (seminars, promotions etc.)	20,000
Equipment (computers, furniture etc)	15,000
Contingency	10,000
Contribution to NLP training budget	25,000
Technical Assistance	20,000
TOTAL PILOT PROGRAM BUDGET	US\$ 180,000

A breakdown of the above budget head is as follows:

- **Salary for small scale enterprise linkage executive:**
This salary level is pitched at a level that is high enough to get the best person, consistent with the situation of having it at a level that is sustainable after AMIR funding ends.
- **Salary for administrator:**
This figure is a best estimate of the salary for an office administrator for the program
- **Salary for driver:**
This figure is a best estimate of the salary for a driver for the program
- **Consumables:**
This figure is an estimate of the budget needed for office consumables
- **Car:**
This figure is an estimate of the costs relating to the purchase and running expenses (insurance, servicing, fuel etc) of having a car for the component
- **Traveling expenses:**
As the small scale linkage executive will spend most of their time visiting companies, it is necessary to make an allowance for expenses incurred in the course of duty
- **Other expenses:**
This is basically a promotional budget for the component which will be used in advertising its presence, announcing seminars, training courses etc.
- **Equipment:**
The component will need to purchase office furniture and equipment (computers etc). This is a best estimate of those costs.
- **Contingency:**

- A contingency budget head for unforeseen expenses
- **Contribution to National Linkage Program training budget**
As the training under the Small scale enterprises component will be different to that provided through the linkage program, it is necessary to make provision for small scale enterprise training to be administered either through the linkage program or as a stand alone operation
- **Technical assistance:**
This is a provision for assistance in developing the roll-out of the pilot program

4.9 Implementation Plan:

In implementing the Pilot Program, there are a number of issues that need to be addressed so that it is properly structured and fully integrated into the National Linkage Program. Below is a list of the main items for consideration in developing the pilot program:

1. Secure Budget for the operation of the Small Scale Enterprises Component

- Develop and secure the funding requirement for the operation of the Pilot Program for one year pilot program. This to include:
 - Salaries for the staff:
 - SSE linkage executive
 - Administrator
 - Driver
 - Other employee related expenses (insurances etc)
 - Car
 - Consumables related to car (insurance, petrol, servicing etc)
 - Computer hardware and software
 - Office equipment
 - Office furniture
 - Office consumables
 - Travelling expenses and per diems
(calculate on 100 days travelling)
 - Entertainment allowance
 - Hire of hotel rooms for promotional meetings
(Calculate on 12 such meetings)

2. Place advertisements in Media for recruitment of Staff

- Agree and secure budget for placement of advertisements
- Agree salary scale for small scale enterprise linkage executive
- Finalise wording of advertisement
- Select media in which advertisement will be placed
- Agree proofs of advertisement
- Check that advertisement that is published is accurate

3. Recruitment of Staff

- Agree composition of interview panel
- Assign different areas to be addressed in the interview
- Set date and venue for interviews
- Carry out initial screening to eliminate “no hoppers”
- Notify successful applicants of the time and venue of the interview
- Assign secretarial support to administer the interviews and keep copies of the interview sheets
- Decide whether second interviews are necessary. If yes, then repeat above procedure, if no, then make final selection
- Notify successful candidate, issue contract of employment and seek written acceptance of offer
- When selection process is completed notify other applicants that they were unsuccessful

4. Training of Staff

- Give copy of National Linkage Program policy document to small scale enterprise linkage executive
- Agree that small enterprise linkage executive will participate in general JUMP training to ensure that they are aware of the full range of services available through the JUMP program
- Small scale enterprise linkage executive to participate in the study tour to Ireland to see and understand the detailed workings of the Irish Linkage Programme
 - secure budget to undertake training in Ireland
 - agree timing, duration, content etc of study tour with Irish counterpart
 - Irish counterpart makes all arrangements in Ireland for study tour and confirms all details with AMIR
 - study tour takes place

