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# **ECONOMIC POLICY UNIT**

## **MINISTRY OF INDUSTRY AND TRADE**

### **GUIDELINES FOR ESTABLISHING THE UNIT AND FIRST YEAR OPERATIONS**

Final Report

October 27, 2008

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

**ECONOMIC POLICY UNIT**  
**MINISTRY OF INDUSTRY AND TRADE**  
GUIDELINES FOR ESTABLISHING THE UNIT  
AND FIRST YEAR OPERATIONS  
Final Report

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POLICY UNIT MIT GUIDELINES FOR  
ESTABLISHING THE UNIT AND FIRST YEAR  
OPERATIONS

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## EXECUTIVE SUMMARY

In recent years, economic policy research and analysis in Jordan has been 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 goals for sustainable economic growth. To meet the need for enhanced policy analysis, the Ministry of Industry and Trade (MIT) has indicated its intention to develop an Economic Policy Unit (EPU). The Ministry has recently developed the initial concepts for the unit.<sup>1</sup> The purpose of this report is to expand upon those concepts, establish operational guidelines and outline the work program for the launch and first year operation of the unit.

### Background and rationale

MIT is a key economic ministry for the GoJ with a mandate encompassing four interlinked areas: Foreign Trade, Domestic Trade, Industrial Policy/Private Sector Development, and Investment. Quality policy analysis and economic research are essential inputs for effective decision-making at all levels of Ministry activities. Broadly, the need for analytical inputs can be classified into three major areas that affect the work of the Ministry.

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

The primary objective of the EPU will be to strengthen the policy process of MIT across all areas of its mandate. Currently, there is no program in place for the systematic use of research and policy analysis in the Ministry decision-making process. Critical pieces of analysis are developed 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, capacity and resources are available to produce limited, largely qualitative analysis. This system is inadequate to meet immediate and future needs for policy analysis within MIT.

The establishment of the EPU will meet these needs by improving 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.

### Establishing the EPU with a Phased Approach

In developing the concepts for the establishment of the EPU, several factors were taken into consideration including international best practices with regard to government economic research and analysis institutions, a long range goal for the EPU 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.

In the long run, the EPU would be able to fully address the policy analysis and research needs of the Ministry. Staffing would include expertise across the core areas of the Ministry's mandate. A well-established research unit that provides quality outputs would be able to respond to needs from the Minister, Secretary General and the Directorates both through an agreed work program and on a demand basis as needed. The EPU would provide policy research and analysis targeted to all levels of the Ministry.

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<sup>1</sup> "Concept Paper on Establishing an Economic Policy Unit in the Ministry of Industry and Trade", September, 2008, USAID Jordan Economic Development Program (SABEQ), prepared by Dr. Kathleen Trask

To achieve the long run objectives outlined above 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 EPU is recommended. The immediate goal in the initial phase of the EPU is to establish a core staff that can address the immediate needs of MIT decision-makers.

### **Management and Structure**

Recently, as part of continuing efforts to improve policy formulation, the Ministry has indicated its intention to establish an Economic Policy Directorate that would include an Economic Policy Unit and a Consultation Unit as illustrated below.

Reporting requirements for the EPU will be determined by established processes within the Ministry. Formally, the proposed placement of the unit within the Ministry structure will dictate a regular reporting process unit: from the EPU to the Head of the Directorate of the Economic Policy Directorate to the Secretary General and from there to the Minister. Regardless of the administrative reporting system, the EPU must take a broader approach to communication in order to be effective as it is designed as a service unit – supporting the policy process at the Ministry and fulfilling the analysis needs of Ministry stakeholders. The initial staff would consist of a Director, a Senior Analyst and a junior Researcher.

### **Relationships with Ministry Stakeholders**

In order to achieve its objectives, the EPU must form strong relationships with stakeholders both within and outside of the Ministry. Given the initial small size of the unit, not all stakeholders will be direct “clients” of the EPU but they will still benefit from informed discussion of policy issues. Well defined, complementary relationships between the EPU and Ministry stakeholders – including the implementing agencies and the private sector - will furthermore be critical to the success of the unit. In discussions regarding the formation of the EPU, the central concern voiced was whether the EPU would overlap with or overtake existing activities of the directorates and the implementing agencies. Discussions with similar units in other ministries revealed that a significant concern was to make stakeholders aware of the resources and capabilities of the unit.

### **Phase 1 Activities**

The overall objectives for Phase 1 activities were discussed as part of the development of the initial concepts for the EPU. More specific topics were developed based on discussions with the Minister, the Secretary General, Directorates, Implementing Agencies and private sector organizations conducted as part of the background for this report. The specific activities and topics should be viewed as illustrative and the final Year 1 work program for the unit should be agreed upon at the outset of operations. Specific activity areas include:

- Monitoring and Analysis of Economic Trends
- Developing a Policy Research Briefing Series. Suggested initial topics include: Impact of the global credit crisis on local credit access; Effect of the global economic slowdown on the Jordanian private sector; and, Assessments of primary strategies of related ministries.
- Developing and Disseminating Quarterly Reports of EPU activities. The reports will include information on recent economic trends, summaries of current and future research programs, upcoming policy forums and related public events of the EPU and reports of EPU activities.
- Developing a longer term research program including impact assessments. Potential topics include: Impact Assessment of Proposed Free Trade Agreements; Review of Current FTAs – Lessons for the Future; Viability of New Industrial Estates; Prospects for Diversification of Jordan’s Exports

- Implementing a continuing program for capacity building within the unit.
- Conducting policy seminars or forums to obtain stakeholder input on EPU studies, in cooperation with the Consultation Unit, and to present study findings to stakeholders
- Coordinating an annual policy forum on the work of the EPU.
- Planning and developing annual work program

### **Workplan for Launch and Year 1**

The launch phase for the EPU is anticipated to run through late 2008 and early 2009, with the start-up of Year 1 operations in early 2009. Key stages for the launch include finalization of the implementation plan; recruitment of staff; agreement on financing and budgetary approval; finalization of MIT, SABEQ and other donor support for EPU; and approval of Year 1 work program. The Year 1 Work Plan provides month-by-month activities necessary for the achievement of the Phase 1 objectives.

### **Budget Forecast for Year 1**

The budget for Phase 1 will include primarily salaries, basic operating costs, funding for policy forums, data costs and set up costs including the purchasing of statistical packages. The estimated first year budget is approximately 104,000 (JOD).

### **Conclusions**

In order to effectively fulfill its strategies and objectives, 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 MIT and the GoJ overall. To meet the need for policy analysis, MIT has indicated its intention to develop an Economic Policy Unit (EPU) within the Ministry. This report provides detailed operational guidelines and a work program for the Phase 1 implementation of the unit. Following GoJ approval and adoption of these guidelines, the launch of the unit is anticipated for late 2008 to early 2009, with commencement of the Year 1 work program in early 2009.

## ACRONYMS

<b>COMESA</b>	Common Market for Eastern and Southern Africa
<b>DoS</b>	Department of Statistics, Jordan Ministry of Planning
<b>EFTA</b>	European Free Trade Association
<b>EPU</b>	Economic Policy Unit
<b>EU</b>	European Union
<b>FTA</b>	Free Trade Area
<b>GAFTA</b>	Greater Arab Free Trade Area
<b>GoJ</b>	Government of Jordan
<b>JE</b>	Jordan Enterprise
<b>JIB</b>	Jordan Investment Board
<b>JIEC</b>	Jordan Industrial Estates Corporation
<b>JISM</b>	Jordan Institute of Standards and Metrology
<b>MERCOSUR</b>	Mercado Común del Sur/Southern Common Market
<b>MIT</b>	Ministry of Industry and Trade
<b>RIA</b>	Regulatory Impact Assessment
<b>UN COMTRADE</b>	United Nations Commodity Trade Statistics Database
<b>UNCTAD TRAINS</b>	United Nations Conference on Trade and Development Trade Analysis Information System



## 1. INTRODUCTION

As a central economic Ministry for the Government of Jordan (GoJ), the Ministry of Industry and Trade (MIT) has policy, implementation, regulation and monitoring roles encompassing a broad mandate that includes foreign and domestic trade, industrial/private sector development and investment. In fulfilling these roles, MIT and the GoJ have recognized the need to strengthen significantly economic policy formulation, coordination and monitoring within MIT and across Government. An essential component of this objective is for MIT to develop the ability to produce quality policy research and analysis as an key input into for evidence-based, economic decision-making by both 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 goals for sustainable economic growth. To meet the need for policy analysis, MIT has indicated its intention to develop an Economic Policy Unit (EPU). The Ministry has already established the initial concepts for the unit and the purpose of this report is to expand upon those concepts, establish operational guidelines and outline the work program for the launch and first year operation of the unit.<sup>2</sup>

The EPU is one part of the broader initiatives of MIT to strengthen the process of economic policy formulation within the Ministry. MIT is currently implementing significant programs that would strengthen the policy formulation capabilities of the Ministry including the development of an Economic Policy Directorate and the establishment of a Consultation Unit to formalize and increase the voice of the private sector in the policy process. Additionally, there have been discussions regarding the reorganization of competitiveness initiatives in Jordan that may include a possible relocation of the Competitiveness Observatory, currently with the Ministry of Planning and International Cooperation, to MIT as well as the establishment of a National Competitiveness Council.

