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GREATER AMMAN MUNICIPALITY SPIN OFF MECHANISM:

INCENTIVE SCHEME AND INSTITUTIONAL FRAMEWORK

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GREATER AMMAN MUNICIPALITY SPIN OFF MECHANISM:

INCENTIVE SCHEME AND INSTITUTIONAL FRAMEWORK

SUSTAINABLE ACHIEVEMENT OF BUSINESS EXPANSION AND
QUALITY (SABEQ)

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5A.1.5.2 ENTREPRENEUR INCENTIVES PROGRAM AND
ENTREPRENEURIAL SUPPORT UNIT

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CONTENTS

ACRONYMS:	4
EXECUTIVE SUMMARY	5
INTRODUCTION:	6
1. Specific objectives of the work to be undertaken	6
2. Tasks and Activities	6
3. Deliverables and Expected Results	6
4. Methodology:	7
THE DESIGN OF AN INCENTIVE SCHEME TO PROMOTE AN ENTREPRENEURSHIP DEVELOPMENT PROGRAM AT GAM	8
1. Definition of the Project:	8
2. Description of the Project:	8
3. Overall objective of the Project:	8
5. Time-line for Spin off Scheme	8
INCENTIVES TO SUPPORT THE SPIN-OFF SCHEME:	9
1. Micro- Financing & Start ups:	12
2. SME Financing	12
FINANCING MECHANISM:	13
1.1 Holding Co.	13
1.2 Self Financing	13
1.3 Soft Loan	13
2. Implementation of the Financing Scheme	14
3. Selection Criteria	14
RISKS AND RECOMMENDATIONS	15
ENTREPRENEURIAL SUPPORT UNIT (ESU)	16
1. Institutional Framework	16
2. Goals and Objectives	16
3. Mandate	16
4. Steering Committee	18
4.1 Structure	18
4.2 Mandate	18
5. Organizational Structure of ESU	18
6. Responsibilities for the Unit's Staff	19
RECOMMENDED NEXT STEPS	22
ANNEXES	23
ANNEX I- LIST OF INTERVIEWEES AT GAM	23
ANNEX II-LIST OF INTERVIEWED STAKEHOLDERS	24
ANNEX III- OVERVIEW OF AVAILABLE SME SUPPORTING MECHANISMS IN JORDAN	25
ANNEX IV- SPIN-OFF PROCEDURES	28

ACRONYMS:

BDC: Business Development Center

CAB: Cairo Amman Bank

DEF: Development and Employment Fund

EIB: European Investment Bank

ESU: Entrepreneurial Support Unit

ESPP: Economic and Social Productivity Program

GAM: Greater Amman Municipality

JE: Jordan Enterprise

JLGC: Jordan Loan Guarantee Corporation

JIB: Jordan Investment Board

JUMP: Jordan Upgrading & Modernisation Programme

KADDB: The King Abdullah II Design and Development Bureau

KAFD: King Abdullah II Fund for Development

MoPIC: Ministry of Planning & International Cooperation

MSMEs: Micro, Small and Medium Enterprises

NAFES: National Fund for Enterprise Development

RSS: Royal Scientific Society

SABEQ: Sustainable Achievement of Business Expansion and Quality

SC: Spin-off Company

SME: Small and Medium Enterprises

SSI: Spin-off Supporting Institution

ESU: Entrepreneurial Support Unit

USAID: United States Agency for International Development

YEA: Young Entrepreneurs Association

EXECUTIVE SUMMARY

This report suggests a Spin-off Scheme to be considered by Greater Amman Municipality (GAM) to support and encourage its employees to take entrepreneurial risk, through starting their own businesses. The potential new businesses can cover new business opportunities that GAM will offer or outsource already existing non-core activities. GAM can strategically withdraw from non-core activity or from an industry or service that is more competitive when developed separately on its own.

The overall objectives of this suggested Scheme are:

- Improve the quality and the efficiency of services through outsourcing of non-core activities.
- Enhance private business oriented mindset within GAM's employees.

The Spin-off Scheme requires support to be provided by GAM to the potential entrepreneur and the Spin-off Companies. In turn, GAM could be supported through the various existing enterprise development programs and institutions. Agreements could be made with national supporting institutions to give priority to GAM.

Accordingly, **the first part of the report** suggests different ways for supporting potential entrepreneurs and the Spin-off Companies. It also suggests various financing mechanisms that could be tailored for micro, small and medium enterprises taking into consideration the following underlying principles:

- Large activities¹ need to be spun off gradually to ensure proper transfer and continuation of level of services provided by GAM.
- Financial resources required depends on the type of activity to be spun off and the volume of procurement that GAM could guarantee for the spin-off company.
- The size of the company depends on the required equity, investment loan and working capital to be mobilised (Micro, Small and Medium Company).

The **second part of the report**, will provide the details for the Entrepreneurial Support Unit (ESU) that would need to be established to champion this mechanism.

¹ An accurate definition of small, medium and large activities can not be done at this stage. Only after the design of a cost benefit analysis of priority activities to be spun-off, and determining investment and employment size of related projects, it is possible to tailor the size classification of GAM activities.

INTRODUCTION:

The Greater Amman Municipality (GAM) has expressed interest in encouraging public sector entrepreneurship, and in allowing the voluntary departure of civil servants from their current jobs at GAM in order to start businesses and create jobs in the private sector. Following a successful Tunisian² Model, this program would entail the following:

- Creating incentives for voluntary program participation,
- Identifying GAM functions that are inherently private sector in nature, and/or could potentially be performed more efficiently by private sector companies in coordination with GAM,
- Establishing the relevant legal framework and incentive structure,
- Providing entrepreneurship training to GAM employees.