5. Agree working relationship for Small Scale linkage executive with JUMP Programme

- AMIR to draw up draft Memorandum of Understanding setting out exactly how it sees the relationship between JUMP and the NLP (including the small scale enterprise component) developing. This MOU to clearly set out:
 - the responsibilities of each donor
 - how the resources, staff and budget, will be allocated in the delivery of the service
 - clearly establish the reporting channels
 - agree that the linkage program has a separate and distinct identity from the JUMP program. However, all media releases etc to make mention that the National Linkage Program is part of the JUMP initiative and acknowledge the support of the JUMP facilities and mechanisms used in the Linkage Program
 - allocate responsibility for media contacts and briefings etc
 - set out the JUMP services and facilities of which the small scale component may avail
 - develop an understanding on how certain costs can be shared

There are many other items, however, it is better that they be left until the National Linkage Program Director is recruited and the day to day practical issues can be worked out between the Director and the CEO of the JUMP Program on behalf of the small scale enterprise involvement in the program.

6. Design and Purchase Hardware and Software

- Commission consultants to examine hardware and software requirements for the small scale enterprise component of the linkage program. It is estimated that the software should be capable of carrying out the following functions:

For potential suppliers:

- The name, address, telephone and fax details
- Details on the number and qualifications of the staff, particularly those with technical qualifications
- Details on the products currently manufactured
- Details on the service that the company can provide
- Details on the company's customers giving quantity and value of the goods or services sold to each customer
- A facility to record customers' comments and feed back on the company and its performance against set criteria egg:
 - The quality of the product or service
 - History of delivery and ability to meet delivery targets
 - Ability of the company to respond to the customer's requirements
 - The quality of the management or owner
 - Ability of the company to be pro active in recommending improvements to the customer's product
 - The price of the product compared to the competition
 - Details on any export markets and customers
 - Details on the company's machinery, its age, capacity etc
 - In addition, there will have to be other fields available for progress reports when the company is selected for participation following a successful audit

For purchasing companies participating in the Linkage Program:

While the main data base relating to the purchasing companies will be developed by the linkage program, it is important to ensure that the following fields are available to the SSE component:

- The name, address, telephone and fax details
- Name of the Purchasing Manager and other relevant staff
- Details on the products and services that are available for local sourcing
- Details on the level and type of assistance that the company is willing to devote to help potential supplier companies
- Review specification when received from consultants
- Initiate tender process to purchase identified package
- Comply with all relevant procedures for a tender process

- Select the most competitive tender and notify the successful company
- Commence process of installing equipment and inputting test data to ensure that the system complies with the technical specification

5. Equip Offices

- Should the small scale enterprise component not be located in the offices of the Zarqa Chamber of Industry, which is the preferred location, it will be necessary to agree allocation of office space with CEO of Jump Program and the Director of the NLP. It is essential that the National Linkage Program has the following accommodation which shall include the SSE component:
 - A reception area clearly identified as the National Linkage Program
 - An office for the Director with a meeting table
 - An open office for the other staff with sufficient room for computer hardware, printers etc.
 - A meeting room capable of accommodating up to ten people
 - Adequate accommodation to store the computer hardware etc
- The offices to be equipped with good quality furniture
- Provision to be made in the budget for photocopiers, printers and all the necessary office supplies for the efficient management and operation of the office

6. Carry out Promotional Campaign to raise awareness of the Small Scale Enterprise component of the National Linkage Program

- It would add enormously to the overall success of the program if His Majesty could endorse the National Linkage Program and call on large companies in Jordan to participate as part of a National effort to stimulate the development of small and medium sized domestic companies
 - When Linkage Director is appointed arrange for a number of interviews with selected media in order to explain the purpose, functions and mechanisms of the linkage program
 - Prepare a web page giving the address of the National Program, the name of the Director and staff and setting out the purpose, functions and mechanisms of the Program and the small scale enterprises component. The web page also to include copies of all media coverage and any other developments
 - Arrange for the Director to speak at Chamber of Industry meetings and any other gathering of senior business people who could be influential in facilitating the development of the small scale component of the linkage program.
 - Issue press releases indicating the successes of linkage programs in other countries and highlighting developments with the Program in Jordan.
 - Maintain contact with relevant business groupings so to raise the awareness of the linkage program with people who will be involved in its development.
 - Avail of every opportunity to get publicity for the linkage program and the small enterprises component thereby making it easier for the Program to get participation from major purchasing companies

