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CONCEPT PAPER ON ESTABLISHING AN ECONOMIC POLICY RESEARCH UNIT IN THE MINISTRY OF INDUSTRY AND TRADE

Final Report

July 19, 2008

This publication was produced for review by the United States Agency for International Development. It was prepared by Dr. Kathleen Trask.

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FINAL REPORT

USAID JORDAN ECONOMIC DEVELOPMENT PROGRAM

CONTRACT NUMBER: 278-C-00-06-00332-00

BEARINGPOINT, INC.

USAID/JORDAN

ECONOMIC GROWTH OFFICE

JULY 19, 2008

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DELIVERABLE N^o: 2.1.2.8.3.16 _CONCEPT PAPER ON
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EXECUTIVE SUMMARY

The Ministry of Industry and Trade (MIT) has policy, implementation, regulation and monitoring roles encompassing a broad mandate, which includes foreign and domestic trade, industrial/private sector development and investment. In fulfilling these roles, there is a strong need for policy research and analysis that can provide a sound basis for evidence-based, economic decision-making by the MIT. Currently, economic policy research and analysis is spread widely among many Government institutions, is often conducted on an ad-hoc basis, is frequently undertaken in response to immediate crises, and may not always take into account the government's major interests and goals for sustainable economic growth. To meet the need for policy analysis, the MIT has indicated its intention to develop an Economic Policy Research Unit (EPRU) within the Ministry.

The current system by which economic policy analysis is incorporated into the decision-making process of the Ministry is inadequate to meet its immediate and future needs. In considering the formation of the EPRU, three primary areas need to be addressed: the *process* by which research and analysis is incorporated into the Ministry's decisions needs to be formalized, the *types* of research conducted needs to be upgraded with the application of quantitative techniques, and finally the unit will address technical *capacity building* within the Ministry.

In providing recommendations for the formation of the EPRU, several factors were taken into consideration including international best practices with regards to government economic research and analysis institutions, a long range goal for the EPRU as well as the long range view for the Ministry itself and how the unit would adapt to broader initiatives – including the development of a Ministry of Economy and the establishment of a Consultation Unit which would coordinate input of the private sector. Finally, these issues were weighed against the need for the immediate establishment of a unit to address critical needs.

In the long term, a fully developed Policy Research Unit would span the entire area of the Ministry's mandate with specialized sub-units in international trade, domestic trade, private sector development, competitiveness, investment, statistics and the economic environment. The unit would be able to respond to needs from the Minister and the Directorates both through an agreed work program and on a demand basis as needed. The unit would eventually also be able to serve the needs of broader Ministry stakeholders including the implementing agencies and the private sector. The EPRU would provide policy research and analysis targeted to all levels of the Ministry from including policy research briefings, research bulletins, impact assessments, economic database information as well as short and long term analysis programs.

To achieve the long run objectives outlined in the previous section will require a long term time frame. The unit will require time to both build capacity and establish a reputation for quality outputs both within and outside the Ministry. For these reasons, a phased implementation of the EPRU is recommended with specific tasks and objectives for each stage.

- Phase 1 would be implemented in the short run in the first 3 – 6 months, and developed over years 1 – 2. A small staff of 3-4 researchers would focus on the critical analysis areas for the Ministry. Based on an initial work plan, the primary clients at this stage would be the Minister and the Directorates. Due to its small scale, only very limited “on-demand” analysis could be undertaken.
- In Phase 2, the unit would expand its areas of expertise and begin to develop specialized sub-units covering each of the areas of the Ministry’s mandate. As the unit continues to build capacity, the scope of the work program would increase and the unit would begin to expand the range of clients to include the implementing agencies and incorporate the private sector more fully. The unit would begin to establish formal procedures for incorporating impact assessments into the decision making process.
- In Phase 3, the unit will be able to fully evolve to fulfill the long run vision outlined in the previous section.

The immediate goal for the EPRU is to establish a core staff that can address the immediate needs of MIT decision-makers. The EPRU objectives for Phase 1 focus on five major areas which address the priority needs of the Ministry:

1. Develop capability to monitor and analyze national, regional and international economic trends and research which impact the areas of the Ministry’s mandate.
2. Respond promptly to requests for analysis by Minister and Directors with series of concise policy research briefings.
3. Implement medium-term program of detailed analysis projects which address critical issues facing the Ministry.
4. Inform Ministry stakeholders of activities through publication of regular reports of EPRU activities, research and data, and through Policy Forums.
5. Continuously improve capacity within the EPRU to support Ministry activities.

The initial staff would consist of a Director and 2-3 Researchers and the unit would be established as a formal unit within the main Ministry structure.

Several steps need to be taken to establish the EPRU. Overall, the time frame is estimated to require 3-6 months from the initial approval of the concept to approval of the initial work program for the unit.