1. Specific objectives of the work to be undertaken

The specific objectives of this assignment are:

- ▢ *Design an Incentives Program* that GAM is willing to offer to those employees who show interest in leaving the public sector and starting their own businesses.
- ▢ *Design and establish the Entrepreneurial Support Unit* at GAM that will manage and supervise the adopted project.

2. Tasks and Activities

To achieve the above objectives, the following tasks and activities will be undertaken by the Team of Consultants;

- 1) **Review and understand GAM's mandate, functions, and structure** to identify relevant directorates and relevant personnel that the project shall focus on at this stage.
- 2) **Review the Entrepreneurs Incentives Program adopted by the Tunisian Model** (and other models if available) to gather alternatives that will be discussed to GAM authorized personnel.
- 3) **Discuss all identified incentives alternatives** with GAM identified authorized personnel to determine the acceptable incentives that GAM is willing to offer to its staff taking into consideration any legal implications.
- 4) **Design GAM Entrepreneurs Incentives Program and obtain GAM's approval.**

3. Deliverables and Expected Results

Deliverables include the following:

- USAID-Mandated End of Mission Report.
- An Entrepreneurs Incentives Program that is approved by GAM as part of Enhancing the Entrepreneurial Mindsets Project.

² This model has also been practiced in various forms by other countries and has been analyzed in our last report

- The Entrepreneurial Support Unit established at GAM as part of the Enhancing the Entrepreneurial Mindsets Project.

4. Methodology:

The following methodology was adopted:

- Conducting interviews with relevant stakeholders and GAM's officials:
 1. Identify all the related GAM personnel that would be responsible for the implementation of this initiative (*Annex I-List of interviewees at GAM*).
 2. Organize and conduct meetings with representatives of the different stakeholders (*Annex II-List of interviewed Stakeholders*).
- Collecting and reviewing all the available schemes that encourage civil servants to consider opportunities in the private sector.
- Brainstorming with the Panel of Experts (Consulting Team working on this assignment) with benchmarking with the Tunisian Model.
- Presenting the findings to GAM's Under Secretary and management to get their feedback.

THE DESIGN OF AN INCENTIVE SCHEME TO PROMOTE AN ENTREPRENEURSHIP DEVELOPMENT PROGRAM AT GAM

1. Definition of the Project:

A suggested Spin-Off Scheme to be adopted by GAM.

2. Description of the Project:

The Spin-Off Scheme is a process suggested to be adopted by GAM to support and to encourage its employees to take entrepreneurial risk, and to start their own businesses where GAM is offering new business opportunities or outsourcing some of its non-core activities. Hence, the latter would represent GAM's strategic withdrawal from a non-core activity or from a service that would be provided more efficiently when developed separately by the private sector.

The spin-off scheme would be a voluntary process for both the supporting institution (GAM) and any potential entrepreneur.

3. Overall objective of the Project:

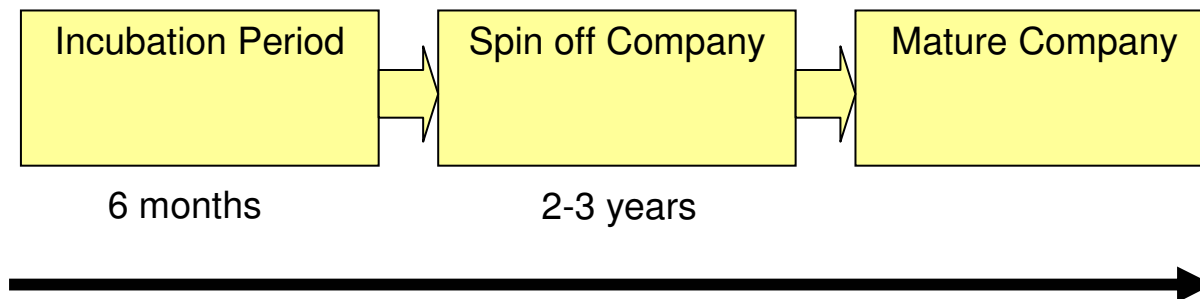
- **At the national level, the Project would lead to the:**
 - Creation of new enterprises (MSMEs).
 - Creation of new job opportunities.
- **At a GAM's level, the Project would lead to the:**
 - Improvement of the quality and the efficiency of services through outsourcing of non-core activities.
 - Encouragement of a mindset tailored towards private business among GAM's staff.

5. Time-line for Spin off Scheme

It is of extreme importance to consider the appropriate time frame for any spin off activity in order to ensure the successful exit of the potential entrepreneur and the successful establishment of a project. Hence, an incubation period of 6 months is required to cover:

- Selection of the potential entrepreneur according to a pre-determined set of criteria.
- Identifying the project idea by the potential entrepreneur.
- Establishing the company.

As the company is established, and up until a period of 2 years afterwards, GAM will offer its support to allow the company time to stand on its own. Afterwards the company is considered mature and would be totally independent from GAM.



For the smooth execution of this time-line, the following is required during the incubation period:

- Supporting the potential entrepreneur.
- Supporting the Spin-off Companies.

INCENTIVES TO SUPPORT THE SPIN-OFF SCHEME:

Support to the spin-off scheme should be provided by GAM to the potential entrepreneur, and to the Spin-off Companies. Alternatively, enterprise development institutions would offer support to GAM.

