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THE ASSOCIATION OF BANKS IN JORDAN

A REPORT ON ITS STRUCTURE, MISSION AND PROGRAMS

MAY, 2007

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THE ASSOCIATION OF BANKS IN JORDAN

A REPORT ON ITS PROGRAMS AND OPPORTUNITIES

SUSTAINABLE ACHIEVEMENT OF BUSINESS EXPANSION AND
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EXECUTIVE SUMMARY

BACKGROUND

The Association of Banks in Jordan (ABJ) is the principal trade association for banks operating in Jordan and serves the country's 23 member banks, including eight branches of foreign banks. The ABJ's mission is to provide value-added programs to its members, strengthen cooperation between them and advance and promote banking sector interests with the government and the banking public.

Dr. Adli Kandah, the Director General of the ABJ engaged SABEQ to assist him in studying the Association to identify opportunities for improvement. This study included a high-level review of the Association's teams and activities, its committee structure and a peer review to identify international best practices.

This report is the result of that assessment and is designed to provide an overview of key findings and recommendations.

KEY FINDINGS

THE ENVIRONMENT FOR JORDAN'S BANKING SECTOR

- Jordan's banking sector dominates the country's financial system and contributes significantly to the Jordan economy but the government tax rate on banking is higher than it is on any other sector of the economy. Member banks believe a negative public image is part of the issue. *Source: International Reports.net, June 2006, See Appendix, pg 9.*
- With Basel II and Anti-Money Laundering (AML) Compliance, Jordan's banks are under intense pressure to enhance their risk management and AML programs. The challenge of implementing risk management programs is enormous for many banks and the sector could benefit from a collective effort at developing standards and a strong roadmap for implementation.

ASSOCIATION PROGRAMMING

- The ABJ pursues its objectives in member training, reporting and advocacy with a very small staff and the experience, skill and performance levels of some employees are limiting program growth.
- The ABJ has been effective in coordinating member advocacy efforts and has influenced draft legislation and regulations through the work of its Legal Committee. While this committee has been successful in communicating a collective message of the industry's views, it's also the only consistently active member committee.
- The ABJ lacks documented performance plans, goals or scheduled evaluations to measure staff performance. Employees lack documented professional development and skills training plans.

PROGRAM PLANNING AND PERFORMANCE MEASUREMENT

- The ABJ wants to provide stronger training programs to members but doesn't consistently survey member needs or measure participation and satisfaction with its current programming.
- The ABJ frequently distributes press releases on its programming and wants to strengthen its message and success with the media. The Association needs a communications strategy, methodology and tool set to strengthen the effectiveness of its work with the media.
- The Policy Studies and Research team doesn't measure member satisfaction against its programs.

RECOMMENDED STEPS FOR IMPROVEMENT

Work has already begun to address the performance planning issues of ABJ but more could be done to take a disciplined approach in understanding member needs and in creating outstanding support for them. To date, benchmarking exercises have focused on identifying examples of associations achieving breakthrough results in organizational transformation, public affairs and advocacy, and needs-based planning.

IMPROVING ORGANIZATIONAL PERFORMANCE

- **Build Dialogue with Key Board Members to Clarify Opportunities and Set Direction for the Association.** Plan a series of discussions with key Board members aimed at uncovering key needs of the sector and setting priorities for the Association and its committees. External partners could participate and assist in framing discussions. This dialogue could be the first step in engaging the Board in a formal planning process for ABJ. Key outputs for this work could include:
 - Member issues requiring a coordinated effort assigned for ABJ management
 - Initiatives defined and an Executive Sponsor/Board Member identified
 - Initiatives assigned to an ABJ committee and target dates for projects established
- **Build Detailed Job Requirements and Performance Plans for Staff.** Work has already begun to build performance plans for key ABJ employees but more can be done to provide clarity to the teams, employee skills and resources required to support program areas. Outputs for this exercise could include:
 - Organizational teams identified, staffing needs sized and detailed role summaries and critical skill requirements outlined for each employee
- **Define, Measure and Analyze Core Processes to Improve Them.** The Training and Public Relations Unit manager supports weekly ABJ events in addition to managing production of the Association magazine and press releases. External specialists could be engaged to provide a disciplined framework to analyze the team's activities and coordinate efforts to improve them. Outputs of this work could include:
 - Core processes defined, process steps and cycle times measured and documented

A BENCHMARK OPPORTUNITY: The American Chemistry Council, North America's oldest manufacturing trade association decided to improve its business processes to strengthen member programs and its impact on public policy issues. It focused on improving operational effectiveness and efficiency to help the association achieve 3 strategic goals:

1) Earn the public's trust, 2) Improve the Association's advocacy impact, 3) Create member value.