7. Establish Agreements with Key Partner Organisations

- Identify key private sector organisations that could be influential in assisting with the development of the NLP. Ideally these should be representative bodies whose members would be regarded as prime candidate purchasing companies (e.g. Chambers of Commerce, Trade or Industry Associations etc)
- Reach an agreement with the selected organisation (hopefully the Zarqa Chamber of Industry) under which they will:
 - Encourage their members to participate
 - Help identify suitable purchasing companies for inclusion in the program
 - Help identify companies with potential for inclusion as potential small scale supply companies
 - Assist with the promotional aspects by providing speaking platforms and publicising the linkage program in its publications
 - Assist with the administration of the program
 - Act as co-sponsor of events when required

8. Seek commitment of Purchasing Companies to participate in the National Linkage Program

- Through both the co sponsoring organisation and direct contact, meet with the CEOs of companies identified as potential purchasing companies and seek commitment to participate in the program. It will be necessary to explain fully the consequences of participation and the ultimate objective will be that the purchasing company will switch part of its sourcing to new domestic suppliers. In addition, it will be necessary to explain that the purchasing company will be required to actively participate through assisting the selected potential supplier company to achieve the standards necessary to become a supplier.

9. Contact and Brief Purchasing Managers

- Having received agreement from the CEOs of companies to participate in the program, hold briefing meetings for the Purchasing Managers of these companies to explain how the program works and what is expected from them in the process
- Following initial contact, at the group meetings, with the Purchasing Managers, arrange individual meetings in order to explain in detail the mechanisms involved
- At these meetings, request the Purchasing Managers to review their purchasing requirements for goods and services in order to identify:
 - i. Products and services which, in the opinion of the Purchasing Manager, could be produced locally by a small scale enterprise without any improvement in its capacity or capability if such a company could be identified by the small scale component
 - ii. Products and services which have the potential to be sourced locally following an improvement in the capacity and/or capability of a small scale enterprise.

10. Quantify critical mass demand products and services

- Input the sourcing requirements of purchasing companies onto the linkage program data base. This information to be used in quantifying aggregated demand for certain products and services that can be sourced easily by existing small scale enterprises. This data will facilitate business to business (B2B) deals for lower level goods and services identified through 9 i above.

It is most likely that the majority of the small scale enterprises to benefit from these initial exchanges will be enterprises who lack marketing expertise and the finance to undertake marketing.

11. Identify Small Scale Enterprises with Potential to participate in Program

- Build up data base of small scale enterprises that are deemed to have the potential to become suppliers to large purchasing companies. This to be done by contacting a number of sources to help identify these companies. The sources to be used include:
 - Purchasing Managers of purchasing companies
 - The co sponsoring organisation
 - Relevant industry and trade organisations
- Having compiled a list of “good small scale enterprises with Potential”, a small number of company names will emerge as being recommended by a number of sources. These companies will provide the list of companies for inclusion in the data base as approved suppliers.
- Having compiled the list of companies with potential, the small scale linkage executive consults with the purchasing managers and technical staff in the purchasing company to draw up a short list of potential small scale supplier enterprises that the purchasing company would be interested in working with in order to upgrade to become a supplier company.

12. Commence Program of Audits

- The primary responsibility for organising and undertaking the audits rests with the linkage program with the small scale enterprise executive forming part of the audit team
- Agree the composition of the audit team. Ideally it should comprise:
 - A member of the linkage program and/or the small scale enterprise linkage executive
 - A technical representative and/or a representative from the purchasing department of the purchasing company
 - Other technically qualified persons as required as long as their participation is agreed with the management of the company being audited
 - At least one representative from the enterprise being audited
- It is feasible for a purchasing company to work in a developmental manner with more than one small scale enterprise at a time.