The following comprises support to the ***potential entrepreneur by GAM:***

1. A three months paid leave for the potential entrepreneur for the creation of the project (registration of the company, settlement of the financial issues, rent or acquisition of premises and all needed tasks to start the production).
2. Non- paid leave for the potential entrepreneur for one year- after the three months paid leave-, extendable to an additional year.
3. Right to return to GAM within one year extendable to an additional year. The extension will be extended on a case-by-case basis according to the degree of the implementation of the project.
4. Office premises and related logistic (fax, telephone, computer and internal transportation) during the incubation period. It should be noted that the proposed incentives should be approved by and submitted to the Steering Committee, at the Entrepreneurial Support Unit (ESU)³, as well as to an internal and an external audit. The audit and inspection system should be developed later within the design of the grant administration procedures.
5. Coaching⁴ and training during the incubation period.

³ The detailed grant administration procedures will be developed later on. The design of the Entrepreneurial Support Unit will be developed within the second part of this Mission.

⁴ Coaching by relevant stakeholders such as YEA, BDC, etc..

6. Technical support such as cost-benefit analysis, markets research, business environment, feasibility studies, and technical research through available enterprise support programs such as BDC, NAFES, JE, SABEQ, etc...

As for support to ***the Spin-off Companies (SC)***, GAM's support can be in the form of:

1. Coaching, training and technical assistance during the first two years of actual production. The content of the training and technical assistance activities will be determined in the SC's Business Plan.
2. Fund creation to support the establishment of the Spin-off Company.
3. Secure a specified volume of sales from the spin-off company by GAM. Securing sales would be within a defined ceiling on a case-by-case basis, provided that these sales are providing the quality of services requested by GAM, are cost effective and are included already in GAM's budget.

Building on the experience of already existing initiatives that support MSMEs, these initiatives would in turn offer support to the entrepreneurs through GAM ([*Annex III- Overview of available SME supporting mechanisms in Jordan*](#))

1. Programs such as SABEQ, BDC, JUMP, JE, EMPRETEC, IRADA could offer technical assistance to the spin-off companies.
2. Initiatives such as the JLGC, DEF, KAFD, could offer financing assistance.

The availability at the national level of sound SME supporting institutions is crucial for the success of any spin-off scheme. GAM should sign a cooperation agreement within these institutions to facilitate their support to the SC. Currently, the Government is working on establishing SME financing mechanisms to create Venture Capital and Seed Capital Funds. These are a prerequisite for the widening of this pilot program in GAM and at the national level.

Principles of the spin off incentive scheme:

- GAM support should be limited to **a transitional period that should not exceed 5 years**. Beyond that, the new company should be market driven. The duration of the transitional period should be determined in the feasibility study of the project.
- GAM support should be **based on a cost benefit analysis** that assures a win- win situation for all parties. The cost benefit analysis should demonstrate that the spin-off operation will improve the quality and the efficiency of GAM's services and will be profitable to the potential entrepreneur.
- GAM support should be attractive to motivate the potential entrepreneur to take the entrepreneurship initiative and risk.
- **Risk should be shared** by the potential entrepreneur, GAM and a third party. The participation of a third party in the SC is required to ensure that the spin-off operation is a profitable operation entailing that the third party is interested to participate and not done only to solve GAM's problems.

- GAM's participation in the new projects should be **managed by a financing institution** that has the capability to monitor the new company's activities.

Accordingly, it is recommended that:

- The financing scheme should preferably include the potential entrepreneur, GAM and a third party that should be from the private sector and preferably a financing institution.
- GAM should allocate a Fund to finance the spin-off scheme that should be managed by a private holding company. It could be done equally through the creation of a holding company owned by GAM and other potential existing funds and financial institution to monitor these projects. ⁵The spin-off scheme as applied in Tunisia and France is based on the availability at the national level of holding companies, venture capital companies and/or financial companies specialised in managing the Fund. This system is legal and is ruled by special financing regulations that guarantee transparent supervision and quality judgement. ⁶

The funding of required financial resources depends on:

1. The type of activity to be spun off and the volume of procurement that GAM could guarantee for the spin-off company.
 - If this volume is higher than the breakeven, the project is considered more as a transfer of activity from the public to the private sector than a start up and could meet the financing requirement of the banking system.
 - If this volume is significantly lesser than the breakeven, the project is considered as a start up that it is difficult to be financed by the banking system. As normally, to get the Jordanian banking system support, the project should:
 - Provide the proof that it is profitable through its financial history recorded within the banking system,
 - Provide required guarantee of a minimum of two or three years financial records.
2. The required equity, investment loan and working capital to be mobilised and that is determined by the dimension of the company: micro, small and medium sized enterprise. This study does not consider large projects that might be spun-off as part of the privatisation process.

Accordingly, the financing scheme should be adopted on a case-by-case basis according to the cost benefit analysis of each activity.

The following **financing models** may be adopted for each of the following types of projects:

⁵ Potential willingness from King Abdullah II Fund for Development to participate in such initiatives was expressed during a meeting. Such participation could attract private financial institutions to do so.

⁶ For Jordan, all possible alternatives specified below were drafted to cope with the situation of Jordan lacking of financial supporting institutions to start ups and SMEs. A further cost benefit analysis of GAM's activities, it will be easier to determine the most suitable alternative for GAM.