1. Finalize the Concept Paper incorporating comments of the Ministry. (July 2008)
2. Prepare and finalize a detailed Operational Plan for the Ministry including a basic budget for Phase 1. (August 2008)
3. Establish the Organizational Setting for Unit and Financing. (September 2008)

4. Ministry to Recruit a Director and Researchers. (September/October 2008)
5. Provide for technical assistance for the unit identifying an international advisor. (September/October 2008)
6. EPRU Staff drafts and approves initial work program for approval by Ministry. (November/December 2008)

LIST OF ACRONYMS

CGE	Computable General Equilibrium
COMESA	Common Market for Eastern and Southern Africa
EPRU	Economic Policy Research Unit
FTA	Free Trade Area
GoJ	Government of Jordan
JAED	Jordan Agency for Enterprise Development
JE	„Jordan Enterprise
JIEC	Jordan Industrial Estates Corporation
JIB	Jordan Investment Board
MIT	Ministry of Industry and Trade
SME	Small and Medium Enterprise
WTO	World Trade Organization

1. INTRODUCTION

The Ministry of Industry and Trade (MIT) has policy, implementation, regulation and monitoring roles encompassing a broad mandate, which includes foreign and domestic trade, industrial/private sector development and investment. As a central economic ministry for the Government of Jordan (GoJ), the MIT additionally has responsibilities to assess the impact of policy and regulatory decisions by other government institutions and to advise Government on international and regional developments which will affect the areas of its mandate. In fulfilling these roles, there is a strong need for policy research and analysis that can provide a sound basis for evidence-based, economic decision-making by both the MIT and the GoJ.

Currently, economic policy research and analysis is spread widely among many Government institutions, is often conducted on an ad-hoc basis, is frequently undertaken in response to immediate crises, and may not always take into account the government's major interests and goals for sustainable economic growth. To meet the need for policy analysis, the MIT has indicated its intention to develop an Economic Policy Research Unit (EPRU) within the Ministry. The purpose of this paper is to set out the broad parameters for the establishment of an EPRU at MIT.

In considering the establishment of the EPRU, several broader initiatives at the MIT must be taken into account. The GoJ and the MIT have identified the strong need for enhanced economic policy formulation, coordination and monitoring across Government in addition to greater engagement of the private sector in these areas. While the Jordan Agency for Enterprise Development (JAED) which would have coordinated economic policy across government has been tabled, other programs are currently under consideration which could change the economic policy formulation framework and alter the role of the Ministry in this process. Primary among these is the move to reorganize the current MIT into a Ministry of Economy. As part of the reorganization, the Ministry would take on stronger and more comprehensive policy coordination roles. Additionally, there have been discussions regarding the reorganization of competitiveness initiatives in Jordan which may include a possible relocation of the Competitiveness Observatory, currently with the Ministry of Planning and International Cooperation, to the MIT as well as the establishment of a National Competitiveness Council. Finally, the Ministry is planning to establish a Consultation Unit, which would formalize and increase the voice of the private sector in formulating policy.

In light of these proposals, the design for the EPRU must be sufficiently flexible that it could easily adapt and progressively increase its roles and responsibilities to address the needs of an evolving Ministry. However, in the short run, there is a critical need for a unit which can provide concise economic analysis of issues facing the Ministry. As such, the current proposal is to establish a policy analysis and research unit as opposed to policy coordination or formulation unit at this stage. A progressive implementation approach is recommended in which an initially small unit can be set up relatively quickly to fulfill pressing needs at the Ministry. In later phases, the EPRU could expand its scope to allow it to address the complete range of issues in the Ministry's mandate. Finally, as initiatives for the Ministry's reorganization proceed, the unit can expand to take on roles as desired.

This report is based on interviews and research conducted in Jordan during the period from 19 June – 6 July 2008. Interviews were conducted at various levels within the MIT, at related agencies and institutions and with private sector organizations. Appendix A provides a list of interviews conducted.

Section 2 of the report reviews the current structure regarding policy research and analysis at the Ministry and related institutions, assessing needs and gaps within the Ministry. Section 3 outlines the framework for the EPRU looking at international practices, considering a long run vision for the EPRU and outlining the progressive approach for its establishment. Section 4 describes in details the proposed structure of the EPRU, and its objectives and tasks in the first phase of implementation. Finally, Section 5 concludes and presents recommendations for next steps.

2. BACKGROUND AND CURRENT SITUATION

Quality economic research and analysis is an essential input for effective decision-making at all levels of Ministry activities. Broadly, the need for analytical inputs can be classified into three major areas which impact the work of the Ministry:

- In formulating and implementing policies across the areas of the Ministry's mandate.
- In responding to the policies and strategies of related ministries.
- Monitoring and assessing the impact of national, regional and international economic trends.