In light of these initiatives, MIT has agreed upon a design for the EPU that is sufficiently flexible to allow it to easily adapt and increase its roles and responsibilities over time to address the needs of an evolving Ministry. A progressive implementation approach is envisioned for the EPU that will allow the Ministry to establish an initially small unit to fulfill pressing needs at the Ministry for concise economic analysis of issues facing the Ministry. The EPU will support the current process for policy formulation through assistance to the Ministry and Ministry stakeholders, complementing current and future policy initiatives. In later phases, the EPU will 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.

Section 2 reviews the background and rationale for the establishment of the EPU. Section 3 reviews the overall objectives for the EPU including the long run vision for the unit, a review of the phased implementation program and an overview of Phase 1 objectives. The remainder of the report focuses on detailed operational guidelines and work programs for the launch and year 1 operation of the unit. Sections 4 and 5 review the management and structure of the unit and define the unit's relationships within the Ministry, with the Ministry's implementing agencies and with the private sector.<sup>3</sup> Section 6 provides a detailed description of proposed Phase 1

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<sup>2</sup> "Concept Paper on Establishing an Economic Policy Unit in the Ministry of Industry and Trade", USAID Jordan Economic Development Program, Dr. Kathleen Trask, September 2008.

<sup>3</sup> Throughout the report "implementing agencies" refers to the independent agencies under the purview of the Ministry: Jordan Investment Board, Jordan Enterprise, the Jordan Institute of Standards and Metrology and the Jordan Industrial Estates Corporation.

activities. Section 7 outlines a month-by-month work plan for the launch and first year operations. Section 8 outlines the initial budget for the unit. Section 9 concludes with recommendations for next steps.

The information in this report is based on interviews and research conducted from June-September 2008 at various levels within MIT, at related agencies and institutions and with private sector organizations. Appendix A provides a list of interviews conducted.

## **2. BACKGROUND AND RATIONALE**

### **2.1 BACKGROUND**

MIT is a key economic ministry for the GoJ with a mandate encompassing four interlinked areas: Foreign Trade, Domestic Trade, Industrial Policy/Private Sector Development, and Investment. Quality policy analysis and economic research are essential inputs for effective decision-making at all levels of Ministry activities. Broadly, the need for analytical inputs can be classified into three major areas that affect the work of the Ministry.

***Formulating and implementing policies across the areas of the Ministry's mandate.*** A primary responsibility of MIT is to formulate, implement and monitor policies and strategies to ensure the development of a dynamic, competitive economy. The Ministry additionally has substantial regulatory responsibilities administered through the Directorates and the Ministry's implementing agencies (Jordan Investment Board (JIB), Jordan Enterprise (JE), the Jordan Institute of Standards and Metrology (JISM) 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 carry out its mandate effectively, the Ministry requires adequate research and analysis to inform its decisions and evaluate their effectiveness.

***Responding to the policies and strategies of related ministries.*** 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 directly affect all areas of MIT's 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 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 MIT to assess the impact of these activities on the areas within its scope.

***Monitoring and assessing the impact of national, regional and international economic trends.*** The Ministry must monitor and assess the impact of changes in the 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 RATIONALE**

The primary objective of the EPU will be to strengthen the policy process of MIT across all areas of its mandate. Currently, there is no comprehensive program in place for the systematic use of research and policy 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 the Foreign Trade Policy and Industrial Development Directorates, 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 (JIB) and Jordan Enterprise (JE). 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.

The 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. The establishment of the EPU will meet these needs by addressing three primary areas: 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.

**Process:** The EPU will allow the Ministry to systematically incorporate analysis into policy decisions. An established program for policy analysis and research will allow MIT to address policy issues proactively rather than reactively.

**Types of Research:** Quantitative research drawing on national and international data and utilizing modern statistical techniques will replace the largely qualitative and scattered analysis currently undertaken.

**Capacity Building:** The establishment of a permanent policy analysis unit will allow MIT to build institutional capacity – both within the unit and throughout the Ministry - and strengthen the policy formulation process. While significant portions of analysis will still be outsourced to donor organizations, the cooperation and coordination of the EPU with these organizations will further increase analytical capacity within MIT.

## 2.3 GOALS AND OBJECTIVES

The overall goal of the EPU is to support and enhance the policy formulation process at MIT by:

- Producing quality economic research and policy analysis including both long and short term research programs.
- Providing “on-demand” analysis of critical issues facing Ministry stakeholders.
- Enabling the Ministry to systematically incorporate policy analysis into the policy process.
- Providing the basis for encouraging informed discussion among all Ministry stakeholders.
- Establishing and encouraging the development of a network of researchers focusing on Jordan's economic policy issues.
- Enhancing the process and quality of outsourced research through coordination and cooperation with donor agencies.

### 3. ESTABLISHING THE EPU

In developing the concepts for the establishment of the EPU, several factors were taken into consideration including international best practices with regard to government economic research and analysis institutions, a long range goal for the EPU 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 describe the long range vision for the EPU, the proposed progressive implementation program for achieving that vision and an overview of Phase 1 objectives.

#### 3.1 LONG TERM VISION

To fully address the policy analysis and research needs of the Ministry, a long term vision for the unit would include the following components:

**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 the impact of the macroeconomic and regulatory environment on development of the private sector.

These areas reflect the varying skills and specialties necessary to cover the policy analysis needs across the core areas of the Ministry. With expertise across these areas, the EPU will be able to support needs from all levels within the Ministry and from the implementing agencies.

**Clients:** A well-established research unit that provides quality outputs would be able to respond to needs from the Minister, Secretary General 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 possibly related GoJ ministries and agencies.

**Outputs:** The EPU would provide policy research and analysis targeted to all levels of the Ministry 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 EPU 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 EPU will monitor and analyze data on national, regional and international trends which affect 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 have a 4-6 week anticipated completion.
- **Long Term Analysis Programs:** As part of the annual work program, the unit will undertake longer term research programs addressing the needs of the Ministry. Such programs would be anticipated to require three months or more.
- **Policy Forums:** To be organized as needed to obtain the input of private sector participants and to provide opportunities to explain research findings and policy options to key stakeholders.

**Linkages:** In the longer term, the EPU 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 it would also enhance the quality of research and education at the universities. To encourage the development of research networks, the EPU 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 EPU could provide inputs, and serve in a monitoring and coordinating role for such research activities.

### 3.2 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 EPU is recommended with specific tasks and objectives for each stage as outlined in Table 1.

**Table 1: Phased Implementation of the EPU**

	<b>Time Frame</b>	<b>Objectives</b>
<b>Phase 1</b>	Year 1-Year 2	Phase 1 would be implemented in the short run and developed over years 1 – 2. A small staff of a Director and 2 -3 researchers and analysts would focus on the critical analysis areas for the Ministry. Based on an initial work plan described below, the primary clients at this stage would be the Minister, the Secretary General and the Directorates. Due to its small scale, only very limited “on-demand” analysis could be undertaken.
<b>Phase 2</b>	Year 3 – Year 4	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. At this stage, the unit could begin to establish and enhance broader research networks particularly with the national universities.

**Phase 3** Year 5 -

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 that 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, MIT may undergo substantial changes including the establishment of the Economic Policy Directorate and the Consultation Unit as well as the possible relocation of Jordan's competitiveness initiatives. An initially small unit will be able to adapt easily to complement these initiatives without having to undergo substantial restructuring.