1. Micro- Financing & Start ups:

For micro projects of less than 10 employees, the following could be the form of financial support:

- **Equity** will be provided by the potential entrepreneur.
- **An investment loan** will be provided by the Development and Employment Fund within a ceiling of JD (2000-15000) and a **lump sum** amount from GAM as a loan without interest (One year annual salary),
- For startups that need extensive assets, GAM could provide the needed equipments on a leasing basis against rent fees.⁷

2. SME Financing

These projects could be financed as follows:

- **Equity** will be shared among the potential entrepreneur and GAM and other investors.⁸
- An **investment loan** will be provided by the Development and Employment Fund, within a ceiling of JD40,000 and from the banking sector.⁹
- For projects that need extensive assets, GAM could provide the needed equipment on leasing against rent fees.³
- SMEs projects may also be created by **a group of GAM's employees**¹⁰ that could be financed as follows:
 - **Equity** will be shared among the group of GAM's employees and a supporting fund and other investors.
 - An **investment loan** will be provided by the Development and Employment Fund, within a ceiling of JD (100,000) and the banking sector.

⁷ The successful results of the start up during the first 2-3 years will generate needed cash flow to enable the start up to purchase GAM's equipments.

⁸ KADDB expressed their potential willingness to participate in Security Guard Service projects and in maintenance projects.

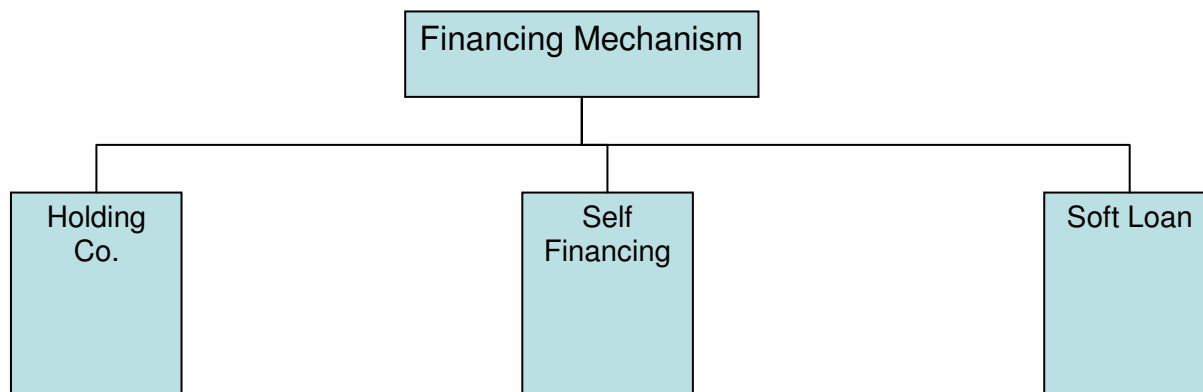
⁹ The Director General of DEF is willing to sign an agreement with GAM to finance waste recycling projects within the spin-off program.

¹⁰ It is better to let the system be open to several alternatives: hence a potential entrepreneur or a group of them is accepted.

FINANCING MECHANISM:

1. Financing Mechanism

The financing mechanism of the new projects may be one of the followings:



1.1 Holding Co.

According to the cost benefit analysis of activities to be spun-off GAM should allocate a fund to support investment financing of the spun-off companies. GAM may out source the management of the support fund to a private holding company, or establish a Holding Co. with other investors like King Abdullah II Fund for Development, or Financing Co (Atlas Group), etc) to run the support fund. The Holding Co. will:

- Manage the fund provided by the shareholders.
- Finance, partially, the spin-off companies and acquire shares in the companies.
- Monitor the performance of the new spin-off companies
- The Holding Co. might transfer into a venture capital co. once the relevant law is passed and implemented.

1.2 Self Financing

- Self financing should be encouraged.
- GAM will provide the training, coaching and technical support in cooperation with relevant existing support programs.

1.3 Soft Loan

- GAM would create a support fund.

- Equity could be financed by the potential entrepreneur as a lump sum matching loan from GAM without interest rate. The loan would be backed by collateral representing the assets of the enterprise.¹¹
- GAM will be reimbursed within 5 years with a grace period of 2 years.

2. Implementation of the Financing Scheme

Various tools were suggested previously to support the financing scheme. However, each project needs to be assessed on its own and accordingly the financing mechanism needs to be tailored.

3. Selection Criteria

Potential Entrepreneurs are selected by the Spin-Off Unit over two stages:

- **First Stage (Pre-Selection):** Short list of volunteered staff who are willing to participate will be assessed according to:
 - University Degree / Diploma.
 - CV and employment history record.
 - Qualifications and experience relevant to the project.
 - Interpersonal skills (business culture, attitude towards risk, creativity, etc).
- **Second Stage (Final Selection):** Potential entrepreneurs are assessed according to:
 - University Degree/ Diploma.
 - Quality of the project plan.
 - Qualifications and experience relevant to the project.
 - Interpersonal skills (business culture, attitude towards risk, creativity, etc) identified through interviews performed by a qualified HRD expert.
 - Financial capabilities (participation in equity and guarantee).
 - Group of potential entrepreneurs with diverse experience should be preferred to individual ones.

¹¹ For those projects that collateral is through GAM but is considered not enough, this financing model will not be applicable.