This section reviews the current needs for policy analysis across the broad areas within the Ministry's mandate, the current research and analysis capabilities of the Ministry, and assesses the needs and gaps in the current process.

2.1 BACKGROUND

The MIT is a key economic ministry for the GoJ with a mandate which encompasses four interlinked areas including: Foreign Trade, Domestic Trade, Industrial Policy/Private Sector Development, and Investment.

A primary responsibility of the MIT is to formulate, implement and monitor policies and strategies across all these areas to ensure the development of a dynamic, competitive economy. The Ministry has substantial regulatory responsibilities which are administered through the Directorates and the Ministry's implementing agencies (Jordan Investment Board (JIB), Jordan Enterprise (JE) and the Jordan Industrial Estates Corporation (JIEC)). Additionally, in carrying out these activities, the Ministry strives to effectively incorporate input from private sector stakeholders and assess the impact of its policies and procedures on the private sector. In order to effectively carry out its mandate, the Ministry requires adequate research and analysis to inform its decisions and evaluate their effectiveness. Table 1 provides a broad overview by policy area of the Ministry activities and highlights areas in which analytical inputs would be effective.

Table 1: MIT Research Needs by Policy Area

Policy Area	Primary Activities	Illustrative Research Needs
Foreign Trade	<ul style="list-style-type: none"> - Negotiate and implement bilateral, regional and multilateral agreements. - Import/Export Regulations 	<ul style="list-style-type: none"> - Assessment of implications of planned trade agreements. - Ex post assessment of effectiveness of existing agreements. - Analysis of Non-Tariff Barriers - Assess costs and benefits of safeguard actions. - Identify costs/benefits of regulation.
Domestic Trade	<ul style="list-style-type: none"> - Business Registration - Import/Export Controls - Trademark and Industrial Property Registration - Competition Policy 	<ul style="list-style-type: none"> - Conduct formal impact assessments prior to regulatory changes. - Assess effectiveness of current regulatory processes.
Private Sector Development	<ul style="list-style-type: none"> - Formulate and implement industrial policy - Incorporate private sector voice into policy process. - Identify constraints to sectoral growth. 	<ul style="list-style-type: none"> - Quantitative sectoral studies with statistical forecasting. - Assessing effectiveness of industrial policy tools. - Identifying and quantifying constraints to private sector development. - SME competitiveness and response to industrial policy. - Competitiveness of services sector in Jordan. Comparative study within region.
Investment	<ul style="list-style-type: none"> - Formulate and implement policies and strategies to enhance both foreign and domestic investment. 	<ul style="list-style-type: none"> - Quantitative review of investment portfolios. - Cost/benefit analysis of investment incentives. - Identifying and quantifying constraints to investment.

Given the broad sweep of the Ministry's mandate, it is not possible to effectively implement its policies in isolation. In addition, the Ministry must be able to address and monitor the impact of the policies and activities of ministries with related mandates. Policies of the sectoral ministries including the Ministry of Agriculture, Ministry of Health, Ministry of Information and Communications Technology, the Ministry of Tourism and Antiquities and the Ministry of Energy and Natural Resources will directly impact all areas of the MIT mandate and closely correspond to its private sector development objectives. Additionally,

the strategies of the Ministry of Labor, Ministry of Transportation and the Ministry of Water and Irrigation will affect the physical infrastructure and human capital available for private sector development. Fiscal and monetary policies implemented by the Ministry of Finance and the Central Bank are fundamental to the business and investment environment in Jordan. Research and analytical capabilities are essential to the ability of the MIT to assess the impact of these activities on the areas within its scope.

Finally, the Ministry must monitor and assess the impact of changes in economic environment not only at the national level but also at international levels. This requires the ability to track and analyze data from a variety of national, regional and international sources in order to address the impacts on the Ministry's policies and strategies.

2.2 CURRENT SITUATION

Currently, there is no program in place for the systematic use of research and analysis in the Ministry decision-making process. Critical pieces of analysis are drawn on an as-needed basis from a variety of sources within the Ministry, its related institutions, elsewhere in the GoJ and from donor organizations.

Within the Ministry, the primary policy directorates including Foreign Trade and Industrial Development are able to undertake limited, largely qualitative analysis on an ad-hoc basis. Sectoral studies of varying levels of detail are conducted at a variety of levels including those undertaken by the Industrial Development Directorate, the Jordan Investment Board and Jordan Enterprise. These studies are conducted in order to assist in strategic planning or to provide inputs to national initiatives such as the development of the National Agenda. They often include the use of formal and informal business opinion surveys to incorporate private sector input. Additionally, sectoral studies can also be drawn from ministries within the GoJ with sector specific mandates and importantly, from the studies of the Competitiveness Observatory currently under the direction of the Ministry of Planning and International Cooperation.