-
- When the technical audit is completed, the audit team to prepare a report which clearly sets out the areas where the small scale enterprise does not meet the standards of the purchasing company. This information is then used to draw up a development program which sets out the actions that the small scale enterprise must undertake in order to reach the standards to become an accredited supplier to the purchasing company.
 - It is critically important that the owner of the small scale enterprise fully agrees with the development program and undertakes to implement it.

APPENDIX 1**LIST OF MEETINGS****(Listed in order of meetings)**

Ms Terri Kristalsky	MEI component Leader, AMIR Program
Ms Suhair Khatib	Deputy MEI Component Leader, AMIR Program
Mr Amer Hadidi	Director Industrial Policy, Ministry of Industry and Trade
Mr Zaid N. Marar	Business Development Manager, Specialised Investment Compounds Co plc., Al-Tajamouat Industrial City, Amman
Ms May Yang	Special Assistant to General Manager, Jordan Dragon Garment Industry Co Ltd., Al-Tajamouat Industrial City, Amman
Mr Sean Jones	USAID, Amman Embassy
Mr Jamal Al Jabiri	USAID, Amman Embassy
Ms Maha Mousa	USAID, Amman Embassy
Mr Jack Khayyat	Chairman and owner, Al Dulayl Industrial Park QIZ, Al Dulayl
Mr Hussein Shafa'amri	General Manager, Zarqa Chamber of Industry, Zarqa
Mr Yarob Qudah	CEO, JUMP Program

APPENDIX 2**LIST OF GOODS AND SERVICES IDENTIFIED FOR SUPPLY BY SMALL SCALE ENTERPRISES****GOODS:**

Specialist hand made products for the garment industry (egg embroidery)

Fabric labels

Metal working,

Light engineering

Electrical components

Production of plastic parts and components

Spare parts

Machined parts

SERVICES:

Security operations

Printing

Packaging service

Business services (accounting, legal, IT services)

Landscaping

Exterior cleaning services

Interior and office cleaning

Painting

General maintenance

Delivery operations

Restaurants and cafes

Food delivery service

Creche and child minding facilities

Waste removal

Training courses

Technical support for machinery

Computer servicing

Machinery repairs

APPENDIX 3

BACKGROUND DATA ON QIZ's

(This data was prepared by Rana Dababneh, Lara Demrijian and Gabi Afram from Al-Jidara Investment Services).

In 1996 the U.S. Congress established the Qualifying Industrial Zone (QIZ) initiative to support the peace process in the Middle East. These zones are industrial parks in Jordan or Israel from which goods can be exported duty free to the United States. The QIZ initiative's greatest advantage is that it provides duty-free access to the United States, the world's largest consumer market. In addition, there are currently no U.S. import quotas on clothes or textiles manufactured in Jordan. The United States Government has designated ten industrial parks in Jordan as QIZs: the Gateway QIZ on the northern Jordan-Israel border; the Al-Hassan Industrial Estate in Irbid; the Al-Tajamouat Industrial Estate in Amman; the Ad-Dulayl Industrial Park near Zarqa, the Kerak Industrial Estate, Aqaba Industrial Estate, Jordan Cyber City in Irbid, Al-Qastal Industrial Zone in Amman, Mushatta International Complex in Amman, and El-Zai Readywear Manufacturing Co. in Zarqa.

These estates can be grouped loosely into three main areas of activity:

1. Centered around the area South of Amman (Al-Tajamouat Industrial Park, Al-Qastal Industrial Park and Al-Mushata Qualified Industrial Complex)
2. Centered around Zarqa (Al-Dulayl Industrial Park and Hashemite University)
3. Centered around Irbid (Al-Hassan Industrial Estate and Cyber City Park)

An analysis of the potential of these areas as the location for the Pilot Project is in sectionZZZZZ.

The Al-Hassan Industrial Estate in Irbid, operated by the Jordan Industrial Estates Corporation (JIEC) was the first fully operational QIZ and started operation in 1999. However, most QIZ investment and exporting activity has taken place from 2000 onwards.