RISKS AND RECOMMENDATIONS

- I. There is a risk that some of the proposed Spin Off Companies (SCs) financing alternatives will not reach the agreement of GAM and the potential entrepreneurs. Accordingly, it is recommended:
 - a. To proceed step by step in identifying three priority activities for which a cost benefit analysis will be performed and a financing and grant system will be designed as well. Within a further cost benefit analysis of GAM's activities identifying feasible projects; it will be easier to determine the most suitable alternative for GAM.
 - b. To design the cost benefit analysis of the GAM's activities in coordination with the current reorganization of GAM's budget by cost centre in order to determine the priority activities to be spun-off and to highlight the role of the spin-off scheme as a tool to reallocate its resources in a cost effective way. The design of GAM's budget by a cost centre will determine for each activity available resources, benefits and losses according to which the numbers of activities and feasible projects that are profitable to be spun off will be identified. In turn, a cost benefit analysis, spin off business plan and strategy will be determined for priority activities and related projects. Furthermore, a customized financial scheme will be designed.
- II. There is a risk that the pilot project will not be widened within and beyond GAM and at the national level. The overview of available SME supporting institutions (Annex III) shows that financial support is lacking for SMEs and start ups. Such support is a pre-requisite for the success of the Spin Off Scheme. Accordingly, it is recommended that GAM should adopt this initiative as an important national issue in requesting an improved environment conducive for entrepreneurship development. In order to enable the widening of this pilot program in GAM and at the national level there is an urgent need to:
 - a. Implement Supportive financing mechanisms for Start ups and SME creation:
 - o Availability of dedicated Fund to support venture capital facilitating for SMEs access to the needed investment capital
 - o Availability of dedicated Fund to support seed capital facilitating for start ups access to the needed investment capital
 - o Implementing a law allowing special incentives for venture capital companies and enforcing an exit strategy
 - b. Implement intensive technical assistance programs within supporting institutions
 - o Establishment, within JE, of regional business centers to assist, coach and train SME's potential Entrepreneurs during the incubation period and to enhance SME development during the implementation phase.
 - o The establishment and the strengthening of management and vocational training programs to be easily accessible to SMEs

ENTREPRENEURIAL SUPPORT UNIT (ESU)

As was stated earlier, the Spin-off Mechanism is effective in:

- Enhancing public-private partnership (PPP) through the collaboration between public bodies, such as local authorities or central government, and private companies.
- Increasing the potential for large public companies to spin-off or outsource some of their activities to MSMEs. The spin-off supporting activities will, in turn, increase the options and opportunities available to the public staff to create their own business projects.

GAM is keen to expand the range of PPP because of the GAM's management belief that private companies are more efficient and better run than bureaucratic public bodies, consequently improving the provision of public services.

1. Institutional Framework

An Entrepreneurial Support Unit (ESU) should be created at GAM, under the direction of the Under Secretary. The Unit will be responsible for:

- Supervising the implementation of the Spin-off Mechanism,
- Coordinating with the existing relevant SME supporting and financing institutions such as BDC, DEF, JUMP, etc to utilize their services in supporting potential entrepreneurs and spin –off companies.
- Coordinating with the various departments in GAM, such as the Human Resources, Finance and Procurement to assess potential entrepreneurs and feasible non-core activities to be spun-off.

2. Goals and Objectives

The following comprises the main goals and objectives of the Entrepreneurial Support Unit:

1. Encouraging business creation through identifying opportunities available to GAM's staff to create their own business projects.
2. Facilitate the creation of business projects.
3. Improving the provision of public services at an affordable cost to the people, and the efficiency, and quality of GAM operations.
4. Managing and supervising the entire Spin-off process.

3. Mandate

The mandate of the ESU identifies tasks that would be covered throughout the spin off process; starting from the incubation period and continuing up until the maturity of the spin off company. To manage the overall process of the Spin Off mechanism, the mandate of the Entrepreneurial Support Unit would include:

- ⇒ Identify non-core activities to be spun off.
- ⇒ Identify the opportunities for creating spin-off companies from the non-core activities identified. Opportunities would be identified after a thorough cost benefit analysis is conducted on the potential non-core activities to be spun off by the Unit.
- ⇒ Suggest the legislations, regulations, and procedures (human resources regulations, procurement procedures, and incentives scheme, financial and non-financial) that are required for establishing spin off companies.
- ⇒ Develop and implement communication strategies for:
 - GAM employees to raise awareness about the Spin-Off Project.
 - Relevant SME development institutions that would provide useful partnerships with the Unit for training of potential entrepreneurs.
- ⇒ Assist the spin- off companies with the :
 - Volume of sales for the Spin-off Companies.
 - Business plans.
 - Organizational assessment and develop recommendations on the effectiveness, efficiency and quality of management operations for the spin-off companies.
- ⇒ Identify potential entrepreneurs.
 - Assess the qualification of staff members and determine skill gaps required for them to effectively assume their new roles.
- ⇒ Create linkages with relevant SME development institutions such as BDC, JUMP to provide training and financial support. The Unit would also oversee the supervision and implementation of Memorandum of Understandings (MOU) that would be signed with such institutions and that would provide the framework for cooperation.
- ⇒ Supervise training programs, through partnerships with relevant SME development institutions, during the incubation period.
 - Develop detailed plan to bridge the gap between staff qualifications and the skills required for their new positions
- ⇒ Conducting monitoring and evaluation.
- ⇒ Providing office premises and related logistic (fax, telephone, computer and transportation) during the incubation period.

More detailed procedures that cover the above mandate are included in [Annex IV](#) of this document.

4. Steering Committee

4.1 Structure

The Unit should be headed by a Steering Committee chaired by the Mayor. The Steering Committee should include the following members:

- Under Secretary at GAM.
- GAM's Financial Manager.
- GAM's Procurement Manager.
- GAM's HR Manager.
- CEO of King Abdullah II Development Fund, KADF (Member of GAM Council).
- CEO of the Development and Employment Fund, DEF.
- CEO of King Abdullah Design and Development Bureau, KADDB (Member of GAM Council).
- CEO of Jordan Enterprise Development Corporation, JEDCO.