National and international data relevant to the Ministry's activities are typically drawn as required for particular projects from an array of sources. Responses to urgent issues facing the Ministry often draw on the expertise provided by the advisory group of the Minister. Detailed, quantitative analysis is often outsourced to donor organizations.

2.3 NEEDS AND GAPS

The current system by which economic policy analysis is incorporated into the decision-making process of the Ministry is inadequate to meet its immediate and future needs. In considering the formation of the EPRU, three primary areas need to be addressed: the *process* by which research and analysis is incorporated into the Ministry's decisions, the *types* of research conducted and technical *capacity building* within the Ministry.

With respect to process, no formal system is currently in place to systematically incorporate research and analysis into policy, strategy and regulatory decisions. As a result, several key problems result:

- The analysis that is conducted is often *reactive* to current situations rather than being utilized on a *proactive* basis to identify opportunities and formulate forward-looking policies.
- While some analysis is undertaken prior to substantial policy initiatives such as a free trade agreement, little or no ex post examination is conducted which would allow the Ministry to monitor the effectiveness of policies and agreements.
- Under the current system the Directorates are overburdened – particularly the central policy directorates - with responsibilities for policy, strategy, monitoring, implementation and the coordination of critical research inputs. The ability to outsource research to a qualified unit within the Ministry would support the Directorates and allow them to focus on their other core tasks.
- Some analysis tasks have been undertaken by the Ministry's agencies, in particular the JIB and JE. In future, the Ministry's vision for the agencies is as mainly implementing bodies.
- The "satellite" agencies of the Ministry – JIB and the JE – as well as the Industrial Policy Directorate use informal business surveys to varying degrees to incorporate private sector input into their decisions. This activity needs to be formalized and incorporated across all analytical tasks.
- Outsourcing of analysis tasks to donor organizations is insufficient to meet the continuing needs of the Ministry.

With respect to the types of research conducted:

- Research and analysis tends to be largely qualitative in nature – particularly the sectoral studies – without the application of sound statistical and forecasting techniques.
- Without a formal process in place, the Ministry does not possess an adequate set of analytical tools by which policy decisions can be benchmarked. This can lead to inconsistency with different standards being applied to different policy choices.
- Data is drawn on an as-needed basis for particular activities. This does not allow the Ministry to continuously monitor national, regional and international trends which affect the areas of its mandate.

Finally, the current system which addresses analytical needs as they arise does not provide for capacity building within the Ministry. Specific problems include:

- Analysis and policy briefs provided by the Minister's advisory group are often used to meet urgent needs but this institutional capacity is lost when Ministerial level changes are made.
- Outsourcing of analysis tasks to donor organizations can be better utilized to build Ministry capacity.

The above discussion highlights the gaps and needs under the current system for policy analysis and research in the Ministry. Moving forward, as the Ministry develops a stronger role in the coordination of overall economic policy, these gaps will become wider. The establishment of an Economic Policy Research Unit will enable the Ministry to formalize the procedural issues, upgrade the quality of analysis and build substantial capacity within the Ministry.

3. ESTABLISHING EPRU

In providing recommendations for the formation of the EPRU, several factors were taken into consideration including international best practices with regards to government economic research and analysis institutions, a long range goal for the EPRU as well as the long range view for the Ministry itself and how the unit would adapt to broader initiatives. Finally, these issues were weighed against the need for the immediate establishment of a unit to address critical needs. The following sections review these issues and provide a recommendation for a phased implementation program for the EPRU.

3.1 INTERNATIONAL BEST PRACTICES

With respect to process, international best practice is well defined. Prior to any policy or regulatory changes, formal impact assessments examining the level and distribution of benefits are undertaken at some level. A firm basis in economic analysis is used as an input at all levels of economic decision making. Institutionally however, there is no singular best practice model. The institutions which provide economic research and analysis vary widely with respect to level of development, diversity of the economy and available resources. An examination of research units in counterparts to Jordan's MIT is difficult in that economic policy institutions also vary markedly across countries ranging from ministries with only very limited policy decision-making to more comprehensive economic ministries which require substantially greater analytical inputs. The following reviews the overall approaches to economic policy research internationally, regionally and within the GoJ.

The US has arguably one of the most diverse and wide-ranging set of institutions which can provide analytical inputs into economic decision-making by government. First, all cabinet level departments have individual research units. The Department of Commerce, which is not an exact counterpart to the MIT, undertakes substantial research and analysis through the Economics and Statistics Administration Division which includes oversight of the Bureau of the Census and the Bureau of Economic Analysis. Congress is served with economic

analysis from the Congressional Research Service and at the Executive level bodies such as the Council of Economic Advisors provide overall policy research.