### **3.3 PHASE 1 – OVERVIEW**

The immediate goal for the EPU 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. The EPU objectives for Phase 1 focus on five major areas that address the priority needs of the Ministry:

- Develop the capability to monitor and analyze national, regional and international economic trends and research which impact the areas of the Ministry's mandate.
- Respond promptly to requests for analysis by the Minister, the Secretary General and the Directors with a series of concise policy research briefings.
- Implement a medium-term program of detailed policy analyses and impact assessments that address critical issues facing the Ministry.
- Engage the private sector and inform all Ministry stakeholders of activities through publication of regular reports of EPU activities, research and data, and through Policy Forums.
- Continuously improve capacity within the EPU to support Ministry activities.

## 4. MANAGEMENT AND STRUCTURE

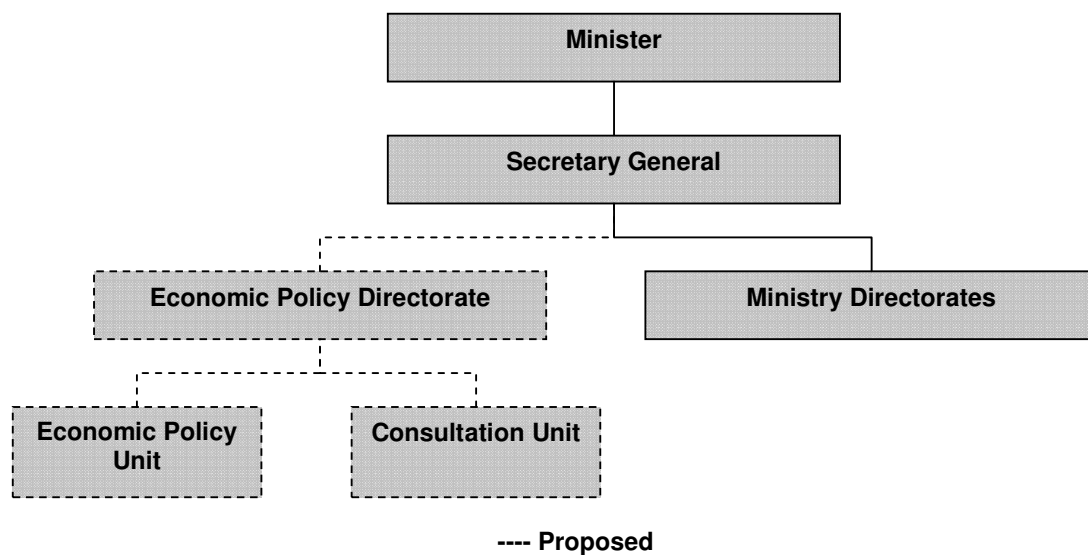
### 4.1 ORGANIZATION WITHIN THE MINISTRY

#### 4.1.1 Placement

In developing the initial concepts for the EPU, two options were discussed for the placement of the unit within the Ministry: placement within the Ministry framework or a unit initially established in the Office of the Minister. Based on discussions with MIT Minister Amer Hadidi and the Secretary General, placement within the Ministry was selected. The consensus was that the process for establishing a permanent unit could be completed rapidly and placement within the Ministry was the preferred long-term solution to ensure the stability of the unit.

Recently, as part of continuing efforts to improve policy formulation, the Ministry has indicated its intention to establish an Economic Policy Directorate that would include an Economic Policy Unit and a Consultation Unit (see section 5.1.2), as illustrated below.

**Figure 1: Placement of EPU within MIT**



The specific details and responsibilities of the Economic Policy Directorate are currently in development. The primary objective of the Consultation Unit is to oversee and assist compliance in the Ministry with its policy on consultation, institutionalizing stakeholder consultation within the Ministry decision framework. While there is not specific overlap between the two units, their activities will be complementary and the two units will coordinate their activities.

All three initiatives – the EPU, the Consultation Unit and the Economic Policy Directorate – are in the planning stages. Regardless of which initiative proceeds first, the activities of the EPU



are sufficiently well defined to allow it to function independently pending the establishment of the Directorate.<sup>4</sup>

#### 4.1.2 Reporting

Reporting requirements for the EPU will be determined by established processes within the Ministry. Formally, the proposed placement of the unit within the Ministry structure will dictate a regular reporting process for the unit: from the EPU to the Head of the Directorate of the Economic Policy Directorate to the Secretary General and from there to the Minister.

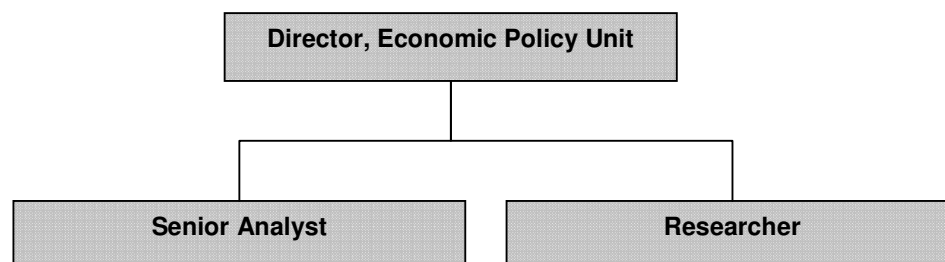
Regardless of the administrative reporting system, the EPU must take a broader approach to communication in order to be effective as it is designed as a service unit – supporting the policy process at the Ministry and fulfilling the analysis needs of Ministry stakeholders. One concern voiced in meetings conducted for the development of the EPU was that a rigid reporting system would lead to the program of the EPU addressing only a narrow set of interests. The EPU can avoid these concerns by:

- Maintaining a client-based focus. The EPU must develop and maintain strong communication channels with all Ministry stakeholders.
- Ensuring broad dissemination of all outputs. As further outlined below, the EPU will seek input and incorporate comments from both within and outside the Ministry.
- Developing the annual work program for the unit in consultation with all stakeholders. In the initial phases of the EPU, the annual work program will set the detailed analysis program for the unit. This should be developed by seeking comments from all areas of the Ministry during the drafting and finalization of the work program.

#### 4.2 UNIT STRUCTURE

In considering the organizational structure for the first phase of implementation, the primary objective is to quickly put in place a core staff that can respond to the immediate needs of the Ministry. The initial staff would consist of a Director, a Senior Analyst and a junior Researcher.

**Figure 2: Structure of the EPU**



Given the small size of the unit, the staff must be generalists to a degree with strong empirical backgrounds. However, international trade and industrial policy are likely to form a significant part of the first year research programs so strong backgrounds in these areas will be required. The following sections lay out in general the responsibilities and qualifications for each position with detailed job descriptions provided in Appendix B.

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<sup>4</sup> In the remainder of the report, the assumption is that the EPU will be a part of the Economic Policy Directorate. In the event the EPU is established prior to the establishment of the Directorate, reporting responsibilities would then be directly to the Secretary General.



#### **4.2.1 Director**

The Director of the Economic Policy Unit will report to the Head of the Economic Policy Directorate. The primary responsibilities of the Director will be to provide leadership to achieve the objectives of the unit, developing and maintaining strong communication channels with all Ministry stakeholders. He/she will be accountable for the execution of the EPU's annual work program and responsible for the day-to-day management and operations of the unit, ensuring consistency with the unit's overall objectives. The Director will oversee and participate in the design and conduct of research and formulate recommendations for the unit's priorities. He/she will oversee the implementation of the capacity building program of the unit.

##### **PRINCIPAL DUTIES AND RESPONSIBILITIES**

- Supervise and coordinate the work of all staff members in the unit.
- Design and conduct research programs as approved by the Director of the Economic Policy Directorate and in line with the annual work program of the Unit.
- Ensure quality of EPU outputs.
- Develop strong relationships with all Ministry stakeholders to ensure the attainment of the unit's and the Ministry's objectives.
- Oversee the implementation of the capacity building program within the unit.
- Ensure the cohesive development of the annual work plan for the unit and conduct performance reviews of unit staff.
- Select and motivate staff and oversee their training and development.

#### **4.2.2 Senior Analyst**

The Senior Analyst will report to the Director of the Economic Policy Unit. The primary responsibility of the Senior Analyst will be to support the Director and have primary research and analysis responsibilities. He/she will be expected to independently design and conduct analysis programs in conjunction with the unit's annual work program.

##### **PRINCIPAL DUTIES AND RESPONSIBILITIES**

- In conjunction with the Director, design and conduct both short and long-term research programs in line with the annual work program of the unit.
- Coordinate and direct the work of the research staff of the unit as required.
- As requested by the Director, liaise with Ministry stakeholders, receiving and incorporating comments into analysis and presenting results.
- Responsible for the coordination of annual policy forum.
- Supervise the work of the Research staff in the development and maintenance of the Unit's database for economic statistics.
- Participate actively in the development of the annual work program of the Ministry.