4.2 Mandate

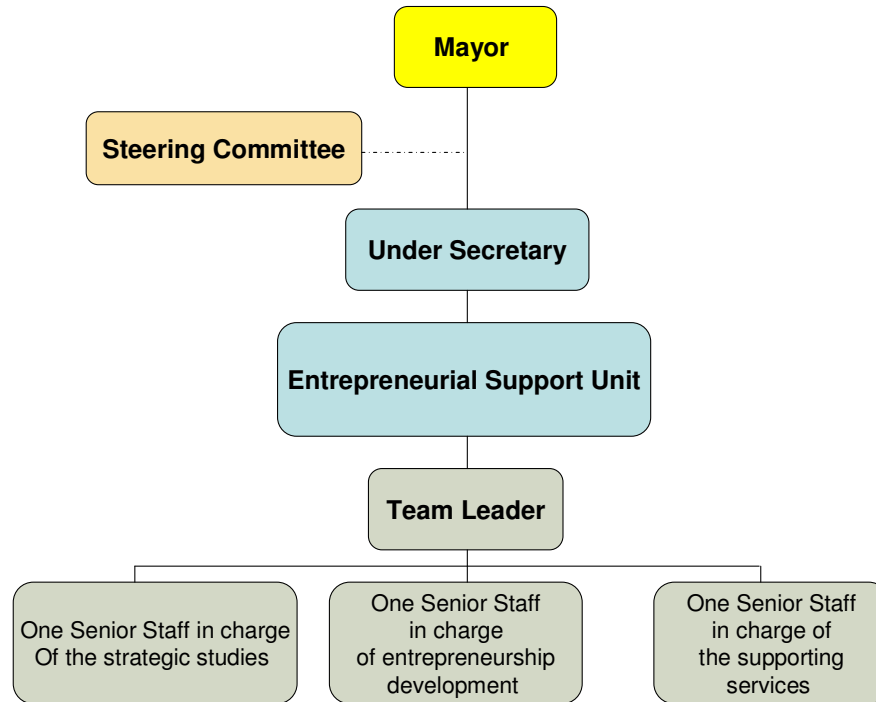
The following comprises the mandate of the Steering Committee:

- Approve the non-core activities to be spun-off.
- Approve special procurement procedures for the spin-off companies.
 - Approve office premises and related logistic (fax, telephone, computer and transportation) to be provided to the spun-of companies during the incubation period.
 - Determine and secure a volume of sales for the Spin-off Companies.
- Approve the required regulations related to potential entrepreneurs' leave and compensation.
 - Determine the selection criteria of potential entrepreneurs.
 - Approve the financial compensation and incentives scheme for the potential entrepreneurs.
- Encourage business creation.
- Endorsing MOUs with relevant SME development institutions.
- Supervise the monitoring and evaluation of the ESU.

5. Organizational Structure of ESU

The Entrepreneurial Support Unit should be linked directly to the Under Secretary of GAM. The ESU should be composed in the first stage of four members: A Team Leader, three Senior Staff and an admin staff.

Figure 1: ESU Organizational Structure



6. Responsibilities for the Unit's Staff

I. Team Leader in charge of the overall supervision of the whole process. The Team Leader would also represent the link between the ESU and the Steering Committee. The following comprises the main responsibilities of the Team Leader:

- Approve and communicate to the Steering Committee:
 - Project ideas to be spun off.
 - Potential entrepreneurs.
- Create linkages with SME supporting institutions to provide financial support and training.
- Supervise and be responsible for the duties conducted by the three senior staff reporting to the Team Leader.
- Supervise awareness campaign for potential entrepreneurs.

II. A Senior Staff in charge of conducting strategic studies to identify spin-off activities and potential entrepreneurs. The relevant staff should possess qualifications among which include specialization in financial analysis, cost benefit analysis and familiarity with GAM operations. The following are the main responsibilities to be carried out through this position:

- 1) *Identification of Project Ideas*: present a list of activities that could be supported through the Spin-Off program through conducting marketing research and cost benefit analysis that:
 - Identifies non-core activities.
 - Identifies activities to be spun off.
- 2) *Screening of expression of Interest* received by potential entrepreneurs interested in creating a Spin-Off Company.
- 3) *Identification and Pre-Selection of Entrepreneurs*: assess motivations, competencies, skills, and knowledge of potential candidates using a pre-defined selection criterion.
- 4) Manage the overall process of providing analytical studies by :
 - Supporting feasibility studies and technical research and action plan development.
 - Supporting market research and cost benefit analysis.
 - Providing the necessary information on markets, technologies, business environments and regulations through available support programs.
- 5) *Validation of the Project Plan*: assess the project plan for approval, and make sure that the projects' plans comply with the required assessment.
- 6) Suggest the volume of sales for the Spin-off Companies.
- 7) Suggest the required legislations, regulations, and procedures:
 - Human resources regulations,
 - Procurement procedures,
 - Incentives scheme.
- 8) Identify the Spin-off company creation opportunities and study the withdrawal impact from the non- core business activities on GAM.
- 10) Conducting monitoring and evaluation through:
 - Facilitating the development of the programme's strategy with internal and external stakeholders.
 - Establishing and implementing a monitoring and evaluation system.
 - Evaluating and reporting on the programme's impact on customers and GAM.
 - Reporting on progress in an objective and regular manner to all stakeholders.

- Engaging in a continuous dialogue with stakeholders to improve performance and optimize impact.
- Undertaking a regular customer satisfaction survey.
- Conduct an organizational assessment and develop recommendations on the effectiveness, efficiency and quality of SCs and management operations.