Second, it is very common for US government agencies at all levels to outsource specialized analysis to the academic community as well as private sector think tanks. Partnership with the academic community is undertaken for specific, short-range tasks, longer term initiatives such as Computable General Equilibrium Modeling (CGE), and to encourage research and analysis in specific policy areas such as poverty research, and regional development issues.

Finally, there is a wide array of partisan and non-partisan research organizations which develop policy briefings and engage in long term research programs across the spectrum of economic policies. Such organizations include the National Bureau for Economic Research, Brookings Institute, the Heritage Foundation and the Urban Institute.

Regionally, countries vary with respect to approach regarding economic policy research and analysis and the primary differences can be attributed to the scope of the central economic ministry. While Egypt's Ministry of Trade and Industry has a similar albeit slightly narrower mandate compared to the MIT, the primary economic research institution is the Institute for National Planning under the Ministry of State for Economic Development which roughly corresponds to Jordan's Ministry of Planning and International Cooperation. Lebanon follows the Ministry of Economy model which possesses broad policy coordination activities and conducts research through a dedicated Economic Research and Statistics Department. Across the region, ministries rely on the outsourcing of detailed analysis to donor and private sector organizations. There is some partnership with the academic community – most notably, in the U.A.E. where the government partners with the University of Zayed for CGE modeling and research.

Within Jordan, a number of Ministries include a research department of some kind within their organizational framework. Most notably, the Ministry of Information and Communications Technology has recently established an Economic Studies Unit which closely parallels the recommendations for developing the EPRU.

3.2 EPRU – LONG TERM VISION

Before focusing on specific recommendations for the implementation of the EPRU, this section first considers a long term vision for the unit outlining areas of expertise, outputs, clients and linkages.

Areas of Expertise: The areas of expertise for a fully developed research unit would span the entire area of the Ministry's mandate. Specialized sub-units would include dedicated researchers in:

- International Trade: Multilateral, Regional and Bilateral Agreements
- Domestic Trade: Domestic Regulation and Competition Policy Research.

- Private Sector Development
- Competitiveness: Sectoral specialties, SMEs and Services
- Investment: Investment incentives, environment.
- Statistics: Monitoring and analysis of national, regional and international economic trends.
- Economic Environment: Review impact of macroeconomic and regulatory environment on development of the private sector.

These areas reflect the varying skills and specialties necessary to cover the policy research needs across the core areas of the Ministry. They closely mirror the areas outlined in a recent proposal for the restructuring of the Ministry drafted by the European Union Twinning Project at the MIT.¹ The EPRU would complement this initiative providing key inputs into the policy coordination and formulation mechanisms envisioned by the EU report.

Clients: A well established research unit which provides quality outputs would be able to respond to needs from the Minister and the Directorates both through an agreed work program and on a demand basis as needed. The unit would eventually also be able to serve the needs of broader Ministry stakeholders including the implementing agencies and the private sector although perhaps on an indirect basis. Until recently, the implementing agencies took a more direct role in strategy for their particular areas. However, as the Ministry's long run goal is for these agencies to focus mainly on implementation, their direct research and analysis needs are likely to diminish.

Linkages with the Private Sector: The Ministry strives at all levels to more fully incorporate the voice of the private sector across all of its activities. In developing recommendations for the establishment of the EPRU, several concerns regarding the role of the private sector were considered. Primarily, the relationship will be indirect for the following reasons.

- The EPRU is conceived as a policy analysis and research unit as opposed to a policy formulation or coordination unit. While the latter would necessitate a formal role for the private sector, the EPRU would not require such a role.
- Private sector outreach was initially discussed as a potential activity for the EPRU. However, analytical activities and private sector engagement involve different skill sets and are unlikely to be effectively undertaken by a single unit. Furthermore, the planned Consultation Unit at the MIT would have the responsibility for outreach and the analysis provided by the EPRU would form an important input into this process. As such, the EPRU would channel its private-sector related research and analysis

¹ "Structural Changes in the Ministry of Industry and Trade to Implement a Ministry of Economics in Jordan", Dr. Alexander Tettenborn and Patrick Maghin, May 2008. (Unpublished)

through the Consultation Unit which would take the lead on consulting with the private sector

- The primary objective of the Ministry is to ensure the development of a dynamic, competitive economy. Thus, consideration of the impacts on the private sector would be the central focus of impact assessments and all research programs.
- Research reports, policy briefings and regular publications of the EPRU would be widely disseminated to all stakeholders including the circulation of draft reports. The EPRU could also further explain analyses by holding regular Policy Forums with private sector participants.
- Input from the private sector will be invaluable for the unit's research activities and forging strong relationships with private sector organizations will be imperative for the EPRU. As it establishes a reputation for quality outputs and adequate confidentiality controls, the EPRU will be able to work with private sector organizations to secure invaluable data on firm level issues affecting growth.