#### **4.2.3 Researcher**

The Researcher will report directly to the Director of the Economic Policy Unit and work under the supervision of the Senior Analyst. The primary responsibility of the Researcher will be to support the research and analysis programs of the unit. Additionally, he/she will have primary responsibilities for the management of the statistical database of the unit.

## **PRINCIPAL DUTIES AND RESPONSIBILITIES**

- Support the Director and the Senior Analyst in the design and conduct of both short and long-term research programs as requested.
- Under the supervision of the Senior Analyst, the Researcher will have primary responsibility for the development and maintenance of the unit's database of economic statistics.
- Ensure availability of database to internal and external Ministry stakeholders.
- Maintain library of national and international reports for unit.
- Maintain contacts, correspondence and track feedback on work of unit.
- Coordinate the development and dissemination of Quarterly EPU Reports.

## **5. RELATIONSHIPS WITH MINISTRY STAKEHOLDERS**

A primary objective of the EPU is to support policy formulation at the Ministry by providing the policy research and analysis that is an essential component for evidence-based, economic decision-making at MIT. In order to do this effectively, the EPU must form strong relationships with stakeholders both within and outside of the Ministry. Given the initial small size of the unit, not all stakeholders will be direct "clients" of the EPU but they will still benefit from informed discussion of policy issues.

Well defined, complementary relationships between the EPU and Ministry stakeholders will furthermore be critical to the success of the unit. In discussions regarding the formation of the EPU, the central concern voiced was whether the EPU would overlap with or overtake existing activities of the directorates and the implementing agencies. Discussions with similar units in other ministries revealed that a significant problem was to make stakeholders aware of the resources and capabilities of the unit.

### **5.1 RELATIONS WITHIN THE MINISTRY**

#### **5.1.1 Minister, Secretary General, Directorates**

The primary clients of the EPU for Phase 1 will be the Minister, the Secretary General and the MIT Directorates. The EPU should strive to establish two-way relationships within the Ministry both providing inputs to the Directorates and receiving valuable guidance and support for its research programs. Specifically, the relationships between the EPU and the Ministry will include:

- Receiving commentary on and finalization of the EPU work program from the Ministry
- Providing "On-Demand" analysis through the Policy Research Briefing Series
- Working with Ministry Directorates to develop data sources and enhance stakeholder relationships.
- Providing outputs of the Research Program and Impact Assessments focusing on issues of critical concern to the working programs of the Directorates.

Currently, the Directorates have analysis programs and data monitoring efforts in place. The work of the EPU will be complementary to these efforts. The EPU must ensure coordination with the Directorates on current and future work programs to avoid overlap and to complement the existing analysis capabilities of the Ministry.

### **5.1.2 Consultation Unit**

As part of the initiatives for improving the policy formulation process, MIT has adopted a policy that will institutionalize stakeholder consultation into Ministry decisions. MIT intends to establish a Consultation Unit that will oversee its compliance with this policy.<sup>5</sup> The Consultation Unit will work with the Directorates to insure the incorporation of private sector views into policy decisions. Both the Consultation Unit and the EPU will form part of the planned Economic Policy Directorate.

While both are still in the planning stages, the work of the EPU and the Consultation Unit will have substantial complementarities. To the extent that the Consultation Unit focuses on the drafting of formal Regulatory Impact Assessments, the analysis of the EPU will provide a direct input. As the Consultation Unit works with Ministry Directorates to draft policy documents for comments, the relationship will be indirect. Analysis developed by the EPU for the Directorates would then provide an input into the consultation process conducted. As both initiatives move forward, the EPU and the Consultation Unit will work closely to minimize any potential overlap of responsibilities.

### **5.2 RELATIONS WITH IMPLEMENTING AGENCIES**

Jordan Enterprise (JE), Jordan Investment Board (JIB), the Jordan Institute of Standards and Metrology (JISM) and the Jordan Industrial Estates Corporation (JIEC) are integral to the implementation of policy for MIT. In the longer term, these agencies will be direct clients, with the EPU supporting analytical needs. During Phase 1 of the EPU, the agencies can still expect to see significant benefits from the EPU including:

- Overall improvement in policy process
- Outputs of the EPU will be disseminated for comments in draft and in final form, assisting in discussions of the policy process

Particularly during Phase 1, the EPU must establish strong relationships with the implementing agencies. As implementation agencies with close ties to the private sector, input from these institutions will be able to identify constraints to policy implementation, assist in the prioritization of research areas for annual work program and will be able to assist in coordinating inputs from the private sector.

All three agencies currently carry on analysis to some degree – particularly JIB and JE. JE in particular compiles market intelligence and investigates sectoral opportunities. The work and research of the EPU will complement this – perhaps adding greater quantitative rigor as requested by JE.

### **5.3 RELATIONS 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 EPU, several concerns regarding the role of the private sector were considered. Primarily, the relationship will be indirect for the several reasons.

First, the EPU 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 EPU would not require such a role. Second, while private sector outreach was initially discussed as a potential activity for the EPU, analytical activities and private sector engagement involve different skill sets and are unlikely to be effectively undertaken by a single

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<sup>5</sup> “Draft Operations Manual for the Consultation Unit at MIT”, August, 2008, USAID Jordan Economic Development Program, Prepared by Scott Jacobs.

unit. Additionally, the planned Consultation Unit will have a mandate for private sector outreach, and the analysis provided by the EPU would form an important input into this process.

However, the private sector will receive significant benefits from the output of the unit and will be an integral partner in its work. As the primary objective of the Ministry is to ensure the development of a dynamic, competitive economy, 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 EPU would be widely disseminated to all stakeholders including the circulation of draft reports. The EPU could also further seek commentary on its output and analysis by holding regular Policy Forums with private sector participants. Finally, 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 EPU. As it establishes a reputation for quality outputs and adequate confidentiality controls, the EPU will be able to work with private sector organizations to secure invaluable data on firm level issues affecting growth.

## 6. PHASE 1 ACTIVITY DETAIL

The following sections outline suggested activities for the Phase 1 operation of the EPU. The overall objectives were discussed as part of the development of the initial concepts for the EPU. The specific topics were developed based on discussions with the Minister, the Secretary General, Directorates, Implementing Agencies and private sector organizations conducted as part of the background for this report. The specific activities and topics should be viewed as suggestive and the final year 1 work program for the unit should be agreed upon at the outset of operations.

### 6.1 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 that could significantly affect the Ministry's objectives. The EPU will develop database capabilities to track national, international and private sector data relating to the Ministry's operations and relevant to key stakeholders. This data will form the basis for the research and analysis of the EPU. Additionally, the EPU will collect relevant reports for Ministry activities including those by the World Bank, IMF, Global Competitiveness and the Economic Freedom Index. The unit will establish a regular reporting system that provides timely information to Ministry stakeholders tracking impact of MIT initiatives. Table 2 highlights examples of proposed tracking data for the unit.

**Table 2: Tracking Data**

<b>Data</b>	<b>Source</b>
Export, import, trade balance statistics, trade barriers	Directorate of Foreign Trade Policy, DoS, Jordan Customs, UN COMTRADE, International Trade Centre, UNCTAD TRAINS
<ul style="list-style-type: none"> <li>Jordan aggregates and bilateral</li> </ul>	
Macroeconomic indicators	DoS, Central Bank of Jordan, Jordan Ministry of Finance, International Monetary Fund
<ul style="list-style-type: none"> <li>GDP, exchange rates, interest rates, income, consumption, investment, government spending</li> </ul>	
Oil and gas prices	International Monetary Fund, DoS

Domestic and international commodity prices	DoS, International Monetary Fund
Domestic and foreign labor statistics	Ministry of Labor, International Labor Organization
Economic activity by sector	DoS, Sectoral Ministries, JE, JIB
International benchmarking statistics	Doing Business Reports World Bank, Heritage Foundation Index of Economic Freedom, World Economic Forum Global Competitiveness Index
Business attitude surveys	Directorates, Implementing Agencies, Competitiveness Observatory, International reports
Firm level and investment data	Private Sector Organizations, JCI, JCC, JEA, JIB, JE, Directorates

As indicated in Table 2, much of the data is available within the Ministry, within the GoJ - particularly from the Department of Statistics (DoS) of the Ministry and Planning and International Cooperation – or from easily accessible international sources. It will not be an objective of the EPU to generate data but rather to collate, track and update Ministry stakeholders on economic trends.