III. A Senior Staff, in charge of entrepreneurship development training and company creation. The relevant staff should possess qualifications among which include specialization in building training programs and familiarity with GAM operations. The following are the main responsibilities to be carried out through this position:

- Assess the qualification of staff members and conduct training needs assessment required for them to effectively assume their new roles.
- *Designing and Organizing of a Training Program*: based on the assessment results, design and organize a training program on company creation techniques and business plan for the selected candidates.
- *Supervision of the Training Program* to include topics on:
 - Selection of Business Opportunities,
 - Technical Training,
 - Preparation of the Project Report,
 - Start-up support with business plan creation.
- Assigning experts through cooperation with SME supporting institutions to implement the training program. Hence, provide guidance and assistance needed to train, assist, and counsel potential entrepreneurs in formulating their projects' plans.
- *Coaching and Post-Training Support*: provide the Spin-off Company coaching and information on markets, technologies, business environments and regulations, technical, commercial and financing coaching and post-training during the first two years of establishment. Coaching can be done through the SME supporting institutions such as BDC,JUMP, etc.

III. A Senior Staff, in charge of the supporting services for the whole process. The relevant staff should possess qualifications among which include specialization in administrative affairs and familiarity with GAM operations. The following are the main responsibilities to be carried out through this position:

1. Conduct:
 - i. An awareness campaign for potential entrepreneurs.
 - ii. An entrepreneurship training course with the various relevant institutions such as BDC, EMPRETEC, etc.
2. Provide the potential entrepreneur with office premises and related logistic (fax, telephone, computer and internal transportation) during the incubation period.
3. Follow-up on providing the Spin-off Company office premises and related logistic (fax, telephone, computer and internal transportation) during the incubation period.
4. Develop and implement communication strategies and facilitating interactions within GAM.

RECOMMENDED NEXT STEPS

The following comprises recommended next steps:

- Identify two to three activities to be spun off with corresponding cost benefit analysis as part of pilot projects.
- Identify internal instructions within GAM that would pave way for the piloted activities. At this stage, there is no need for revision of the legal framework of GAM.
- Establish a Committee within GAM to supervise the implementation of the piloted activities in this transitional period of piloting.

ANNEXES

ANNEX I- LIST OF INTERVIEWEES AT GAM

1	Mr. Ammar Gharaybeh	Under Secretary
2	Eng. Mohammad Al-Najdawi	Assistant for Planning Affairs
3	Eng. Ali Askar	Assistant for Districts Affairs
4	Mr. Mahmoud Khlaifat	Financial Manager
5	Mr. Salameh Al Nasr	HR Manager
6	Mrs. Faten Kaiali	HR Assistant Manager
7	Mr. Mohammad Al-Shomari	Legal Department
8	Mr. Tayseer Masrweh	Legal Department
9	Mr. Omar Al-Dwairi	HR Department
10	Mr. Richard V. Robinson, Monica	BearingPoint (Restructuring project at GAM)

ANNEX II-LIST OF INTERVIEWED STAKEHOLDERS

	Name	Title	Institution	Phone number
1	Majdi F.Abu Arja	Director- Business Development Services & Special Initiatives	BDC	Tel: (962-6) 5865002 ext:217 Mobile: (962-777) 309329
2	Tarik I.Awad	Director General	King Abdallah II Fund for Development	Tel: (962-6) 5822820
3	Sahar Al-Yousef	Sustainable Achievement of Business Expansion and Quality	(SABEQ)	Tel: (962-6) 5503050, Ext.201
4	Ali Taher Elghazawi	Director General	DEF	Tel:(962-6) 4611807
5	Ya'roub Al-Qudah	CEO	JE	Tel: (962-6)5603686
6	Rashad Bibars	Director, SME Support	BDC	Tel: (962- 6) 5865002 ext: 108 Mobile: (962- 79) 5606677
7	Samer Sabbagh	Fund Manager	NAFAS	Tel: (962- 6) 5529082/3/4 Mobile:(962-79)6666936
8	Ali Kooli	General Manager & Chief Executive Officer	(SGBJ) Societe Generale	Tel: (962-6) 5600300
9	Iman Al-Damen	Head of SME-Syndicated Loans	Cairo Amman Bank	Tel: (962-6) 4633490
10	Muayad Al-Samman	Chairman	KADDB	Tel: (962-6) 4603230

ANNEX III- OVERVIEW OF AVAILABLE SME SUPPORTING MECHANISMS IN JORDAN

1. Jordan Enterprise (JE)

JE is in charge of enterprise development and company creation. To be entitled for JE's assistance the company should employ more than 10 staff whereas, micro companies and start-ups with less than 10 employees are covered by the IRADA program. Company creation and entrepreneurship development is a new activity for which JE is looking for EU and UNIDO technical assistance programs and funding to perform this activity. In this regard, JE is developing with the relevant institutions (MoPIC, EIB, etc) a Venture Capital Fund and a Seed Capital Fund to support respectively SME's and start up's equity. This project will include equally the elaboration of a law allowing fiscal incentives to support the creation of venture capital companies as well as mechanisms allowing and facilitating an exist strategy for the venture capital companies from the participation in SME's equity capital.

2. Development and Employment Fund (DEF)

DEF is providing directly the necessary funding for micro and small start-ups through the following programs:

- Start-up projects: Financing small entrepreneurs to establish their own projects that are licensed and registered, with a maximum amount of JD 15,000.
- Group lending (loans): Financing a group of partners to registered partnership for a Maximum amount of the loan JD 100,000.
- Projects Development: Financing innovative projects for a maximum amount of the loan JD 50,000 per project. The feasibility study and the training is secured through IRADA program.
- Interest rate: 9 %
- Collaterals:
 - a) Salary deduction.
 - b) Deposit of pre-dated checks.
 - c) Mortgage of a real estate that cover 160% of the loan and interest.