Outputs: The EPRU would provide policy research and analysis targeted to all levels of the Ministry from including:

- Policy Research Briefings: A series of concise documents which address, in layman's terms, economic implications of various policy options, impact of international economic trends or the implications of wider government initiatives on areas within the Ministry's mandate.
- Research Bulletins: A quarterly/monthly summary of EPRU activities and research disseminated broadly to all Ministry stakeholders.
- Impact Assessments: The unit will establish protocols for the preparation and presentation of impact assessments examining the size and distribution of benefits or costs prior to all significant policy or regulatory changes.
- Economic Database: The EPRU will monitor and analyze data on national, regional and international trends which affect the Ministry activities drawing on sources from within the Ministry, across the GoJ and internationally. Data will be made readily available in standardized formats across the Ministry.
- Short Term Analysis Programs: Short term analysis programs will be undertaken in response to needs as they arise in the Ministry. Such programs would be anticipated to be completed in 4-6 weeks.
- Long Term Analysis Programs: As part of annual work program, the unit will undertake longer term research programs addressing the need of the Ministry. Such programs would be anticipated to require three months or more.

- **Policy Forums:** To be organized as needed to provide opportunities to explain research findings and policy options to key stakeholders, and to obtain the input of private sector participants

Linkages: In the longer term, the EPRU would seek to foster a network of researchers beyond the Ministry. In particular, the unit could form useful partnerships with national universities. Not only would this arrangement fulfill the more advanced analytical needs of the Ministry but also enhance the quality of research and education at the universities. To encourage the development of research networks, the EPRU would sponsor regular research forums and conferences to develop common areas of interest. Additionally, as the Ministry will continue to outsource research activities in the longer term, the unit could strengthen the linkages with donor organizations by serving as a focal point in the Ministry. The EPRU could provide inputs, and serve a monitoring and coordinating role for such research activities.

3.3 A PHASED IMPLEMENTATION APPROACH

To achieve the long run objectives outlined in the previous section will require a long term time frame. The unit will require time to both build capacity and establish a reputation for quality outputs both within and outside the Ministry. For these reasons, a phased implementation of the EPRU is recommended with specific tasks and objectives for each stage.

- **Phase 1: Immediate**

Phase 1 would be implemented in the short run in the first 3 – 6 months, and developed over years 1 – 2. A small staff of 3-4 researchers would focus on the critical analysis areas for the Ministry. Based on an initial work plan, the primary clients at this stage would be the Minister and the Directorates. Due to its small scale, only very limited “on-demand” analysis could be undertaken.

Time Frame: Years 1 and 2.

- **Phase 2: Medium Term**

During Phase 2, the unit would expand its areas of expertise and begin to develop specialized sub-units covering each of the areas of the Ministry’s mandate. As the unit continues to build capacity, the scope of the work program would increase and the unit would begin to expand the range of clients to include the implementing agencies and incorporate the private sector more fully. The unit would begin to establish formal procedures for incorporating impact assessments into the decision making process.

Importantly, at this stage, the Ministry is likely to have evolved significantly. As broader initiatives for a Ministry of Economy are implemented, the EPRU could form part of a

larger policy coordination unit. As the planned Consultation Unit is put into place, output from the EPRU will form an important input into the consultations with the private sector. Finally, at this stage, the unit could begin to establish and enhance broader research networks particularly with the national universities.

Time Frame: Years 3-6

- **Phase 3: Long Term**

Over time, the unit will be able to fully evolve to fulfill the long run vision outlined in the previous section.

The timeline for the phased implementation will depend to some degree on the progress of other initiatives in the Ministry. Ideally, Phase 2 would begin with the expansion of the unit in the second year of operation.

Although an initially small unit will not be able to fulfill all of the Ministry's requirements, the phased implementation has several advantages including:

- A functioning unit could be established within 3-6 months which would address the critical needs of the Ministry.
- The phased implementation allows the unit to grow as it builds capacity, establishes a reputation for quality outputs and gains the confidence of Ministry stakeholders.
- In the near future, the MIT is likely to undergo substantial changes as programs for a Ministry of Economy, the establishment of a Consultation Unit and the possible relocation of Jordan's competitiveness initiatives move forward. An initially small unit will be able to adapt easily to complement these initiatives without having to undergo substantial restructuring.

The following section outlines the immediate implementation plan for Phase 1 in greater detail.

4. EPRU – PHASE 1

The immediate goal for the EPRU is to establish a core staff that can address the immediate needs of MIT decision-makers. The following sections provide an overview of the recommendations for the unit's initial objectives, activities, organization and capacity building program.