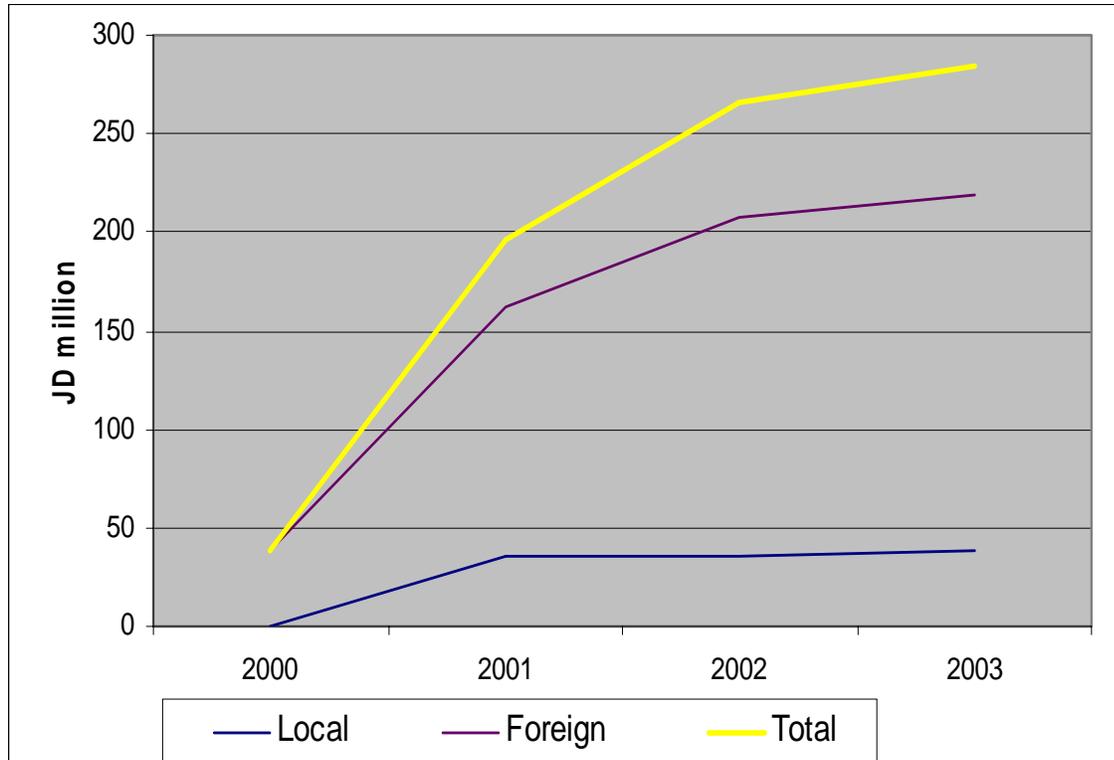
4.1 Number of Companies and Invested Capital

According to sources from JIB and JIEC, the number of QIZ companies in both the public and private industrial estates exploded from two companies at the beginning of 2000 (as can be seen in Table 1 of Annex 2), to 72 companies by the end of 2003.

Total cumulative invested capital was JD 39 million at the end of 2000; and was entirely from foreign investments of which JD 22 million were new investments. In 2001, cumulative investments reached up to JD 196 million, out of which JD 157 million were new investments (21% were local investments and 79% were foreign). In 2002, the amount increased to JD 267 million (13% local, 87% foreign) with a total of JD 70 million in new investments. Another increase was registered in 2003 with a total of JD 285 million (13% local, 87% foreign) with only JD 18 million of new investments (see Figure 4.1 below). Therefore, total new investments