Several units within the Ministry currently generate or track economic data of particular relevance to their work. The Directorate of Foreign Trade Policy closely monitors international trade data. The implementing agencies in particular track sectoral and investment data related to their mandates. JE specifically monitors foreign market intelligence. The work of the EPU should be complementary to these efforts and the unit should draw upon these resources, not replace them.

To achieve its objectives in this area, the EPU will:

- Survey stakeholders regarding data needs and resources currently available
- Establish and maintain a collection of relevant international reports.
- Design and develop a database and regular reporting system tracking changing economic trends that will affect Ministry objectives.
- Develop private sector data sources working closely with implementing agencies and private sector organizations.
- Establish a firm protocol for safeguarding and disseminating sensitive data.

## 6.2 POLICY RESEARCH BRIEFING SERIES

The Policy Research Briefing Series is designed to address short-term needs of the Ministry. The target audience will be the upper levels of the Ministry with widespread dissemination to Ministry stakeholders as appropriate. The series will provide concise summaries of economic policy issues facing the Ministry including:

- Evolving economic trends affecting Ministry objectives
- Impact of international trends on macroeconomic environment
- Concise summaries of EPU research programs

- Implications for MIT of GoJ initiatives

In general, the briefings will be produced on an “as-requested” basis. However, the unit will also begin to develop the capability to track upcoming issues both internationally and within the Government. The policy series could also be used to provide summaries ahead of the Minister’s trips by collecting a basic overview of the markets to be visited and the potential opportunities for enhancing trade, business and investments.

The completion time from request to briefing will be targeted for between two weeks and one month. Given the quick turnaround time, the level of analysis will vary from straightforward application of economic principles to summaries of more comprehensive analysis. Each brief should discuss, in non-technical language:

- Summary of the issue
- Impact on areas within Ministry’s mandate
- Impact on Ministry stakeholders and the private sector.
- Proposed policy options and costs/benefits.

In order for the Policy Briefing Series to be effective and provide a consistent approach, the EPU must:

- Establish a regular communication system with the Minister, Secretary General and the Heads of Directorates to coordinate topics and receive requests.
- Develop a formal process to address requests and reporting templates.
- Define reporting needs and analyze impacts across all areas of the Ministry’s mandate.
- Coordinate as feasible with other GoJ ministries and agencies regarding ongoing research programs to minimize redundancies.

In the first year, given the estimated length of the Policy Briefing Series, the EPU can target 6-8 topics. The number of topics addressed will necessarily depend on demand and available resources. The following sections outline three potential topics discussed with Ministry stakeholders as part of the research and background interviews for this report. These are suggested topics – the policy briefs are designed to address current issues and the topics of interest will change rapidly. For the first year work program, three additional briefings should be planned with topics to be determined by the Ministry as needed.

### 6.2.1 Impact of global credit crisis on local credit access

**Issue:** Severe restrictions in global credit markets potentially poses a challenge to Jordanian businesses and investors as local credit market are affected.

**Goal:** Review the extent of the problem, highlight sectors particularly affected by lack of international or local credit access and provide an overview of likely growth impacts and potential policy options.

**Data:** International analysis, firm surveys, reports from GoJ and related Ministries.

**Analysis:** The report should draw on relevant international analysis and existing GoJ studies to forecast a likely impact. Working with Ministry Directorates, implementing agencies and private sector organizations, the EPU should estimate the impact on sectors likely to be most affected and develop representative firm surveys in these sectors.

**Time Frame:** 1 month

### 6.2.2 Effect of global economic slowdown on Jordanian private sector

**Issue:** The growing international financial crisis and the resulting slowdown of the developed economies will affect Jordan's economy in several ways including a potentially falling demand for exports and a decline in investment.

**Goal:** Review the extent of the problem and characterize the extent of the slowdown and its likely overall impact of Jordanian investment and exports, highlight sectors particularly impacted and provide an overview of impact on competitiveness.

**Data:** International economic data – interest rates, investment flows, international analysis, firm surveys.

**Analysis:** The report should draw on relevant international and domestic analysis to forecast a likely impact. Working with Ministry Directorates, implementing agencies and private sector organizations the EPU should estimate impact on hardest-hit sectors and develop representative firm surveys in these sectors regarding the impact of rising costs for imported inputs.

**Time Frame:** 1 month

### 6.2.3 Assessments of primary strategies of related ministries

Given the broad sweep of its mandate, it is not possible for the Ministry to effectively implement its policies in isolation. The Ministry must be able to address and monitor the impact of the policies and activities of ministries with related mandates. In interviews within the Ministry for the development of the EPU, a particularly strong concern voiced at all levels was the need for the Ministry to be able to effectively respond to the initiatives of other ministries and GoJ organizations which will directly impact private sector competitiveness. Typically, analysis and impacts assessed focus primarily on the scope of a particular mandate. In developing reviews in these areas, the EPU should review the assessments of the initiating agency and highlight particular impacts on MIT mandate which may not have been targeted in existing reviews.

One piece of legislation currently under discussion is a proposed energy law. It is likely to have significant impacts on the private sector and overall competitiveness. The Ministry may choose to analyze this or other topics as the legislation is developed. The briefing series will be a useful tool for the Ministry in such contexts. As they can be prepared quickly in response to upcoming cabinet discussions, the Ministry will be prepared to voice informed support or concerns.

**Issue:** Proposed changes to energy legislation are likely to have significant impacts on the competitiveness of the Jordanian private sector.

**Goal:** Review the extent of the problem and provide Ministry with an overview of likely impacts and the costs/benefits of potential policy options.

**Data:** Determined by legislation discussed, cost estimates for firms, international comparisons and best practices relevant to legislation.

**Analysis:** Working with Ministry Directorates, implementing agencies and private sector organizations the EPU should estimate sectoral impacts.

**Time Frame:** 1 month

## 6.3 QUARTERLY EPU REPORTS

To ensure the involvement of all Ministry stakeholders, the EPU will disseminate information on its activities to as wide an audience as possible. This will be an important component of the EPU's activities not only to receive commentary and provide information but also to ensure that Ministry stakeholders are aware of the resources available within the EPU.



As one part of this process, the unit will publish quarterly reports of its activities that will include.<sup>6</sup>

- Information on recent economic trends
- Summaries of current and future research programs
- Upcoming policy forums and related public events of the EPU
- Reports on EPU activities

The information in these quarterly reports could potentially encompass the current Trade Policy News Letters and Industry, Trade and Investment Bulletin.<sup>7</sup>

The EPU will establish a circulation system via an established web site, email and hard copy circulation to the Ministry, implementing agencies and private sector organizations.

#### **6.4 RESEARCH PROGRAM AND ECONOMIC IMPACT ASSESSMENTS**

The research program of the EPU is designed to provide in-depth analysis of critical issues facing the Ministry. The topics for the research program will be decided in consultation with Ministry stakeholders as part of the annual work program. It will be the nature of the long-term research programs that individual topics will be tied to specific Ministry Directorates as working partners. However, the target audience for outputs is the broader Ministry community as the analysis program is intended to promote informed discussions of policy options.

The analytical techniques employed will vary depending on the projects selected. In all of the examples proposed for Phase 1, straightforward, partial equilibrium techniques could provide a comprehensive examination of the issues without the need to employ advanced forecasting or statistical programs. The target time frame for conducting the research and producing reports is 3-4 months.

The form of the analytical reports will vary with the topic and the needs of the Ministry. In interviews regarding the development of the EPU concept, the need for the Ministry to develop a formal program of impact assessments was discussed extensively. However, the definition of impact assessments and the way in which they should be incorporated into the Ministry decision process varied substantially.

A central objective of the EPU is to develop a comprehensive policy research and analysis program to provide a basis for informed policy choices by MIT. However, the analysis outputs may not satisfy some definitions of formal impact assessments. Additionally, the coordination of impact assessments is part of the planned program for the Consultation Unit. In that setting, the output of the EPU will provide a quantitative basis for the impact assessment process and the work of the two units will have strong complementarities. The Consultation Unit will focus on coordinating Regulatory Impact Assessments (RIA). While the RIAs may incorporate the results of economic assessments, their central objective is generally more legal in nature – assessing the cohesiveness of proposed policy changes with the existing regulatory framework. Thus, the work of the two units will be complementary and not overlapping.

Four potential topics for the Year 1 EPU work program are outlined in the following sections. These topics were selected based on discussions with Ministry stakeholders as part of the research and background interviews for this report. Given limits on the capacity of the unit, only

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<sup>6</sup> Quarterly reports are suggested. As the unit develops, a longer or shorter time frame for regular reporting may be more desirable.