4.1 OBJECTIVES

The EPRU objectives for Phase 1 focus on five major areas which address the priority needs of the Ministry:

1. Develop capability to monitor and analyze national, regional and international economic trends and research which impact the areas of the Ministry's mandate.
2. Respond promptly to requests for analysis by Minister and Directors with series of concise policy research briefings.
3. Implement medium-term program of detailed analysis projects which address critical issues facing the Ministry.
4. Inform Ministry stakeholders of activities through publication of regular reports of EPRU activities, research and data, and through Policy Forums.
5. Continuously improve capacity within the EPRU to support Ministry activities.

4.2 ACTIVITIES

For each objective, the following section highlights the tasks and activities to be undertaken. The details of each task with respect to specific research topics will be decided as part of the development of the initial work program and will depend on the current needs of the Ministry as identified by the Minister, Secretary General and Directors. Given the limited size of the initial unit, the establishment of an agreed work program will be essential to the success of the unit. Absent specific targets, the unit risks lapsing into an ad-hoc organization with limited ability to address any of the Ministry's longer term goals for policy research and analysis programs.

MONITORING AND ANALYSIS OF ECONOMIC TRENDS

The ability to monitor and analyze economic trends nationally and internationally allows the Ministry to both assess the effectiveness of its policies and to proactively identify trends which could significantly impact the Ministry's objectives. Activities in this area include:

- Develop database capabilities to track national and international data including:
 - Export, import, trade balance statistics
 - Macroeconomic indicators
 - Oil and gas prices
 - Domestic and international commodity prices
 - Domestic and foreign labor statistics.
 - Economic activity by sector
 - International benchmarking statistics

- Monitor and track private sector data including:
 - Business attitude surveys
 - Firm level and investment data
- Collect relevant reports for Ministry activities including:
 - World Bank, IMF, Global Competitiveness, Economic Freedom Index
- Establish a regular reporting system which provides timely information to Ministry stakeholders tracking impact of MIT initiatives.
- Establish a firm protocol for safeguarding and disseminating sensitive data.

Policy Research Briefing Series

The Policy Research Briefings will both respond promptly to requests to address short term needs and provide concise summaries in a few pages of research and activities of the EPRU. The target audience will be the upper levels of the Ministry and the reports will concisely review, in layman's terms, impacts on the Ministry's mandate and benefits/costs of various policy options. Depending on the issue involved, the level of analysis will vary from simple application of economic principles to summaries of more comprehensive analysis.

While some of the briefings will be produced on an "as-requested" basis, the unit will also begin to develop the capability to track upcoming issues both internationally and within the Government. In order to provide a consistent approach, the EPRU will develop formal process to address requests, define reporting needs and analyze impacts across all areas of Ministry's mandate.

Examples of briefings include:

- Impact of rising commodity prices on private sector development and growth.
- Effect of dollar devaluation on competitiveness of Jordanian exports.
- Implications for Jordan of current Doha negotiations.
- Assessments of primary strategies of related ministries in terms of their impact on areas under the MIT 's mandate

Regular EPRU Reports

A primary goal of the EPRU should be to disseminate its research as widely as possible within the Ministry, among Ministry stakeholders and in the broader community. A central activity of the unit will be to publish regular (quarterly) reports of its activities and summaries of data and research. This activity could additionally encompass the previous Trade Policy News Letters and Industry, Trade and Investment Bulletin.

Research Program

To address the immediate needs of the Ministry to begin to build capacity, in the first phase, the unit should target 2-3 longer term analysis projects with an estimated time of completion for each of 3-4 months. The specific issues to be addressed must be identified by the Ministry as part of the initial work program. Examples could include:

- Impact of proposed FTAs: Canada, Turkey, Pakistan and/or COMESA.
- Impact of WTO services negotiations on Jordanian private sector.
- Effect of industrial policy initiatives on competitiveness of SMEs.

The analytical techniques will vary depending on the projects selected. In all of the examples, straightforward, partial equilibrium techniques could provide a fairly comprehensive examination of the issues without the need to employ advanced forecasting or statistical programs.

Capacity Building

Capacity building in terms of both process and techniques will form an important component of the EPRU activities in the first phase of implementation, some of which could be provided through donor agency support. Activities will include:

- Developing a formal reporting process across all activities to ensure consistency and quality of outputs.
- Increase skills across range of analytic tools including:
 - Impact Assessments, Cost/Benefit Analysis
 - Micro and Macroeconomic Policy Analysis
 - Partial Equilibrium Analysis focusing on sectoral impacts
 - Forecasting Models
 - Statistical and Regression Techniques

To maximize the productive output of the unit, it is envisioned that the majority of training take place “in-house” with the technical support of long and short term advisors. Additionally, the Ministry itself has significant internal expertise to coordinate and implement training programs.