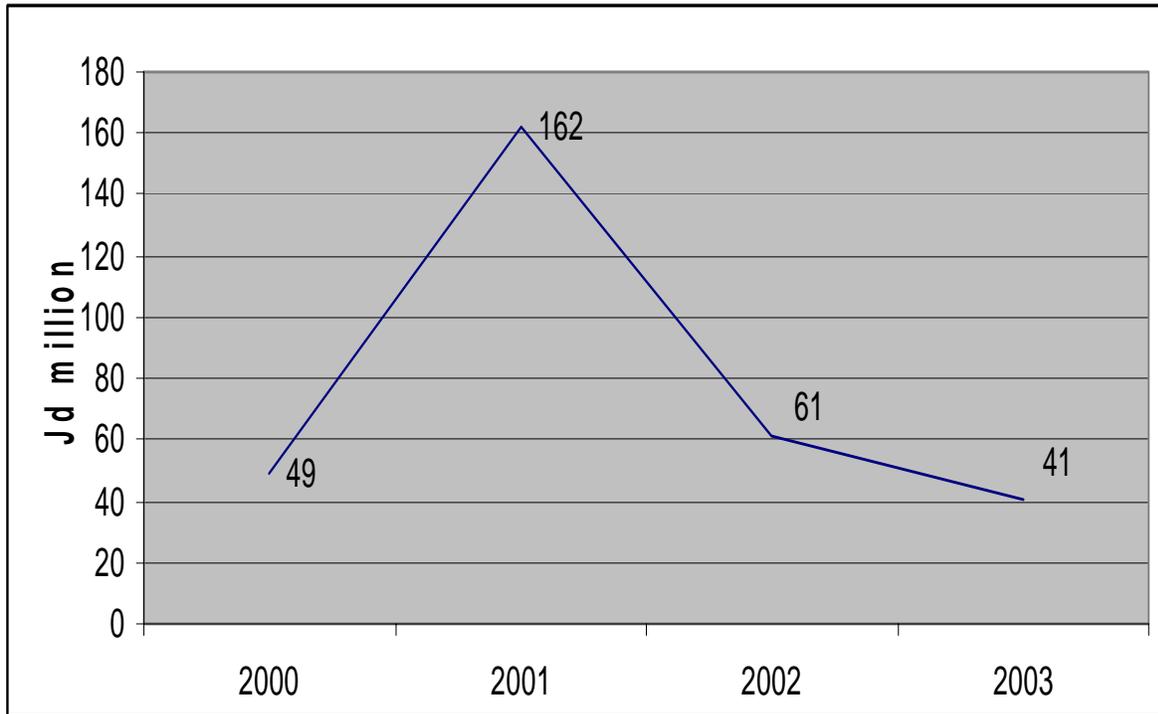
over the period 2000-2003 in QIZs amounted to JD 267 million of which more than 85% were foreign investments (or around JD 225 million).

Figure 4.1: Cumulative Invested Capital in QIZs



Source: JIB, JIEC

Another source of QIZ data is a company survey conducted by JIB for Al-Jidara. The results of this company survey are different from the data reported by JIEC and JIB, especially for AL-Tajamouat and Al-Hassan Is. (See Table 6 in Annex 2). This is mainly due to discrepancies in the way how much invested capital the investors disclose. Total cumulative investments at QIZ according to the survey ballooned from JD 51 million at the beginning of 2000, to JD 338 million at the end of 2003 (of which 80% are FDI). During that same period, new investments totaled JD 313 million, having peaked at JD 162 million in 2001 (see figure 2.4).

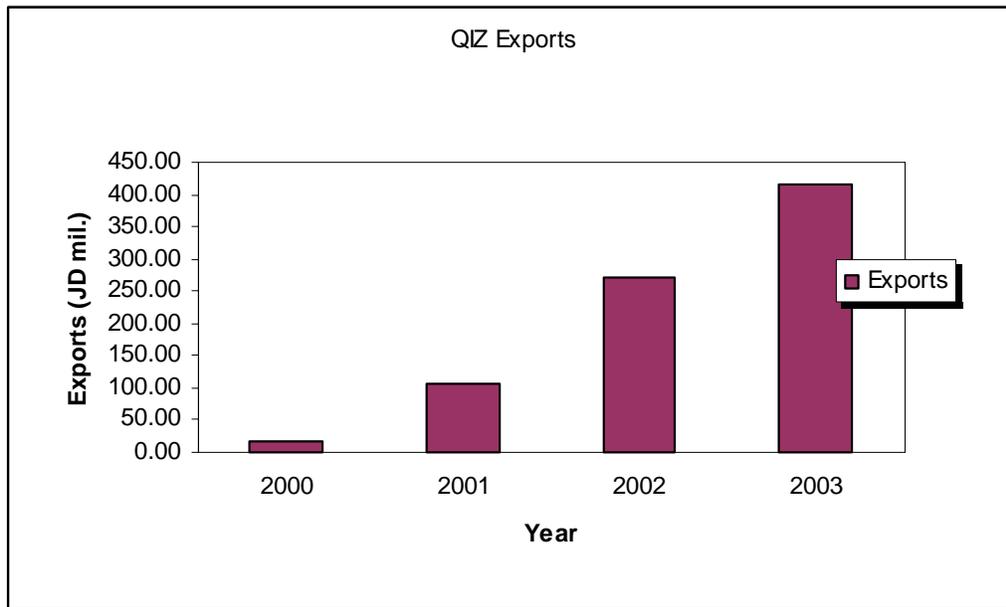
Figure 4.2: New Invested Capital in QIZs