<sup>7</sup> These reports are available in the Publications portion of the Ministry website and both were last updated for the second quarter of 2007.



a limited number of topics can be selected for the first year. As the unit evolves, it will be able to undertake analysis across all the areas of the Ministry's mandates. All four programs will involve extensive research and it may only be possible to complete three in the first year of the unit. The topics are intended to be illustrative and the final program and number of topics must be finalized upon the start up of the unit.

#### **6.4.1 Impact Assessment of Proposed Free Trade Areas (FTAs)**

The Government's program for global integration is led by MIT in the areas of trade negotiation and implementation. Currently, negotiations and plans are at various stages for proposed Free Trade Agreements (FTAs) including those with Turkey, Pakistan, COMESA (Common Market for Eastern and Southern Africa) and MERCOSUR (Southern Common Market). Currently, the Foreign Trade Policy Directorate has the lead within the Ministry for informing negotiations, analyzing impacts and implementation. The work of the EPU will complement and support that of the Foreign Trade Policy Directorate in this area.

Given the small size of the EPU during Phase 1 and the number of FTAs under consideration, the unit will not be able to review all of the proposed FTAs in its initial phase of operation. The Ministry will select among the proposed agreements for analysis by the unit. The estimated time frame for analysis is approximately 4 months. In carrying out the study, the EPU will be required to work closely with the Foreign Trade Directorate, the implementing agencies and private sector organizations to provide a comprehensive analysis. Results of the assessment should be distributed to as wide an audience as possible to allow the EPU to incorporate comments into a final draft.

As part of its work program for the first year, the EPU should work to standardize analysis for FTAs. A suggested outline of topics and analysis is presented below.

#### **Assessment of Impact of Proposed FTA – Suggested Outline**

##### **1. Economic Overview of Proposed FTA Partner**

- Macroeconomic indicators and policies
- Structure of the economy
- Trade flows and trading partners
- Overall domestic and foreign trade policy

##### **2. Current Trade Regime of Proposed FTA Partner**

- Tariff regime
- Non-tariff barriers
- Trade and transit facilitation agreements
- Investment regime

##### **3. Potential Impacts of FTA**

- Markets opened for Jordanian exports. Based on comparative tariff analysis, experience with similar trading partners and private sector views.
- Identification of specific export product opportunities and market niches for Jordanian exports.
- Sectors affected by competing imports. Based on comparative tariff analysis, experience with similar trading partners and private sector views.
- Overall sectoral impacts

- Investment implications

#### **4. Issues for Consideration**

- Non-tariff barriers to be targeted
- Rules of Origin
- Sectoral Areas of Concern
- Revenue implications
- Investment implications
- Impact of proposed FTA on current obligations including existing trade agreements and/or WTO obligations

#### **5. Policy Options**

- Summarize potential costs and benefits of various policy scenarios for FTA negotiation.

Data for the report will be drawn from national and international trade sources, relevant reports and surveys of the Jordanian private sector. Drafts of the analysis will be initially circulated within the Ministry prior to being circulated to a wider audience for comments and finalization.

### **6.4.2 Review of Current FTAs – Lessons for the Future**

Jordan currently participates in a number of FTAs including the Greater Arab Free Trade Area (GAFTA), the Jordan-EU Association Agreement, the Jordan-US FTA, the Jordan-EFTA Free Trade, the Agadir Agreement, the Jordan-Singapore FTA and the recently completed Jordan-Canada FTA. Each agreement has been negotiated under a diverse set of circumstances, presents a unique set of market opportunities and challenges and has provided a varying degree of benefits to Jordan.

As Jordan continues to increase its integration with global markets through the negotiation of new trade agreements and FTAs, a comprehensive review of the effectiveness of existing agreements will serve to inform future negotiations and potentially reveal methods for maximizing opportunities from current FTAs.

The estimated time frame for analysis is approximately 4 months. In carrying out the analysis, the EPU will be required to work closely with the Foreign Trade Directorate, the implementing agencies and private sector organizations to provide a comprehensive analysis. Results of the assessment should be distributed to as wide an audience as possible to allow the EPU to incorporate comments into a final draft. A suggested outline of topics and analysis is presented below.

#### **Review of Current FTAs – Suggested Outline**

##### **1. Overview of Current FTAs**

##### **2. Analysis of Trade Creation (imports and exports) by agreement**

##### **3. Comparison of FTA requirements with Implications for Trade Creation**

- Rules of Origin
- Non-tariff barriers
- Transit and Transportation requirements

##### **4. Sectoral Impacts by agreement**

- Export Sectors

- Import Sectors
- Investment

## **5. Policy Issues**

- Summary of cost/benefits of existing FTAs
- Conclusions and implications for future FTAs

Data for the report would be drawn from national and international trade sources, relevant reports and surveys of the Jordanian private sector. Drafts of analysis will be initially circulated within the Ministry prior to being circulated to a wider audience for comments and finalization.

### **6.4.3 Viability of New Industrial Estates**

In line with the objectives of the national agenda, the JIEC and related GoJ development zone agencies are planning for the development of new industrial estates in currently underserved areas. In considering the development of new estates, the JIEC and others must weigh potential regional demand for estates against the impact on existing estates.

The EPU, in cooperation with these agencies, can provide a quantitative analysis of proposed industrial estates by estimating demand conditions. The majority of the data is presumably already available, with the JIEC particularly, in terms of cost conditions. The application of straightforward cost/benefit analysis can provide policy makers with an accurate picture of the sustainability of proposed industrial estates. The estimated time frame for this project is three months with a substantial portion of time required in field surveys.

### **6.4.4 Prospects for Diversification of Jordan's Exports**

Jordan's exports, particularly under trade agreements with the US, are concentrated in a few narrow sectors. As the FTA with the US will be fully implemented over the course of the next two years, MIT seeks policy solutions for the diversification of Jordanian exports. In preparing this analysis, the EPU would work closely with the Foreign Trade Policy Directorate and Jordan Enterprise.

The estimated time frame for analysis is approximately 3 months. In carrying out the analysis, the EPU will be required to work closely with the Directorate, JE and private sector organizations to provide a comprehensive analysis. Results should be distributed to as wide an audience as possible to allow the EPU to incorporate comments into a final draft. A suggested outline of topics and analysis is presented below.

#### **Diversification of Jordanian Exports under US-Jordan Agreements**

##### **– Illustrative Outline**

- 1. Overview of Agreements**
- 2. Analysis of bilateral trade flows and export concentration**
- 3. Analysis of limitation on export diversification**
  - Rules of Origin
  - Non-tariff barriers
  - Sectoral limitations
- 4. Recommendations for Diversification Strategies by Sector**
- 5. Policy Conclusions**
  - Conclusions and implications for MIT strategies

Data requirements would include historical bilateral US/Jordan trade flows, relevant reports and reviews of the US-Jordan FTA and sector level surveys. Drafts of the analysis will be initially circulated within the Ministry and JE prior to being circulated to a wider audience for comments and finalization. This analysis can serve as a template for future analysis of the diversification of Jordanian exports into a number of strategic markets.

## 6.5 CAPACITY BUILDING

Capacity building in terms of both process and techniques will form an important component of the EPU activities in the first phase of implementation. While all staff will possess skills in empirical analysis and share a background in economic policy, many specific skills and techniques will need to be enhanced and tailored to the needs of MIT. A substantial portion of this training will be “learning-by-doing” - applying skills through the completion of the EPU work program. However, ongoing formal and informal training to increase the skills of the unit will be a regular part of the annual work program.

Table 3 provides a suggested list of capacity building components for the Year 1 operations. Training components will draw on expertise from a variety of areas including the EPU staff itself, intra-ministerial experts as well as external resources including the support of the USAID Jordan Economic Development Program (SABEQ) or other donor agencies. It is envisioned that these modules will be designed to minimize work disruption with no more than one day/afternoon per week. These specific topics should be reviewed and finalized prior to the launch of the unit and may vary depending on the skill sets of the staff.