After a thorough analysis of its organization, a new organizational structure was launched aligned to member program needs. New measurement tools emerged from the effort including:

- 360° Reviews of Staff
- Balanced Scorecard (focused on financial performance, member needs, internal business processes, growth)

Other outcomes included:

- Member Services Center: A "one-stop-shop" staffed by 4 employees designed to handle everything from meeting registration to publications fulfillment to general questions.
- Member Relations Executives: CMA hired former senior executives from industry to better understand and engage members in the Association.
- Issues Review Team: This team, comprised of senior member representatives and CMA staff makes

IMPROVING MEMBER PROGRAMMING

- **Assess Member Needs, Measure and Track their Satisfaction and Define and Align Programs to Address their most Critical Needs.** To improve training programs, the ABJ should organize a work team made up of key member bank employees and ABJ staff. This work team could be tasked to assess the Associations training programs and make recommendations to improve it. Outputs from this team could include:
 - A survey of member's training needs and review of satisfaction scores of the Association's historic programs
 - Member training needs identified and prioritized
 - Survey and analysis of strengths and weaknesses of training programs offered by other Jordan training centers

A BENCHMARK OPPORTUNITY: The American Bankers Association tracks member satisfaction extensively for its training events. Every attendee receives an evaluation by email requesting general feedback on member needs and specific input on the event with questions covering logistics, program content and speaker. The ABA analyzes the results for each event and aggregates the information to identify trends. The ABA also evaluates its Online Courses and gathers feedback on the course delivery method, the content and instructor.

Each conference and school has a planning committee of bankers and staff who look at the issues and decide what best to cover that year. Every 5 years the ABA does a broader assessment of the industry's issues and training needs.

IMPROVING ADVOCACY AND PUBLIC RELATIONS EFFORTS

- **Coordinate Member Efforts to Enhance the Industry's Image and Promote its Contributions to Jordan's Economy and Communities.** The ABJ could play a leading role in promoting public understanding of the sector. The ABJ should develop a "business case" for members to pool resources for a coordinated campaign to promote understanding of banking services and highlight the contributions and importance of banking to the economy and communities of Jordan. A public relations committee could be convened to develop a strategy and manage tactics that will promote and defend the industry to the government and media.

This effort should focus on real public education, not simply image-building, and could include focus groups to determine what tangible improvements the sector could make to increase consumer satisfaction levels, i.e. such as in product expansion, pricing, customer service, geographical reach.

- **Develop Media Relations and Communications Plan for ABJ.** The Association could benefit from a planned approach and tool kit for its tactical communications. A media specialist could be engaged to provide staff training in media relations, communications planning and assist with several media events to strengthen the skill level and public relations experience of the ABJ staff.
- **Proactively analyze issues and initiate discussions and responses from members.** Similar to an initiative of the American Chemistry Council, the ABJ could organize an "Issues Review Team" to track emerging issues for Jordan's banking sector and recommend coordinated advocacy efforts to the ABJ Board.

A BENCHMARK OPPORTUNITY: For many years, the National Association of Home Builders (NAHB) members routinely participated in community development projects and had shown a strong level of commitment to good corporate citizenship. However, this story had never been told on a national level, and the time was right to use local success stories to dispel distorted national public perceptions about the industry.

The NAHB organized a campaign "Home Builders Care" and gathered information on their members' community activities to create a database of community development projects and showcase the versatility and commitment of homebuilders to improving the quality of life in their communities.

As a result of the campaign, local legislators and zoning boards across the country gained awareness of homebuilder community development initiatives. By communicating their value on community outreach, local builders enhanced their credibility with regulatory authorities and were able to enhance the quality of their own business dealings.