Source: company survey

4.2 Exports under QIZ

Exports under QIZs have shown a dramatic increase in the past 3 years. This can be seen in Figure 4.3 below. In 2003, exports have risen by almost 23 times since 2000, or by JD 397.21 million since the beginning of the decade.

In 2000, QIZ exports to the US were around JD 17.89 million, they increased to JD 106.58 million in 2001, reached JD 270.40 million in 2002, to arrive at JD 415.1 million in 2003.

Figure 4.3: Exports from the QIZs:

Source: MIT

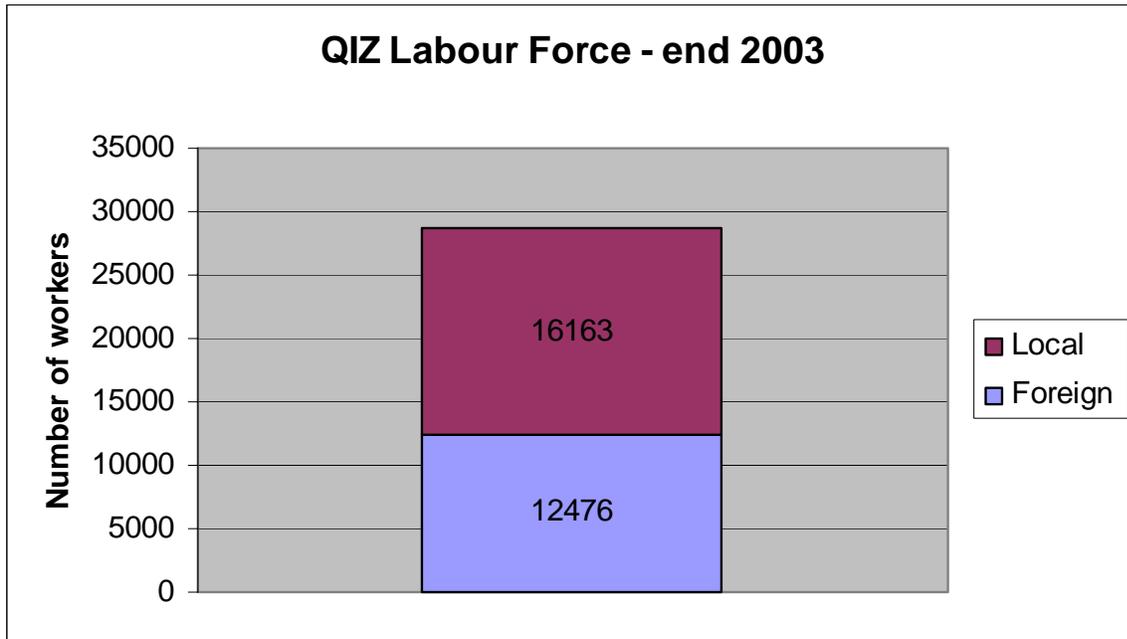
4.3 Employment at QIZs

As can be seen in Tables 4 and 5 in Annex 2 employment data in QIZs differ from one source to the other. The actual number of total workers at the zones at the end of 2003 ranges between 26,313 - 45,182, depending on the source. The lower value reported by MIT is considered to be more reliable since employment numbers from MIT are based on data from the Social Security Corporation (SSC) where all long-term employees have to register. The higher figure is gathered from different sources. The difference could be attributed to inaccuracies in data collection as well as short-term foreign employment, which does not necessarily have to be registered at the SSC.