3. King Abdullah II Fund for Development (www.kafd.jo):

KAFD is providing assistance for innovative projects.

4. National Fund for Enterprise Development (NAFES)

NAFES is providing registered start up projects financing grant up to 70% of the cost of feasibility studies and business plans.

5. IRADA

IRADA is a National Development Program and part of the Economic and Social Productivity Program (ESPP). IRADA is managed in its second phase by the Royal Scientific Society Consortium (RSSC).

IRADA provides a wide range of services to new investors and business owners of micro-companies and small startups to ensure the success of their projects. These services include the followings:

- Feasibility studies and business plans,
- Marketing studies, law and regulations through:
 - i. Facilitation of linkage with concerned government institutions
 - ii. Financial advice.
- Mini Training Sessions to introduce new entrepreneurs to basic management concepts,
- Seminars and Guest Speakers to raise awareness of new business opportunities, technologies that help improving productivity, market and consumer needs, law and regulations,
- Referral Training to improve technical and managerial skills of new investors and their employees.

6. Business Development Center (BDC)

BDC is an USAID, Jordan private sector initiative to support SMEs (that have been in operation for more than six months) in providing financial grants in the forms of:

- Provision of technical and marketing assistance.
- Setting up business plans and strategies.
- Market analysis and assessment (Purchasing, Costs, Partners and demand).
- Capacity building of middle management.
- Product and process development (competitiveness and differentiation).
- Market outreach.
- Linkages and backward linkages.
- Export facilitation.

7. Cairo Amman Bank (CAB) (www.cab.jo)

CAB has a Small and Medium Enterprises'finance. This program serves a large number of promising businesses, which have the potential to succeed, but lack the necessary funding to expand and develop. This financing service can be used for financing working capital and increasing the production capacity of existing projects through buying new equipment and machinery. Financing up to JD 500,000 according to the projects income and needs, with a

maximum of 50 employees is offered. The interest rate is according to the market and the collateral depends on the type and profitability of each project

8. King Abdullah Design and Development Bureau (KADDB) (www.kaddb.com):

KADDB is providing technical assistance, coaching, space and equipments during the incubation period for joint initiatives with the private sector that contribute in the creation of companies particularly in the spare parts and automotive sector.

9. Jordan Loan Guarantee Corporation (www.jlgc.com):

Jordan loan Guarantee Corporation is managing an EU and US Fund that guarantees up to 70% bank loans for both SME's investment and working capital.

ANNEX IV- SPIN-OFF PROCEDURES

Activities	Description
1. Creation of a Entrepreneurial Support Unit (ESU)	Creation of an Entrepreneurial Support Unit (ESU) at GAM.
2. Identification of Project Ideas	The ESU in GAM presents a list of activities that could be supported through the Spin-Off program through conducting marketing research and cost benefit analysis
3. Address the financial schemes issues.	Creation of a Fund to support this initiative and outreach of holding companies to manage the Fund and/ or to create in cooperation with other financial and supporting institutions a holding company to do so.
3. Awareness Campaign	GAM through its ESU would conduct regularly awareness campaigns for potential entrepreneurs and entrepreneurship training courses (through BDC, EMPRETEC).
3.Expression of Interest	Staff volunteers formally and present to the Spin-off Unit their interest in creating a Spin-Off Company.
4. Identification and Pre-Selection of Entrepreneurs	The ESU assesses entrepreneurial motivations, competencies, skills, and knowledge of potential candidates using pre-defined selection criteria that should be designed carefully to avoid fraud and assure transparency.
5. Designing and Organization of a Training Program	The ESU, based on the assessment results, design and organize a training program on company creation techniques and business plan for the selected candidates
6. Implementation of the Training Program on:	The ESU will assign experts to implement the training program and provide guidance and assistance needed to:
a. Selection of Business Opportunities	- Organize and conduct technical training on the activity to be spun-off. The type and the content of the training program will be determined through activity 5.
b. Technical Training	- Train, assist, and counsel potential entrepreneurs in formulating their projects' plans.
c. Preparation of the Project Report	
7.Validation of the Project Plan	The ESU will study and assess the project plan for approval. Projects' plans might be rejected by the ESU if they do not comply with the assessment requirement.
8 .Signature of an Agreement	The Potential entrepreneur of the approved project will sign with GAM an agreement stating the entitlements and obligations of each party.
9. Endorsement of the Agreement by GAM Mayor	The agreement should then be submitted for endorsement by the GAM Mayor. Accordingly, the potential entrepreneur will get a three month paid leave to create the project.

10. Implementation of the Agreement	<p>GAM will provide the following support to the potential entrepreneur:</p> <ul style="list-style-type: none"> - A three months paid leave for the creation of the project. - Office premises and related logistic (fax, telephone, computer and internal transportation) during the incubation period. - Coaching and information on markets, technologies, business environment and regulations. - Feasibility Study and Business Plan development that includes the selection of the financial mechanism and the volume of sales granted by GAM. - Assistance to get incentives offered by the JIB. - Assistance in the implementation of the financial scheme of the project. - Assistance in the creation of the project (company creation formalities and procedures)
11. Coaching and Training Support	<p>Post-</p> <ul style="list-style-type: none"> - GAM will provide a one year leave without payment that can be renewed for an additional year. - GAM will guarantee for the Spin-off Company technical, commercial and financial coaching and post-training during the first two years of establishment. - Assist the SC to benefit from the available government programs for the training of public staff. SMEs do not have the capabilities to identify available relevant government programs. SC should be assisted on identifying such programs and on how to benefit from them. - Organize follow-up meetings to provide the SC with guidance on access to finance, raw material, machinery, market linkage and market monitoring.

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