APPENDIX

ABJ's Governance and Organizational Structure

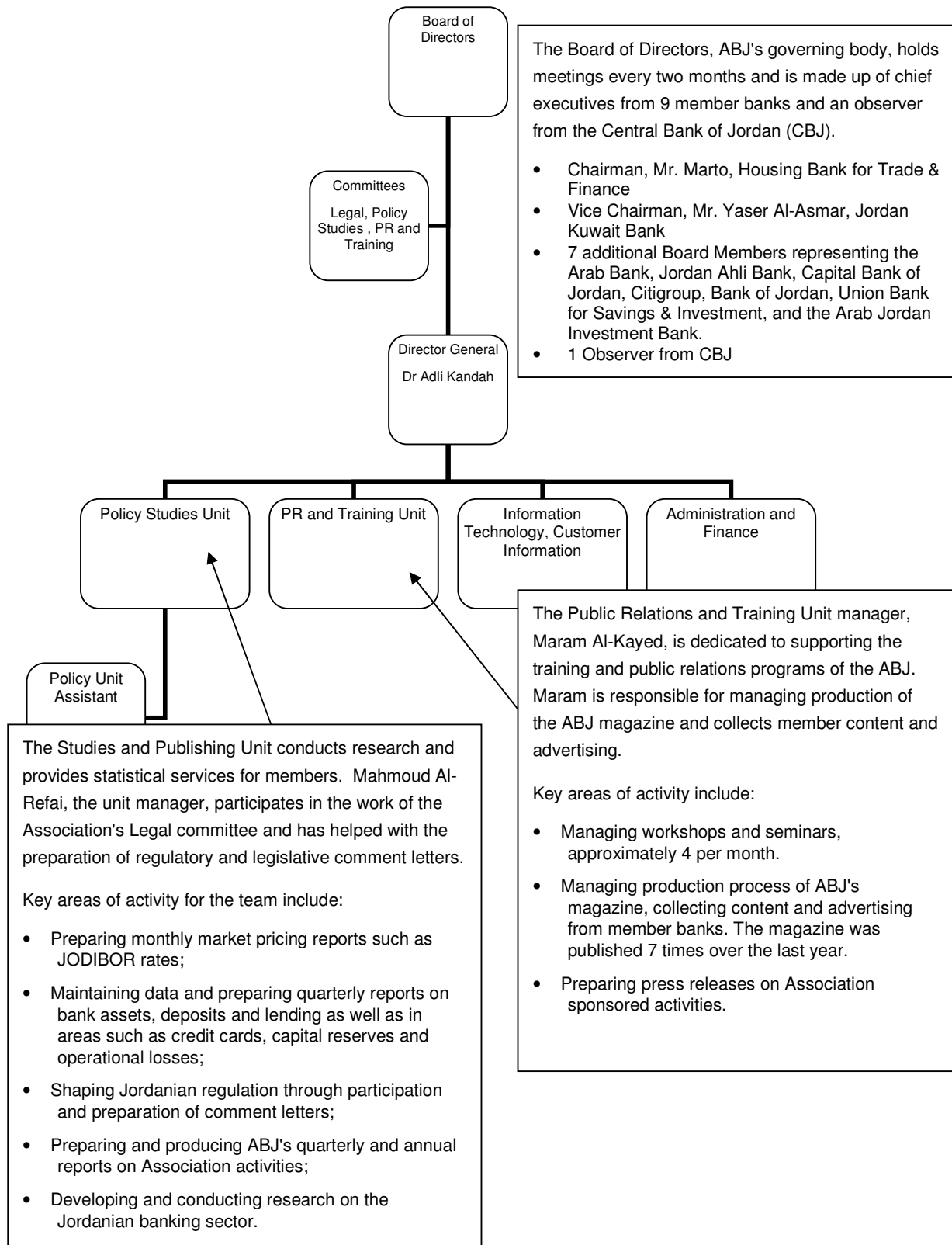
The Studies and Publishing Unit

Work-in-Progress Performance Plans

Banking Sector's Public Image

GOVERNANCE AND ORGANIZATIONAL STRUCTURE

The Director General needs a higher level of engagement and support from ABJ's Board of Directors to expand the Association's scope of work and drive improvements in it. Most ABJ program areas are supported by a single staff associate that is either an entry-level professional or a long-term associate lacking skills or the motivation to elevate his/her work.



THE ASSOCIATIONS STUDIES AND PUBLISHING UNIT

SCOPE OF WORK

The Studies and Publishing Unit (Studies team) conducts research and provides statistical services for members. The Studies team participates in the work of the Association's Legal Committee and helps with the preparation of regulatory and legislative comment letters.

PARTNERS

The Studies team maintains close working relationships with the Association's committee members and the Central Bank. The team also works with the Department of Statistics in the preparation of its studies.

CORE ACTIVITIES

Key areas of activity for the team include:

- Preparing monthly market pricing reports such as JODIBOR rates;
- Maintaining data and preparing quarterly reports on bank assets, deposits and lending as well as in areas such as credit cards, capital reserves and operational losses;
- Shaping Jordanian regulation through participation and preparation of comment letters;
- Preparing and producing ABJ's annual report on Association activities;
- Developing and conducting research on the Jordanian banking sector.