**Table 3: Proposed Capacity Building Programs**

Topic	Provider	Duration
1. Roles and Responsibilities of the EPU <ul style="list-style-type: none"> <li>Overview of roles and objectives of the Ministry and EPU</li> <li>Role of EPU relative to Ministry stakeholders</li> <li>Reporting procedures</li> </ul>	MIT	2 days
2. Review of Ministry Policy <ul style="list-style-type: none"> <li>Microeconomic Policy Principles</li> <li>Macroeconomic Policy Principles</li> <li>Current Policies of MIT</li> </ul>	MIT/SABEQ	4 days
3. Quantitative Policy Analysis Tools <ul style="list-style-type: none"> <li>Partial Equilibrium Analysis</li> <li>Introduction to Forecasting Techniques</li> <li>Interpretation of CGE Models</li> <li>Cost/Benefit Analysis</li> </ul>	TBD/SABEQ	10 days
4. Economic Data <ul style="list-style-type: none"> <li>Survey of National Data Sources</li> <li>International Data Sources</li> <li>International Reports</li> </ul>	TBD/SABEQ	3 days

<ul style="list-style-type: none"> <li>Assessing the consistency and reliability of data</li> </ul>		
5. Impact Assessments	SABEQ/Consultation Unit	3 days
<ul style="list-style-type: none"> <li>Objectives</li> <li>International Best Practices</li> <li>Quantitative/Qualitative Techniques</li> <li>Process within the Ministry</li> </ul>		
6. International Trade Policy	SABEQ/Foreign Trade Policy Directorate	4 days
<ul style="list-style-type: none"> <li>Principles of Trade Theory</li> <li>Basics of Empirical Analysis</li> <li>Overview of Trade Agreements</li> <li>Jordan Trade Policy Regime</li> </ul>		
7. Industrial Policy	SABEQ/Industrial Development Directorate	4 days
<ul style="list-style-type: none"> <li>Principles of Industrial Policy Theory</li> <li>Empirical Analysis</li> <li>International Best Practices</li> <li>Overview of Jordan's Industrial Policy Regime</li> </ul>		
8. Survey Techniques	SABEQ	5 days
<ul style="list-style-type: none"> <li>Theory – Statistics for Survey Techniques</li> <li>Conducting Surveys</li> <li>Formulating Comprehensive and Effective Surveys</li> <li>Sampling Techniques</li> <li>Reading and compiling survey data</li> </ul>		

## 6.6 POLICY FORUM

An important objective for the EPU is to stimulate policy discussions among all Ministry stakeholders. To achieve this, the EPU will strive to incorporate feedback and commentary from across the Ministry, implementing agencies and the private sector. Particularly in Phase 1, the limited size of the EPU will not allow the unit to serve a broad variety of clients directly. In order to reach the broadest audience, the EPU will coordinate policy forums to present and discuss the work of the unit and central policy issues. Additionally, the policy forums will serve as an opportunity to present the EPU work program for the upcoming year. This will allow for the EPU and the Ministry to receive input on the program prior to finalization of the program by the Ministry. For the Year 1 program, one policy forum is planned at the end of the year. Topics will include:

- Presentation of FTA Assessment
- Presentation of Review of Current FTAs
- Presentation of Viability of New Industrial Estates
- Presentation of preliminary results of Diversification of Jordan's Exports

- Overview of policy briefing topics

Discussions following each of the presentations will allow opportunity to receive stakeholder feedback on the work of the unit.

## 6.7 PLANNING AND ANNUAL WORK PROGRAM

The planning process and the development of the annual work program will be an integral component of EPU activities. This will be particularly important in the early phases of the EPU as the unit makes plans for the expansion of its activities, additional staffing must be approved and recruited for the planned programs.

The planning process should include:

- Draft of topics for research program in consultation with Ministry stakeholders
- Outline for proposals for Policy Briefing Series and expansion of database capabilities
- Design and planning for capacity building program
- Plans for expansion of staff

While the final work program will be approved within the Ministry, the unit should engage in widespread consultations during the development process. To enhance this process, it is recommended that the draft of the work program for year 2 be presented and discussed internally among MIT stakeholders at the Policy Forum.

## 7. WORKPLAN FOR LAUNCH AND YEAR 1

The following sections outline the work program for the launch of the EPU and the Year 1 operations. These work plans are recommendations only, are subject to change and are to be finalized by MIT.

### 7.1 LAUNCH (LATE 2008)

The launch phase for the EPU is anticipated to run through late 2008 or early 2009 with the start-up of Year 1 operations at the start of 2009. Table 4 provides a recommended time line for activities. Key stages for the launch include:

- Finalization of Implementation Plan
- Recruitment Process for Staff
- Agreement on Financing and Budgetary Approval
- Finalize SABEQ support for EPU
- Approval of Year 1 Work Program

**Table 4: EPU Launch: Tasks and Workplan**

	Tasks - EPU Launch	Responsible Party		Time Period
		Lead	Supporting	
	Implementation Plan Circulated to Ministry for Comment	MIT	SABEQ	Mid October
	Comments Incorporated and Implementation Plan Finalized	SABEQ		Late October
	Job Descriptions Finalized	MIT	SABEQ	Early November

	Tasks - EPU Launch	Responsible Party		Time Period
		Lead	Supporting	
	Agreement on Financing and SABEQ Support for EPU	MIT/SABEQ		late Nov.
	Establish legal organizational structure for EPU	MIT	SABEQ	Throughout
	Budget approved and finalized.	MIT	SABEQ	December
	Begin recruitment of staff.	MIT		December
	Technical Assistance identified and approved.	SABEQ	MIT	December
	Staff recruited.	MIT		Throughout
	Logistics for EPU finalized.	MIT		January
	Year 1 Work Program for EPU finalized.	SABEQ	MIT	January

## 7.2 YEAR 1 WORK PLAN

The year 1 work plan for the EPU is outlined in Table 5 below. A detailed timeline of activities is provided in Appendix C. It is proposed to be implemented from January through December 2009, but as unanticipated delays may occur, the workplan is presented below in terms of Months 1 through 12. As discussed above, Phase 1 activities can be grouped into seven major areas:

- Development of database capabilities
- Policy Briefing Series
- Research Programs
- Quarterly Reports
- Capacity Building
- Planning and Annual Work Program
- Policy Forum

**Table 5: Year 1 - Tasks and Workplan**

	Tasks	Time Period
Month 1	Assessment of FTA (R1): Finalize outline, assemble relevant data and reports, consult with relevant stakeholders on specific issues	Throughout
	Capacity Building 1: Roles and Responsibilities of EPU	Early M1
	Capacity Building 2: Review of Ministry Policy	mid M1
	Develop Protocol and templates for Policy Briefing Series	Early M1
	Finalize Policy Briefing Protocol with Ministry	Late M1
	Develop survey for Ministry stakeholders regarding data requirements and capabilities	Early M1
	Distribute data survey to Ministry stakeholders	late M1
Month 2	Policy Briefing 1: Impact of Global Credit Crisis	Throughout
	Finalize data survey and establish final list of tracking data.	Throughout
	Assessment of FTA (R1): Perform analysis, develop preliminary results and prepare initial draft.	Throughout

	Tasks	Time Period
Month 3	Capacity Building 3: Quantitative Policy Analysis Tools	M3-mid M5
	Assessment of FTA (R1): Survey representative firms, finalize initial draft and circulate for comments.	Throughout
	Plan and develop database and template for regular reporting system on economic trends	M3-M5
	Prepare Q1 Report	Throughout
Month 4	Assessment of FTA (R1): Distribute draft for comments, incorporating into final draft.	Throughout
	Policy Briefing 2: Impact of Global Economic Slowdown	Throughout
	Disseminate Q1 Report	Start M4
Month 5	Capacity Building 4: Economic Data	end M5-mid M6
	Review of Current FTAs (R2): Finalize outline, assemble relevant data and reports, consult with relevant stakeholders on specific issues	Throughout
	Policy Briefing 3: Impact of Strategies of Related Ministries	Throughout
	Implement regular reporting system on economic trends	end M5-M6
Month 6	Review of Current FTAs (R2): Perform analysis, develop preliminary results and prepare initial draft.	Throughout
	Prepare Q2 Report	Throughout
Month 7	Review of Current FTAs (R2): Survey representative firms, finalize initial draft and circulate for comments.	Throughout
	Capacity Building 5: Impact Assessments	Throughout
	Policy Briefing 4: Topic TBD	Throughout
	Continuously update tracking data	M7-M12
	Disseminate Q2 Report	Start M7
Month 8	Review of Current FTAs (R2): Distribute draft for comments, incorporating into final draft.	Throughout
	Viability of Industrial Estates (R3): Finalize outline, assemble relevant data, commence field surveys.	Throughout
	Capacity Building 6: International Trade Policy	Throughout
Month 9	Policy Briefing 5: Topic TBD	Throughout
	Viability of Industrial Estates (R3): Complete field surveys, analysis, and prepare initial draft.	Throughout
	Capacity Building 7: Industrial Policy	Throughout
	Prepare Q3 Report	Throughout
on th	Disseminate Q3 Report	Start M10