4.3 ORGANIZATION

In considering the organizational structure for the first phase of implementation, the primary objective is to quickly put in place a core staff which can respond to the immediate needs of the Ministry. The initial staff would consist of a Director and 2-3 Researchers with the following expertise:

- Director: Senior Researcher with a Master's degree in economics, strong analytical background with several years experience and familiarity with scope of Ministry.
- Researchers (2-3): Preferably Master's degree in economics with strong empirical background, writing skills and competency with major statistical packages. At least one of the researchers should have competency in database management.

Operationally, two options were discussed with the Ministry:

- Option 1: Unit is established within the Ministry framework. This is the preferred long term solution as it ensures the stability of the unit. However, there were concerns that the establishment and staffing of a unit within the Ministry might require a lengthy administrative process.
- Option 2: Unit is initially established within the Office of the Minister. This option would certainly allow for rapid implementation and provides an effective short term solution while the longer term process for establishing a permanent unit is completed.

However, based on discussions with MIT Minister Amer Hadidi and the Secretary General, the preferred option is Option 1 and the consensus is that the process for a permanent unit could be completed rapidly.

In terms of reporting requirements, the specific details will be determined by established processes within the Ministry. The target clients for Phase 1 are the Minister and Directors. While in the longer term, the EPRU will be able to respond to an array of "on-demand" requests, the initial phase will have a restricted scope. Regardless of the administrative reporting structure of the unit, the initial work program must be agreed by the primary clients and changes to the work program should be approved by application to the Secretary General and/or the Minister.

Budget for Phase 1 will include primarily salaries and set up costs including the purchasing of statistical packages. Table 2 below highlights the major budgetary items in the first year.

**Table 2: Phase 1, Year 1
Preliminary Budget Estimate**

Item	Estimated Budget (JOD)
Director, Annual Salary	40,000
Researcher, Annual Salary	24,000
Researcher, Annual Salary	24,000
Software Packages, 4 network users	4,500.

Computer Equipment (hardware provided by AMIR to JAED to be transferred to EPRU)	- 0 -
TOTAL	92,500

5. CONCLUSIONS AND NEXT STEPS

In order to effectively fulfill its strategies and objectives, the MIT has recognized the need for quality policy research and analysis that can provide a sound basis for evidence-based, economic decision-making by both the MIT and the GoJ overall. To meet the need for policy analysis, the MIT has indicated its intention to develop an Economic Policy Research Unit (EPRU) within the Ministry. This report recommends a phased approach to the establishment of the EPRU which would allow for the establishment in the near future of the unit to address short term needs. Based on the overview of the unit presented here and discussions with the Ministry, several steps need to be taken to establish the EPRU. Overall, the time frame is estimated to require 3-6 months from the initial approval of the concept to approval of the initial work program for the unit.

1. Finalize the Concept Paper incorporating comments of the Ministry. (July 2008)
2. Prepare and finalize a detailed Operational Plan for the Ministry including a basic budget for Phase 1. (August 2008)
3. Establish the Organizational Setting for Unit and Financing. (September 2008)
4. Ministry to Recruit a Director and Researchers. (September/October 2008)
5. Provide for technical assistance for the unit identifying an international advisor. (September/October 2008)
6. EPRU Staff drafts and approves initial work program for approval by Ministry. (November/December 2008)

APPENDIX A: LIST OF INTERVIEWS

Ministry of Industry and Trade:

- H.E. Amer Al Hadidi, Minister of Industry and Trade
- Dr. Montaser Oklah, Secretary General
- Maha A Ali, Director of Foreign Trade Policy and Relations Department
- Loay Sehwill, Ph.D., Director of Industrial Development Directorate
- Gina Farraj, Advisor to the Minister of Industry and Trade (SABEQ)
- Rula Katan, Advisor to the Minister of Industry and Trade (SABEQ)

Jordan Investment Board:

- Dr. Maen Nsour, Chief Executive Officer
- Ghaleb Tukan, Head of Policies and Research Directorate

Jordan Chamber of Industry:

- Dr. Hatem Halawani, Chairman, Board of Directors
- Zaki M. Ayoubi, D.B.A., Board Member/Director General
- Mohammed F. Al Refai, Member, Board of Directors

Other Agencies and Institutions:

- Amjad H. Attar, Head of the Strategic Planning, Acting Head of the Economic Studies, Policies and Strategies Directorate, Ministry of Information and Communications Technology
- Maher F. Hamdan, Advocate, Hamdan and Partners
- Nadim Y. Muasher, Chairman, Arab International Hotels Co.
- Yarub Qudah, CEO, Jordan Enterprise Development Corporation

SABEQ:

- Mohamad Amawi, Removal of GoJ Constraints Team Leader
- Rodigo Ortiz, Chief of Party
- Sheri Pitigala, Trade and Investment Policy Advisor
- Rami Takrouiri, Advocacy and Regulatory Reform Advisor
- Lindsey Wellons, Expanded Trade and Investment Team Leader
- Hanan Zaideh, Institutional Transformation Specialist

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