FINDINGS AND OPPORTUNITIES

- The Studies Unit is working on a survey to learn more about the needs and perceptions of senior university students. As it moves forward with survey development, the Studies team could convene the Policy Studies committee to gain member input into the content. The Policy Studies team already has plans to work with the Department of Statistics in the design of the survey.
- The Association could do more in setting themes and leading research on behalf of the industry. The unit's regular research on economic indicators and operational performance could be expanded and packaged to provide policy makers with carefully evidenced arguments for change.
- Industry research managed by the ABJ can provide a cost effective research solution to members and keep them abreast of customer needs, purchasing behaviors and industry perception.

PERFORMANCE PLANS STARTED FOR ABJ EMPLOYEES

[illegible]

JORDAN'S BANKING SECTOR COULD BENEFIT FROM A COLLECTIVE PUBLIC RELATIONS EFFORT

"...the prevailing sentiment is that the government tax rate on banking is higher than it need be—higher than any other sector of the economy, according to Salfiti.

A deep seeded image problem seems to be a part of what needs to be overcome,...To counter this, the industry is planning a public relations campaign that aims to educate both the population at large as well as government officials."

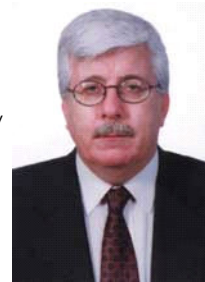
Isam H. Salfiti,

*Chairman Union Bank,
International Reports.net, June
2006*

Consolidation likely in Jordanian banking sector

Growth and stability lead to overall economic confidence

As the man responsible for the state of the American dollar, the aftermath of Allan Greenspan's departure as Chairman of the US Federal Reserve is being watched world wide, including by the financial decision-makers in Jordan. "We are very much connected to the market," said Isam Salfiti, chairman and general manager of one of this country's largest banks. The moustachiod Salfiti, in smart round glasses and a gregarious deportment, claims that every time Greenspan raised interest rates by a quarter of a percentage point it's impact upon the Jordanian market was less immediate than it was on the Central Bank. "Our Central Bank raised interest rates every time Greenspan did," said Salfiti. "Whenever Greenspan said something—the whole world reacted."



Isam H. Salfiti,
Chairman of Union Bank

Last year was a booming year for profits in Jordan, including in the banking industry. Despite a set back in early March in the Jordanian stock market, and somewhat higher interest rates, Salfiti anticipates another good year owing to the fact that all the elements are in place for continued growth.

The four and a half point drop in the market is nothing more than an overdue correction says Salfiti, who believes that a measure of uncertainty over the near term political situation in the region is what initiated the sell off. A few days after the correction in the market, stocks had rebounded. Although it is small, even by regional standards, the presence of an exchange reinforces Jordanian influence as a banking and financial center.

Depending on whom you ask, there is, in Jordan, something in the neighborhood of twenty-three banks. Most financial experts believe that this is too many. "I believe Jordan is very over banked," said Salfiti, citing the example of how one bank alone has over 130 branches in this nation of less than six million people, while yet another operates about 80. The prevailing wisdom in Jordan is that consolidation is needed so as to bring the numbers down. Too much competition leads to lower profits.

As evidenced by the number of banks that are operating here, the Jordanian banking sector is considered to be quite dynamic. The country is also viewed as offering a liberal environment in which to operate. Approximately five of the institutions in service here are subsidiaries of foreign banks, three of them from the West—HSBC, Standard Chartered and Citigroup. Moreover, five others are serving as investment banks, although their activities differ little from most commercial banks, and four other organizations are in place specializing in agricultural loans (Agricultural Credit Corporation), industrial lending (Industrial Development Bank), housing (Beitna), as well as rural development (Cities and Villages Development Bank).

Like financial institutions the world-over, the banking industry is changing as economic liberalizations take hold and banks, such as Salfiti's Union Bank, seek growth. Union Bank was initially a finance company that evolved into a bank in 1992. The banks specialization today is in money exchange. For the most part Salfiti considers his bank as a boutique company, giving special attention to clients. The emphasis now is in bringing the bank to the next level, seeing it grow into a larger entity than it is today.

Although an evolution is taking place, and the banking sector continues to grow, the prevailing sentiment is that the government tax rate on banking is higher than it need be—higher than any other sector of the economy, according to Salfiti. A deep seeded image problem seems to be a part of what needs to be overcome, as it was not all that long ago that people tended to look after their money themselves rather than rely on institutions. To counter this the industry is planning a public relations campaign that aims to educate both the population at large as well as government officials.

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