According to JIEC and the industrial parks, local labor employed at QIZs in 2000 was around 7,199 workers (or 58% of total workers) rising to 28,080 (or 62% of the total) in 2003.

According to MIT, as can be seen in Figure 4.2 below, local employment at QIZs was 56% of total employment at the end of 2003.

Figure 4: QIZ Labor Force



Source: MIT

For the purposes of gauging the investment activity at the QIZs, it can be deduced that over the past four years (2000-2003) between JD 267 and JD 313 million of new capital was invested in QIZs (of which JD 225 – JD 270 million was in the form of FDI). Around JD 150 million of this activity took place in private IEs and non-JIEC Industrial Estates.

APPENDIX 4

JOB DESCRIPTION FOR SMALL SCALE ENTERPRISE LINKAGE EXECUTIVE

Following is a brief job description for the small scale linkage executive:

KEY TASKS

- Assess the capacity and capability of potential supply enterprises
- Carry out basic assessments of the small scale enterprises that apply to be included in the pilot program
- Based on the assessments, either shortlist potential supply enterprises on the approved list or suggest participation in training program for development
- Assist in organising training programs for small scale enterprises
- Assist small scale enterprises in gaining access to finance, technology and training
- Manage the small scale enterprises component of the NLP, under the direction of the Linkage Director
- Be responsible for the achievement of the pilot program's targets
- Represent the Linkage Program as required

KEY SKILLS

- Able to work as part of a team, but must also be capable of working on own initiative
- Good communication skills
- Experience of project management
- Good management and inter-personal skills

PRACTICAL EXPERIENCE

- A background in production engineering with at least 10 years of practical experience in manufacturing industry
- Experience in developing business plans, including an understanding of finance
- Experience of working with/in multinational companies
- Knowledge of existing supply infrastructure and local institutions
- Experience of working with small and medium sized companies

APPENDIX 5

DRAFT SCOPE OF WORK FOR SUBSEQUENT VISITS BY CONSULTANT OR TEAM OF CONSULTANTS

It is difficult, at this stage, to predict the number and content of future visits to provide technical assistance in implementing the small scale enterprise component of the National Linkages Program. However, it is most likely that the following assistance will be required as the pilot project develops:

1. Study Tour to a Country that has a well organized Linkage Program in operation:

It is strongly recommended that, when the linkage team is appointed, they are taken on a study tour to a country that has a fully operational linkage program. This will allow the executives to meet with:

- Supplier companies that have benefited as a result of participating in the linkage process.
- Purchasing companies that have assisted in up-grading the capacity of supplier companies to become accredited suppliers.
- Members of the linkage team, who audit the supplier companies, prepare the developmental plans and provide the package of required assistance for the company.

There are a number of countries that would be suitable (egg. Thailand, Tunisia, Ireland etc.) For the study tour. The important issue is to ensure that the linkage team will be well received and will be facilitated with meetings that will be meaningful.

2. Visits by a suitably qualified consultant to advise on implementation:

As the pilot program develops, there will be a clear need for periodic visits to Jordan, by a suitably qualified consultant, to assist the linkage team in implementing the project. The areas where assistance will be required are as follows:

- Developing the data base
- Setting up the data gathering and storage systems
- Advising on the reporting mechanisms and the types of reports to be produced
- Advising on the general working mechanisms of the linkage program
- Helping to launch the pilot program
- Assist with drafting the MOU with the co-sponsoring organization
- Participating in a number of audits and advising on the preparation of a developmental plan

It is estimated that a one week visit every six weeks would be sufficient to review progress and advise on issues that arise. These visits to last for the first six months, thereafter, every 2-3 months would be sufficient.