	Tasks	Time Period
	Viability of Industrial Estates (R3): Incorporate comments into final draft, complete analysis, finalize report.	Throughout
	Diversification of Exports (R4): Finalize outline, assemble relevant data, commence private sector interviews.	Throughout
	Work Program: Begin planning process, preliminary consultations with Ministry stakeholders, develop staffing recommendations	Throughout
Month 11	Diversification of Exports (R4): Complete surveys, analysis, and prepare initial draft.	Throughout
	Capacity Building 8: Surveys	Throughout
	Preparation for Policy Forum	Throughout
	Work Program: Prepare initial draft for work program, submit to Ministry with staffing proposals	Early M11
Month 12	Policy Briefing 6: Topic TBD	Throughout
	Planning: Incorporate Ministry comments on work program and finalize for presentation.	Early M12
	Diversification of Exports (R4): Incorporate comments into final draft, complete analysis, finalize report.	Throughout
	Policy Forum	Early M12
	Planning: Incorporate comments from policy forum and finalize Y2 work program.	Late M12
	Prepare Q4 Report	Throughout
	Disseminate Q4 Report	End

## 8. BUDGET ESTIMATE

The budget for Phase 1 will contain primarily salaries and set-up costs including purchasing statistical packages. Table 6 below highlights estimates for the major budgetary items in the first year.

**Table 6: Year 1 – Preliminary Budget Estimate**

Item	Estimated Budget (JOD)
Director, Annual Salary	40,000
Senior Analyst, Annual Salary	30,000
Researcher, Annual Salary	24,000
Software Packages, 4 network users	4,500.
Computer Equipment (hardware provided by AMIR to JAED to be transferred to EPU)	- 0 -
Purchase of Data Sources	1,500
Support for Capacity Building Program	3,000
Funding for Policy Forum	1,000
<b>TOTAL</b>	<b>104,000</b>

## **9. CONCLUSIONS**

In order to effectively fulfill its strategies and objectives, 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 MIT and the GoJ overall. To meet the need for policy analysis, MIT has indicated its intention to develop an Economic Policy Research Unit (EPU) within the Ministry. This report has detailed the operational guidelines and the work program for the Phase 1 implementation of the unit. Following GoJ and MIT approval and adoption of guidelines, the launch of the unit is anticipated for late 2008 or early 2009 with commencement of the Year 1 work program in early 2009.

## **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 Sehwal, Ph.D., Director of Industrial Development Directorate
- Hussein Hamadani, Director of Competition Directorate, MIT
- Al-Muatasem Khair Ad-Deen, Competition Directorate, MIT
- Gina Farraj, Advisor to the Minister of Industry and Trade (SABEQ)
- Rula Katan, Advisor to the Minister of Industry and Trade (SABEQ)
- Industrial Property Directorate

### **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
- Hana Uraidi, Director-Cross Cutting Support, Jordan Enterprise Development Corporation
- Dr. Ibrahim A. Rawabdeh, CEO Amman Chamber of Industry
- Eng. Amer Majali, Jordan Industrial Estates Corporation

### **SABEQ:**

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

## APPENDIX B: JOB DESCRIPTIONS

### Director, Economic Policy Unit

<b>Position Title:</b>	Director, Economic Policy Unit
<b>Direct Supervisor:</b>	Head of Economic Policy Directorate
<b>Positions Directly Managed</b>	Senior Analyst, Junior Researcher

#### Job Purpose:

The Director of the Economic Policy Unit serves as head of the Economic Policy Unit reporting to the Head of the Economic Policy Directorate.

#### Duties and Responsibilities:

- Supervises and coordinates the work of all staff members in the unit.
- Selects and motivate staff and oversee their training and development;
- Design and conduct research programs as directed by Head of the Economic Policy Directorate and in line with the annual work program of the Unit.
- Ensures quality of EPU outputs.
- Develops strong relationships with all Ministry stakeholders to ensure the attainment of the unit's and the Ministry's objectives.
- Oversee the implementation of capacity building program within the unit.
- Ensure the cohesive development of the annual work plan for the unit and conduct performance reviews of unit staff.

#### Minimum Job Requirements:

##### Academic Qualifications

- Master's degree in economics with empirical emphasis.

##### Related Work Experience

- 10 years experience in economic policy and research including managerial experience.
- Experience in and familiarity with economic policy and issues in GoJ.

##### Knowledge & Skills

- Strong working knowledge of the scope of the Ministry's programs.
- Fluent in written and spoken English.
- Excellent writing, communication and presentation skills.
- Proven time management and personnel management skills.
- Ability to effectively convey technical information, findings and recommendations to higher level political and policy decision-makers.
- Computer proficient in all basic programs and competency in economic statistical packages (e.g. e-views, Stata...).

##### Personal Attributes and Attitudes

- Able to facilitate and mobilize teams to achieve common objectives and to work

collaboratively with others.

- Well regarded by peers.

### **Senior Analyst, Economic Policy Unit**

**Position Title:** Senior Analyst, Economic Policy Unit

**Direct Supervisor:** Director of the Economic Policy Unit

**Positions Directly Managed** None

#### **Job Purpose:**

The Senior Analyst will support the Director of the Economic Policy Unit and have primary research and analysis responsibilities.

#### **Duties and Responsibilities:**

- In conjunction with the Director, the Senior Analyst will have the responsibility to design and conduct both short and long-term research programs in line with the annual work program of the unit. The Senior Analyst will be expected to independently direct assigned analysis programs.
- Coordinate and direct the work of the Research staff of the unit as required.
- As requested by the Director, the Senior Analyst will be responsible for liaising with Ministry stakeholders, receiving and incorporating comments into analysis and presenting results.
- Supervise the work of the Research staff in the development and maintenance of the Unit's database for economic statistics.
- Coordinate annual policy forum.
- Participate actively in the development of the annual work program of the Ministry.

#### **Minimum Job Requirements:**

##### **Academic Qualifications**

- Master's degree in economics with empirical emphasis.

##### **Related Work Experience**

- Five years experience in economic policy and research.
- Experience in and familiarity with economic policy and issues in GoJ.

##### **Knowledge & Skills**

- Fluent in written and spoken English.
- Excellent writing, communication and presentation skills.
- Demonstrated ability with technical writing.
- Proven time management skills.
- Computer proficient in all basic programs and competency in economic statistical packages (e.g. e-views, Stata...).
- Familiarity with database management.

##### **Personal Attributes and Attitudes**

- Well regarded by peers.
- Able to work effectively in collaborative setting.

## **Researcher, Economic Policy Unit**

<b>Position Title:</b>	Researcher, Economic Policy Unit
<b>Direct Supervisor:</b>	Director of the Economic Policy Unit
<b>Positions Directly Managed</b>	None

### **Job Purpose:**

The Researcher will support the Director of the Economic Policy Unit and the Senior Analyst in research and analysis responsibilities.

### **Duties and Responsibilities:**

- Support the Director and the Senior Analyst in the conduct of both short and long-term research programs as requested.
- Under the supervision of the Senior Analyst, the Researcher will have primary responsibility for the development and maintenance of the unit's database of economic statistics.
- Ensure availability of database to internal and external Ministry stakeholders.
- Maintain library of national and international reports for unit.
- Maintain contacts, correspondence and track feedback on work of unit.

### **Minimum Job Requirements:**

- University in economics with strong empirical background.

### **Related Work Experience**

- 1-5 years experience in economic policy and research.

### **Knowledge & Skills**

- Fluent in written and spoken English.
- Excellent writing, communication and presentation skills.
- Demonstrated ability with technical writing.
- Proven time management skills.
- Computer proficient in all basic programs and familiarity with economic statistical packages (e.g. e-views, Stata...).
- Competency with database management.

### **Personal Attributes and Attitudes**

- Well regarded by peers.
- Able to work effectively in collaborative setting.

## APPENDIX C: DETAILED WORK PROGRAM – EPU YEAR 1

	MONTH 1			MONTH 2			MONTH 3			MONTH 4			MONTH 5			MONTH 6			MONTH 7			MONTH 8			MONTH 9			MONTH 10			MONTH 11			MONTH 12		
<b>1. Monitoring and Analysis of Economic Trends</b>																																				
Develop survey of stakeholders regarding data requirements and current capabilities																																				
Distribute stakeholder survey																																				
Complete survey, compile results																																				
Establish final list of tracking data																																				
Plan and develop database and template for regular reporting system on economic trends																																				

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